Overview

Last updated: 3/18/21

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 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[2], the intent of this schedule is to increase clarity by combining data from multiple sources into a one-page financial summary[3].

While a one-page schedule is convenient, additional detail is helpful in certain key areas, including research, personnel, and capital projects and deferred maintenance.

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 21st 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[4] 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 immediate. With a primary focus on the health and safety of our 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 to $37M below FY19 levels (line 35). Through aggressive cost mitigating efforts to reduce 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 research indirect cost revenue (F&A) generation.

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 we were projecting a $168M gap between revenue and expenses. Because about 70% of the operating budget is compensation, even with $86M of expense mitigation, UD was still projecting an operating shortfall of $100M (line 56), or $82M which included a reduction of $18M in the deferred maintenance budget (line 68). 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 70).

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. Associated efforts to implement appropriate health and safety protocols resulted in significant revenue impact. Looking to spring, the winter projection update reflects projected revenues and expenditures including a spring semester at moderate density, defined as follows: 1) greater than 50% occupancy in residence halls; 2) minimum face to face classes, following physical distancing standards; 3) moderate on-campus student life and athletics; and 4) inclusion of external COVID relief funds. This scenario reduces the net loss by $36M (line 56) on top of the FY21 initial mitigated loss of $82M. Even reducing deferred maintenance budget even further, to about $9M (line 68) in FY21, results in an operating investment balance of $374M (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 (line 6).

Operating Budget

The University develops its operating budget (lines 20-56) 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).

It is important to note that the operating revenue (line 35) has grown every year since FY16, and the University has generated operating surpluses (line 56) 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 we anticipated full residence capacity in FY21; however, the shift to 20% capacity had a $79M impact on auxiliary revenue (line 27), which has been mitigated to $39M 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 Salaries & Wages of $506M (line 43) in the initial FY21 budget, which includes faculty, professionals and staff, 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. Note that 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 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 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 Jagger, e-procurement, Helio-Campus, and Axiom. It is important to note that the 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 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 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, Worrilow Hall renovation, South Academy Residence Hall, Whitney Athletics Center, as well as the McKinly Building replacement. Also, part of the plan was doubling deferred maintenance spend from $18M to $36M annually (line 68) in order to reduce a deferred maintenance backlog of almost $500M as of FY16, and to improve the Facilities Condition Index (FCI) of our 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 Labs and other projects in FY21. The balance that must be funded from operating investments in FY21, approximately $70M (line 71), represents encumbered funding of committed expenses for projects near completion, with bills that need to be paid in FY21 (BPI, Worrilow, 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 $357M 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

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 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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[1] The All Funds Basis of reporting is presented as source and uses and is the principal reporting format utilized throughout the University to manage operations. As such capital expenditures, proceeds from issuance of debt, and 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 Summary, 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 which UD reports.

[4] 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”).

[5] 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).

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

The conservative fiscal year 2021 winter projection was developed in January 2021 using six months of actual data and has been updated to reflect Higher Education Emergency Relief Funds per the American Rescue Plan Act signed in March 2021.

	University of Delaware $ in millions	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Initial Budget	FY21 Projection Nov. 2020	FY21 Winter Projection including CARES funding	Nov to Feb Change	*Sources/Comments/Scenario Adjustments*
2	**Financial Resources:**									
3	Cash and cash equivalents	51	85	111	130	130	130	130	-	*Audited financial statements - Balance Sheet*
4	Operating investments-bond portfolio	312	317	177	165	165	165	165	-	*Audited financial statements - Balance Sheet*
5	Operating investments in pooled portfolio	243	250	248	227	53	33	79	46	*Audited financial statements - Liquidity Footnote*
6	Total operating investments	**606**	**652**	**536**	**522**	**348**	**328**	**374**	**46**	*(approx $170M)*
7	Unspent bond proceeds for capital	21	176	191	67	48	48	63	15	*taxable bond issuance and FY19 includes restricted deposits related to bond refinancing*
8	***Total operating investments and unspent bond proceeds***	***627***	***828***	***727***	***589***	***396***	***376***	***437***	***61***	
9	***Change***	***14***	***201***	***(101)***	***(138)***	***(193)***	***(213)***	***(152)***	***61***	*Ties to the change in operating investments and unspent bond proceeds per audited financial statements (line 82)*
10										
11	***Endowment funds market value, net***	***1,290***	***1,336***	***1,387***	***1,376***	***1,376***	***1,376***	***1,376***	-	*plus $370M in board designated funds which generated ~$52M in annual endowment distribution*
12										
13	**Long-Term Liabilities:**									
14	Long-term debt and capital leases, net	524	733	719	709	697	697	697	-	*Footnote*
15	Postemployment benefit obligations	550	498	506	570	570	570	570	-	*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***	***1,267***	***1,267***	***1,267***	-	
17										
18	**Operating Statement of Activities, All Funds Basis**									
19										
20	**Operating Revenue:**									
21	Undergraduate Tuition & Fees	443	467	482	494	472	451	461	10	*FY21 decline in enrollment worsened by de-densification*
22	Graduate Tuition & Fees	93	101	106	102	101	101	94	(7)	
23	Other Tuition & Fees	44	46	56	55	62	48	51	3	*includes study abroad tuition decline and Fall/Spring semester 15% comp and rec fee discount*
24	Undergraduate Financial Aid	(94)	(103)	(113)	(120)	(143)	(133)	(133)	-	*Estimated change in demographic and increased cost for same yield*
25	Graduate Aid	(62)	(65)	(72)	(72)	(78)	(66)	(66)	-	*Includes tuition scholarship for doctoral students*
26	Net Tuition, UG and Grad	424	446	459	459	414	401	407	6	
27	Auxiliary Revenue	119	127	130	90	127	63	48	(15)	*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; FY21 projection assumes Fall sports delay, residence halls at 20% capacity in Fall and at least 50% density in Spring with events/activities coming back. Feb projection removed events/concession driven revenue as event/activities not coming back as assumed in Nov. projection* *Nov to Feb change due to:* *($2.5M) lower parking revenue* *($7.0M) lower dining plan revenue due to rev/exp forecasting methodology, variance offset by Auxiliary Expense Mitigation (see below)* *($6.0M) lower revenue related to catered events & concession sales* *($15M) total change*
28	State Appropriation	121	119	122	125	122	125	125	-	*No state appropriation decline*
29	Contracts & Grants	142	145	165	176	117	157	159	2	*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	37	40	3	*Represents indirect costs funded by research agreements*
31	Endowment Payout	51	51	52	52	53	53	53	-	*Represents endowment distribution approved annually by Board of Trustees*
32	Temporary Investment Income	18	20	23	20	15	15	16	1	*Represents investment income on operating investments*
33	Operating Gifts	31	29	28	24	19	25	24	(1)	*Moderate scenario assumes operating gift projection increase*
34	Other Revenue	47	51	51	46	40	34	33	(1)	*Represents self-supporting and entrepreneurial activities*
35	***Total Operating Revenue***	***989***	***1,025***	***1,070***	***1,033***	***935***	***911***	***905***	***(5)***	
36										
37	**Operating Expenses:**									
38	Faculty Salaries	151	159	169	177	172	176	179	3	*approximately 118 net new faculty since FY16*
39	Professionals	151	162	173	185	187	176	179	3	*Includes exempt employees; increases on all funds including sponsored, state and self-supporting; Impact of personnel actions reflected in update*
40	Staff & Other Wages	77	79	80	80	78	60	66	6	*Includes non-exempt, miscellaneous wage and student employees; Impact of personnel actions reflected in update*
41	S-Contracts (Faculty and Professional)	23	24	24	26	23	26	28	2	
42	Graduate Student Salaries	42	45	50	51	46	51	53	2	
43	Total Salaries & Wages	444	469	496	519	506	489	505	16	*Initial fiscal year 21 includes hiring freeze, impact of additional mitigation TBD*
44	Fringe Benefits	167	175	184	192	196	186	194	8	*FICA*
45	Total Compensation	611	644	680	711	702	675	699	24	*Includes sponsored and non-sponsored*
46	Travel	27	29	31	25	5	6	6	-	*Travel curtailed significantly during spring 2020 due to COVID-19*
48	(a) Supplies, Materials and Other	130	145	176	149	179	228	201	(27)	*lower than anticipated YTD non-personnel spending to date, but adjusted for additional projected spend related to increased spring density*
49	(b) FY21 Auxiliary Expense Mitigation	-	-	-	-	-	(32)	(39)	(7)	*Mitigation will include a split between personnel and non-personnel expenses; lower dining plan revenue due to rev/exp forecasting methodology, variance offset by Auxiliary Revenue (see above)*
50	(c) CARES Act reimbursements	-	-	-	-	-	-	(61)	(61)	*offset institutional losses (not including additional $6M for student support); Additional $16M COVID Relief funding due to recent reconciliation bill passage in mid-March. (not including additional $16M for student support).*
51	Sub-Total Supplies, Materials and Other (a+b+c)	130	145	176	149	179	196	101	(95)	*Increased COVID-19 expense, pre-COVID budget estimated at $212M*
52	Plant Maintenance and Operations	81	86	89	82	78	82	86	4	*Represents utilities and low dollar projects, FY21 returns to normalized level*
53	Subcontracts - Sponsored Agreements	24	25	26	35	25	31	31	-	*increase primarily due to National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL)*
54	Debt Service	38	39	41	48	46	46	46	-	*Represents principal and interest payments on long-term debt; increase attributable to BPI placed in service and debt repayment on 2018 bonds*
55	***Total Operating Expense***	***911***	***968***	***1,043***	***1,050***	***1,035***	***1,036***	***969***	***(67)***	
56	***Operating Surplus/(Deficit)***	***78***	***57***	***27***	***(17)***	***(100)***	***(126)***	***(64)***	***62***	*Initial budget deficit is $168M and included $86M of mitigation of which $68M is in operating and $18M is in capital*
57										
58	**Capital Activities**								***36***	
59										
60	**Capital Funding:**									
61	Gifts for Capital	2	3	11	9	28	14	14	-	
62	Bond Proceeds	39	48	97	13	19	5	5	-	*Bonds are drawn as expended on bond funded projects*
63	State Bond Bill Appropriation	6	1	-	1	20	19	19	-	*State funded projects accumulated from multiple years to fund larger projects*
64	Other Capital Funding	-	-	1	10	-	-	-	-	*FY20 primarily sale of Dickinson*
65	***Total Capital Funding***	***47***	***52***	***109***	***33***	***67***	***38***	***38***	-	*Rounding to whole numbers resulted in slight change to prior version*
66										
67	**Capital Expenditures:**									
68	Deferred Maintenance, budget	18	36	36	36	18	9	9	-	*Strategic investment in deferred maintenance*
69	Capital Projects	64	56	143	137	119	94	94	-	*Capital Projects continue to be evaluated*
70	***Total Capital Expenditures***	***82***	***92***	***179***	***173***	***137***	***103***	***103***	-	
71	***Capital activities funded by operations and operating investments***	***(35)***	***(40)***	***(70)***	***(140)***	***(70)***	***(65)***	***(65)***	-	*Rounding to whole numbers resulted in slight change to prior version*
72										
73	***Change in fund balance from operating and capital activities***	***43***	***17***	***(43)***	***(157)***	***(170)***	***(191)***	***(129)***	***62***	
74	Accrual/prepaid differences	(46)	(22)	(64)	23	(23)	(23)	(23)	-	*Adjustments to reconcile between All Funds and GAAP financial statements*
75	Appreciation/(depreciation) operating investments in pooled portfolio	17	7	6	(4)	-	-	-	-	*Adjustments to reconcile between All Funds and GAAP financial statements*
76	2018 bond proceeds	-	199	-	-	-	-	-	-	
77	***Change in operating investments and unspent bond proceeds per audited financial statements***	***14***	***201***	***(101)***	***(138)***	***(193)***	***(213)***	***(152)***	***61***	*Ties to the change on line 14*
78										
79										
80	***Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis:***									
81	***Operating Surplus/(Deficit)***	***78***	***57***	***27***	***(17)***					
82	Depreciation, amortization and loss on disposals	(71)	(84)	(99)	(78)					
83	Capitalized equipment, library and capitalized interest	27	34	44	40					
84	Principal payments	15	16	17	17					
85	GAAP accrual and deferral entries	(15)	(15)	(10)	1					
86	Transfers to/(from) endowment	-	(4)	4	-					
87	***Change in net assets from operating activities, GAAP Basis***	***34***	***4***	***(17)***	***(37)***					
88										
89	***Reconciliation of change net assets from operating activities per GAAP Basis to Form 990:***									
90	***Change in net assets from operating activities, GAAP Basis***	***34***	***4***	***(17)***						
91	Realized gains, net of fees	56	80	75						*Reinvested within pooled portfolio, recognized as revenue by IRS*
92	Endowment payout	(51)	(51)	(52)						*Elimination of appropriated income, not recognized by IRS*
93	Contributions for endowment and capital	25	43	58						
94	State capital appropriations	6	1	0						
95	Other non-operating activities	(14)	(17)	(10)						*Represents primarily real estate entities and realized gains on bond refinancing*
96	***Revenue less expense per 990 (Part I Summary, Line 19)***	***56***	***60***	***54***						
	** Moderate Density scenario presented for FY21. Conservative scenario with less than 50% density in spring could result in additional ~$30M deficit.*									

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