



TOPIC: University System of Maryland: FY 2015 Draft Financial Statements

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: November 19, 2015

SUMMARY: The purpose of this item is to provide a brief review of the draft and preliminary University System of Maryland basic financial statements for the year ended June 30, 2015. Attached are several documents:

- Summary of key points for the System’s draft and preliminary financial statements (page 2).
- Balance Sheet and Statement of Revenues, Expenses and Changes in net position for the year ended June 30, 2015 (pages 3-4).
- For informational purposes, the Balance Sheet and Statement of Revenues, Expenses and Changes in net position for the years ended June 30, 2014 and 2013 have been provided (pages 5-6).
- The Financial Snapshot (page 7) summarizes the System’s key financial health ratio utilized by rating agencies—available resources to debt outstanding—using the figures reflected in the draft financial statements to provide a comparison between June 30, 2014 and 2015. In the bottom section of the chart, we adjust the publicly reported balances for Board-approved claims and authorizations not yet expended or reflected yet in the financial statements in order to arrive at a “true” financial health ratio for internal management and decision-making purposes.

The financial statements reflect the preliminary financial position and the results of operations of the System for the year ended June 30, 2015 prepared on an accrual basis of accounting. This year the audit report will only include a single year presentation of the financials since there is no opportunity to restate June 30, 2014 statements for GASB 68 related transactions. The final, audited financial statements for the System will be available in December, and will include the auditor’s opinion (System officials anticipate a “clean” or unqualified opinion at this point), all appropriate note disclosures, a section containing management’s discussion and analysis, the financial statements of the affiliated foundations, and supplementary financial statements for each of the USM institutions.

ALTERNATIVE(S): This item is presented for information purposes.

FISCAL IMPACT: This item is presented for information purposes.

CHANCELLOR’S RECOMMENDATION: This item is presented for information purposes.

COMMITTEE RECOMMENDATION: ACCEPTED FOR INFORMATION

DATE: 11/19/15

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923



**University System of Maryland
Draft Financial Statements
Year ended June 30, 2015**

Key points associated with FY 2015 Financial Statements:

1. Unrestricted net assets declined by more than \$536M. The results of operations and capital activities resulted in an increase of more than \$143M. Governmental Accounting Standards Board Statement (GASB) #68 required that the System record a liability for a proportionate amount of the state's unfunded pension liability of \$679M. Results of operations and capital activities is the change in unrestricted net assets excluding the impact of GASB Statement #68.
2. The results of operations and capital activities reflects an increase from operating activities of more than \$220M offset by cash-funded spending on capital projects of \$77M.
3. UMUC reported an increase in unrestricted net assets from operations of more than \$42M, in large measure a reflection of an enrollment recovery, combined with cost-cutting measures. Unrestricted net assets at UMB increased more than \$20M, while Salisbury University and UMBC both increased unrestricted net assets from operations and capital activities by more than \$10M each.
4. As shown on the "Financial Snapshot," the financial statements report a marked improvement in the key Balance Sheet strength ratio used by the rating agencies. Balance Sheet strength, defined as the ratio of 'available resources' (USM unrestricted net assets + Unfunded Pension amounts + USM accrued leave liability + affiliated foundation unrestricted net assets) to debt outstanding, increased from 138% at June 30, 2014 to 161% at June 30, 2015. Adjusting for Board-approved commitments and authorizations to spend not yet reflected in the financial statements, FY 15 resulted in an improvement overall in "true" financial standing, improving from 101% ratio of available resources to debt outstanding on an adjusted basis, to 121%. (see Financial Snapshot)
5. The other key ratio the bond rating agencies consider is the ratio of debt service to total expendable resources (total operating revenues + state appropriations). At June 30, 2015 and 2014, this ratio is 3.1%, compared to Board of Regents Policy limit of 4.50%
6. Based on draft financials, each institution met the president's fund balance goal for fiscal year 2015.

**UNIVERSITY SYSTEM OF MARYLAND
BALANCE SHEET
JUNE 30, 2015**

ASSETS		
Current assets:		
Cash and cash equivalents	\$1,931,035,806	
Accounts receivable, net	238,579,630	
Notes receivable, current portion, net	9,204,215	
Inventories	10,751,254	
Prepaid expenses and other	<u>8,802,462</u>	
Total current assets	<u>2,198,373,367</u>	
Noncurrent assets:		
Restricted cash and cash equivalents	53,635,361	
Endowment investments	259,180,796	
Other investments	9,660,314	
Notes receivable, net	56,425,074	
Capital assets, net	<u>5,618,391,771</u>	
Total noncurrent assets	<u>5,997,293,316</u>	
Total assets	<u>8,195,666,683</u>	
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refundings of debt	19,366,028	
Change in pension investment	<u>118,103,827</u>	
Total deferred outflows of resources	<u>137,469,855</u>	
Total assets and deferred outflows of resources	<u>\$8,333,136,538</u>	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$305,763,023	
Accrued workers' compensation, current portion	4,650,000	
Accrued vacation costs, current portion	102,968,033	
Revenue bonds and notes payable, current portion	89,598,948	
Obligations under capital lease agreements, current portion	1,268,224	
Unearned revenue	<u>193,328,789</u>	
Total current liabilities	<u>697,577,017</u>	
Noncurrent liabilities:		
Accrued workers' compensation	25,350,000	
Accrued vacation costs	102,200,886	
Revenue bonds and notes payable	1,099,813,115	
Obligations under capital lease agreements	8,853,287	
Net pension liability	<u>718,516,394</u>	
Total noncurrent liabilities	<u>1,954,733,682</u>	
Total liabilities	<u>2,652,310,699</u>	
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	343,999,596	
Deferred financing inflow - pension liability	<u>78,646,309</u>	
Total deferred inflows of resources	<u>422,645,905</u>	
NET POSITION		
Unrestricted	<u>869,422,201</u>	
Net investment in capital assets	4,140,685,079	
Restricted:		
Nonexpendable:		
Scholarships and fellowships	16,134,303	
Research	4,165,414	
Other	16,854,294	
Expendable:		
Scholarships and fellowships	37,537,195	
Research	73,431,641	
Loans	67,240,220	
Capital projects	4,949,886	
Other	<u>27,759,701</u>	
Total net position	<u>5,258,179,934</u>	
Total liabilities, deferred inflows of resources and net position	<u>\$8,333,136,538</u>	

GASB 68 IMPLEMENTATION
\$679,058,876

TOTAL DEBT OUTSTANDING
\$1,180,167,546

UNIVERSITY SYSTEM OF MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:		
Tuition and fees	\$1,501,372,760	
Less: scholarship allowances	<u>(280,247,390)</u>	1,221,125,370
Federal grants and contracts		632,967,441
State and local grants and contracts		211,070,386
Nongovernmental grants and contracts		201,844,204
Sales and services of educational departments		331,889,848
Auxiliary enterprises:		
Residential facilities	180,711,829	
Less: scholarship allowances	<u>(11,563,631)</u>	169,148,198
Dining facilities	124,545,823	
Less: scholarship allowances	<u>(7,126,982)</u>	117,418,841
Intercollegiate athletics	118,662,370	
Less: scholarship allowances	<u>(4,962,206)</u>	113,700,164
Bookstore	22,723,610	
Less: scholarship allowances	<u>(1,634,569)</u>	21,089,041
Parking facilities	40,493,420	
Less: scholarship allowances	<u>(253,786)</u>	40,239,634
Other auxiliary enterprises revenues	141,995,120	
Less: scholarship allowances	<u>(33,054)</u>	141,962,066
Other operating revenues		<u>66,190,600</u>
Total operating revenues		<u>3,268,645,793</u>
OPERATING EXPENSES:		
Instruction		1,224,231,147
Research		936,234,104
Public service		152,294,821
Academic support		412,231,388
Student services		218,553,357
Institutional support		445,527,993
Operation and maintenance of plant		336,605,301
Scholarships and fellowships		104,239,654
Auxiliary enterprises:		
Residential facilities		153,091,117
Dining facilities		113,018,447
Intercollegiate athletics		113,646,623
Bookstore		21,835,280
Parking facilities		26,198,642
Other auxiliary enterprises expenses		118,474,503
Hospital		<u>193,069,257</u>
Total operating expenses		<u>4,569,251,634</u>
Operating loss		<u>(1,300,605,841)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations		1,203,572,985
Peil grants		146,299,427
Gifts		49,174,792
Investment income	33,575,694	
Less: Investment expense	<u>(732,089)</u>	32,843,605
Interest on indebtedness		(46,131,763)
Other revenues, (expenses), gains and (losses)		<u>19,005,767</u>
Total net nonoperating revenues		<u>1,404,764,813</u>
(Loss) income before other revenues		<u>104,158,972</u>
OTHER REVENUES:		
Capital appropriations		234,361,573
Capital gifts and grants		22,109,432
Additions to permanent endowments		<u>414,067</u>
Total other revenues		<u>256,885,072</u>
Increase in net position		361,044,044
Net position - beginning of year		5,594,953,744
Restatement for pension liability due to GASB 68		<u>(697,817,854)</u>
Net position - end of year		<u>\$5,258,179,934</u>

**UNIVERSITY SYSTEM OF MARYLAND
BALANCE SHEETS
JUNE 30, 2014 AND 2013**

	June 30, 2014	June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,773,647,983	\$1,820,390,529
Accounts receivable, net	267,610,211	268,855,816
Notes receivable, current portion, net	8,379,623	7,728,081
Inventories	10,320,623	10,271,714
Prepaid expenses and other	10,776,894	9,038,098
Total current assets	2,070,735,334	2,116,284,238
Noncurrent assets:		
Restricted cash and cash equivalents	120,156,870	51,390,989
Endowment investments	260,085,355	192,920,622
Other investments	8,074,194	6,693,185
Notes receivable, net	57,309,733	58,567,542
Capital assets, net	5,456,115,475	5,273,348,180
Total noncurrent assets	5,901,741,627	5,582,920,518
Total assets	7,972,476,961	7,699,204,756
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refundings of debt	18,492,974	21,666,120
Total assets and deferred outflows of resources	\$7,990,969,935	\$7,720,870,876
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$349,447,185	\$310,619,251
Accrued workers' compensation, current portion	4,744,085	4,375,805
Accrued vacation costs, current portion	98,254,183	89,344,370
Revenue bonds and notes payable, current portion	86,816,745	79,050,151
Obligations under capital lease agreements, current portion	1,184,141	1,104,394
Unearned revenue	168,449,166	177,345,393
Total current liabilities	708,895,505	661,839,364
Noncurrent liabilities:		
Accrued workers' compensation	25,862,915	23,855,195
Accrued vacation costs	97,303,473	93,936,692
Revenue bonds and notes payable	1,191,477,149	1,125,984,275
Obligations under capital lease agreements	10,121,512	11,305,654
Total noncurrent liabilities	1,324,765,049	1,255,081,816
Total liabilities	2,033,660,554	1,916,921,180
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	362,355,637	380,711,678
NET POSITION		
Unrestricted	1,405,702,659	1,442,111,011
Net investment in capital assets	3,934,645,045	3,733,261,041
Restricted:		
Nonexpendable:		
Scholarships and fellowships	15,825,794	15,729,733
Research	4,060,103	4,055,554
Other	16,854,045	16,518,773
Expendable:		
Scholarships and fellowships	38,022,736	37,653,479
Research	76,172,765	69,959,016
Loans	69,310,705	71,207,868
Capital projects	5,827,559	5,651,220
Other	28,532,333	27,090,323
Total net position	5,594,953,744	5,423,238,018
Total liabilities, deferred inflows of resources and net position	\$7,990,969,935	\$7,720,870,876

UNIVERSITY SYSTEM OF MARYLAND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>Year ended June 30,</u> <u>2014</u>	<u>Year ended June 30,</u> <u>2013</u>
OPERATING REVENUES:		
Tuition and fees	\$1,430,969,232	\$1,433,382,221
Less: scholarship allowances	<u>(257,883,610)</u>	<u>(245,612,865)</u>
Federal grants and contracts	643,648,177	691,994,706
State and local grants and contracts	205,108,353	188,065,280
Nongovernmental grants and contracts	186,623,448	217,198,445
Sales and services of educational departments	311,924,297	287,007,719
Auxiliary enterprises:		
Residential facilities	168,435,935	163,147,129
Less: scholarship allowances	<u>(11,409,662)</u>	<u>(13,346,944)</u>
Dining facilities	119,849,411	115,694,298
Less: scholarship allowances	<u>(7,587,679)</u>	<u>(8,165,031)</u>
Intercollegiate athletics	107,307,995	95,851,126
Less: scholarship allowances	<u>(5,045,911)</u>	<u>(4,603,108)</u>
Bookstore	26,629,359	27,778,782
Less: scholarship allowances	<u>(1,627,436)</u>	<u>(1,599,367)</u>
Parking facilities	40,573,133	38,875,667
Other auxiliary enterprises revenues	143,899,839	137,815,456
Less: scholarship allowances	<u>(25,576)</u>	<u>(39,863)</u>
Other operating revenues	<u>73,403,386</u>	<u>61,658,055</u>
Total operating revenues	<u>3,174,792,691</u>	<u>3,185,101,706</u>
OPERATING EXPENSES:		
Instruction	1,173,522,028	1,139,913,339
Research	924,899,646	931,958,951
Public service	152,924,530	152,996,481
Academic support	425,738,777	411,613,583
Student services	211,645,833	198,424,948
Institutional support	419,066,424	386,575,951
Operation and maintenance of plant	332,965,938	298,788,447
Scholarships and fellowships	105,263,838	100,959,500
Auxiliary enterprises:		
Residential facilities	146,670,981	136,208,180
Dining facilities	109,969,872	105,843,280
Intercollegiate athletics	100,307,139	89,937,185
Bookstore	25,096,550	27,352,051
Parking facilities	25,199,814	25,342,513
Other auxiliary enterprises expenses	120,900,855	114,240,224
Hospital	<u>179,791,939</u>	<u>173,184,262</u>
Total operating expenses	<u>4,453,964,164</u>	<u>4,293,338,895</u>
Operating loss	<u>(1,279,171,473)</u>	<u>(1,108,237,189)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	1,103,095,560	1,070,834,339
Pell grants	135,772,355	134,134,086
Gifts	39,801,377	44,631,760
Investment income	48,505,616	33,695,044
Less: Investment expense	<u>(713,354)</u>	<u>(703,636)</u>
Interest on indebtedness	(46,548,257)	(45,504,869)
Other revenues, (expenses), gains and (losses)	<u>(17,257,780)</u>	<u>45,978,162</u>
Total net nonoperating revenues	<u>1,262,655,517</u>	<u>1,283,064,886</u>
(Loss) income before other revenues	<u>(16,515,956)</u>	<u>174,827,697</u>
OTHER REVENUES:		
Capital appropriations	181,125,898	149,213,513
Capital gifts and grants	6,691,877	38,107,205
Additions to permanent endowments	<u>413,907</u>	<u>2,605,624</u>
Total other revenues	<u>188,231,682</u>	<u>189,926,342</u>
Increase in net position	<u>171,715,726</u>	<u>364,754,039</u>
Net position - beginning of year	<u>5,423,238,018</u>	<u>5,058,483,979</u>
Net position - end of year	<u>\$5,594,953,744</u>	<u>\$5,423,238,018</u>



**University System of Maryland
Financial Snapshot
As of June 30, 2015 Compared with 2014**

	June 30, 2015	June 30, 2014
From the June 30, 2015 draft financial statements and 2014 audit report		
USM Unrestricted Net Position	\$ 869,422,201	\$ 1,405,702,659
USM Accrued Leave	205,168,919	195,557,656
Affiliated foundations unrestricted net assets	147,950,690	147,390,281
Implementation of GASB 68 - Accounting & Financial Reporting for Pensions	679,058,876	
Available funds	\$ 1,901,600,686	\$ 1,748,650,596
Debt Outstanding	\$ 1,180,167,546	\$ 1,271,106,573
Ratio of Available Funds to Debt Outstanding	161.13%	137.57%
Endowment Funds Value	\$ 259,180,796	\$ 260,085,355
Claims against the June 30 available resources not reflected in financial statements:		
Cash-funded capital projects not fully spent at June 30,	\$ 200,801,509	\$ 168,140,375
Revenue bond-funded projects authorized but debt not yet issued	\$ 270,403,247	\$ 296,290,225
Ratio of Available Funds to Outstanding Debt adjusted for claims	121.20%	101.03%