

UNAUDITED



**UConn** | UNIVERSITY OF  
CONNECTICUT

Interim Financial Report  
For the Six Months Ended  
December 31, 2015



**UNIVERSITY OF CONNECTICUT**  
**INTERIM STATEMENTS OF NET POSITION**  
**As of December 31, 2015 and 2014 and June 30, 2015**  
**UNAUDITED**

(\$ in thousands)

	December 31, 2015	December 31, 2014	June 30, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 237,075	\$ 235,234	\$ 231,522
Accounts receivable, net	52,474	37,552	44,490
Student loans receivable, net	2,088	2,018	2,088
Due from State of Connecticut	216,940	109,578	191,182
Due from related agencies	840	-	2,847
State debt service commitment	116,856	108,879	114,840
Inventories	982	817	982
Deposit with bond trustee	82,322	108,170	221,928
Prepaid expenses	4,675	6,512	6,962
<b>Total Current Assets</b>	<b>714,252</b>	<b>608,760</b>	<b>816,841</b>
<b>Noncurrent Assets</b>			
Cash and cash equivalents	1,429	1,429	1,429
Investments	14,794	12,280	14,661
Student loans receivable, net	11,038	10,854	10,649
State debt service commitment	1,041,835	923,110	1,050,470
Property and equipment, net	1,565,157	1,463,993	1,506,382
<b>Total Noncurrent Assets</b>	<b>2,634,253</b>	<b>2,411,666</b>	<b>2,583,591</b>
<b>Total Assets</b>	<b>3,348,505</b>	<b>3,020,426</b>	<b>3,400,432</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>170,704</b>	<b>7,046</b>	<b>171,080</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	71,241	67,788	90,514
Unearned income	61,861	47,234	33,162
Deposits held for others	3,852	3,598	2,804
Wages payable	50,980	47,588	49,710
Compensated absences	27,464	25,810	27,464
Due to State of Connecticut	25,091	22,130	27,598
Due to affiliate	17,962	13,282	80,294
Current portion of long-term debt and bonds payable	123,645	110,925	118,198
Other current liabilities	35,530	37,959	37,418
<b>Total Current Liabilities</b>	<b>417,626</b>	<b>376,314</b>	<b>467,162</b>
<b>Noncurrent Liabilities</b>			
Compensated absences	7,633	8,146	7,633
Long-term debt and bonds payable	1,312,830	1,180,570	1,335,043
Refundable for federal loan program	11,461	11,370	11,461
Pension liabilities	726,099	-	726,099
<b>Total Noncurrent Liabilities</b>	<b>2,058,023</b>	<b>1,200,086</b>	<b>2,080,236</b>
<b>Total Liabilities</b>	<b>2,475,649</b>	<b>1,576,400</b>	<b>2,547,398</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>26,515</b>	<b>-</b>	<b>26,515</b>
<b>NET POSITION</b>			
<b>Net investment in capital assets</b>	<b>1,274,377</b>	<b>1,194,899</b>	<b>1,207,892</b>
<b>Restricted nonexpendable</b>	<b>13,269</b>	<b>13,559</b>	<b>13,091</b>
<b>Restricted expendable</b>			
Research, instruction, scholarships and other	19,719	19,195	19,334
Loans	2,720	2,639	2,533
Capital projects	80,751	38,568	184,023
Debt service	13	1	-
<b>Unrestricted (see Note 7)</b>	<b>(373,804)</b>	<b>182,211</b>	<b>(429,274)</b>
<b>Total Net Position</b>	<b>\$ 1,017,045</b>	<b>\$ 1,451,072</b>	<b>\$ 997,599</b>

**UNIVERSITY OF CONNECTICUT**  
**INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Six Months Ended December 31, 2015 and 2014 and the Year Ended June 30, 2015**  
**UNAUDITED**

(\$ in thousands)

	December 31, 2015	December 31, 2014	June 30, 2015
<b>OPERATING REVENUES</b>			
Student tuition and fees (Net of scholarship allowances of \$68,250 for December 31, 2015, \$63,994 for December 31, 2014 and \$134,279 for June 30, 2015)	\$ 173,586	\$ 162,067	\$ 308,174
Federal grants and contracts	65,283	60,738	118,383
State and local grants and contracts	15,701	13,087	31,931
Nongovernmental grants and contracts	9,918	8,307	20,535
Sales and services of educational departments	8,647	8,338	21,028
Sales and services of auxiliary enterprises (Net of scholarship allowances of \$1,697 for December 31, 2015, \$1,668 for December 31, 2014 and \$3,338 for June 30, 2015)	107,891	106,564	201,066
Other sources	10,267	5,783	12,263
<b>Total Operating Revenues</b>	<b>391,293</b>	<b>364,884</b>	<b>713,380</b>
<b>OPERATING EXPENSES</b>			
Educational and general			
Instruction	190,178	181,153	382,256
Research	37,689	36,650	73,596
Public service	26,300	21,146	48,884
Academic support	68,636	62,493	131,914
Student services	18,828	18,507	36,955
Institutional support	32,117	29,871	57,330
Operations and maintenance of plant	64,708	48,752	114,889
Depreciation and amortization	48,503	47,535	95,990
Student aid	5,184	4,686	9,127
Auxiliary enterprises	106,530	107,567	209,633
<b>Total Operating Expenses</b>	<b>598,673</b>	<b>558,360</b>	<b>1,160,574</b>
<b>Operating Loss</b>	<b>(207,380)</b>	<b>(193,476)</b>	<b>(447,194)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriation	215,690	201,840	350,699
State debt service commitment for interest	26,531	22,991	46,635
Gifts	5,977	4,852	23,828
Investment income	504	432	889
Interest expense	(25,722)	(22,768)	(46,420)
Other nonoperating expenses, net	-	(15)	(1,540)
<b>Net Nonoperating Revenues</b>	<b>222,980</b>	<b>207,332</b>	<b>374,091</b>
<b>Income (Loss) Before Other Changes in Net Position</b>	<b>15,600</b>	<b>13,856</b>	<b>(73,103)</b>
<b>OTHER CHANGES IN NET POSITION</b>			
State debt service commitment for principal	-	-	56,430
Capital allocation	-	-	131,500
Capital grants and gifts	4,194	1,983	25,412
Disposal of property and equipment, net	(356)	(133)	(473)
Additions to permanent endowments	8	6	66
<b>Net Other Changes in Net Position</b>	<b>3,846</b>	<b>1,856</b>	<b>212,935</b>
<b>Increase (Decrease) in Net Position</b>	<b>19,446</b>	<b>15,712</b>	<b>139,832</b>
<b>NET POSITION</b>			
Net Position-beginning of year	997,599	1,435,360	1,435,360
Prior year adjustment for pensions (see Note 8)	-	-	(577,593)
Net Position-beginning of year, adjusted	997,599	1,435,360	857,767
Net Position-end of year	\$ 1,017,045	\$ 1,451,072	\$ 997,599

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**Notes to Interim Financial Statements  
For the Six Months Ended December 31, 2015 and 2014 and  
the Year Ended June 30, 2015**

**1. RELATED ENTITIES**

This financial report for the six months ended December 31, 2015 and 2014 and the year ended June 30, 2015 represents the transactions and balances of the University of Connecticut (University), herein defined as all programs except the University of Connecticut Health Center (UConn Health). Two related, but independent, corporate entities support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) and The University of Connecticut Law School Foundation, Inc. (Law School Foundation). The Foundation raises funds to promote, encourage, and assist education and research at both the University and UConn Health, while the Law School Foundation, with similar objectives, supports only the University. The Law School Foundation, which is organized for the benefit of the University and whose economic resources can only be used by or for the benefit of the University, is included as a component unit with the University in its annual report. While shown as a component unit in the June 30, 2015 financial report, it is not included with the financial statements for the six months ended December 31, 2015 and 2014. The Foundation materially supports the mission of the University and UConn Health, which are both separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or UConn Health would distort its actual contribution or economic benefit to that entity, and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

**2. INTERIM FINANCIAL STATEMENT PRESENTATION**

The Statements of Net Position as of December 31, 2015 and 2014 and the Statements of Revenues, Expenses, and Changes in Net Position for the six months ended December 31, 2015 and 2014 are prepared on the same basis as the June 30, 2015 statements except for the items listed below:

- (1) The following items are only adjusted at June 30th and have not changed since this date:
  - a. Current student loans receivable, net
  - b. Inventory of consumable supplies
  - c. The fair value adjustments for endowments invested by the Foundation
  - d. Compensated absences
  - e. Adjustments pertaining to Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions.
  - f. The refundable for federal loan program liability
  - g. Adjustments to pension liabilities and related deferred outflows and deferred inflows of resources in accordance with GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (see Note 8).
- (2) Waived tuition related to employees and their dependents is included only at June 30th as fringe benefit cost and tuition revenue in the Statement of Revenues, Expenses, and Changes in Net Position.
- (3) Depreciation and amortization is calculated for most assets as of December 31st. Since buildings are only capitalized in June of each year, no depreciation has been included for any new buildings that may have been completed as of December 31st.

**3. PROPERTY AND EQUIPMENT**

The following table describes the changes in property and equipment for the six months ended December 31, 2015 and 2014 and the year ended June 30, 2015 (amounts in thousands):

**Changes in Property and Equipment for the Six Months Ended December 31, 2015:**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers and other</b>	<b>Balance December 31, 2015</b>
<b><u>Property and equipment:</u></b>					
Land	\$ 20,274	\$ 405	\$ -	\$ -	\$ 20,679
Non-structural improvements	245,234	710	-	-	245,944
Buildings	1,969,081	17,288	(666)	-	1,985,703
Equipment	419,885	12,520	(5,623)	-	426,782
Construction in progress	100,701	76,711	-	-	177,412
Total property and equipment	2,755,175	107,634	(6,289)	-	2,856,520
<b><u>Less accumulated depreciation and amortization:</u></b>					
Non-structural improvements	133,038	4,214	-	-	137,252
Buildings	857,375	31,754	(605)	-	888,524
Equipment	258,380	12,535	(5,328)	-	265,587
Total accumulated depreciation and amortization	1,248,793	48,503	(5,933)	-	1,291,363
<b><u>Property and equipment, net:</u></b>					
Land	20,274	405	-	-	20,679
Non-structural improvements	112,196	(3,504)	-	-	108,692
Buildings	1,111,706	(14,466)	(61)	-	1,097,179
Equipment	161,505	(15)	(295)	-	161,195
Construction in progress	100,701	76,711	-	-	177,412
Property and equipment, net:	<u>\$ 1,506,382</u>	<u>\$ 59,131</u>	<u>\$ (356)</u>	<u>\$ -</u>	<u>\$ 1,565,157</u>

**Changes in Property and Equipment for the Six Months Ended December 31, 2014:**

	Balance July 1, 2014	Additions	Retirements	Transfers and other	Balance December 31, 2014
<b><u>Property and equipment:</u></b>					
Land	\$ 20,029	\$ -	\$ -	\$ -	\$ 20,029
Non-structural improvements	239,637	31	-	-	239,668
Buildings	1,902,953	9,431	-	-	1,912,384
Equipment	408,748	8,244	(14,134)	-	402,858
Construction in progress	72,076	25,101	-	-	97,177
Total property and equipment	2,643,443	42,807	(14,134)	-	2,672,116
<b><u>Less accumulated depreciation and amortization:</u></b>					
Non-structural improvements	124,403	4,314	-	-	128,717
Buildings	794,159	31,359	-	-	825,518
Equipment	256,027	11,862	(14,001)	-	253,888
Total accumulated depreciation and amortization	1,174,589	47,535	(14,001)	-	1,208,123
<b><u>Property and equipment, net:</u></b>					
Land	20,029	-	-	-	20,029
Non-structural improvements	115,234	(4,283)	-	-	110,951
Buildings	1,108,794	(21,928)	-	-	1,086,866
Equipment	152,721	(3,618)	(133)	-	148,970
Construction in progress	72,076	25,101	-	-	97,177
Property and equipment, net:	\$ 1,468,854	\$ (4,728)	\$ (133)	\$ -	\$ 1,463,993

**Changes in Property and Equipment for the Year Ended June 30, 2015:**

	Balance July 1, 2014	Additions	Retirements	Transfers and other	Balance June 30, 2015
<b><u>Property and equipment:</u></b>					
Land	\$ 20,029	\$ 247	\$ (2)	\$ -	\$ 20,274
Non-structural improvements	239,637	1,978	-	3,619	245,234
Buildings	1,902,953	31,503	(1,982)	36,607	1,969,081
Equipment	408,748	33,137	(22,134)	134	419,885
Construction in progress	72,076	68,985	-	(40,360)	100,701
Total property and equipment	2,643,443	135,850	(24,118)	-	2,755,175
<b><u>Less accumulated depreciation and amortization:</u></b>					
Non-structural improvements	124,403	8,635	-	-	133,038
Buildings	794,159	63,597	(381)	-	857,375
Equipment	256,027	23,758	(21,405)	-	258,380
Total accumulated depreciation and amortization	1,174,589	95,990	(21,786)	-	1,248,793
<b><u>Property and equipment, net:</u></b>					
Land	20,029	247	(2)	-	20,274
Non-structural improvements	115,234	(6,657)	-	3,619	112,196
Buildings	1,108,794	(32,094)	(1,601)	36,607	1,111,706
Equipment	152,721	9,379	(729)	134	161,505
Construction in progress	72,076	68,985	-	(40,360)	100,701
Property and equipment, net:	\$ 1,468,854	\$ 39,860	\$ (2,332)	\$ -	\$ 1,506,382

**4. LONG-TERM DEBT PAYABLE**

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2015 and 2014 and the year ended June 30, 2015 was as follows (amounts in thousands):

**Long-term Debt Activity for the Six Months Ended December 31, 2015:**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2015</b>	<b>Current portion</b>
General obligation bonds	\$ 1,147,985	\$ -	\$ (8,635)	\$ 1,139,350	\$ 97,515
Revenue bonds	118,625	-	(6,215)	112,410	6,375
Self-liquidating bonds	349	-	-	349	73
Installment loans	671	-	(211)	460	429
Obligation under capital lease for Cogeneration	51,398	-	(2,068)	49,330	4,238
Note payable for Nathan Hale Inn	-	5,377	(84)	5,293	5,293
Total long-term debt	1,319,028	5,377	(17,213)	1,307,192	113,923
Premiums/discounts	134,213	-	(4,930)	129,283	9,722
Total long-term debt, net	<u>\$ 1,453,241</u>	<u>\$ 5,377</u>	<u>\$ (22,143)</u>	<u>\$ 1,436,475</u>	<u>\$ 123,645</u>

**Long-term Debt Activity for the Six Months Ended December 31, 2014:**

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2014</b>	<b>Current portion</b>
General obligation bonds	\$ 1,023,985	\$ -	\$ (8,630)	\$ 1,015,355	\$ 92,245
Revenue bonds	124,615	-	(5,990)	118,625	6,215
Self-liquidating bonds	551	-	-	551	202
Installment loans	1,027	-	(202)	825	412
Obligation under capital lease for Cogeneration	55,437	-	(2,001)	53,436	4,106
Total long-term debt	1,205,615	-	(16,823)	1,188,792	103,180
Premiums/discounts	107,074	-	(4,371)	102,703	7,745
Total long-term debt, net	<u>\$ 1,312,689</u>	<u>\$ -</u>	<u>\$ (21,194)</u>	<u>\$ 1,291,495</u>	<u>\$ 110,925</u>

**Long-term Debt Activity for the Year Ended June 30, 2015:**

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2015</b>	<b>Current portion</b>
General obligation bonds	\$ 1,023,985	\$ 254,790	\$ (130,790)	\$ 1,147,985	\$ 97,515
Revenue bonds	124,615	-	(5,990)	118,625	6,215
Self-liquidating bonds	551	-	(202)	349	74
Installment loans	1,027	61	(417)	671	425
Obligation under capital lease for Cogeneration	55,437	-	(4,039)	51,398	4,169
Total long-term debt	1,205,615	254,851	(141,438)	1,319,028	108,398
Premiums/discounts	107,074	37,134	(9,995)	134,213	9,800
Total long-term debt, net	<u>\$ 1,312,689</u>	<u>\$ 291,985</u>	<u>\$ (151,433)</u>	<u>\$ 1,453,241</u>	<u>\$ 118,198</u>



## 5. UNEARNED INCOME

Unearned income is comprised of: tuition, fees and auxiliary enterprises revenues received in advance of services rendered for winter and spring sessions; certain restricted research grants that are not included in revenue until the funds are expended; athletic ticket sales and commitments received in advance of the season; and other revenues received but not earned.

## 6. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters, including unasserted claims, of potential individual significance. With respect to two matters, certain claimants seek an aggregate of approximately \$25.0 million. If claimants are successful, the claim would be paid from the State's General Fund, not from the University. The State expects these matters to be resolved for substantially less than the amounts claimed. In the opinion of legal counsel, the aggregate exposure pertaining to the other remaining claims and unasserted claims cannot be reasonably estimated but is not expected to exceed \$5.0 million.

## 7. UNRESTRICTED NET POSITION

The University adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, for external reporting purposes, which requires net position to be classified for accounting and reporting purposes into one of three net position categories. Unrestricted net position, as defined by GASB, is not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net position may be assigned for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all of unrestricted net position is internally assigned to academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

## 8. PRIOR YEAR ADJUSTMENTS

In fiscal year 2015, the University implemented GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 addresses new accounting and financial reporting requirements for governmental employers that provide their employees with pension benefits administered through a qualified trust and is effective for the University beginning July 1, 2014. The State is statutorily responsible for the retirement benefits of State employees, including employees of the University, a component unit of the State. Under GASB 68, component units are required to recognize a liability for their proportionate share of the net pension liability of the primary government. Consequently, the University must report its proportionate share of the collective pension amounts related to the State Employees' Retirement System and the Teachers' Retirement System in its stand-alone financial statements effective for the fiscal year ended June 30, 2015.

In addition, the University adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective simultaneously with the provisions of GASB 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The cumulative effect of applying GASB 68 and 71 is reported as a restatement of beginning net position for the year ended June 30, 2015. The following table presents the impact of this change (amounts in thousands):

	<b>2015</b>
Beginning net position, July 1, 2014	\$ 1,435,360
Cumulative effect of adoption of GASB 68 and 71	(577,593)
Adjusted beginning net position, July 1, 2014	<u>\$ 857,767</u>



**University of Connecticut**  
**Storrs & Regional Campuses**  
**FY2016 Statement of Operating Budget, Forecast, and Variance (\$M)<sup>1</sup>**  
**As of 1/26/2016**

	FY2016			% Change
	Budget	Forecast	Variance	
<b>Revenues</b>			Favorable/(Unfavorable)	
State Support	\$396.7	\$388.1	(\$8.6)	
Tuition	346.8	353.0	6.2	
Fees	117.4	122.0	4.6	
Grants & Contracts	68.8	78.8	10.0	
Foundation	17.7	17.7	0.0	
Investment Income	0.7	0.8	0.1	
Sales and Services of Ed Activities	18.4	19.5	1.1	
Auxiliary Enterprise	215.7	210.1	(5.6)	
All Other Sources	<u>10.6</u>	<u>16.0</u>	<u>5.4</u>	
<b>Total Operating Fund</b>	\$1,192.8	\$1,206.0	\$13.2	1.1%
Research Fund	<u>101.8</u>	<u>102.0</u>	<u>0.2</u>	0.2%
<b>Total Revenues</b>	<b>\$1,294.6</b>	<b>\$1,308.0</b>	<b>\$13.4</b>	<b>1.0%</b>
<b>Expenses</b>				
Personal Services	\$507.8	\$504.5	\$3.3	
Fringe Benefits	259.3	252.6	6.7	
Other Expenses	232.7	227.7	5.0	
Equipment	3.9	11.6	(7.7)	
Student Aid	146.5	151.6	(5.1)	
Debt/Other Transfers	<u>38.0</u>	<u>55.5</u>	<u>(17.4)</u>	
<b>Total Operating Fund</b>	\$1,188.2	\$1,203.5	(\$15.3)	-1.3%
Research Fund	<u>104.2</u>	<u>103.7</u>	<u>0.5</u>	0.5%
<b>Total Expenses</b>	<b>\$1,292.4</b>	<b>\$1,307.2</b>	<b>(\$14.8)</b>	<b>-1.1%</b>
<b>Net Gain (Loss)</b>	<b><u>\$2.2</u></b>	<b><u>\$0.8</u></b>	<b><u>(\$1.4)</u></b>	

<sup>1</sup>The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation or amortization and does not include the State debt service commitment for principal and interest.