Financial Overview

The following is an all funds¹, 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 990², we are looking to increase clarity by combining data from multiple sources into a one page financial summary³.

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, 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

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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.
As of May 16, 2023

As of May 16, 2023, 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.
### Financial Resources:

- **Graduate Tuition & Fees**: $443 million (FY24 Budget), $443 million (Actual), $446 million (5/15/2023)
- **Operating Gifts**: $88 million (FY24 Budget), $88 million (Actual), $90 million (5/15/2023)
- **Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis**: 
  - Operating Surplus: ($35) million (FY24 Budget), ($35) million (Actual), ($35) million (5/15/2023)
  - Adjustment for HEERF relief reimbursements: $18 million (FY24 Budget), $18 million (Actual), $18 million (5/15/2023)
  - Adjustment for capital expenditures funded by operations and operating investments: ($6) million (FY24 Budget), ($6) million (Actual), ($6) million (5/15/2023)
- **Net Tuition, UG and Grad**: $443 million (FY24 Budget), $443 million (Actual), $446 million (5/15/2023)

### Operating Expenses:

- **Professionals**: $151 million (FY24 Budget), $162 million (Actual), $173 million (5/15/2023)
- **Contracts & Grants**: $142 million (FY24 Budget), $145 million (Actual), $165 million (5/15/2023)
- **Other Tuition & Fees**: $44 million (FY24 Budget), $46 million (Actual), $56 million (5/15/2023)

### Reconciliation of change net assets from operating activities per GAAP:

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<th>Year</th>
<th>Change in Net Assets</th>
<th>Actual</th>
<th>5/15/2023</th>
<th>Throughout</th>
<th>Spring 2023</th>
<th>FY2023 Projection</th>
<th>FY2024 Budget</th>
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</tbody>
</table>

### Notes:

- **Budget**: Adjustments to operate within the budget.
- **Change in Operating Surplus - Definitions**: 1. Actual net change in contributions plus 2. Varies in matched retirement plan.
- **Reconciliation of change net assets from operating activities per GAAP**: Actual net change reconciled to budget.
- **HEERF relief reimbursements**: 1. Includes HEERF relief reimbursements of $18M for Private and $10M for Public.
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### Financial Information:

- **Total capital funding**: $77 million (FY24 Budget), $51 million (Actual), $71 million (5/15/2023)
- **Long-term debt and finance leases, net**: $17 million (FY24 Budget), $8 million (Actual), $62 million (5/15/2023)
- **Net realized gains, net of fees**: $4 million (FY24 Budget), $5 million (Actual), $7 million (5/15/2023)
- **Principal payments**: ($62) million (FY24 Budget), ($56) million (Actual), ($52) million (5/15/2023)
- **Endowment payout**: $18 million (FY24 Budget), $109 million (Actual), $52 million (5/15/2023)
- **Donor restricted net assets released from restriction**: $59 million (FY24 Budget), $25 million (Actual), $52 million (5/15/2023)

### Audited Financial Statements:

- **Audited financial statements - Employee Benefit Plans Footnote**: Includes retiree medical, 403B, State pension contributions, FICA, etc.
- **Audited financial statements - Restricted Deposits Footnote**: Includes endowment distributions approved annually by the Board of Trustees.
- **Audited financial statements - Balance Sheet and Employee Benefit Plans Footnote**: Includes retiree medical, 403B, State pension contributions, FICA, etc.
- **Audited financial statements - Balance Sheet**: Includes exempt employees; increases on all funds including sponsored, state and self-supporting.
- **Audited financial statements - Long-Term Debt and Finance Leases Footnote**: Includes tuition scholarship for doctoral students; distributions on deferred maintenance.
- **Audited financial statements - Comprehensive Income**: Includes differential fee, comprehensive and recreation fee; FY24 Budget assumptions include current trends of Study Abroad/World Scholar and English Language Institute programs.

### Financial Information:

- **Capital Projects**: $16M awarded by the State from the State and Local Fiscal Recovery Fund for Building-X; bonds are drawn as expended on bond funded project; balancing bond funds and State award for bond funded project.
- **Strategic investment in deferred maintenance**: Comprised primarily of medical, retiree medical, 403B, State pension contributions, FICA, etc.
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