

MEMORANDUM



To: Members of the Board of Trustees

From: Bryan C. Dadey, MBA, CPA
AVP for Finance

Date: November 10, 2014

Re: FY 15 First Quarter Financial Results

This memorandum and the accompanying financial statements are a presentation of the first quarter financial results of the University of Toledo for fiscal year 2015. Included are Income Statements presented in our year-end GASB format comparing current year-to-date actual results to the previous two fiscal years as of September 30th.

As of September 30, 2014 (FY 2015) the University had a **Change in Net Position** of \$71.3 million which lags both FY 2014 (-\$1.8 million; -2.5%) and FY 2013 (-\$1.2 million; -1.6%).

Please note the change in net position at the end of the first quarter is impacted by the timing differences between the revenue and expense transactions. Student related revenues (tuition, fees, housing, food service, etc.) are recorded for the full Fall semester while expenses are only recorded through September 30th based on when they incurred. Therefore, the change in net position is much higher at this time point in the year compared to our year-end results.

Total **Operating Revenue** through the first quarter for FY 2015 was \$221.7 million. This is an increase over FY 2014 and FY 2013 by 1.3% and 3%, respectively. The most significant contributor to the increase is **Net Patient Revenue**. **Net Patient Revenue** increased by \$6.2 million (9.6%) compared to first quarter FY 2014 driven by surgical volumes, Dana Infusion Center (newly opened), and increased Emergency Department revenue. Also, the payor mix enhanced due to Medicaid expansion.

Student Tuition and Fees declined by \$1.75 million (-1.6%) compared to FY 2014 and declined by \$2.7 million (-2.4%) compared to FY 2013. FY 2015 was impacted by lower headcount (-156 student; -.75%) and lower full-time equivalents (FTE's) (-334 students; -1.9%). The impact on revenue caused by the lower student volume was offset by tuition and fee increases of 2.39% for undergraduate tuition and out-of-state fees and 1% increases in graduate tuition and out-of-state fees with the exception of the Law School that did not increase tuition or fees.

Federal Grants and Contracts revenues were \$7.2 million which is \$1.9 million (-21.6%) below FY 2014 revenue and \$3.4 million (-32.2%) below FY 2013. UT has experienced overall lower federal grant spending especially for life science research.

Revenues from **Auxiliary Enterprises** increased by \$1.8 million (10.9%) mainly contributed from Residence Life (\$1.4 million) and Food Service (\$364 thousand). The Residence Life increase is attributed to a 6% increase in residents and approximately 2.4% rate increase.

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In FY 2015, the **UT Medical Assurance Company** has experienced an increase in underwriting expenses of \$1.2 million due to adjustments in reserves associated with two claims that occurred in 2012-13.

Total **Operating Expenses** for the first quarter were \$196.5 million in FY 2015, an increase over FY 2014 of \$7.5 million (4%) and an increase over FY 2013 of \$4.9 million (2.6%). The increases in operating expenses were across all expense categories. **Salaries and Benefits** increased modestly at 1.2% and 1.9%, respectively, for a combined increase of \$1.5 million compared to FY 2014. **Supplies** increased by \$2.5 million (11.7%) primarily driven by the Dana Infusion Center that recently opened. **Outside Purchased Services** increased by \$1.5 million (8.7%) due to increased spending by the clinical enterprise in the areas of the Dana Infusion Center, Senior Behavioral Health, lab specimen processing, nuclear medicine physician coverage, and services for the hospital administration.

Total **Non-operating Revenues/Expenses** were \$42.6 million a slight increase over FY 2014 (\$678K; 1.6%). **State Share of Instruction** is ahead of FY 2014 by \$702K (2.7%) and FY 2013 by \$497K (1.9%). **Investment Income** returns (\$1.3 million) for FY 2015 are lower than both FY 2014 and FY 2013 based on the overall market conditions. The increase in **Interest on Debt** in FY 2015 is just a timing difference due to accruing interest expense for UTMC on a quarterly basis as opposed to recording the expense on a cash basis during FY 2014 and FY 2013. Interest on Debt in FY 2015 is expected to be lower than prior years. **State Grants and Contracts** differences relate to timing as FY 2015 includes funds from the Ohio College Opportunity Grant (\$1.5 million) that were not recorded in the first quarter in the previous fiscal years. Also, FY 2014 State Grant payments were delayed due to the Ohio Board of Regents.

Other Changes for FY 2015 were \$3.4 million exceeding both FY 2014 and FY 2013 due to timing of state-funded and UT Foundation-funded construction projects.