



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION, **INFORMATION** OR DISCUSSION

TOPIC: Information – Interim Financial Statements

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: March 24, 2014

SUMMARY:

Attached is the unaudited University System of Maryland, Interim Financial Statements, for the Six Month Period Ended December 31, 2013, the Year-ended June 30, 2013 and the Six Month Period Ended December 31, 2012. A set of points to consider in reviewing the interim financial statements is provided to help focus the user on the information most relevant in understanding the System's financial health.

Also included are the following reports 'Trend in transfers of student accounts receivable to state central collections unit for period June 30, 2009 through December 31, 2013', and 'Public College & University Financial Ratio Comparison at June 30, 2013'.

FISCAL IMPACT: Information item

CHANCELLOR'S RECOMMENDATION: Information item

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca

**University System of Maryland
Interim Financial Statements**

Six month period ended December 31, 2013, fiscal year ended June 30, 2013, and six month period ended December 31, 2012

Points to consider:

1. Per the USM Balance Sheet on page 1, *unrestricted net position* shows a \$102M increase from June 30, 2013 levels, growing from \$1,442M to \$1,544M. Last March, the interim financial statements showed an increase for the first six months of more than \$179M.
2. The institutions project *unrestricted net position* to increase by \$20.9M for fiscal year 2014. For comparison, in assessing projection accuracy, at 12/31/12, the institutions projected a net increase in *unrestricted net position* of \$135.7M at 6/30/13 compared to the actual increase in *unrestricted net position* for FY13 of \$122.6M.
3. Cash spending on System and Board approved capital projects for the 6 months ended December 31, 2013 is \$59.5M compared to \$20M for the 6 months ended December 31, 2012. (UMCP - \$9M, TU - \$19.9 & UMBC \$10.8, UMUC \$6M) Harford Education Center (TU), Ward & West Hall Renovations (TU), Renovation of the Inn & Conference Center (UMUC) , Residence Hall Additions & Renovations (UMBC). At December 31, 2013, there is a total of just over \$211M in cash-funded capital projects remaining to be spent that represent a claim against *unrestricted net position*.
4. *Accounts receivable* (page1) includes \$18M due from ACC for FY13 and FY14 through December 2013.
5. *Restricted cash and cash equivalents* (page1) has decreased by \$24.1M from June 30, 2013 to December 31, 2013. This is the result of the timing related to the 2014 bond sale. For the past few years, the annual bond was scheduled for the fall. In order to better coordinate the bond sale with the annual audit results, the bond sale was deferred to January 2014, which is expected to be the timing going forward.
6. *Tuition and Fees* at UMUC has decreased \$15.8M for 6 months ended 12/31/13 compared to 6 months ended 12/31/12 due to continued decline in enrollment. UMUC continues to be concerned about potential major reduction in military tuition assistance and financial aid programs.
7. *Trend in Transfers of Accounts Receivables to State Central Collection Unit* shows improvement in the Student accounts receivable collection rate at CSU from 8.62% for the three year average at June 30, 2010 to 5.10% for the five ½ year average at December 31, 2013.

University System of Maryland
Balance Sheet
December 31, 2013, June 30, 2013, and December 31, 2012

	December 31, 2013	June 30, 2013	December 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	\$1,777,829,958	\$1,820,390,529	\$1,763,036,325
Accounts receivable	603,674,980	268,855,816	528,958,304
Notes receivable	8,899,723	7,728,081	7,378,803
Inventories	12,364,482	10,271,714	13,292,637
Prepaid expenses	10,693,745	9,038,098	9,713,456
	Total current assets	2,116,284,238	2,322,379,525
Noncurrent assets:			
Restricted cash and cash equivalents	27,223,346	51,390,989	137,959,672
Endowment investments	209,278,457	192,920,622	196,396,271
Other investments	7,452,238	6,693,185	5,736,802
Notes receivable	57,832,552	58,567,542	60,758,908
Capital assets, net	5,370,367,784	5,273,348,180	5,152,502,983
	Total noncurrent assets	5,582,920,518	5,553,354,636
	Total assets	\$7,699,204,756	\$7,875,734,161
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$232,148,037	\$310,619,251	\$190,401,263
Accrued workers' compensation, current portion	4,375,805	4,375,805	4,438,425
Accrued vacation costs, current portion	89,231,163	89,344,370	83,246,072
Revenue bonds and notes payable, current portion	74,334,925	79,050,151	80,266,472
Obligations under capital lease agreements, current portion	948,647	1,104,394	1,209,849
Deferred revenue	447,490,267	177,345,393	465,277,356
	Total current liabilities	661,839,364	824,839,437
Noncurrent liabilities:			
Accrued workers' compensation	23,855,195	23,855,195	24,196,575
Accrued vacation costs	93,936,692	93,936,692	92,604,895
Revenue bonds and notes payable	1,101,747,349	1,104,318,155	1,193,787,462
Obligations under capital lease agreements	11,305,654	11,305,654	12,410,048
	Noncurrent liabilities	1,233,415,696	1,322,998,980
	Total liabilities	1,895,255,060	2,147,838,417
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement receipts	371,533,659	380,711,678	399,894,663
	DEFERRED INFLOWS OF RESOURCES	380,711,678	399,894,663
NET POSITION			
Unrestricted net position	1,544,233,463	1,442,111,011	1,498,950,820
Net investment in capital assets	3,827,240,914	3,733,261,041	3,587,110,602
Restricted:			
Nonexpendable:			
Scholarships and fellowships	15,729,733	15,729,733	13,147,768
Research	4,055,554	4,055,554	4,033,185
Other	16,922,640	16,518,773	16,530,149
Expendable:			
Scholarships and fellowships	38,397,619	37,653,479	36,892,378
Research	80,449,544	69,959,016	53,647,192
Loans	70,052,309	71,207,868	71,804,587
Capital projects	8,010,309	5,651,220	15,615,675
Other	29,617,787	27,090,323	30,268,725
	Total net position	5,423,238,018	5,328,001,081
	Total liabilities, deferred inflows of resources and net position	\$7,699,204,756	\$7,875,734,161

University System of Maryland
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months Ended December 31, 2013, Year Ended June 30, 2013 and Six Months Ended December 2012

	Six Months Ended December 31, 2013	Year Ended June 30, 2013	Six Months Ended December 31, 2012
OPERATING REVENUES			
Tuition and fees	\$691,911,808	\$1,187,769,356	\$687,027,510
Federal grants and contracts	324,866,380	691,994,706	333,151,375
State and local grants and contracts	94,311,098	188,065,280	83,026,149
Nongovernmental grants and contracts	88,900,686	217,198,445	98,282,178
Sales and services of educational departments	150,214,705	287,007,719	142,268,931
Auxiliary enterprises:			
Residential facilities	83,229,978	149,800,185	95,550,699
Dining facilities	62,603,388	107,529,267	60,218,006
Intercollegiate athletics	48,650,822	91,248,018	42,415,579
Bookstore	14,385,968	26,179,415	15,231,494
Parking facilities	21,172,418	38,875,667	21,176,101
Other auxiliary enterprises revenues	71,646,517	137,775,593	70,997,659
Other operating revenues	33,364,388	61,658,055	32,174,666
Total operating revenues	1,685,258,156	3,185,101,706	1,681,520,347
OPERATING EXPENSES			
Instruction	560,724,510	1,139,913,339	538,064,158
Research	446,119,705	931,958,951	454,635,259
Public service	75,286,113	152,996,481	77,778,039
Academic support	215,455,382	411,613,583	195,540,527
Student services	99,109,154	198,424,948	95,506,786
Institutional support	198,880,889	386,575,951	188,095,153
Operation and maintenance of plant	146,777,963	298,788,447	140,393,231
Scholarships and fellowships	146,662,153	100,959,500	137,564,400
Auxiliary enterprises:			
Residential Facilities	77,291,140	136,208,180	62,430,744
Dining Facilities	54,815,732	105,843,280	53,672,516
Intercollegiate athletics	53,606,518	89,937,185	47,229,979
Bookstore	14,033,933	27,352,051	16,307,680
Parking Facilities	12,331,718	25,342,513	12,142,720
Other auxiliary enterprises expenses	58,234,366	114,240,224	58,765,935
Hospital	87,501,596	173,184,262	79,527,330
Total operating expenses	2,246,830,872	4,293,338,895	2,157,654,457
Operating income	(561,572,716)	(1,108,237,189)	(476,134,110)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	589,087,893	1,070,834,339	537,118,494
Pell grants	66,407,739	134,134,086	67,439,984
Gifts	17,479,842	44,631,760	15,288,513
Investment income (loss)	23,885,142	33,695,045	14,709,439
Less: Investment expense	(713,950)	(703,636)	(703,615)
Interest on indebtedness	(25,175,720)	(45,504,869)	(24,172,718)
Other revenues (expenses) gains (losses)	6,406,605	45,978,161	6,724,502
Total nonoperating revenue (expenses)	677,377,551	1,283,064,886	616,404,599
Income before other revenues (expenses)	115,804,835	174,827,697	140,270,489
OTHER REVENUES (EXPENSES)			
Capital appropriations	91,791,239	149,213,513	83,799,118
Capital gifts and grants	3,471,913	38,107,205	12,456,007
Additions to permanent endowments	403,867	2,605,624	12,664
Total other revenues (expenses)	95,667,019	189,926,342	96,267,789
Increase in net position	211,471,854	364,754,039	236,538,278
Net position, beginning	5,423,238,018	5,058,483,979	5,091,462,803
Net position, ending	\$5,634,709,872	\$5,423,238,018	\$5,328,001,081

UNAUDITED

University System of Maryland
 Operating Expenses by Object
 For the Six Month Periods Ended December 31, 2013 and 2012

	2013				2012			
	Payments to Employees	Payments to Suppliers and Contractors	Depreciation	Total	Payments to Employees	Payments to Suppliers and Contractors	Depreciation	Total
Instruction	\$468,812,204	\$67,733,261	\$24,179,045	\$560,724,510	\$453,191,144	\$64,330,037	\$20,542,977	\$538,064,158
Research	278,036,157	154,808,423	13,275,125	446,119,705	274,739,952	167,378,203	12,517,104	454,635,259
Public service	40,818,223	32,587,235	1,880,655	75,286,113	42,342,724	33,609,225	1,826,090	77,778,039
Academic support	136,458,691	58,625,564	20,371,127	215,455,382	126,359,031	50,663,916	18,517,580	195,540,527
Student services	63,256,471	32,738,755	3,113,928	99,109,154	59,918,370	33,321,959	2,266,457	95,506,786
Institutional support	153,579,783	37,460,596	7,840,510	198,880,889	144,627,353	36,698,996	6,768,804	188,095,153
Operation and maintenance of plant	58,961,463	61,491,761	26,324,739	146,777,963	57,273,099	57,942,880	25,177,252	140,393,231
Scholarships and fellowships	3,570,276	143,091,877		146,662,153	3,203,293	134,361,107		137,564,400
Auxiliary enterprises:								
Residential facilities	20,796,675	39,294,753	17,199,712	77,291,140	19,990,682	23,524,457	18,915,605	62,430,744
Dining facilities	15,535,944	36,352,436	2,927,352	54,815,732	15,517,057	35,660,338	2,495,121	53,672,516
Intercollegiate athletics	24,080,340	25,622,873	3,903,305	53,606,518	23,515,227	19,908,219	3,806,533	47,229,979
Bookstore	2,160,865	11,742,038	131,030	14,033,933	2,261,860	14,003,131	42,689	16,307,680
Parking facilities	5,200,816	4,585,131	2,545,771	12,331,718	5,372,083	4,178,604	2,592,033	12,142,720
Other auxiliary enterprises expenses	23,867,266	20,505,886	13,861,214	58,234,366	24,766,838	20,748,583	13,250,514	58,765,935
Hospital	87,404,466	89,044	8,086	87,501,596	79,144,302	373,587	9,441	79,527,330
Total operating expenses	\$1,382,539,640	\$726,729,633	\$137,561,599	\$2,246,830,872	\$1,332,223,015	\$696,703,242	\$128,728,200	\$2,157,654,457

UNAUDITED

University System of Maryland
Trend in Transfers of Accounts Receivables to State Central Collection Unit
For Period ending June 30, 2009 through December 31, 2013
(in thousands)

	UMB	UMCP	BSU	TU	UMES	FSU	CSU	UB	SU	UMUC	UMBC
<u>Operational performance indicators</u>											
Student accounts receivable collection rate:											
Average - five 1/2 -years ended December 30, 2013											
Net transfers to CCU	187	1,193	279	574	1,494	202	1,171	302	340	8,108	1,444
Gross billings	134,454	564,912	51,310	221,970	56,875	61,212	22,944	69,660	90,671	289,383	172,947
Ratio	0.14%	0.21%	0.54%	0.26%	2.63%	0.33%	5.10%	0.43%	0.38%	2.80%	0.83%
Student accounts receivable collection rate:											
Average - five-years ended June 30, 2013											
Net transfers to CCU	205	1,209	330	546	1,491	211	1,232	331	325	7,271	1,501
Gross billings	132,262	559,516	50,797	218,493	51,911	56,959	22,637	69,201	88,896	288,309	172,243
Ratio	0.16%	0.22%	0.65%	0.25%	2.87%	0.37%	5.44%	0.48%	0.37%	2.52%	0.87%
Student accounts receivable collection rate:											
Average - five-years ended June 30, 2012											
Net transfers to CCU	186	1,210	315	732	1,536	189	1,345	497	315	4,491	1,355
Gross billings	122,800	536,526	48,973	205,661	49,048	56,717	20,193	65,050	83,083	264,530	177,735
Ratio	0.15%	0.23%	0.64%	0.36%	3.13%	0.33%	6.66%	0.76%	0.38%	1.70%	0.76%
Student accounts receivable collection rate:											
Average - four-years ended June 30, 2011											
Net transfers to CCU	150	1,198	441	589	1,524	146	1,303	657	266	5,526	1,251
Gross billings	113,050	511,369	46,595	191,696	47,902	55,234	19,553	58,708	76,968	239,820	183,266
Ratio	0.13%	0.23%	0.95%	0.31%	3.18%	0.26%	6.66%	1.12%	0.35%	2.30%	0.68%
Student accounts receivable collection rate:											
Average - three-years ended June 30, 2010											
Net transfers to CCU	118	1,112	511	586	1,546	146	1,521	724	277	6,011	1,168
Gross billings	106,797	498,363	45,141	185,962	46,261	53,933	17,652	55,275	74,956	226,405	189,832
Ratio	0.11%	0.22%	1.13%	0.32%	3.34%	0.27%	8.62%	1.31%	0.37%	2.65%	0.62%
Student accounts receivable collection rate:											
Average - two-years ended June 30, 2009											
Net transfers to CCU	59	1,060	600	595	1,660	134	1,186	852	239	6,276	888
Gross billings	101,236	488,300	43,602	180,160	44,735	52,203	16,544	54,401	72,945	213,317	198,365
Ratio	0.06%	0.22%	1.38%	0.33%	3.71%	0.26%	7.17%	1.57%	0.33%	2.94%	0.45%



**Public College & University Financial Ratio Comparison
Moody's Aa1 Rating Category**

June 30, 2013

	Total debt	Unrestricted Net Position	Unrestricted Net Position to debt	Debt Service	Operating Expenses	Operating Expense Leverage	Market Value of Endowment	Number of Students	Endowment per Student
University System of Maryland	1,195,778,354	1,442,111,011	120.60%	134,138,310	4,293,338,895	3.12%	971,737,671	155,609	6,245
Michigan State University	925,456,356	885,367,000	95.67%	197,654,000	2,024,077,000	9.77%	1,637,164,000	48,906	33,476
North Carolina State University	671,635,766	230,802,294	34.36%	55,879,468	1,279,177,823	4.37%	769,404,000	34,340	22,405
Ohio State University	2,681,634,000	1,467,514,000	54.72%	335,743,000	4,454,712,000	7.54%	3,149,169,000	63,964	49,233
State University of Iowa (University of Iowa)	1,244,243,000	1,284,416,000	103.23%	79,874,000	2,595,462,000	3.08%	1,094,803,000	31,498	34,758
University of California	15,779,198,000	(2,167,469,000)	-13.74%	1,226,017,000	26,612,773,000	4.61%	13,712,533,000	238,686	57,450
University of Delaware	507,034,000	1,248,794,000	246.29%	13,139,000	840,754,000	1.56%	1,171,166,000	21,856	53,586
University of Kansas	378,806,792	169,698,705	44.80%	38,520,160	1,144,221,909	3.37%	1,288,995,000	27,939	46,136
University of Minnesota	1,300,730,000	820,146,000	63.05%	114,895,000	3,064,216,000	3.75%	2,757,476,000	68,418	40,303
University of Missouri System	1,406,194,000	1,390,657,000	98.90%	81,279,000	2,726,537,000	2.98%	1,259,738,000	75,044	16,787
University of Nebraska	685,590,000	760,452,000	110.92%	70,088,000	1,861,755,000	3.76%	1,338,728,000	49,847	26,857
University of Pittsburgh	1,103,491,000	2,506,552,000	227.15%	81,117,000	1,880,720,000	4.31%	2,975,896,000	35,330	84,231
University of Utah	759,191,000	1,329,902,000	175.17%	63,619,000	3,201,911,000	1.99%	745,553,000	32,388	23,019
Virginia Tech	528,338,000	282,649,000	53.50%	59,462,000	1,155,521,000	5.15%	660,340,000	31,087	21,242
Average for group	2,151,657,070	785,344,692	99.54%	185,945,125	4,064,756,749	4.33%	2,504,689,615	58,408	39,191

Source: most recent available audited financial statements
2013 NACUBO Commonfund Study of Endowments