

# FOUR CAMPUSES UNITED **ALL FOUR: COLORADO**

## **Revenue Trend Analysis** State Cuts and Maintaining Access February 19, 2016



University of Colorado

Boulder | Colorado Springs | Denver | Anschutz Medical Campus

# Key Takeaways

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- 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

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- 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



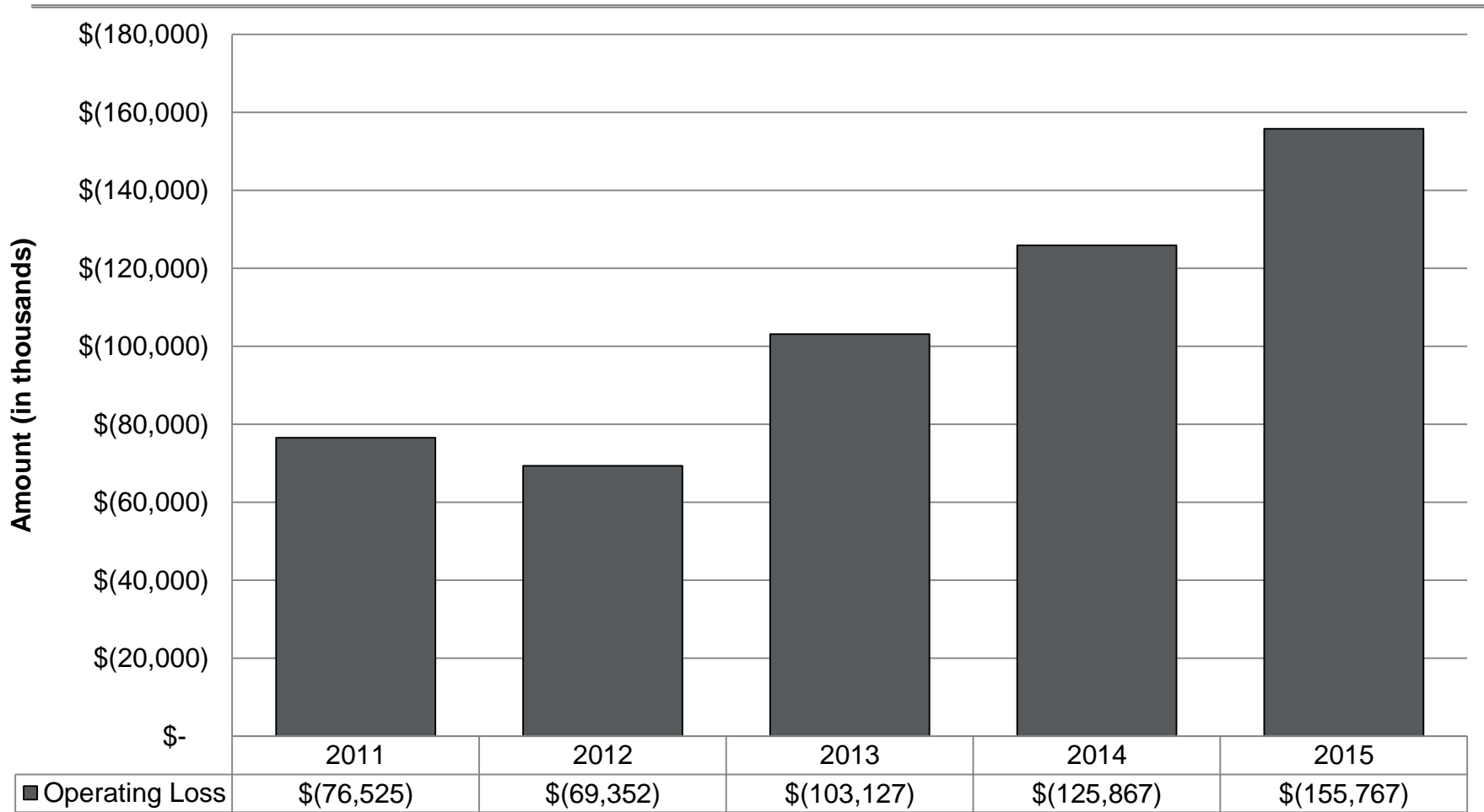
# Accounting Terms for Revenues

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- 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



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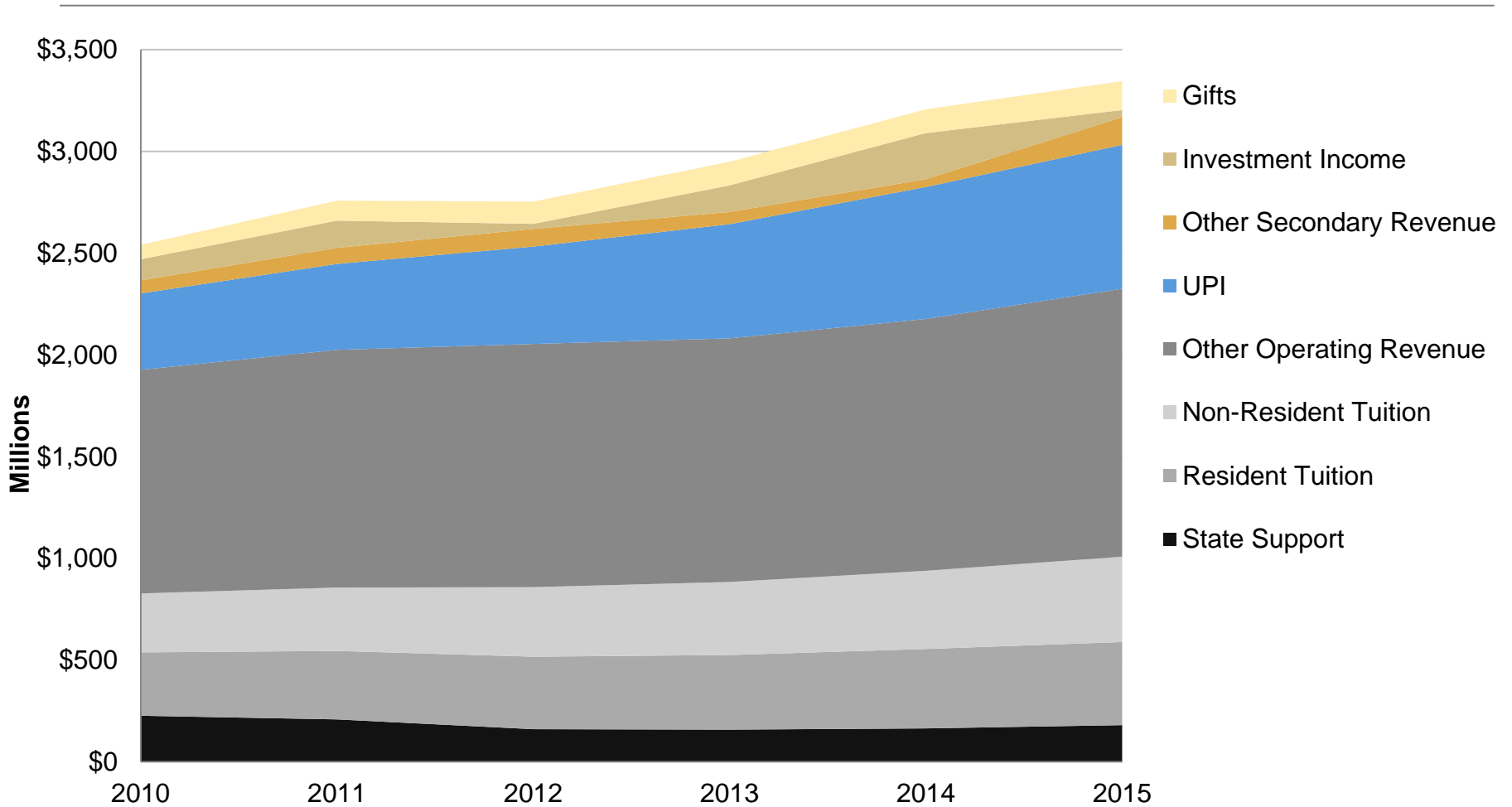
# UPI Operating Revenue

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- 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%.



# Total Revenue, CU System Total



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# CU Statement of Revenues, Expenses and Changes in Net Position – FY 2015

## Operating Revenues

Total Operating Revenues	<u>\$3,018,930,880</u>
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## Operating Expenses

Total Education and General Expenses	\$2,144,734,066
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Depreciation	\$180,843,375
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Auxiliary Enterprise	\$202,681,982
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Health Services	<u>\$646,438,521</u>
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Total Operating Expenses	<u>\$3,174,697,944</u>
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Operating Income (Loss)	\$(155,767,064)
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## Non-Operating Revenues (Expenses)

Non-Operating Revenues	\$217,013,318
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Other Revenues, Expenses, Gains/Losses	<u>\$109,242,851</u>
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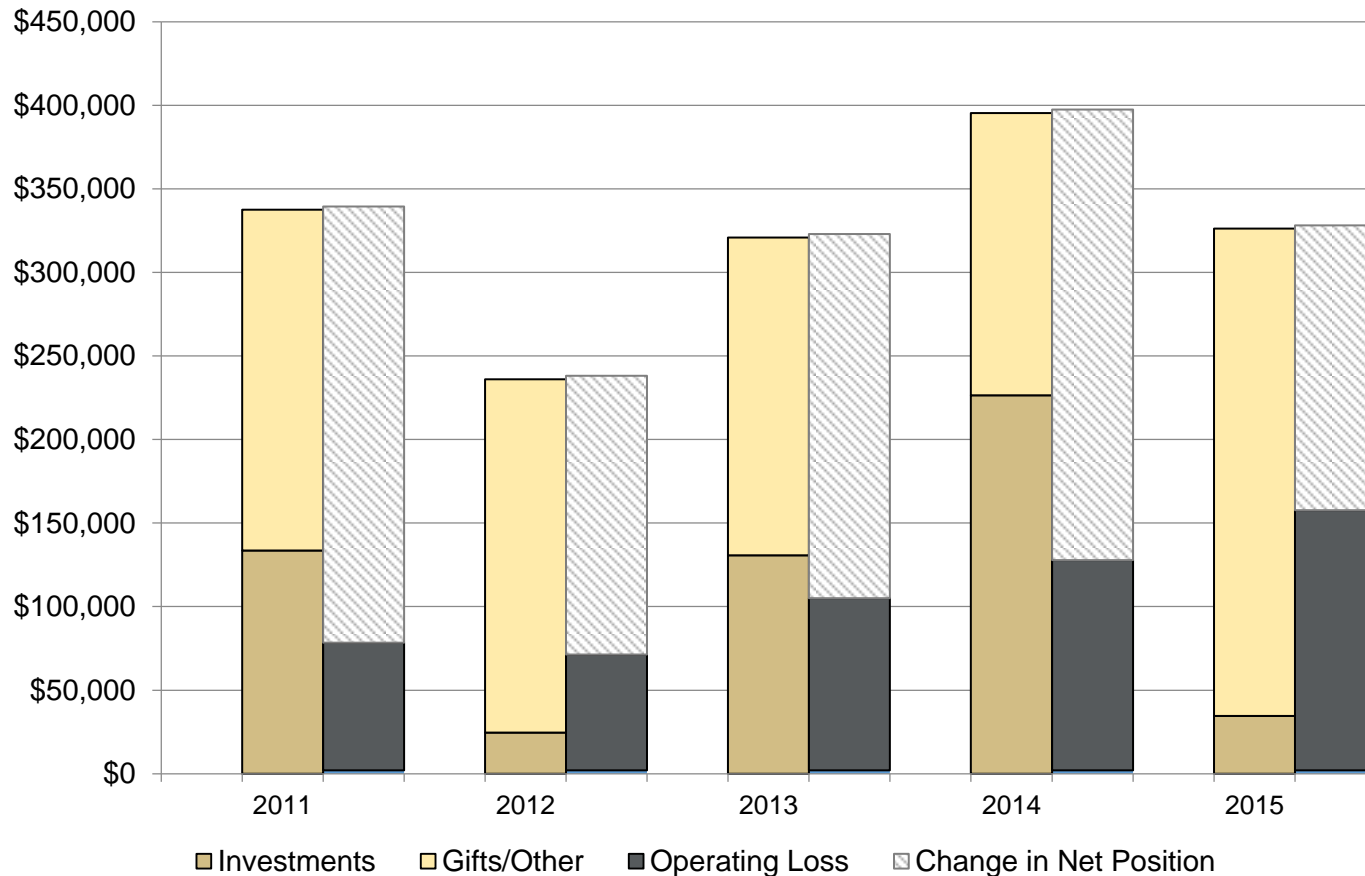
Increase in Net Position	<u>\$170,489,105</u>
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# Five Year Trend of CU's Investment and Gift Revenue

Investments, Gifts, and Other Revenue Covers CU's Operating Loss and Adds to the University's Positive Net Position.



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# Analysis of Financial Data

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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.”*

