

UNCW Financial Update

Presentation to the Board of Trustees
Business Affairs Committee

February 13, 2014



UNIVERSITY *of* NORTH CAROLINA WILMINGTON

UNCW Financial & Budget Update

- FY 2013 Audited Financial Statements
- Moody's Credit Review
- Budget Update: FY14 and FY15

FY 2013 AUDITED STATEMENTS

FY 2013 Financial Highlights

- State Auditor issued unqualified opinion
- No material deficiencies in internal controls - on-going effective internal control environment
- Continued growth in net position

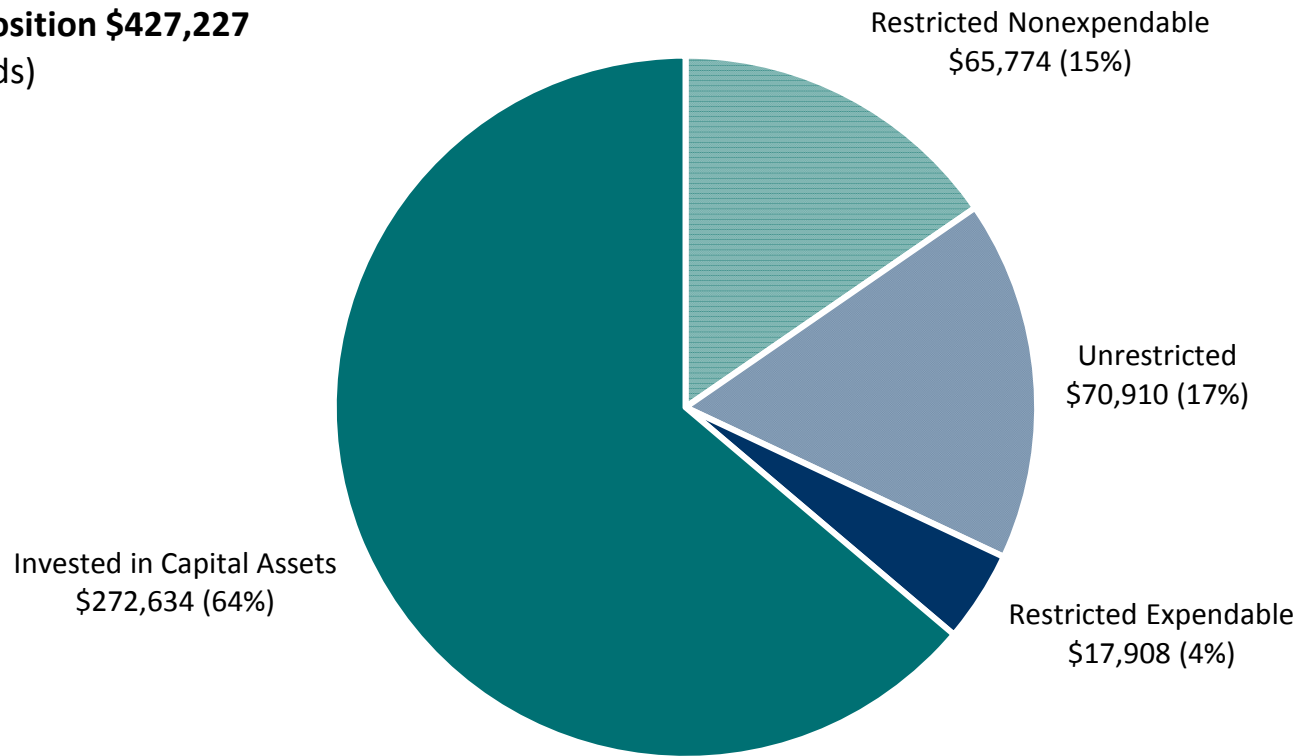
2013 Change in Net Position

in (000's)	FY 2011	FY 2012*	FY 2013
Operating Income (Loss)			
Operating Revenues	\$140,028	\$145,653	\$154,112
Operating Expense	254,608	252,024	267,650
Total Operating Income (Loss)	(114,580)	(106,371)	(113,538)
Nonoperating Revenues (Expenses)	122,572	110,638	121,862
Income (Loss) before other revenues, expenses, gains and losses	7,993	4,267	8,324
Other revenues, expenses, gains and losses	11,952	24,445	19,207
Change in Net Position	19,945	28,712	27,531
Net Position July 1	351,039	370,984	399,696
Change in Net Position (above)	19,945	28,712	27,531
Net Position June 30	370,984	399,696	427,227
Change in Net Position (%)	5.68%	7.74%	6.89%

**Restated.*

Net Position Increased \$27.5 MM

2013 Net Position \$427,227
(\$ Thousands)



Unrestricted Net Position Increased \$10.9 MM

	FY12*	FY13
Unrestricted Net Position		
Unrestricted Trust	22,459,071	24,364,679
Overhead	3,016,650	2,639,248
Housing	9,902,431	9,710,320
Union	10,679,402	15,066,414
Food Service	3,947,561	3,717,953
Rec Ctr/Intramurals	3,661,119	3,283,614
ITSD Communications	1,628,791	1,794,360
Ed & Tech Fees	-	1,602,820
Other	4,668,956	8,730,915
Total	59,963,981	70,910,321

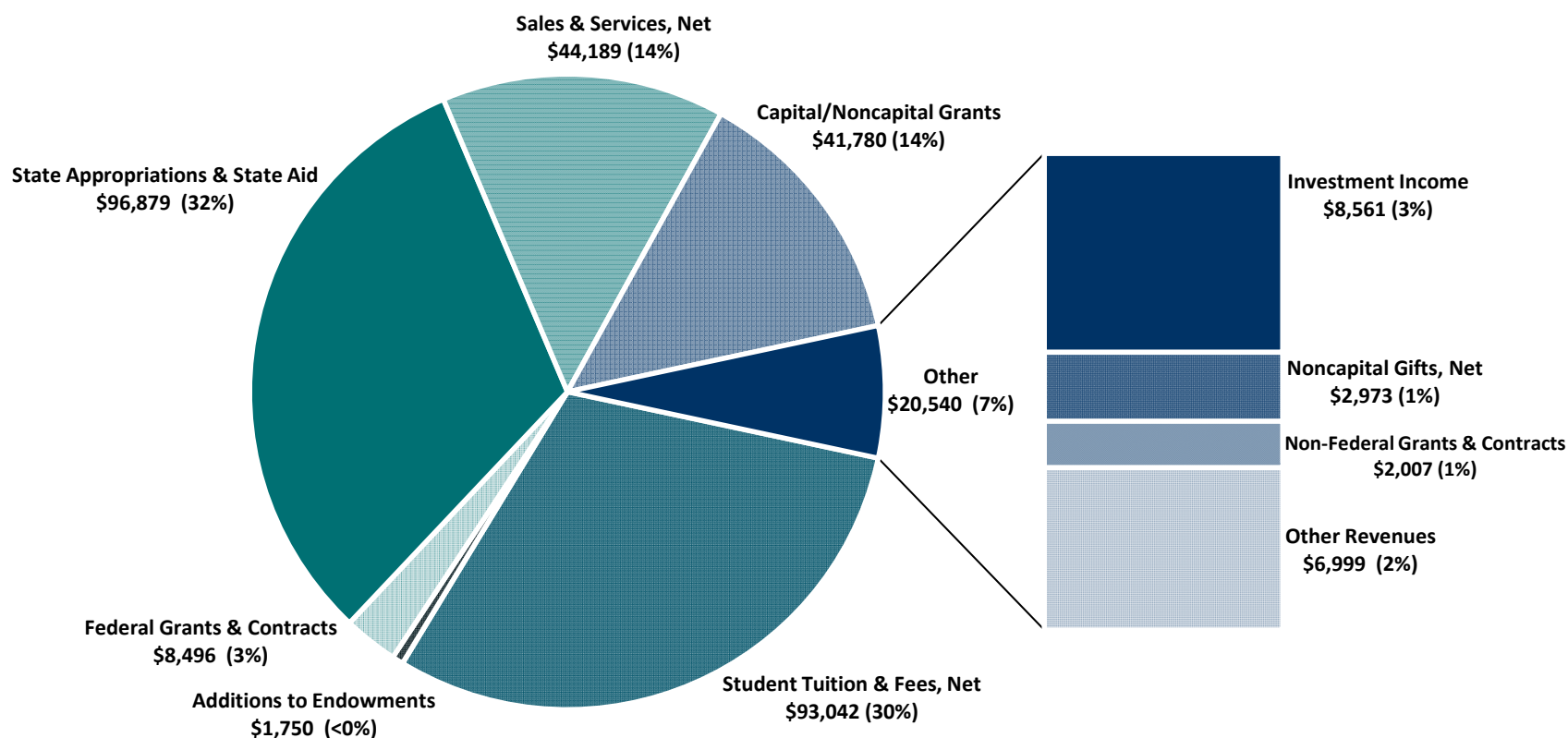
Prior to FY13 Ed & Tech Fees were considered General Funds.

** Restated*

Diverse Revenue Sources

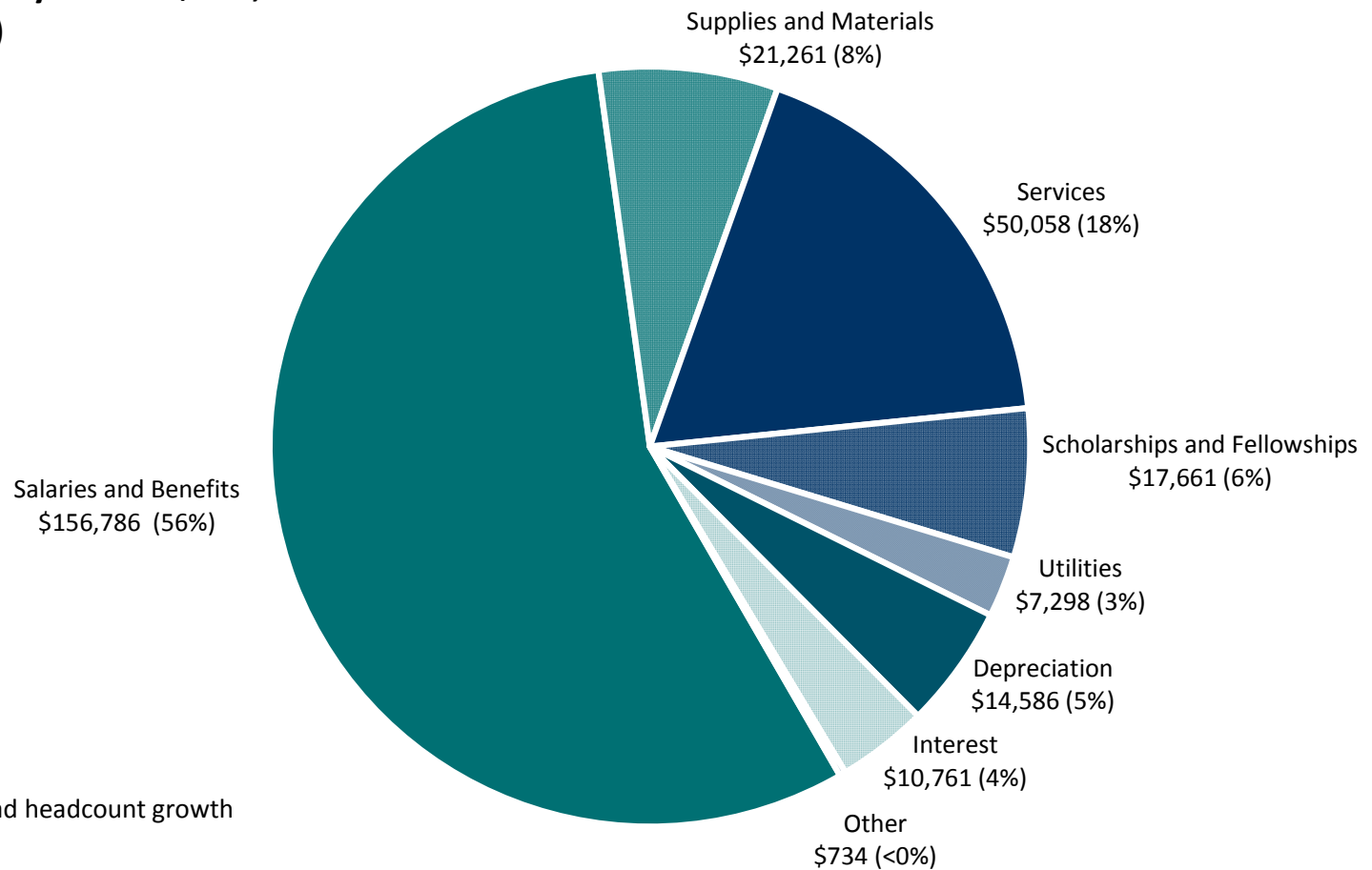
2013 Revenue by Source \$306,676

(\$ Thousands)



Expenses by Nature

2013 Expense by Nature \$279,145
(\$ Thousands)



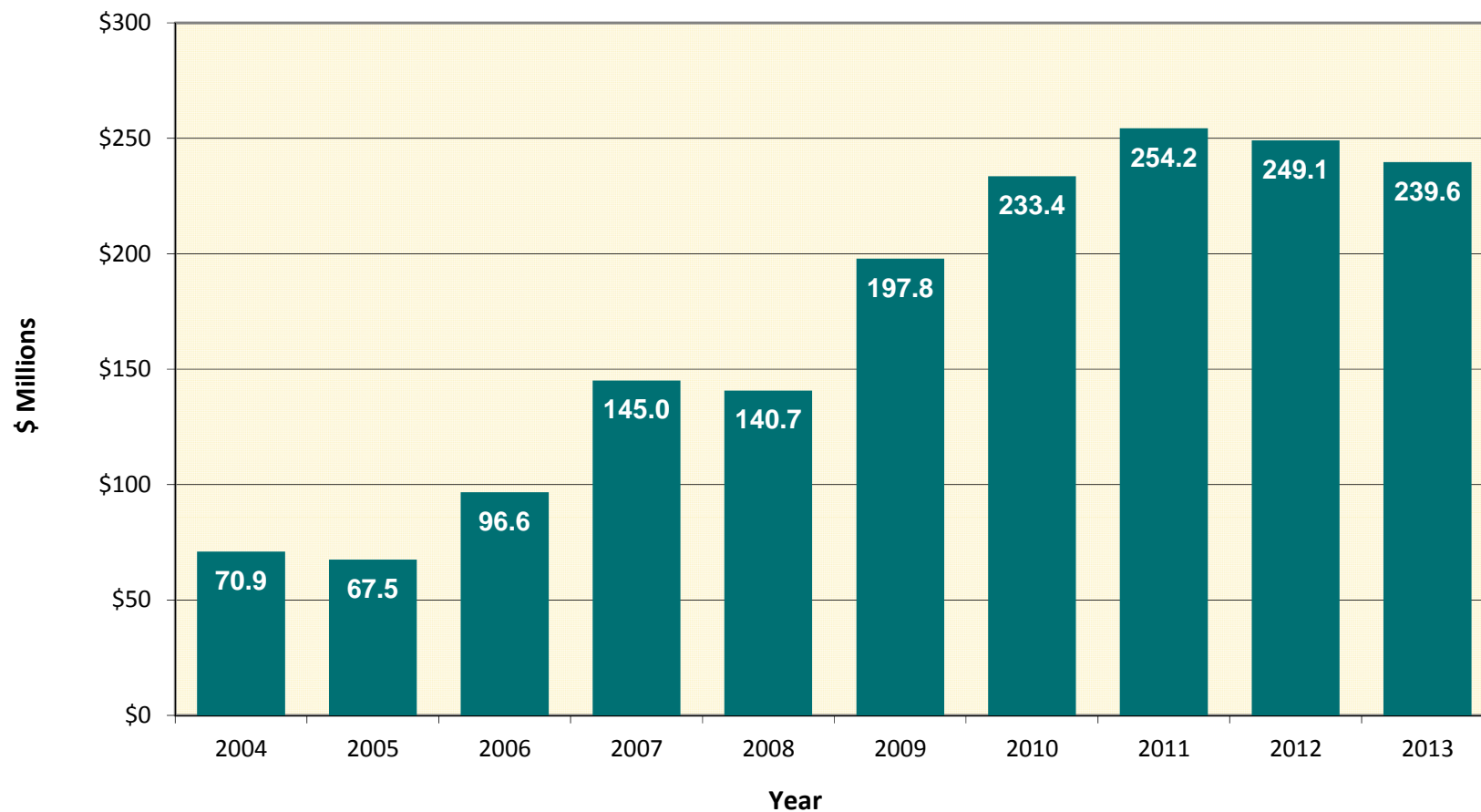
* Fall 2012 undergrad headcount growth

MOODY'S CREDIT REVIEW

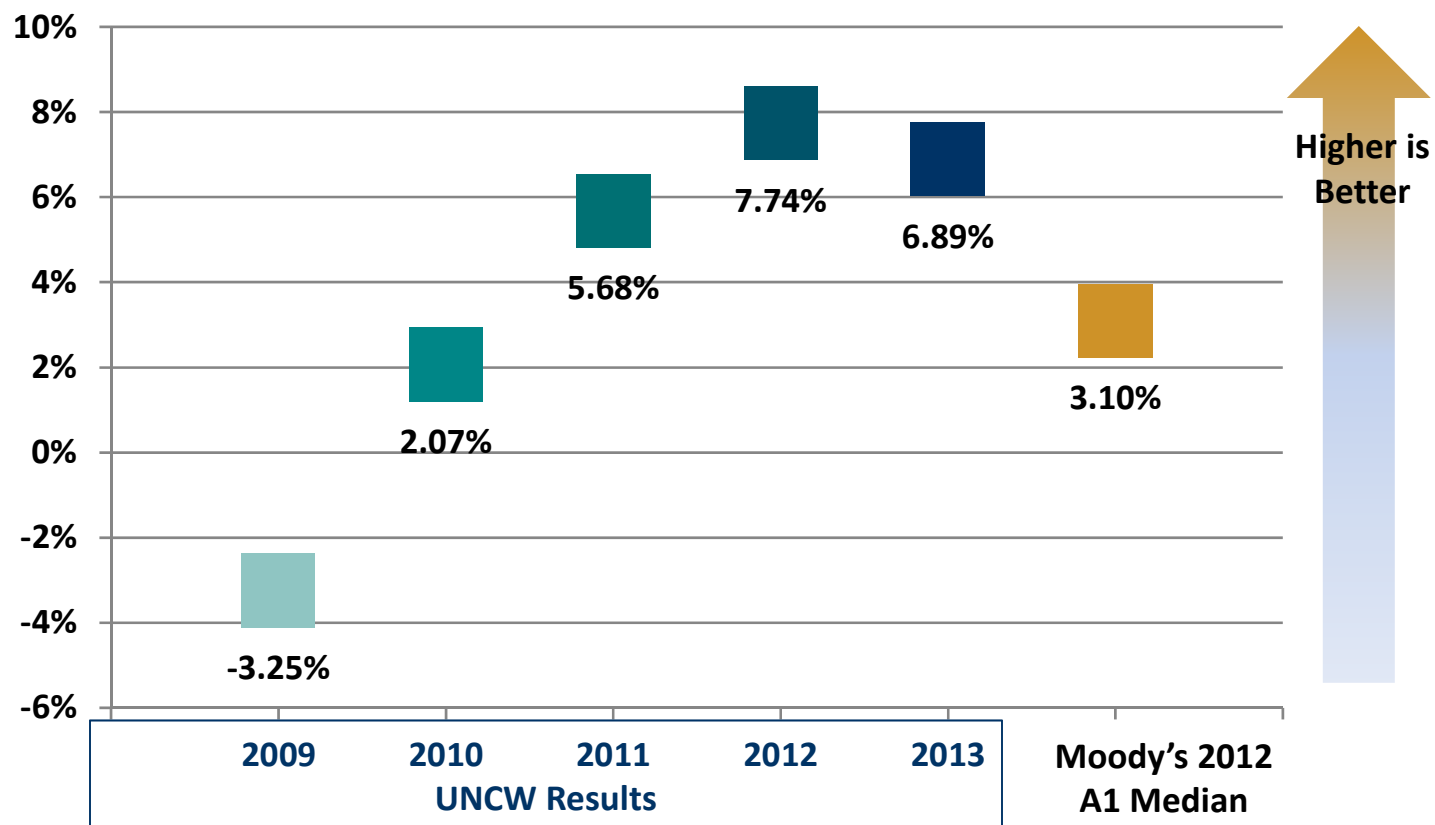
Moody's Higher Education Outlook

- 2014 12-18 month outlook: Negative
- No public universities upgraded in 2013
- Key Drivers
 - Weak revenue growth and building expense pressure
 - Heightened competition, driven in part by changing business models
 - Flat to declining government funding
 - Political and regulatory pressure create uncertainty
- Counterpoints
 - Proven adaptability to weak economic conditions
 - High fundamental demand for high education
 - Stronger earnings by educational attainment

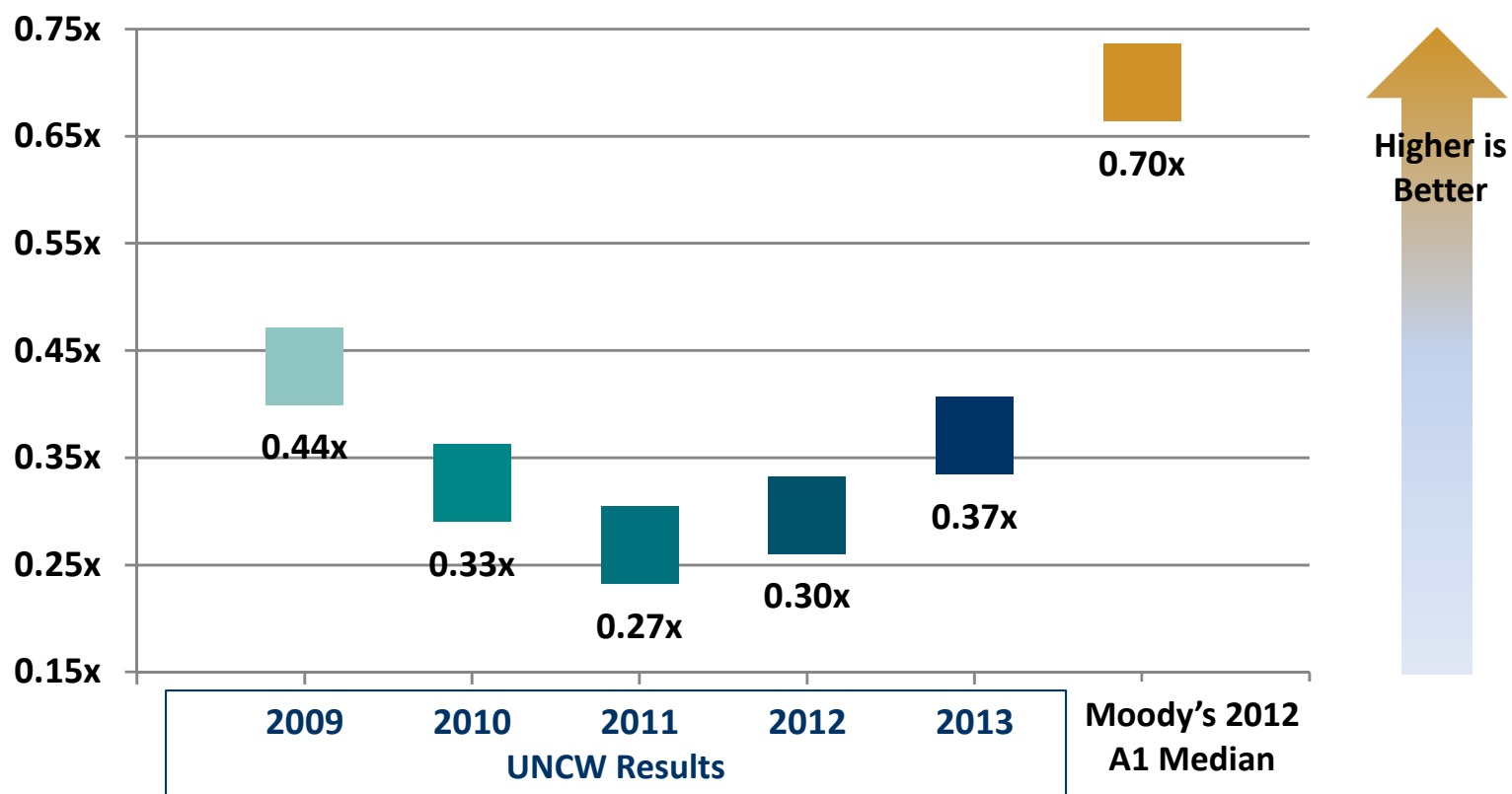
UNCW Debt Summary 2004-13



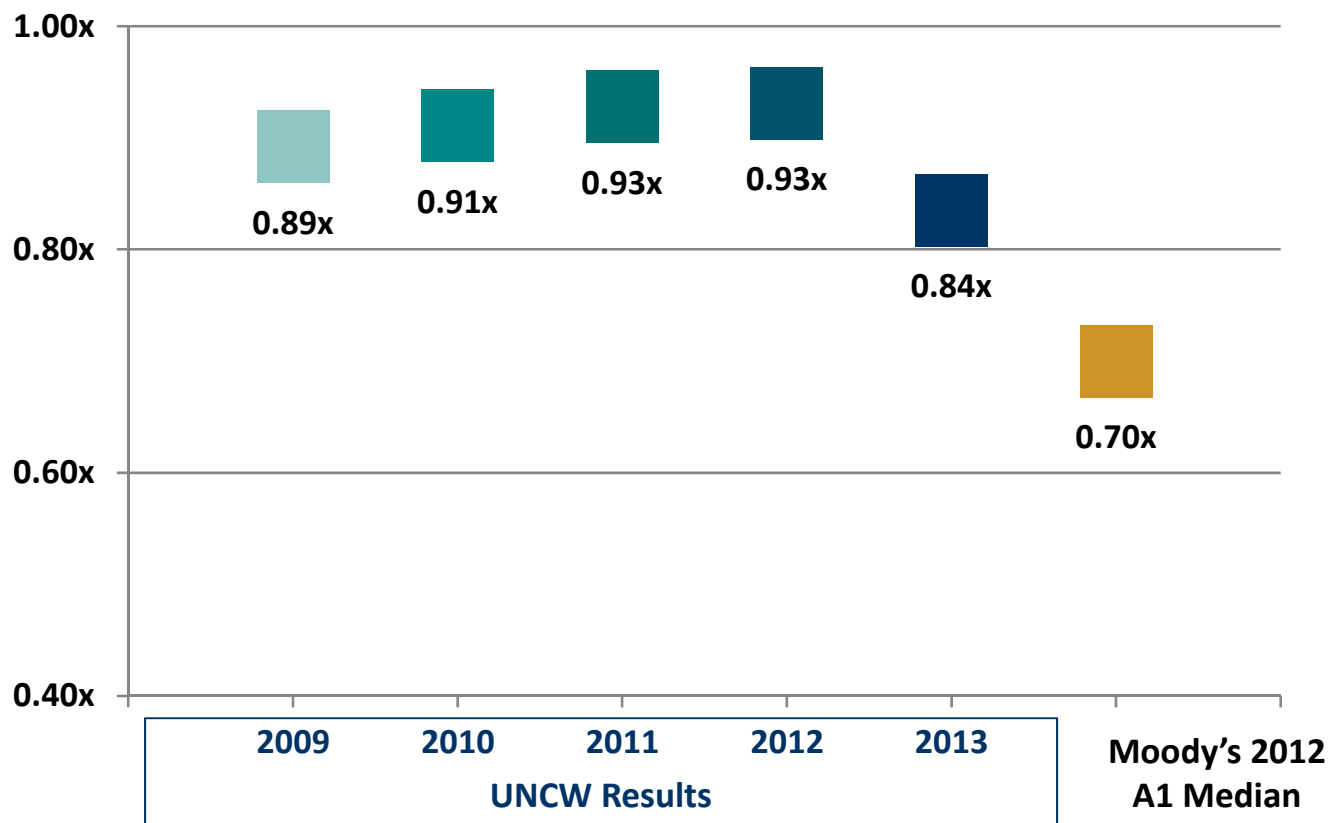
Return on Net Position



UNCW Expendable Resources to Debt



UNCW Debt to Operating Revenue



Moody's Rating

- Revised outlook from stable to positive
- Affirmed underlying ratings
 - General Revenue Bonds: A1
 - UNC Pool Revenue Bonds (2010 C/D): A1
 - Certificates of Participation (COPs): A2

Revenue Bonds
Moody's
Aaa
Aa1
Aa2
Aa3
A1
A2
A3
Baa1
Baa2
Baa3
<i>Non Investment Grade</i>

Certificates of Participation
Moody's
Aaa
Aa1
Aa2
Aa3
A1
A2
A3
Baa1
Baa2
Baa3
<i>Non Investment Grade</i>

Moody's UNCW Rating Rationale

Strengths

- Enrollment growth and strong demand
- Improved operating performance with healthy cash flow margin of 12.5% in FY13
- 45% increase in cash and investments
- Membership in UNC system and history of state support

Challenges

- Leveraged compared to peers with expendable financial resources of .39x
- Slowed state revenue support
- Significant future growth limited without further capital investment

Factors that could make the rating go Up/Down

- **Up:** “Continued strong operating performance with at least flat state funding leading to augmentation of financial resources as it relates to debt”
- **Down:** Diminished state support for capital & operation; new debt in excess of resources; decline in operating performance; and declines in enrollment/demand.

Questions, Observations, Comments

BUDGET UPDATE: FY14 AND FY15

FY 2013-14 Projected Tuition Revenue

(Regular Term + Distance Education)

Dollars		FY 13-14 Budget	FY 13-14 Fall Revenues	FY 13-14 Spring Revenues	FY 13-14 Projected Total Tuition Revenue	Variance
Regular Term	Resident Students	\$38,559,022	\$21,156,407	\$19,483,365	\$40,639,772	\$2,080,750
	Non-Resident Students	<u>\$28,064,490</u>	<u>\$14,811,131</u>	<u>\$13,337,075</u>	<u>\$28,148,206</u>	<u>\$83,716</u>
	Totals	\$66,623,512	\$35,967,538	\$32,820,440	\$68,787,978	\$2,164,466
Distance Education	Resident Students	\$2,922,638	\$1,660,961	\$1,196,990	\$3,410,018	\$487,380
	Non-Resident Students	<u>\$637,724</u>	<u>\$486,655</u>	<u>\$339,277</u>	<u>\$1,003,236</u>	<u>\$365,512</u>
	Totals	\$3,560,362	\$2,147,616	\$1,536,267	\$4,414,254	\$852,891
Grand Totals		\$70,183,874	\$38,115,154	\$34,356,707	\$73,202,232	\$3,017,358

FY 2013-14 Projected Tuition Revenue

(RN to BSN Program)

Dollars		FY 13-14 Budget	Fall AP 1 + AP2 Actuals	Spring AP3 Actuals	Summer AP4 + AP5 + AP6 Projections	Variance Thru AP3
RN to BSN AP	Resident Students	\$415,237	\$99,355	\$93,235		
	Non-Resident Students	<u>\$127,775</u>	<u>\$3,276</u>	<u>\$6,552</u>		
	Totals	\$543,012	\$102,631	\$99,787		\$27,117
		Projections	Actuals	Variance		
Headcount	AP1	52	64	12		
	AP2	84	95	11		
	AP3	116	145	29		
SCHs	AP1	236	291	55		
	AP2	367	456	89		
	AP3	505	699	194		

- Original projections were 90% in-state / 10% out-state
- Overall headcount & SCHs are above projections through AP3
- Year-end revenues projected to be right at budget due to lower out-state students

FY 2014-15 UNCW Potential Legislative Reductions

- SL 2013-360 (FY 2013-15 Biennial Budget)
 - Year 1 reductions (2013-14):
 - Strategic Directions: \$1,118,627
 - Management Flexibility: \$2,751,507
 - Total: \$3,940,134
 - Year 2 additional reductions (2014-15):
 - Strategic Directions: \$528,963
 - Management Flexibility: \$326,363
 - Total: \$855,326
- FY 2014-15 Supplemental Budget
 - OSBM memorandum dated December 12, 2013
 - 2% reduction plan based on UNCW's FY 14-15 certified appropriation
 - \$2,021,954 reduction
 - Campus will develop a \$3.0 million reduction plan (\$855,326 + \$2,021,954)