Financial Overview

The following is an all-funds (internal and external University resources), multiyear financial schedule depicting annual operating and capital budgets and related impact on liquidity over the period FY17 to FY25 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's audited financial statements and the IRS Form 990[1], we continue to promote clarity by combining data from multiple sources into a financial summary[2].

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 in accordance with the capital plan and as approved through the capital budget. To the extent expenses exceed revenues in a fiscal year, the University must utilize existing operating investments (line 6)

The FY25 budget, approved in spring 2024, was based on total operating revenue of $1.3 billion, assuming an incoming freshman class of 4,300 students and a 4% tuition rate increase. This budget projected a gap of $20 million to $54 million, due primarily to the $36 million projected increases in benefits costs, including $24 million for the health insurance premium increase and $6.5 million for retirement benefits.

The expected FY25 budget shortfall was later revised to $20 million to $45 million. Factors in this adjustment include further cost mitigation of $10 million to $20 million in partnership with the academic sector, additional state funding of $2.8 million, and removal of the estimated $14 million impact from the proposed Fair Labor Standards Act (now struck down). On the other hand, a higher-than-anticipated melt rate resulted in an incoming class of 4,075 in fall 2024. The remaining budget gap may be further

[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 operations 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.

eased by the use of unit reserves where applicable, savings from strategic administrative realignments, and the reduction of central institutional support towards athletics and recreational services.

In anticipation of continued increases in health care costs, the University is exploring alternative benefits options that may offer more control over increases. Further, a prior review of our claims history indicated that our experience may be better than the experience within the overall state plan, which may allow for savings.

The University is also increasing budget transparency at the unit level to enable faculty participation and input into unit-level decision-making, updating base allocations to the colleges, providing growth incentive funds to enable the launch of new initiatives and programs, and strategically expanding pathways to a UD education. Faculty hiring will be aligned with enrollment targets, instruction needs, and research projects.

The FY25 budgeted tuition discount rate is 31.2%, compared to 33.5% in FY24. Tuition discount rates continue to trend higher nationally. For example, average institutional tuition discount rates are increasing among National Association of College and University Business Officers (NACUBO) institutions for both first-time undergraduates and all undergraduates.

Operating expenses include *Total Salaries & Wages* of $618 million (line 44) in the FY25 budget, which includes faculty, professionals, and staff[3], as well as graduate student and S-contract salaries. Since FY17, faculty salaries have grown by $37 million, and professionals and staff salaries have grown by $128 million; growth is associated with increased headcount, salary increases and market conditions. As the financial schedule depicts all-funds growth, the growth of professionals and staff has been across all internal and external University resources.

Supplies, Materials and Other expenses (line 48) have grown due to inflation and a significant increase in sponsored research, which has an offsetting increase in sponsored revenue. It is important to note that the FY20 and FY21 expenses were intentionally reduced to partially mitigate COVID-related revenue losses, but also because events and other expenses were eliminated due to remote operations and a shuttered campus.

Capital Budget: Funding New Buildings and Addressing Deferred Maintenance

Annually a capital budget, consisting of new projects, renovations, and deferred maintenance, is developed by the Administration and approved by the Board of Trustees. Capital expenditures are funded by bond proceeds, federal awards, State bond appropriation, gifts for capital, reserves set aside for future capital needs, and operating surpluses. The accumulated operating surpluses, if they existed, as well as the bond issuance, were targeted to fund the strategic plan that included major capital projects (line 66), such as the Building X / McKinly Lab replacement and enabling capital projects, 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 improve the Facilities Condition Index (FCI) of our existing buildings. However, due to the pandemic and as part of COVID

[3] Employee categories are per FLSA definitions: Professional employees are exempt and are not eligible for overtime pay; this group includes a wide variety of titles: postdocs, academic advisors, development officers, administrators. Staff employees are non-exempt and are eligible for overtime pay.

mitigation, deferred maintenance was reduced. In addition to the continued deferred maintenance renovation from accumulated State funds, construction of Building X is expected to continue progressing, as well as the infrastructure that supports the labs/buildings on the east side of campus. Building X is funded by the third and final tranche of State and Local Fiscal Recovery Fund, as well as bond proceeds.

In the foreseeable future, UD will continue to pursue new capital projects, but these will be funded through a variety of sources including State bond appropriation, philanthropic support, federal awards, 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, 2024, the University endowment consists of approximately 1,400 individual funds totaling about $1.8 billion (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 $1.4 billion in donor-restricted funds that must be utilized in accordance with donor intent and $463 million in board-designated funds that 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 because the State of Delaware's portion of overall funding has remained flat at about 10%-11% of resources, while our commitment to access and student financial aid has increased. This support from the Endowment is likely to become even more important in the coming years given the challenges facing higher education today.

To ensure that 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. In short, the spending rate plus the inflation rate cannot exceed portfolio returns without eroding the financial strength of the University[4].

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[4] *Of the many inputs that the Finance Committee of the Board of Trustees considers each year when setting the endowment payout rate, the long-term expected return on the endowment portfolio is the most important. Performance over shorter time periods are not considered in setting the endowment payout rate due to the volatility of the financial markets. Over the last 28 years, the endowment has achieved a return of 0.06% above annual distributions to the University and the Commonfund Higher Education Price Index. This means that over the last 28 years, the Finance Committee has done an excellent job managing the payout rate relative to inflation and endowment performance.*

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 University has not made additional operating fund investments into the pooled investment portfolio since fiscal year 2015. The combined Endowment and Pooled Investment Portfolio equaled $2.1 billion at the end of FY24 (lines 5 & 11).

It is important to note that because a majority of accounts in the Endowment are restricted to a specific purpose (e.g., scholarship, faculty chair, department research, etc.), any increase in the payout rate is required to be distributed to that specific purpose. Restricted funds cannot be used to support the general operating budget.

#	University of Delaware $ in millions	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Budget
2	**Financial Resources:**									
3	Cash and cash equivalents	51	85	111	130	125	73	50	44	50
4	Operating investments-bond portfolio	312	317	177	162	151	262	251	264	151
5	Operating investments in pooled portfolio	243	250	248	227	278	237	224	235	235
6	Total operating investments	**606**	**652**	**536**	**519**	**554**	**572**	**525**	**543**	**436**
7	Unspent bond proceeds for capital	21	176	191	67	62	57	49	6	-
8	***Total operating investments and unspent bond proceeds***	***627***	***828***	***727***	***586***	***616***	***629***	***574***	***549***	***436***
9	***Change***	***14***	***201***	***(101)***	***(141)***	***30***	***13***	***(55)***	***(25)***	***(113)***
10										
11	***Endowment funds market value, net***	***1,290***	***1,336***	***1,387***	***1,376***	***1,864***	***1,702***	***1,739***	***1,843***	***1,843***
12										
13	**Long-Term Liabilities:**									
14	Long-term debt and finance leases, net	524	733	719	709	697	685	671	657	645
15	Postemployment benefit obligations	550	498	506	570	582	475	448	515	515
16	***Long-Term Liabilities***	***1,074***	***1,231***	***1,225***	***1,279***	***1,279***	***1,160***	***1,119***	***1,172***	***1,160***
17										
18	**Adjusted Modified Cash/Budgeted Operating Statement of Activities, All Funds Basis**									
19										
20	**Operating Revenue:**									
21	Undergraduate Tuition & Fees	443	467	482	494	470	491	516	546	585
22	Graduate Tuition & Fees	93	101	106	102	97	66	70	76	84
23	Other Tuition & Fees	44	46	56	55	50	62	65	68	67
24	Undergraduate Financial Aid	(94)	(103)	(113)	(120)	(133)	(156)	(173)	(183)	(183)
25	Graduate Aid	(62)	(65)	(72)	(72)	(67)	(38)	(39)	(41)	(45)
26	Net Tuition, UG and Grad	424	446	459	459	417	425	438	466	508
27	Auxiliary Revenue	119	127	130	90	50	121	136	142	149
28	State Appropriation	121	119	122	125	125	128	134	140	144
29	Contracts & Grants	142	145	165	171	181	232	224	246	254
30	HEERF relief reimbursements				5	46	16	-	-	-
31	Facilities and Administrative Cost Recoveries	36	37	40	41	44	54	59	67	70
32	Endowment Payout	51	51	52	52	53	56	62	67	71
33	Temporary Investment Income	18	20	23	20	16	16	26	31	25
34	Operating Gifts	31	29	28	24	29	33	28	37	24
35	Other Revenue	47	51	51	46	35	51	61	60	56
36	***Total Operating Revenue***	***989***	***1,025***	***1,070***	***1,033***	***996***	***1,132***	***1,169***	***1,256***	***1,301***
37										
38	**Operating Expenses:**									
39	Faculty Salaries	151	159	169	177	178	175	180	187	188
40	Professionals	151	162	173	185	184	190	212	235	251
41	Staff & Other Wages	77	79	80	80	65	72	77	79	105
42	S-Contracts (Faculty and Professional)	23	24	24	26	21	25	26	28	21
43	Graduate Student Salaries	42	45	50	51	52	52	59	62	53
44	Total Salaries & Wages	444	469	496	519	500	514	554	591	618
45	Fringe Benefits	167	175	184	192	190	191	205	224	263
46	Total Compensation	611	644	680	711	690	705	759	815	881
47	Travel	27	29	31	25	3	17	30	31	36
48	Supplies, Materials and Other	130	145	176	149	121	190	202	228	248
49	Plant Maintenance and Operations	81	86	89	82	72	83	85	96	99
50	Subcontracts - Sponsored Agreements	24	25	26	35	38	41	46	48	53
51	Debt Service	38	39	41	48	48	42	41	41	39
52	***Total Operating Expense***	***911***	***968***	***1,043***	***1,050***	***972***	***1,078***	***1,163***	***1,259***	***1,356***
53	***Adjusted Modified Cash/Budgeted Operating Surplus/(Deficit)***	***78***	***57***	***27***	***(17)***	***24***	***54***	***6***	***(3)***	***(55)***
54										
55	**Capital Activities**									
56										
57	**Capital Funding:**									
58	Gifts for Capital	2	3	11	9	15	23	11	7	10
59	Bond Proceeds	39	48	97	13	4	5	10	45	-
60	State Bond Bill Appropriation	6	1	-	1	3	11	12	38	31
61	Other Capital Funding	-	-	1	10	9	7	39	23	60
62	***Total Capital Funding***	***47***	***52***	***109***	***33***	***31***	***46***	***73***	***113***	***101***
63										
64	**Capital Expenditures:**									
65	Deferred Maintenance, budget	18	36	36	36	9	18	18	6	50
66	Capital Projects	64	56	143	137	65	34	90	136	110
67	***Total Capital Expenditures***	***82***	***92***	***179***	***173***	***74***	***52***	***108***	***142***	***160***
68	***Capital activities funded by operations and operating investments***	***(35)***	***(40)***	***(70)***	***(140)***	***(43)***	***(6)***	***(35)***	***(29)***	***(59)***
69										
70	***Change in fund balance from operating and capital activities***	***43***	***17***	***(43)***	***(157)***	***(19)***	***48***	***(29)***	***(33)***	***(113)***
71	Accrual/prepaid differences	(46)	(22)	(64)	20	(24)	(11)	(29)	3	-
72	Appreciation/(depreciation) operating investments in pooled portfolio	17	7	6	(4)	73	(24)	3	11	-
73	2018 bond proceeds	-	199	-	-	-	-	-	-	-
74	***Change in operating investments and unspent bond proceeds***	***14***	***201***	***(101)***	***(141)***	***30***	***13***	***(55)***	***(19)***	***(113)***
75										
76										
77	***Reconciliation of Operating Surplus/(Deficit) per All Funds to GAAP Basis:***									
78	***Operating Surplus/(Deficit)***	***78***	***57***	***27***	***(17)***	***24***	***54***	***6***	***(3)***	***(55)***
79	Depreciation, amortization and loss on disposals	(71)	(84)	(99)	(78)	(88)	(91)	(93)	(101)	
80	Capitalized equipment, library and capitalized interest	27	34	44	40	37	42	45	49	
81	Principal payments	15	16	17	17	12	12	12	13	
82	GAAP accrual and deferral entries	(15)	(15)	(10)	1	-	(3)	5	3	
83	Transfers to/(from) endowment	-	(4)	4	-	(1)	1	2	1	
84	***Change in net assets from operating activities, GAAP Basis***	***34***	***4***	***(17)***	***(37)***	***(16)***	***15***	***(23)***	***(38)***	***(55)***
85										
86	***Reconciliation of change net assets from operating activities per GAAP Basis to Form 990 (1):***									
87	***Change in net assets from operating activities, GAAP Basis***	***34***	***4***	***(17)***	***(37)***	***(16)***	***15***	***(23)***	***(38)***	***(55)***
88	Realized gains, net of fees	56	80	75	58	139	225	58		
89	Endowment payout	(51)	(51)	(52)	(52)	(53)	(56)	(62)		
90	Contributions for endowment and capital	25	43	58	32	44	49	47		
91	State capital appropriations	6	1	0	1	3	11	12		
96	Reclassification of donor restricted revenue	(14)	(12)	(18)	(15)	(15)	(17)	(18)		
97	Other non-operating activities	0	(5)	8	(6)	0	(18)	18		
98	***Revenue less expense per 990 (Part I Summary, Line 19)***	***56***	***60***	***54***	***(19)***	***102***	***209***	***32***	***(38)***	***(55)***
(1)	*Form 990 for FY24 is not complete as of date of publication*									