
Financial Overview

The following is an all funds, 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](#)¹¹, we are looking to increase clarity by combining data from multiple sources into a one page financial summary².

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

Modified Cash Operating Budget

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

FY24 budget assumptions, which includes 4,200 incoming freshmen class, and a 5% tuition rate increase, results in budgeted total operating revenue of \$1.2 billion. The FY24 budgeted discount rate is 32%, compared to 33.5% in FY23. Higher tuition discount rates continue to trend higher 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 staff³, as well as graduate student and s-contract salaries. Faculty salary has grown by \$29M since FY17, professionals and staff compensation has grown by \$61M since FY17, associated with salary increases. As the financial schedule depicts all funds growth, the growth of

¹ 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.

² 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.

³ 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.

professionals and staff has been across funds, with hires in research institutes like NIIMBL, as well as strategic investments in student success and wellness, student life and diversity, student health, academic advisors, athletics staff in recreation and supporting compliance efforts. 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 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, Axiom, and Anaplan. It is important to note that the FY20 & FY21 expenses were 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 \$21 million over FY23 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 66), such as, 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. 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 per year, increasing to \$20M/year in the most recent years. The FY2024 State funding for capital is \$20M, with \$6M of the total to be used on specific projects as included in the State bond bill. Funding will continue to be spent on completion of fitting out University leased space in 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 third and 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 is 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, 2023, the University endowment consists of approximately 1,400 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 \$441M 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.

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 \$2.0 billion at the end of FY23 (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 Actual	FY24 Budget 4200 incoming; 5% tuition rate increase
Financial Resources:								
Cash and cash equivalents	51	85	111	130	125	73	50	50
Operating investments-bond portfolio	312	317	177	162	151	262	251	281
Operating investments in pooled portfolio	243	250	248	227	278	237	224	224
Total operating investments	606	652	536	519	554	572	525	555
Unspent bond proceeds for capital	21	176	191	67	62	57	49	-
Total operating investments and unspent bond proceeds	627	828	727	586	616	629	574	555
Change	14	201	(101)	(141)	30	13	(55)	(19)
Endowment funds market value, net	1,290	1,336	1,387	1,376	1,864	1,702	1,739	1,739
Long-Term Liabilities:								
Long-term debt and finance leases, net	524	733	719	709	697	685	671	658
Postemployment benefit obligations	550	498	506	570	582	475	448	448
Long-Term Liabilities	1,074	1,231	1,225	1,279	1,279	1,160	1,119	1,106
Adjusted Modified Cash/Budgeted Operating Statement of Activities, All Funds Basis								
Operating Revenue:								
Undergraduate Tuition & Fees	443	467	482	494	470	491	516	542
Graduate Tuition & Fees	93	101	106	102	97	66	70	74
Other Tuition & Fees	44	46	56	55	50	62	65	66
Undergraduate Financial Aid	(94)	(103)	(113)	(120)	(133)	(156)	(173)	(173)
Graduate Aid	(62)	(65)	(72)	(72)	(67)	(38)	(39)	(40)
Net Tuition, UG and Grad	424	446	459	459	417	425	438	469
Auxiliary Revenue	119	127	130	90	50	121	136	140
State Appropriation	121	119	122	125	125	128	134	135
Contracts & Grants	142	145	165	171	181	232	224	244
HEERF relief reimbursements				5	46	16	-	-
Facilities and Administrative Cost Recoveries	36	37	40	41	44	54	59	60
Endowment Payout	51	51	52	52	53	56	62	65
Temporary Investment Income	18	20	23	20	16	16	26	28
Operating Gifts	31	29	28	24	29	33	28	36
Other Revenue	47	51	51	46	35	51	61	59
Total Operating Revenue	989	1,025	1,070	1,033	996	1,132	1,169	1,235
Operating Expenses:								
Faculty Salaries	151	159	169	177	178	175	180	185
Professionals	151	162	173	185	184	190	212	213
Staff & Other Wages	77	79	80	80	65	72	77	78
S-Contracts (Faculty and Professional)	23	24	24	26	21	25	26	28
Graduate Student Salaries	42	45	50	51	52	52	59	59
Total Salaries & Wages	444	469	496	519	500	514	554	563
Fringe Benefits	167	175	184	192	190	191	205	218
Total Compensation	611	644	680	711	690	705	759	781
Travel	27	29	31	25	3	17	30	26
Supplies, Materials and Other	130	145	176	149	121	190	202	223
Plant Maintenance and Operations	81	86	89	82	72	83	85	91
Subcontracts - Sponsored Agreements	24	25	26	35	38	41	46	49
Debt Service	38	39	41	48	48	42	41	43
Total Operating Expense	911	968	1,043	1,050	972	1,078	1,163	1,213
Adjusted Modified Cash/Budgeted Operating Surplus/(Deficit)	78	57	27	(17)	24	54	6	22
Capital Activities								
Capital Funding:								
Gifts for Capital	2	3	11	9	15	23	11	14
Bond Proceeds	39	48	97	13	4	5	10	41
State Bond Bill Appropriation	6	1	-	1	3	11	12	27
Other Capital Funding	-	-	1	10	9	7	39	27
Total Capital Funding	47	52	109	33	31	46	73	109
Capital Expenditures:								
Deferred Maintenance, budget	18	36	36	36	9	18	18	20
Capital Projects	64	56	143	137	65	34	90	130
Total Capital Expenditures	82	92	179	173	74	52	108	150
Capital activities funded by operations and operating investments	(35)	(40)	(70)	(140)	(43)	(6)	(35)	(41)
Change in fund balance from operating and capital activities	43	17	(43)	(157)	(19)	48	(29)	(19)
Accrual/prepaid differences	(46)	(22)	(64)	20	(24)	(11)	(29)	-
Appreciation/(depreciation) operating investments in pooled portfolio	17	7	6	(4)	73	(24)	3	-
2018 bond proceeds	-	199	-	-	-	-	-	-
Change in operating investments and unspent bond proceeds	14	201	(101)	(141)	30	13	(55)	(19)
Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis:								
Operating Surplus/(Deficit)	78	57	27	(17)	24	54	6	22
Depreciation, amortization and loss on disposals	(71)	(84)	(99)	(78)	(88)	(91)	(93)	-
Capitalized equipment, library and capitalized interest	27	34	44	40	37	42	45	-
Principal payments	15	16	17	17	12	12	12	-
GAAP accrual and deferral entries	(15)	(15)	(10)	1	-	(3)	5	-
Transfers to/(from) endowment	-	(4)	4	-	(1)	1	2	-
Change in net assets from operating activities, GAAP Basis	34	4	(17)	(37)	(16)	15	(23)	22
Reconciliation of change net assets from operating activities per GAAP Basis to Form 990:								
Change in net assets from operating activities, GAAP Basis	34	4	(17)	(37)	(16)	15	(23)	22
Realized gains, net of fees	56	80	75	58	139	225	-	-
Endowment payout	(51)	(51)	(52)	(52)	(53)	(56)	-	-
Contributions for endowment and capital	25	43	58	32	44	49	-	-
State capital appropriations	6	1	0	1	3	11	-	-
Reclassification of donor restricted revenue	(14)	(12)	(18)	(15)	(15)	(17)	-	-
Other non-operating activities	0	(5)	8	(6)	0	(18)	-	-
Revenue less expense per 990 (Part I Summary, Line 19)	56	60	54	(19)	102	209	(23)	22