

EXECUTIVE SUMMARY

TO: Members of the Board of Regents

FROM: Larry Eardley, AVC for Budget and Finance, NSHE

SUBJECT: All Funds Report – Third Quarter Fiscal Year 2014-15

The All Funds Report presented for your information is an unaudited statement of the current Operating Fund's revenues and expenditures of the NSHE for the third quarter of fiscal year 2014-15 ending March 31, 2015. For comparison purposes the unaudited Operating Fund's revenues and expenditures for the previous fiscal year ended June 30, 2014 and for the third quarter of last fiscal year 2013-14 ending March 31, 2014 are included. The report also presents the current fiscal year revenues and expenditures as a percentage of the previous fiscal year's revenues and expenditures, by category, for each period of time reported.

This report excludes student loans, endowment and plant funds which are not available to provide a product or service that supports the primary or support objectives of the institutions, i.e., Instruction, Academic Support, Student Services, Public Service, Institutional Support, Operations and Maintenance of Plant, Scholarships, and are not classified as "current operating funds".

The purpose of this report is to inform the Board on the status of the NSHE fund sources by institution, on a quarterly basis, as approved by the Board in the Chancellor's action plan responding to the Legislative Counsel Bureau's audit findings.

This report contains three "All Institutions" summary schedules, pages 3-5, followed by each reporting institution's report. Reporting institutions include the universities, colleges, Desert Research Institute and System Administration.

Following is an overview of the System summary schedule on page 3:

System Summary Totals

Total System Revenue collections of \$1.31 billion for the third quarter of fiscal year 2014-15 (31-Mar-15) were 80.6% of fiscal year-end 2013-14 revenue collections of \$1.63 billion and 98.1% of fiscal year 2014-15 third quarter (31-Mar-14) revenue collections of \$1.34 billion. In general, total revenue collections for the third quarter of fiscal year 2014-15 were less than revenue collections for the same period of time last fiscal year by approximately 1.9%.

- Investment income revenues for the 3rd quarter of FY 2014-15 were significantly less than revenue collections for the same period of time last fiscal year due to the Board of Regents approved distributions to the NSHE institutions from the

Operating Pool Reserves of \$15 million, in the first quarter of last fiscal year, to address formula implementation and budgetary issues and \$40M, in the 3rd quarter of last year, to fund the iNtegrate II finance and human resources computing project. Investment income distributions to the NSHE institutions from the Investment Income Reserve account were resumed effective July 1, 2011 per Board of Regents action after having been suspended by the Board of Regents effective August 2008, due to declining earnings and values. The current distribution rate is 2% of each institution's average daily cash balance.

- Sales and Services revenues for the 3rd quarter of FY 2014-15 were approximately 111% of revenues collected for the same period of time last fiscal year due in part to an increase in revenues associated with the UNR State Health Lab's new born baby testing (\$1.7M), the UNR Marigold mines royalties (\$3.9M), and a decrease in the UNSOM CMS reimbursement (\$640K).
- Other revenue sources for the 3rd quarter of FY 2014-15 were 64.9% of revenues collected for the same period of time last fiscal year and approximately 60% of total revenues collected last fiscal year. Other revenue sources represent income from all other sources including rent & lease income, loan repayments, workman's compensation funds for employee injury claims and Environmental Health and Safety programs, indirect cost recovery, bond proceeds, or any other income not properly accounted for in one of the other revenue categories. The decrease in revenues for the 3rd quarter of FY 2014-15 over revenue collections for the same period of time last year is due in part to UNR, TMCC, and GBC posting their share (\$3.9M) of the Board approved one-time \$15M distribution from the NSHE Operating Pool Reserve in the first quarter of last fiscal year and posting of the WNC and GBC FY 2013-14 distribution of the Board of Regents approved funding (\$2.1M) to help mitigate budget reductions. Mitigation funding for the two institutions totaled \$450K in FY 2014-15 which was a reduction from last year's funding level.
- Auxiliary Enterprise revenues for the 3rd quarter of FY 2014-15 were approximately 11% greater than revenues collected through the 3rd quarter of FY 2013-14 due in part to a 20% increase in revenues collections for the UNLV auxiliary enterprises of approximately \$7.8M. Most of the increase was due in part to; some very large events at the Thomas and Mack Center in the 1st and 2nd quarters of the fiscal year (\$4.2M): to reclassifying food services revenues from other revenue to auxiliary revenue (\$1.8M) to align with financial statement reporting; increase in Residential Life Facilities room & board and meal plans due to increased occupancy (\$1.2M). Approximately \$685K of increased revenues was the result of increased parking permits and increased commission due to a Barnes & Noble contract extension option payment.

Total System Expenditures and Transfers of \$1.21 billion for the 3rd quarter of fiscal year 2014-15 (31-Mar-14) were 77.7% of fiscal year-end 2013-14 expenditures and transfers of \$1.55 billion, and approximately 104% of the 3rd quarter fiscal year 2013-14 (31-Mar-14) expenditures and transfers of \$1.16 billion. Educational and General Expenditures by

function for the 3rd quarter of FY 2014-15 were greater than expenditures by function for the same period of time last fiscal year by approximately 5%.

- Student Services expenditures for the 3rd quarter of fiscal year 2014-15 were approximately 92% of expenditures for the same period of time last fiscal year due in part to tuition access grants at UNR (\$8.3M) charged to Student Services in FY 14 and now, in FY 15 (\$8.9M), they are being properly charged to the Scholarship function.
- Scholarship expenditures for the 3rd quarter of fiscal year 2014-15 were approximately 12% higher than expenditures for the same period of time last fiscal year due in part to tuition access grants at UNR (\$8.3M) charged to the wrong function in FY 14 and corrected in FY 15 (\$8.9M) by charging Scholarships; an increase (\$2.6M) in Pell grant awards at UNLV due to increase in student headcount and maximum award amount, and an increase in Millennium and Student Access scholarships (\$3.3M); and increased CSN Financial Aid disbursements.

Net Transfers In (Out)

Net Transfers of (\$39.2) million for the 3rd quarter of fiscal year 2014-15 were approximately 91% of the Net Transfers of (\$43.2) million for the same period of time last fiscal year. Transfers are mandatory and voluntary transactions among funds and include transfers to non-operating funds, for such activities as retirement of indebtedness, student loan matching funds, and plant funds.

- Net transfers out activity at TMCC increased over the same period of time last year due to a \$3.3M transfer of bridge funds to plant funds for the construction of the Redfield Health Science Center pending receipt of pledges and Certificate of Participation proceeds. Net transfers out at UNLV decreased over the same period of time last year by \$1.2M due primarily to a decrease in transfers from unrestricted funds to plant funds. Net transfers out activity at CSN increased over the same period of time last year by approximately \$3.4M due to a transfer of General Improvement Fee fund to Plant fund to provide for comprehensive revitalization and improvement of the Cheyenne Campus parking area.

The Net Increase (Decrease) in Fund Balance shows that the beginning fund balance for fiscal year 2014-15, was increased by approximately \$105.3 million through the 3rd quarter due to revenue collections exceeding expenditures.

Auxiliary Enterprises revenues and expenditures are displayed separately in the summary schedule and the net amount of revenues over expenditures is posted as a positive against all expenditures for revenues greater than expenditures and as a negative against all expenditures for revenues less than expenditures. Auxiliary Enterprises support activities that perform a service to students, faculty, staff or public, e.g., book stores, student unions, food services, resident halls, event centers, married housing, etc..

The All Funds Summary Report (page 4) groups the revenue sources into four categories that represent the main sources of current operating funds (State Appropriations, Student Fees, Self Supporting and Grants & Contracts). The report presents each of the four revenue groups as a percentage of the total revenues collected for each of the reported time periods. Expenditure objects remain unchanged from the summary display on page 3. The report displays the dollars associated with each of the expenditure objects, and the percentage of each to the total expenditures realized for each of the reported time periods.

- Student Fees reflect the highest percentage of total System revenues reported through the 3rd quarter of FY 2014-15 of 33.7% followed by Grants & Contracts at 30.9% and State Appropriation at 28.2%. Instructional expenditures were the highest percentage of total System functional expenditures through the 3rd quarter at approximately 30% followed by expenditures for Scholarship expenditures at 24.3%.

The All Institution's summary schedule (page5) shows a comparison of each NSHE institution's revenue collections by source through the 3rd quarter of FY 15 and as a percentage of the total System revenues collected by source of revenue.