Financial Overview

The following is an all funds[1], multiyear financial schedule depicting annual operating and capital budgets and related impact on liquidity over the period FY17 to FY24 at the University of Delaware. This range of years begins when President Dennis Assanis joined the University and continues to the current year. Although much of the source data has already been available publicly in other institutional documents, including the University audited financial statements and the IRS Form 990[2], we are looking to increase clarity by combining data from multiple sources into a one page financial summary[3].

While a one-page schedule is convenient, we recognize additional detail is helpful in certain key areas, including research, and capital projects and deferred maintenance. Supplemental schedules providing this information have been created.

Operating Budget

The University develops its operating budget (lines 20-53) on a sources and uses basis. This budget is approved annually by the Board of Trustees. The operating revenues that are generated fund the related operating expenses. To the extent operating revenues exceed operating expenses, this surplus is available to fund capital expenses. To the extent expenses exceed revenues in a fiscal year, the university must utilize existing operating investments (line 6).

It is important to note that the operating revenue (line 36) has grown every year since FY16, and the University has generated operating surpluses (line 53) every year, until FY20. FY21 is the first-year operating revenue dropped below $1 billion since FY17 (line 36). FY24 Budget assumptions, which includes 4,200 incoming freshman class, up to 5% tuition rate increase, results in budgeted total operating revenue of $1.2 billion. However, more significant is the budgeted net tuition revenue, which reflects increased financial aid (line 24) in terms of dollars; however financial aid as a percentage of gross undergraduate tuition and fees is budgeted to decrease compared to FY23. The FY24 budgeted discount rate is 32%, compared to 33% budgeted inFY23. Higher tuition discount rates continue to trend higher

[1] The All Funds Basis of reporting is presented as sources and uses and is the principal reporting format utilized throughout the University to manage operations. As such capital expenditures, proceeds from issuance of debt, principal payments on debt are reflected as an expenditure. In the financial statements presented in accordance with Generally Accepted Accounting Principles capital expenditures are capitalized and depreciation is reflected in the statement of activities as an expense. Bond proceeds and principal payments are reflected on the balance sheet and statement of cash flows.

[2] On an annual basis the University files a Form 990 with the IRS. Form 990 is intended to provide the government and interested members of the public with a snapshot of the organization's activities for that year. Differences between Form 990 Part I, line 19, Revenue less Expenses are attributable primarily to the IRS including as revenue realized gains in the pooled portfolio and revenue for endowment and capital. In the GAAP financial statements these items are excluded from the Change in Net Assets from Operations as they are not eligible to be used to support operations. The pooled portfolio supports operation via the annual endowment distribution that is approved by the Board of Trustees. In any given year through reallocation of investments the pooled portfolio could experience significant gains, however these gains are reinvested in new investments

[3] This summary is not meant to replace any of the source documents. It should also be noted there will always be differences in numbers between sources for valid reasons, including different methodologies of national agencies to whom we report.

nationally. For example, average institutional tuition discount rates are increasing among NACUBO institutions for both first-time undergraduates and all undergraduates.

Operating expenses include *Total Salaries & Wages* of $563 million (line 44) in the FY24 budget, which includes faculty, professionals and staff[4], as well as graduate student and S-contract salaries. Faculty compensation has grown by $34M since FY17, associated with contractual salary increases, as well as a net increase in faculty FTE of about 155 from June 2017 to June 2022; professionals and staff compensation has grown by $63M since FY17, associated with salary increases. As the financial schedule depicts all funds growth, the growth of professionals and staff has been across funds, with hires in research institutes like NIIMBL, as well as strategic investments in student success and wellness, including investments in student life and diversity, student health, academic advisors, athletics staff in recreation and supporting compliance efforts, and in development and alumni relations to support the campaign. Importantly, UD's FT Staff to FT Faculty ratio using fall 2020 data, prior to retirements or other personnel actions, is still one of the lowest among our peers, while the headcount of UD full-time staff members also appear to be in the normal range based on student enrollment.

Supplies, Materials and Other expenses (line 48) have grown every year, with more material increases in FY18 and FY19 due to increased start-up expenses for new faculty, and other expenses for system upgrades related to budgeting, purchasing and data warehouse, including Jaggaer, e-procurement, Helio-Campus, and Axiom. It is important to note that the FY20 & FY21 expenses are intentionally reduced to partially mitigate COVID revenue losses, but also because events and other expenses were eliminated due to remote operations and shuttered campus. However, FY24 Budgeted Supplies, Materials and Other expenses are increasing $11 million over FY23 budget due to estimated budgetary inflation impacts and sponsored activity, which has offsetting increased sponsored revenue.

Capital Budget: Funding New Buildings and Addressing Deferred Maintenance

Annually a capital budget, consisting of both new projects, renovations, and deferred maintenance, is developed by the Administration and approved by the Board of Trustees. Capital expenditures are funded by operating surpluses, bond proceeds, state bond appropriation and gifts for capital. The accumulated operating surpluses, as well as the bond issuance, were targeted to fund the strategic plan that included major capital projects (line 62), including the McKinly Building replacement and enabling capital projects, the start of a Materials Management Facility in support of increased Research activity, the completion of fitting out leased University space at the FinTech Innovation Hub on STAR campus and deferred maintenance projects such as Spencer Lab and Ice Arena Chiller replacement. Beginning FY18 the University initiated a plan to double deferred maintenance spend from $18 million to $36 million annually (line 65) in order to reduce a deferred maintenance backlog of almost $500 million as of FY16, and to improve the Facilities Condition Index (FCI) of our existing buildings. However, due to the pandemic and as part of COVID mitigation, deferred maintenance was reduced to $9 million in FY21 and $18 million in FY22. The FY23 deferred maintenance plan was $40 million including $20 million funded by the University and $20M from State capital appropriations. State funding for capital has amounted to about $6M/year, increasing to $20M/year in the most recent years. The FY2024 State funding for capital is $20M; funding will continue to be spent on completion of fitting out University leased space in

[4] Employees categories are per FLSA definitions: Professional employees are exempt and: are not eligible for overtime pay; this group includes wide variety of titles--postdocs, academic advisors, development officers, administrators. Staff employees are non-exempt and are eligible for overtime pay.

the FinTech Innovation Hub, Drake Hall deferred maintenance, deferred maintenance on Spencer Lab as part of the Spencer Lab Design Studio renovation and other projects in FY24. In addition to the continued deferred maintenance renovation from accumulated State funds, the McKinly building replacement is expected to continue progressing in FY24 as well as the infrastructure that supports the Labs/buildings (including McKinly building replacement) on the east side of campus. McKinly building replacement is funded by a final tranche of three tranches of State and Local Fiscal Recovery Fund as well as remaining bond proceeds. The balance that must be funded from operating investments in FY24, approximately $41M (line 68).

In the foreseeable horizon, UD will continue to pursue new capital projects, but these will be funded through state bond appropriation, philanthropic support and external funding received through public-private partnerships.

The Endowment and the Pooled Portfolio: Ensuring Stability for the Next 275 Years

As found in the audited financial statements for fiscal year ending June 30, 2022, the University endowment consists of approximately 1,359 individual funds totaling about $1.7B (line 11) which were established for a variety of purposes and are intended to provide perpetual funding to support the University's educational goals. The endowment is comprised of approximately $1.3B in donor restricted funds which must be utilized in accordance with donor intent and $435M of board-designated funds which may be used for purposes of the University, as determined by the Board of Trustees. The ongoing generosity of our alumni and friends has helped to ensure the long-term financial health of the University through the establishment of endowed gifts and the University has an obligation to ensure those gifts support the University for many years to come. A strong endowment allows the University to fund initiatives that will have a lasting impact on the student experience and the overall institution.

In recent years, the Endowment's role in supporting the University has become more important as funding from the State of Delaware has been relatively flat, while our commitment to access and student financial aid has increased. This support is likely to become even more important in the coming years given the challenges facing higher education today.

To ensure that the endowment funds are available in perpetuity, the University's Board of Trustees, Investment Visiting Committee, and Administration have a shared mission to maximize the Endowment's total return consistent with the University's prudent investment risk constraints and preserving real value for future generations. This mission requires an expected long-term return that exceeds the inflation-adjusted annual spending rate. The target spending rate for the Endowment is 4% to 5% of the three-year average market value as determined annually by the University's Board of Trustees. In Fiscal 2022, the spending distribution from the Endowment was $65 million (line 32), providing financial support and flexibility to the University's operating budget.

Over the past 20 years, the University has taken approximately $200 million in unrestricted operating funds and invested them with the endowment funds to create the Pooled Investment Portfolio. The combined endowment and pooled investment portfolio equal $1.9 billion at the end of FY22 (lines 5 & 11). As mentioned previously, the University had projected to liquidate approximately $100 million of operating funds in the pooled Investment Portfolio to support the strategic financial plan, sacrificing a return to operating funds of at least $5 million in perpetuity. While further utilization of any unrestricted endowment funds or increasing the payout on permanent endowments to fund COVID impacts would provide short-term budget relief, this would create a structural funding gap that would need to be covered by tuition increases or increased State appropriations, both of which would be extremely difficult in these challenging times.

	University of Delaware $ in millions	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Budget 4200 incoming; 3% tuition rate increase	FY23 Projection Spring 2023	FY24 Budget 4200 incoming; 5% tuition rate increase	*Sources/Comments/Scenario Adjustments*
1											
2	**Financial Resources:**										
3	Cash and cash equivalents	51	85	111	130	125	73	68	85	85	*Audited financial statements - Balance Sheet*
4	Operating investments-bond portfolio	312	317	177	162	151	262	262	262	243	*Audited financial statements - Balance Sheet*
5	Operating investments in pooled portfolio	243	250	248	227	278	237	209	222	232	*Audited financial statements - Liquidity Footnote*
6	Total operating investments	**606**	**652**	**536**	**519**	**554**	**572**	**539**	**569**	**560**	*FY23 Target of 90 days cash on hand (approx. $280M), minimum cash on hand 60 days (approx. $190M)*
7	Unspent bond proceeds for capital	21	176	191	67	62	57	5	41	-	*Audited financial statements - Restricted Deposits Footnote; FY18 includes $200M taxable bond issuance and FY19 includes restricted deposits related to bond refinancing*
8	***Total operating investments and unspent bond proceeds***	***627***	***828***	***727***	***586***	***616***	***629***	***544***	***610***	***560***	
9	***Change***	***14***	***201***	***(101)***	***(141)***	***30***	***13***	***(85)***	***(19)***	***(50)***	*Ties to the change in operating investments and unspent bond proceeds per audited financial statements (line 74)*
10											
11	***Endowment funds market value, net***	***1,290***	***1,336***	***1,387***	***1,376***	***1,864***	***1,702***	***1,702***	***1,702***	***1,702***	*Audited financial statements - Endowment Footnote, $1.26B in donor restricted funds plus $438M in board designated funds which generated ~$65M in annual endowment distribution*
12											
13	**Long-Term Liabilities:**										
14	Long-term debt and finance leases, net	524	733	719	709	697	685	673	673	660	*Audited financial statements - Balance Sheet and Long-Term Debt and Finance Leases Footnote*
15	Postemployment benefit obligations	550	498	506	570	582	475	475	475	475	*Audited financial statements - Balance Sheet and Employee Benefit Plans Footnote; Represents retiree medical and faculty retirement obligations*
16	***Long-Term Liabilities***	***1,074***	***1,231***	***1,225***	***1,279***	***1,279***	***1,160***	***1,148***	***1,148***	***1,135***	
17											
18	**Operating Statement of Activities, All Funds Basis**										
19											
20	**Operating Revenue:**										
21	Undergraduate Tuition & Fees	443	467	482	494	470	491	512	515	542	*FY24 Undergraduate Tuition & Fees assumes 4,200 incoming class and 5% tuition rate increase*
22	Graduate Tuition & Fees	93	101	106	102	97	66	67	71	74	*FY24 Budgeted Graduate Tuition & Fees 5% growth over FY23 Budget*
23	Other Tuition & Fees	44	46	56	55	50	62	77	65	66	*Includes differential fee, comprehensive and recreation fee; FY24 Budget assumptions include current trends of Study Abroad/World Scholar and English Language Institute programs*
24	Undergraduate Financial Aid	(94)	(103)	(113)	(120)	(133)	(156)	(169)	(174)	(173)	*Estimated change in demographic and increased cost for same yield; FY24 Budgeted UG discount rate 32%*
25	Graduate Aid	(62)	(65)	(72)	(72)	(67)	(38)	(35)	(38)	(40)	*Includes tuition scholarship for doctoral students;*
26	Net Tuition, UG and Grad	424	446	459	459	417	425	453	439	469	
27	Auxiliary Revenue	119	127	130	90	50	121	125	133	140	*FY24 Room and Board based on 4,200 incoming class and 5% Room rate increase and 9% Board rate increase*
28	State Appropriation	121	119	122	125	125	128	129	134	135	
29	Contracts & Grants	142	145	165	171	181	232	225	235	244	*Represents primarily cost reimbursable research agreements, public service, extension programs, federal, state and industry.*
30	HEERF relief reimbursements				5	46	16	-	-	-	
31	Facilities and Administrative Cost Recoveries	36	37	40	41	44	54	55	57	60	*Represents indirect costs funded by research agreements*
32	Endowment Payout	51	51	52	52	53	56	62	62	65	*Represents endowment distribution approved annually by Board of Trustees*
33	Temporary Investment Income	18	20	23	20	16	16	18	25	28	*Represents investment income on operating investments*
34	Operating Gifts	31	29	28	24	29	33	34	34	36	*Moderate scenario assumes operating gift projection increase*
35	Other Revenue	47	51	51	46	35	51	50	59	59	*Represents self-supporting and entrepreneurial activities; FY24 Budget assumes current trends*
36	***Total Operating Revenue***	***989***	***1,025***	***1,070***	***1,033***	***996***	***1,132***	***1,151***	***1,178***	***1,235***	
37											
38	**Operating Expenses:**										
39	Faculty Salaries	151	159	169	177	178	175	186	178	185	*Faculty net new count from June 2017 to June 2022 is 155 net new faculty. IPEDS definition may not match October snapshot, this is used to compare UD faculty & staff to peers*
40	Professionals	151	162	173	185	184	190	190	206	213	*Includes exempt employees; increases on all funds including sponsored, state and self-supporting*
41	Staff & Other Wages	77	79	80	80	65	72	81	76	78	*Includes non-exempt, miscellaneous wage and student employees*
42	S-Contracts (Faculty and Professional)	23	24	24	26	21	25	29	27	28	
43	Graduate Student Salaries	42	45	50	51	52	52	56	58	59	
44	Total Salaries & Wages	444	469	496	519	500	514	541	545	563	
45	Fringe Benefits	167	175	184	192	190	191	196	203	218	*Comprised primarily of medical, retiree medical, 403b, State pension contribution, FICA*
46	Total Compensation	611	644	680	711	690	705	737	748	781	*Includes sponsored and non-sponsored*
47	Travel	27	29	31	25	3	17	25	26	26	*FY24 Budget assumes travel activities back to pre-pandemic levels.*
48	Supplies, Materials and Other	130	145	176	149	121	190	212	198	223	*FY24 Budget adjusted for 5% inflation over FY23 Budgeted Supplies, Materials and Other. $4M increased sponsored supplies, materials and other expense, offset by increased sponsored revenue.*
49	Plant Maintenance and Operations	81	86	89	82	72	83	87	87	91	*Projected increase in expense related to increased Contract & Grant activity*
50	Subcontracts - Sponsored Agreements	24	25	26	35	38	41	43	48	49	*Represents sub-agreements to other institutions, primarily higher education, increase primarily due to National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL)*
51	Debt Service	38	39	41	48	48	42	42	42	43	*Represents principal and interest payments on long-term debt*
52	***Total Operating Expense***	***911***	***968***	***1,043***	***1,050***	***972***	***1,078***	***1,146***	***1,149***	***1,213***	
53	***Operating Surplus/(Deficit)***	***78***	***57***	***27***	***(17)***	***24***	***54***	***5***	***29***	***22***	
54											
55	**Capital Activities**										
56											
57	**Capital Funding:**										
58	Gifts for Capital	2	3	11	9	15	23	20	14	14	*Pledged gifts for completed capital projects*
59	Bond Proceeds	39	48	97	13	4	5	52	16	41	*Bonds are drawn as expended on bond funded project; Balancing Bond funds and State award for Building X on Building X expenses*
60	State Bond Bill Appropriation	6	1	-	1	3	11	14	14	27	*State funded projects accumulated from multiple years to fund larger projects;*
61	Other Capital Funding	-	-	1	10	9	7	18	18	27	*FY24 Includes $16M awarded by the State from the State and Local Fiscal Recovery Fund for Building-X; $6M Corporate Partner funds for Dining Renovations; $2M Corporate Partner Funds for Hydrogen Center; $3M Corporate partner funds for Fin-Tech Fit-out*
62	***Total Capital Funding***	***47***	***52***	***109***	***33***	***31***	***46***	***103***	***62***	***109***	
63											
64	**Capital Expenditures:**										
65	Deferred Maintenance, budget	18	36	36	36	9	18	18	20	20	*Strategic investment in deferred maintenance*
66	Capital Projects	64	56	143	137	65	34	115	78	130	*Capital Projects continue to be evaluated*
67	***Total Capital Expenditures***	***82***	***92***	***179***	***173***	***74***	***52***	***133***	***98***	***150***	
68	***Capital activities funded by operations and operating investments***	***(35)***	***(40)***	***(70)***	***(140)***	***(43)***	***(6)***	***(30)***	***(37)***	***(41)***	
69											
70	***Change in fund balance from operating and capital activities***	***43***	***17***	***(43)***	***(157)***	***(19)***	***48***	***(25)***	***(8)***	***(19)***	
71	Accrual/prepaid differences	(46)	(22)	(64)	20	(24)	(11)	(60)	(16)	(41)	*Adjustments to reconcile between All Funds and GAAP financial statements*
72	Appreciation/(depreciation) operating investments in pooled portfolio	17	7	6	(4)	73	(24)	-	5	10	*Adjustments to reconcile between All Funds and GAAP financial statements*
73	2018 bond proceeds	-	199	-	-	-	-	-	-	-	
74	***Change in operating investments and unspent bond proceeds per audited financial statements***	***14***	***201***	***(101)***	***(141)***	***30***	***13***	***(85)***	***(19)***	***(50)***	Ties to the change on line 9
75											
76											
77	***Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis:***										
78	***Operating Surplus/(Deficit)***	***78***	***57***	***27***	***(17)***	***24***	***54***	***5***	***29***	***22***	
79	Depreciation, amortization and loss on disposals	(71)	(84)	(99)	(78)	(88)	(91)				
80	Capitalized equipment, library and capitalized interest	27	34	44	40	37	42				
81	Principal payments	15	16	17	17	12	12				
82	GAAP accrual and deferral entries	(15)	(15)	(10)	1	-	(3)				
83	Transfers to/(from) endowment	-	(4)	4	-	(1)	1				
84	***Change in net assets from operating activities, GAAP Basis***	***34***	***4***	***(17)***	***(37)***	***(16)***	***15***	***5***	***29***	***22***	
85											
86	***Reconciliation of change net assets from operating activities per GAAP Basis to Form 990:***										
87	***Change in net assets from operating activities, GAAP Basis***	***34***	***4***	***(17)***	***(37)***	***(16)***	***15***	***5***	***29***	***22***	
88	Realized gains, net of fees	56	80	75	58	139	225				*Reinvested within pooled portfolio, recognized as revenue by IRS*
89	Endowment payout	(51)	(51)	(52)	(52)	(53)	(56)				*Elimination of appropriated income, not recognized by IRS*
90	Contributions for endowment and capital	25	43	58	32	44	49				
91	State capital appropriations	6	1	0	1	3	11				
96	Reclassification of donor restricted revenue	(14)	(12)	(18)	(15)	(15)	(17)				*Donor restricted net assets released from restriction*
97	Other non-operating activities	0	(5)	8	(6)	0	(18)				*Represents primarily real estate entities and realized gains on bond refinancing*
98	***Revenue less expense per 990 (Part I Summary, Line 19)***	***56***	***60***	***54***	***(19)***	***102***	***209***	***5***	***29***	***22***	*Form 990 for Fiscal Year ending 6/30/2022 pending completion*