



## Overview

The following is an all-funds<sup>[1]</sup>, multiyear financial schedule depicting annual operating and capital budgets and related impact on liquidity over the period FY17 to FY21 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](#)<sup>[2]</sup>, the intent of this schedule is to increase clarity by combining data from multiple sources into a one-page financial summary<sup>[3]</sup>.

While a one-page schedule is convenient, additional detail is helpful in certain key areas, including [research](#), [personnel](#), and capital projects and deferred maintenance. Consequently, supplemental schedules providing this information have been created.

## Strategic Financial Plan

In 2017, the UD Board of Trustees approved a financial plan in support of the University's strategic plan to reach new levels of excellence, while increasing access and prioritizing student success, including student life and wellness. Over a five- to seven-year timeline, goals included: 1) grow undergraduate enrollment by 1,000, 2) increase net new faculty by 250, 3) increase the number of graduate students, 4) build new facilities to support 21<sup>st</sup> century learning and innovation, while maintaining and upgrading existing facilities, and 5) invest in financial aid to improve access and attract diverse/high-quality students.

In addition to increasing tuition revenue through expanded undergraduate and graduate enrollments and the launch of a record \$750M philanthropic campaign, the financial plan included issuance of bonds, reduction of the annual operating surplus in the near term to invest primarily in faculty and student recruitment and financial aid, as well as strategic utilization of operating investments<sup>[4]</sup> to address deferred maintenance needs and support capital initiatives.

## COVID-19 Impact: FY20 and Beyond

As concerns around the global pandemic quickly escalated in 2020, the impact on the UD community was both jarring and significant. With a primary focus on the health and safety of the campus, change happened overnight. International students were unable to return to campus in the spring, and the entire campus shut down in March as residence halls were closed and events were canceled, including competitive sports. Total operating revenues dropped significantly, falling \$37M below FY19 levels (line 35). Through aggressive cost-mitigation efforts to reduce the budget deficit, initially projected to be \$49M, the University realized an actual operating deficit of about \$20M. Reduction in research expenditures, also included in these numbers, impacts the generation of research indirect cost revenue (F&A).

With ongoing uncertainty about the pandemic's trajectory during the summer, expenses were again reduced in preparation of the FY21 initial operating and capital budgets. Because about 70% of the operating budget is compensation, on July 1 UD was projecting a \$168M gap between revenue and expenses. Even with \$86M of expense mitigation, UD was still projecting an operating shortfall of \$100M (line 53), or \$82M which included a

reduction of \$18M in the deferred maintenance budget (line 65). The Board of Trustees approved a one-time use of operating investments to address the FY20 and FY21 shortfalls, as well as capital projects expenditure for projects already underway (line 67).

Guided by the UD Campus Reopening and Fall Planning Task Force, the University's optimism for a fall return to campus quickly pivoted from plans for a full residential campus, maximizing face-to-face classes, to one with 20% density in the residence halls and 90% online classes, in alignment with public health guidelines to minimize spread of the coronavirus. Associated efforts to implement appropriate health and safety protocols resulted in significant revenue impact (see column "Changes Related to Reduced Density Campus"). Looking to spring, the column "Moderate Scenario" reflects projected revenues and expenditures including a spring semester at moderate density, defined as follows: 1) greater than 50% occupancy in residence halls; 2)

maximizing face-to-face classes, following physical distancing standards; and 3) moderate on-campus student life and athletics. This scenario generates an additional net loss of \$60M (line 53) on top of the FY21 initial mitigated loss of \$82M. Even reducing deferred maintenance budget even further, to about \$9M (line 65) in FY21, results in an operating investment balance of \$297M (line 6). Although this seems sufficient, it is important to note that an institution of this size should have a minimum of 60-90 days cash on hand for stability—for UD this equates to about \$250M<sup>[5]</sup> (line 6). When you consider the potential for an additional \$60M shortfall if spring density mirrors fall, the need for additional measures, which will include reorganization and personnel actions, becomes clear.

## Operating Budget

The University develops its operating budget (lines 20-53) on a source 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).

Operating revenue (line 35) 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 has dropped below \$1B since FY17 (line 35). Only auxiliary revenue, which includes housing and dining, was projected to increase over FY20 when UD anticipated full residence capacity in FY21; however, the shift to 20% capacity had a \$73M impact on auxiliary revenue (line 27), which has been mitigated to \$32M impact (line 51).

More significant is the net tuition revenue loss as a result of increased financial aid (line 24), as well as enrollment decline, which has a multiyear impact on operating revenue. The impact of this is greater than anticipated due to returning student attrition, increased financial aid and increased receivables, which would only be exacerbated by low spring campus density.

Operating expenses include Total Compensation of \$506M (line 43) in the initial FY21 budget, which includes faculty, professionals and staff<sup>[6]</sup>, as well as graduate student and S-contract salaries and benefits. From the personnel schedule, it can be seen that faculty compensation has grown by \$20M since FY17, associated with contractual salary and benefits rate increases, as well as a net increase in faculty FTE of about 118; professionals and staff compensation has grown by \$37M and 229 FTE during the same time period. 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. The imminent reduction in FTE due to reorganization, retirements and other personnel actions,

as well as the associated salary savings are not yet captured in this schedule. 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 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 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 warehousing, including Jagger, e-procurement, Helio-Campus, and Axiom. FY20 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. Due to continuing budget challenges and projected revenue losses, non-salary expenses were significantly curtailed for FY21 compared to the initial projected budget. However, COVID-related safety expenses and investments in online equipment, software and testing services, as well as continuing start-up costs have actually increased projected expenses over FY20.

### **Capital Budget: Funding New Buildings and Addressing Deferred Maintenance**

Annually a capital budget, consisting of 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 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 66), including the Carol Ammon and Marie Pinizzotto Biopharmaceutical Innovation Building (BPI), Worrielow Hall renovation, South Academy Residence Hall, Whitney Athletics Center (WAC), as well as the McKinly Building replacement. Also, part of the plan was doubling deferred maintenance spend from \$18M to \$36M annually (line 65) in order to reduce a deferred maintenance backlog of almost \$500M as of FY16, and to improve the Facilities Condition Index (FCI) of UD's existing buildings. Funding sources have included a combination of operating investments as well as donor funds. State funding for capital has amounted to about \$6M/year, increasing to \$10M/year in the most recent years; the accumulated funding will be spent on the addition/renovation of Drake Lab and other projects in FY21. The balance that must be funded from operating investments in FY21, approximately \$70M (line 68), represents encumbered funding of committed expenses for projects near completion, with bills that need to be paid in FY21 (BPI, Worrielow, Warner, WAC, and campus infrastructure).

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**

The University endowment consists of approximately 1,269 individual funds totaling about \$1.4B (line 11) that 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 \$1B in donor-restricted funds that must be utilized in accordance with donor intent and \$370M of board-designated funds that may be used for purposes of the University, as determined by the Board of Trustees. The ongoing generosity of UD 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 UD's 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 2020, the spending distribution from the Endowment was \$52M (line 31), providing financial support and flexibility to the University's operating budget.

The combined endowment and pooled investment portfolio totaled \$1.6B at the beginning of FY21 (lines 4, 5 and 11). Over the past 20 years, the University has taken approximately \$200M in unrestricted operating funds and invested them with the endowment funds to create the Pooled Investment Portfolio. As mentioned previously, the University had projected to liquidate approximately \$100M of operating funds in the Pooled Investment Portfolio to support the strategic financial plan, sacrificing a return to operating funds of at least \$5M in perpetuity. While further utilization of any unrestricted endowment funds or increasing the payout on permanent endowments to fund COVID-19 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.

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<sup>[1]</sup> 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.

<sup>[2]</sup> 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 schedule x, 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 re allocation of investments the pooled portfolio could experience significant gains, however these gains are reinvested in new investments

<sup>[3]</sup> 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 which UD reports.

<sup>[4]</sup> Like other large corporations, not-for-profit organizations and universities the University of Delaware

maintains operating funds which represent accumulated surpluses and invests these funds in various operating investments (cash and cash equivalents, bonds and the University-managed Pooled Investment Portfolio “PIP”).

<sup>[5]</sup> In consultation with the Trustee Finance committee, the University has set a target of 90 days of revenue on hand (approximately \$250 million) and an absolute minimum of 60 days (approximately \$170 million). This target was established to ensure adequate funds are available in the event of a financial disruption (Federal government shutdown, weather related events, pandemic).

<sup>[6]</sup> Employees categories are per FLSA definitions: Professional employees are exempt (they are not eligible for overtime pay), and this group includes wide variety of titles--postdocs, academic advisors, development officers, administrators. Staff employees are non-exempt (eligible for overtime).

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	B	D	E	F	G	H	I	J	K	
1	University of Delaware \$ in millions	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Initial Budget	Changes related to Reduced Density Campus	FY21 Moderate Scenario* (20% density fall at least 50% density spring)	Sources/Comments/Scenario Adjustments:	
2	<b>Financial Resources:</b>									
3	Cash and cash equivalents	51	85	111	130	130	-	130	Audited financial statements - Balance Sheet	
4	Operating investments-bond portfolio	312	317	177	165	165	-	165	Audited financial statements - Balance Sheet	
5	Operating investments in pooled portfolio	243	250	248	227	53	(51)	2	Audited financial statements - Liquidity Footnote	
6	Total operating investments	606	652	536	522	348	(51)	297	Target of 90 days cash on hand (approx \$250M), minimum cash on hand 60 days (approx \$170M)	
7	Unspent bond proceeds for capital	21	176	191	67	48	-	48	Audited financial statements - Restricted Deposits Footnote; FY18 includes \$200M taxable bond issuance and FY19 includes restricted deposits related to bond refinancing	
8	<b>Total operating investments and unspent bond proceeds</b>	<b>627</b>	<b>828</b>	<b>727</b>	<b>589</b>	<b>396</b>	<b>(51)</b>	<b>345</b>		
9	<b>Change</b>	<b>14</b>	<b>201</b>	<b>(101)</b>	<b>(138)</b>	<b>(193)</b>	<b>(51)</b>	<b>(244)</b>	Ties to the change in operating investments and unspent bond proceeds per audited financial statements (line 74)	
10										
11	<b>Endowment funds market value, net</b>	<b>1,290</b>	<b>1,336</b>	<b>1,387</b>	<b>1,376</b>	<b>1,376</b>	-	<b>1,376</b>	Audited financial statements - Endowment Footnote, \$18 in donor restricted funds plus \$370M in board designated funds which generated ~\$52M in annual endowment distribution	
12										
13	<b>Long-Term Liabilities:</b>									
14	Long-term debt and capital leases, net	524	733	719	709	697	-	697	Audited financial statements - Balance Sheet and Long-Term Debt and Capital Leases Footnote	
15	Postemployment benefit obligations	550	498	506	570	570	-	570	Audited financial statements - Balance Sheet and Employee Benefit Plans Footnote; Represents retiree medical and faculty retirement obligations	
16	<b>Long-Term Liabilities</b>	<b>1,074</b>	<b>1,231</b>	<b>1,225</b>	<b>1,279</b>	<b>1,267</b>	-	<b>1,267</b>		
17										
18	<b>Operating Statement of Activities, All Funds Basis</b>									
19										
20	<b>Operating Revenue:</b>									
21	Undergraduate Tuition & Fees	443	467	482	494	472	(15)	457	FY21 decline in enrollment worsened by de-densification	
22	Graduate Tuition & Fees	93	101	106	102	101	-	101		
23	Other Tuition & Fees	44	46	56	55	62	(8)	54	Includes differential fee, comprehensive and recreation fee; Impact for moderate case includes study abroad tuition decline and fall semester 15% comp and rec fee discount	
24	Undergraduate Financial Aid	(94)	(103)	(113)	(120)	(143)	(6)	(149)	Estimated change in demographic and increased cost for same yield	
25	Graduate Aid	(62)	(65)	(72)	(72)	(78)	-	(78)	Includes tuition scholarship for doctoral students	
26	Net Tuition, UG and Grad	424	446	459	459	414	(29)	385		
27	Auxiliary Revenue	119	127	130	90	127	(73)	54	Represents Housing, Dining, Parking, Conference Services, Student Health, Printing, Bookstore; Initial budget projected full capacity; FY20 artificially low due to campus shutdown and refunds issued in Spring 2020; moderate scenario includes Fall sports delay, no parking fees, residence halls at 20% capacity	
28	State Appropriation	121	119	122	125	122	3	125	No state appropriation decline	
29	Contracts & Grants	142	145	165	176	117	-	117	Represents primarily cost reimbursable research agreements, public service, extension programs, federal, state and industry	
30	Facilities and Administrative Cost Recoveries	36	37	40	41	28	-	28	Represents indirect costs funded by research agreements	
31	Endowment Payout	51	51	52	52	53	-	53	Represents endowment distribution approved annually by Board of Trustees	
32	Temporary Investment Income	18	20	23	20	15	-	15	Represents investment income on operating investments	
33	Operating Gifts	31	29	28	24	19	7	26	Moderate scenario assumes operating gift projection increase	
34	Other Revenue	47	51	51	46	40	-	40	Represents self-supporting and entrepreneurial activities	
35	<b>Total Operating Revenue</b>	<b>989</b>	<b>1,025</b>	<b>1,070</b>	<b>1,033</b>	<b>935</b>	<b>(92)</b>	<b>843</b>		
36										
37	<b>Operating Expenses:</b>									
38	Faculty Salaries	151	159	169	177	172	-	172	approximately 118 net new faculty since FY16	
39	Professionals	151	162	173	185	187	-	187	Includes exempt employees; increases on all funds including sponsored, state and self-supporting	
40	Staff & Other Wages	77	79	80	80	78	-	78	Includes non-exempt, miscellaneous wage and student employees	
41	S-Contracts (Faculty and Professional)	23	24	24	26	23	-	23		
42	Graduate Student Salaries	42	45	50	51	46	-	46		
43	Total Salaries & Wages	444	469	496	519	506	-	506	Initial fiscal year 21 includes hiring freeze, impact of additional mitigation TBD	
44	Fringe Benefits	167	175	184	192	196	-	196	Comprised primarily of medical, retiree medical, 403b, State pension contribution, FICA	
45	Total Compensation	611	644	680	711	702	-	702	Includes sponsored and non-sponsored	
46	Travel	27	29	31	25	5	-	5	Travel curtailed significantly during spring 2020 due to COVID-19	
47	Supplies, Materials and Other	130	145	176	149	179	-	179	Increased COVID-19 expense, pre-COVID budget estimated at \$212M	
48	Plant Maintenance and Operations	81	86	89	82	78	-	78	Represents utilities and low dollar projects, FY21 returns to normalized level	
49	Subcontracts - Sponsored Agreements	24	25	26	35	25	-	25	Represents sub-agreements to other institutions, primarily higher education, increase primarily due to National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL)	
50	Debt Service	38	39	41	48	46	-	46	Represents principal and interest payments on long-term debt; increase attributable to BPI placed in service and debt repayment on 2018 bonds	
51	FY21 Auxiliary Expense Mitigation	-	-	-	-	-	(32)	(32)	Mitigation will include a split between personnel and non-personnel expenses	
52	<b>Total Operating Expense</b>	<b>911</b>	<b>968</b>	<b>1,043</b>	<b>1,050</b>	<b>1,035</b>	<b>(32)</b>	<b>1,003</b>	Initial budget deficit is \$168M and included \$86M of mitigation of which \$68M is in operating and \$18M is in capital	
53	<b>Operating Surplus/(Deficit)</b>	<b>78</b>	<b>57</b>	<b>27</b>	<b>(17)</b>	<b>(100)</b>	<b>(60)</b>	<b>(160)</b>		
54										
55	<b>Capital Activities</b>									
56										
57	<b>Capital Funding:</b>									
58	Gifts for Capital	2	3	11	9	28	-	28		
59	Bond Proceeds	39	48	97	13	19	-	19	Bonds are drawn as expended on bond funded projects	
60	State Bond Bill Appropriation	6	1	-	1	20	-	20	State funded projects accumulated from multiple years to fund larger projects	
61	Other Capital Funding	-	-	1	10	-	-	-	FY20 primarily sale of Dickinson	
62	<b>Total Capital Funding</b>	<b>47</b>	<b>52</b>	<b>109</b>	<b>33</b>	<b>67</b>	-	<b>67</b>		
63										
64	<b>Capital Expenditures:</b>									
65	Deferred Maintenance, budget	18	36	36	36	18	(9)	9	Strategic investment in deferred maintenance	
66	Capital Projects	64	56	143	137	119	-	119		
67	<b>Total Capital Expenditures</b>	<b>82</b>	<b>92</b>	<b>179</b>	<b>173</b>	<b>137</b>	<b>(9)</b>	<b>128</b>		
68	<b>Capital activities funded by operations and operating investments</b>	<b>35</b>	<b>40</b>	<b>70</b>	<b>140</b>	<b>70</b>	<b>(9)</b>	<b>61</b>		
69										
70	<b>Change in fund balance from operating and capital activities</b>	<b>43</b>	<b>17</b>	<b>(43)</b>	<b>(157)</b>	<b>(170)</b>	<b>(51)</b>	<b>(221)</b>		
71	Accrual/prepaid differences	(46)	(22)	(64)	23	(23)	-	(23)	Adjustments to reconcile between All Funds and GAAP financial statements	
72	Appreciation/(depreciation) operating investments in pooled portfolio	17	7	6	(4)	-	-	-	Adjustments to reconcile between All Funds and GAAP financial statements	
73	2018 bond proceeds	-	199	-	-	-	-	-		
74	<b>Change in operating investments and unspent bond proceeds per audited financial statements</b>	<b>14</b>	<b>201</b>	<b>(101)</b>	<b>(138)</b>	<b>(193)</b>	<b>(51)</b>	<b>(244)</b>	Ties to the change on line 9	
75										
76										
77	<b>Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis:</b>									
78	<b>Operating Surplus/(Deficit)</b>	<b>78</b>	<b>57</b>	<b>27</b>	<b>(17)</b>					
79	Depreciation, amortization and loss on disposals	(71)	(84)	(99)	(78)					
80	Capitalized equipment, library and capitalized interest	27	34	44	40					
81	Principal payments	15	16	17	17					
82	GAAP accrual and deferral entries	(15)	(15)	(10)	1					
83	Transfers to/(from) endowment	-	(4)	4	-					
84	<b>Change in net assets from operating activities, GAAP Basis</b>	<b>34</b>	<b>4</b>	<b>(17)</b>	<b>(37)</b>					
85										
86	<b>Reconciliation of change net assets from operating activities per GAAP Basis to Form 990:</b>									
87	<b>Change in net assets from operating activities, GAAP Basis</b>	<b>34</b>	<b>4</b>	<b>(17)</b>						
88	Realized gains, net of fees	56	80	75					Reinvested within pooled portfolio, recognized as revenue by IRS	
89	Endowment payout	(51)	(51)	(52)					Elimination of appropriated income, not recognized by IRS	
90	Contributions for endowment and capital	25	43	58						
91	State capital appropriations	6	1	0						
92	Other non-operating activities	(14)	(17)	(10)					Represents primarily real estate entities and realized gains on bond refinancing's	
93	<b>Revenue less expense per 990 (Part I Summary, Line 19)</b>	<b>56</b>	<b>60</b>	<b>54</b>						
94										
95	<b>* Moderate Density scenario presented for FY21. Conservative scenario with less than 50% density in spring could result in additional \$60M deficit.</b>									