Revenue Trend Analysis
State Cuts and Maintaining Access
February 19, 2016
Key Takeaways

- Tuition is the university’s most stable revenue source.

- Non-traditional operations such as UPI are making up a growing portion of our income statement.

- Gifts and investment revenue are also becoming larger components of the university’s revenue streams.

- Adequate operating reserves must be available to absorb fluctuations in non-operating revenue streams.
Maintaining Fiscal Stability at CU

- The Regents, President and Chancellors are committed to long term fiscal sustainability.
  - Compensating for inadequate state funding.
  - Maintaining affordability and access for CU students
- Total tuition revenue is increasing at a slower rate than other revenue sources.
- Ratings agencies notice revenue sources and how they shift.
- Debt markets, sponsors, donors and policy makers use CU’s financial statement data
Accounting Terms for Revenues

• When operating revenues do not cover all expenditures it is called an “operating loss” in accounting terms. It is typical for public universities to incur operating losses.

• CU’s “operating loss” may continue to grow as state funding stagnates and tuition increases at a low rate, but non-operating revenue from fundraising and investments are relied upon to fill the gap.

• After including non-operating revenues, CU’s net position is increasing, meaning we are adding to our assets each year.
Five Year Trend of CU’s Operating Loss

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Loss (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$(76,525)</td>
</tr>
<tr>
<td>2012</td>
<td>$(69,352)</td>
</tr>
<tr>
<td>2013</td>
<td>$(103,127)</td>
</tr>
<tr>
<td>2014</td>
<td>$(125,867)</td>
</tr>
<tr>
<td>2015</td>
<td>$(155,767)</td>
</tr>
</tbody>
</table>
UPI Operating Revenue

- UPI generates operating income which is not controlled by the University.
- University Physicians Inc. (UPI) has experienced significant operating revenue growth over past five years.
- From fiscal year 2011 to fiscal year 2015, UPI’s share of the University’s operating revenue has increased from approximately 20% to 29%.
## CU Statement of Revenues, Expenses and Changes in Net Position – FY 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$3,018,930,880</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Total Education and General Expenses</td>
<td>$2,144,734,066</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$180,843,375</td>
</tr>
<tr>
<td>Auxiliary Enterprise</td>
<td>$202,681,982</td>
</tr>
<tr>
<td>Health Services</td>
<td>$646,438,521</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$3,174,697,944</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>$(155,767,064)</td>
</tr>
<tr>
<td><strong>Non-Operating Revenues (Expenses)</strong></td>
<td></td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
<td>$217,013,318</td>
</tr>
<tr>
<td>Other Revenues, Expenses, Gains/Losses</td>
<td>$109,242,851</td>
</tr>
<tr>
<td>Increase in Net Position</td>
<td>$170,489,105</td>
</tr>
</tbody>
</table>
Investments, Gifts, and Other Revenue Covers CU’s Operating Loss and Adds to the University’s Positive Net Position.
In Fitch’s “University of Colorado Revenue Bonds New Issue Report” several notable statements were made, including:

“Nonoperating revenues, particularly investment gains, have contributed measurably to the increase in available funds. In addition, health services have become an increasingly important component of operating margins. The maintenance of a strong balance sheet will be an important rating consideration over time, as these are inherently more variable revenue sources.”