UNTS Board of Regents

FY 2022 Q1 Financial Highlights

Dan Tenney, Vice Chancellor for Finance & CFO
February 17, 2022

Synopsis

Highlights	Major accomplishments from Q1 (2022)
Quarterly Budget Update	Quarterly budget to actuals analysis
Quarterly Financials	Quarterly financial statement analysis
Liquidity Analysis	Liquidity continues to improve across system
Summary	Financial posture across UNTS

FY 2022 Q1 Highlights

- FY21 Annual Comprehensive Financial Report (ACFR) audit completed successfully with clean opinion and no reportable findings. Audited ACFR was submitted to the State Comptroller on December 17, 2021.

- Renegotiated and lowered fees charged on employee retirement accounts from external finance firms leading to annual estimated savings of $230,000 for plan participants

- Blackline reconciliation tool implementation is underway and anticipated to be fully functional before the end of year.

- Implemented new accounting standard related leases (GASB 87 – *Leases)*

Highlights: Axiom UNT System Article

We were recently highlighted by Syntellis on their website after a case study they conducted on how we are using Axiom for modeling and multi-year planning…

"When three-quarters of finance leaders believe higher education lags other industries in the adoption of modern tools and processes that can improve data transparency, reporting, and decision-making, it's unusual to hear of an institution that claims to use data to drive all major financial decisions — but that's the case at The University of North Texas (UNT) System."

SYNTELLIS | AXIOM

> *"I'm a huge Axiom fan. It gives us all the visibility that we need, and it's easy to use"*
>
> ***Kerry Romine,** Director of Strategy & Planning at University of North Texas System*

Enable an integrated financial planning structure

Run scenarios in minutes, not days

Show profit-and-loss impact of new initiatives

Highlights: TRB

Note: Dollars in millions

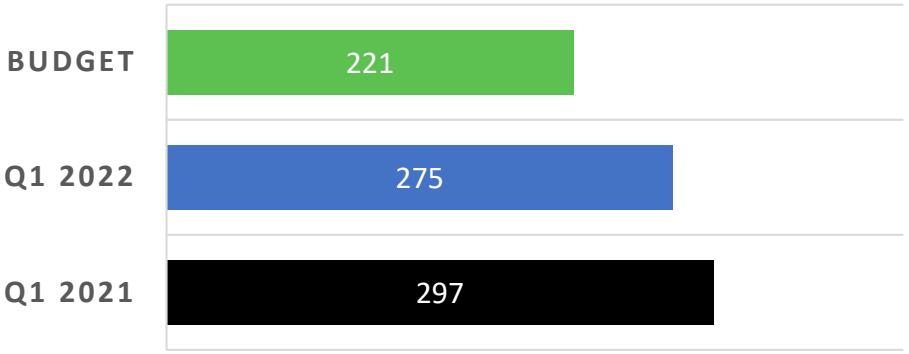
Capital Construction Assistance Projects(formerly Tuition Revenue Bonds)

- In the third called session, the Legislature authorized $3.3 billion in construction projects for higher education institutions, now renamed “Capital Construction Assistance Projects” or CCAPs
- UNT System Institutions received approval for each campus based on their identified top priority projects

Institution	Project	Award
UNT	Science and Technology Research Building	$113.4 million
UNT Dallas	Science Building	$100.0 million
HSC	Campus Space Optimization and Realignment	$59.9 million

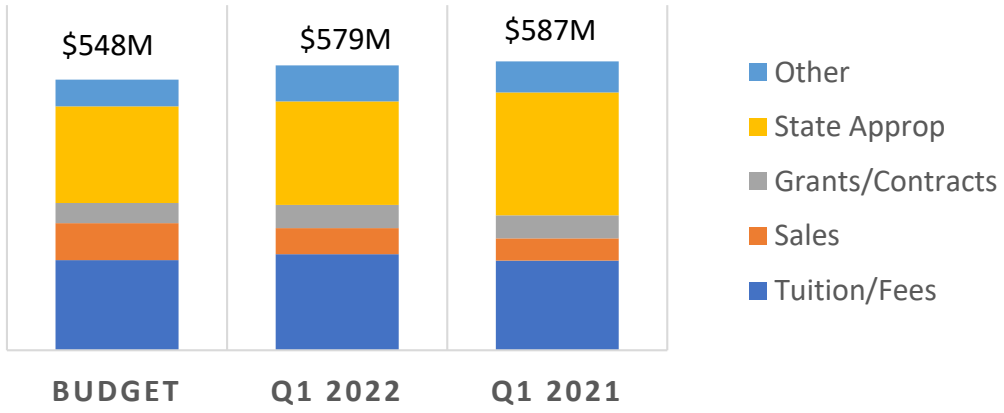
FY 2022 Q1 Performance: UNTS Consolidated

Net contribution to fund balances ($M)

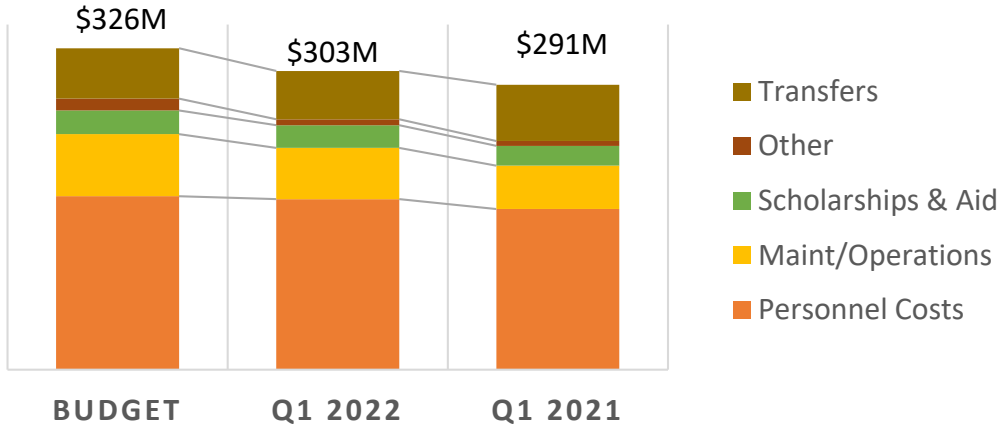


- Net contribution to fund balances higher than plan
  - Higher than planned by $54M; below 2021 due to appropriations timing (see below); adjusted is higher than last year by $33m
- Revenues higher than planned
  - Largely driven by enrollment growth and return to campus: Tuition/Fees higher by $13m/7%; Sales higher by $9m/19%
  - State Approp Q1 lower than last year due to change in recognizing revenue quarterly vs. beginning of the year at HSC ($55.5m impact)
- Expenses lower than planned
  - Above last year due to return to campus; mostly driven by personnel costs (+6.2%) and maint/ops (+11%)

REVENUES



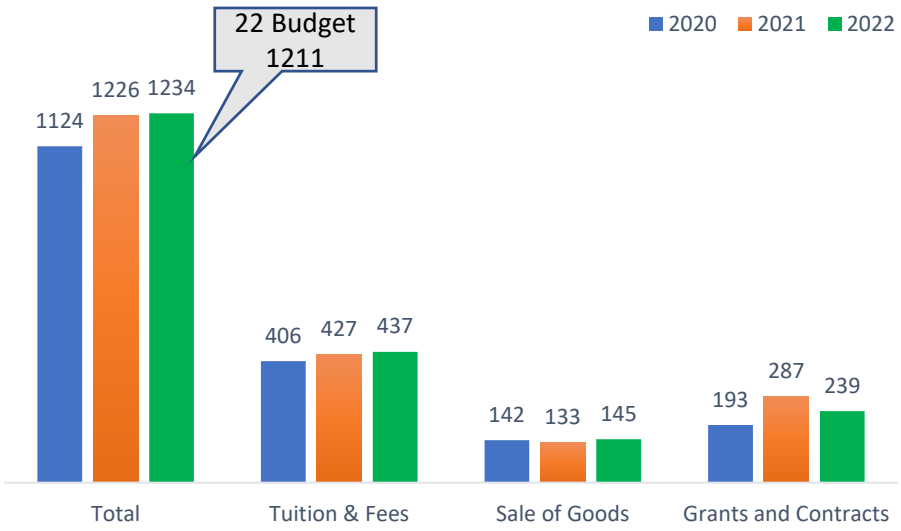
EXPENSES & TRANSFERS



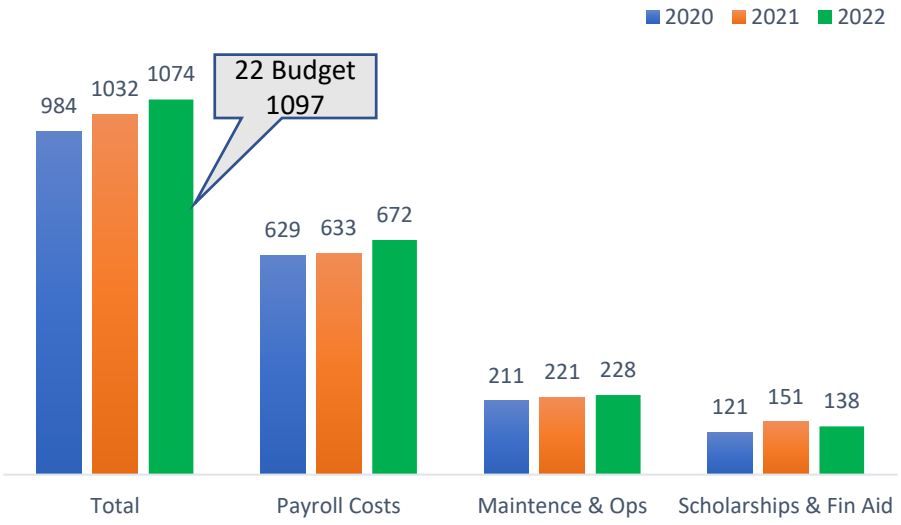
FY 2022 UNTS End of year financial estimates ($m)

- Projected Revenue:
  - FY22 Revenue projecting higher than FY21 by $8m; higher than budgeted level by $23m;
  - Tuition & Fees projecting higher by $10m due to increased student enrollment;
  - Sales of goods projecting $12m higher than FY21 due to reopening of campuses;
  - Grants and Contracts lower than prior year by $48m because a majority of COVID relief funding and the $9.0m Tarrant County HSC contract recognized in FY21.

*Note: These are the main drivers, and do not total



- Projected Expenses:
  - FY22 Expenses projecting higher than FY21 by $42m; but lower than budget plan by $23m;
  - Payroll costs higher than prior year by $39m due to increased enrollment support; faculty & auxiliary enterprises
  - Maintenance & Operations higher than FY21 by $7m due to planned reopening costs;
  - Scholarships & Aid projecting $13m lower compared to prior year due to less COVID relief funding.



GASB 87 – *Leases* Implemented FY22 (September 1, 2021)

Change in accounting practice related to lease arrangements:

- Lease is defined as *the financing of the right to use an underlying nonfinancial asset*
- Changes accounting and reporting for leases to a single model to now be classified as Long Term and Short Term. Capital and Operating Lease classifications no longer apply.
- Lessee & Lessor contracts recorded as assets on the Statement of Net Position (SNP)
  - Lessee – Intangible Right to Use ("RTU") Capital Asset amortized over the life of the lease (net impact of $4.9m increase to assets)
  - Lessor – Accounts Receivable offset by Deferred Inflows amortized over the life of the lease (net impact zero, $13.9m receivables increase offset in deferred inflows)

FY 2022 Statement of Net Position (Assets, Liabilities & Net Position)

QUARTERLY HIGHLIGHTS:

Net Position increased by $134m (9.5%)

Assets and Deferred Outflows: increased $247.3m (9.5%)

- Current assets higher: increased cash by$46.8m & accounts receivable by $40.5m from higher enrollment & installment loans, clinical practice billing, and GASB 87 (+$13.9m)
- Other non-current assets higher: investments increased by $123.4m due to market gains & new endowment dollars, and GASB 87 (+$10.5m)

Liabilities and Deferred Inflows : increased $113.3m (9.5%)

- Unearned revenue increased by $93.3m due to increased enrollment and grant/research activity
- Bonded debt decreased by $67.3m (8.3%) due to ongoing principle payments to retire debt
- Lease Obligations increased by $5.6m and Deferred Inflows increased by $13.9m from accounting standard GASB 87

UNAUDITED
Condensed Comparative Statement of Net Position
As of November 30, 2021 and 2020
(in thousands of dollars)

	November 30, 2021	November 30, 2020	% Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current Assets	$ 912,827	$ 805,911	13.3%
Non-Current Assets:			
Capital Assets, Net	1,416,323	1,401,302	1.1%
Other Non-Current Assets	519,809	393,871	32.0%
Deferred Outflows of Resources	6,558	7,096	(7.6%)
Total Assets and Deferred Outflows of Resources	**$ 2,855,517**	**$ 2,608,180**	**9.5%**
Liabilities and Deferred Inflows of Resources			
Current Liabilities	$ 540,306	$ 378,133	42.9%
Non-Current Liabilities:			
Bonded Indebtedness	715,414	782,718	(8.6%)
Other Non-Current Liabilities	39,119	34,446	13.6%
Deferred Inflows of Resources	14,933	1,137	1213.9%
Total Liabilities and Deferred Inflows of Resources	**$ 1,309,772**	**$ 1,196,434**	**9.5%**
Net Position			
Net Investment in Capital Assets	$ 535,451	$ 528,380	1.3%
Restricted:			
Funds Held as Permanent Investments:			
Non-Expendable	64,595	58,418	10.6%
Expendable	52,016	32,146	61.8%
Other Restricted	62,596	61,689	1.5%
Total Restricted	179,207	152,253	17.7%
Unrestricted	831,087	731,113	13.7%
Total Net Position	**$ 1,545,745**	**$ 1,411,746**	**9.5%**
Total Liabilities and Net Position	**$ 2,855,517**	**$ 2,608,180**	**9.5%**

Note: This representation does not include accounting changes from GASB 68 & 75 associated with Pension/OPEB expenses for FY21 or FY22.

FY 2022 Statement of Revenues, Expenses & Changes in Net Position

QUARTERLY HIGHLIGHTS:

Net Position increased by $134m (9.5%)

Operating Revenues increased by $2.7m (1%)
- Higher enrollment & return to campus +$13m
- Decline in grant revenue at HSC of -$8m

Operating Expenses increased by $18.7m (7.3%)
- Higher personnel costs of $10.6m; higher auxiliaries $3.3m; scholarships higher by $2.9m
- Reduced costs in communications & utilities of -$4.1m, reduction in rentals & leases from GASB-87 (-$1.8m)

Non-operating Revenues decreased by $17.6m (7.2%)
- Timing difference (-$55.5m) at HSC related to appropriation revenue recognition quarterly vs. beginning of the year; when adjusted for timing, non-operating revenues increased by $37.9m
- Investments increased by $13.5m and Federal HEERF revenue increased by $7.5m

Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position
For the Three Months Ended November 30, 2021 and 2020
(in thousands of dollars)

	November 30, 2021	November 30, 2020	% Increase (Decrease)
Operating Revenues	$ 286,314	$ 283,586	1.0%
Operating Expenses	274,045	255,376	7.3%
Operating Income (Loss)	**$ 12,269**	**$ 28,210**	**(56.5%)**
Nonoperating Revenues (Expenses)	226,838	244,461	(7.2%)
Income (Loss) Before Other Revenues, Expenses and Transfers	**$ 239,107**	**$ 272,671**	**(12.3%)**
Other Revenues, Expenses and Transfers	59,084	45,718	29.2%
Change in Net Position	**$ 298,192**	**$ 318,389**	**(6.3%)**
Net Position, Beginning of Year	$ 1,247,853	$ 1,093,358	14.1%
Restatement	(300)	-	0.0%
Restated Net Position, Beginning of Year	1,247,553	1,093,358	14.1%
Net Position, End of Year	**$ 1,545,745**	**$ 1,411,747**	**9.5%**

Note: This representation does not include accounting changes from GASB 68 & 75 associated with Pension/OPEB expenses for FY21 or FY22.

FY 2022 Q1 UNTS Cash flow projections

Q1 FY 22 financials sustained a positive liquidity position for start of the fiscal year

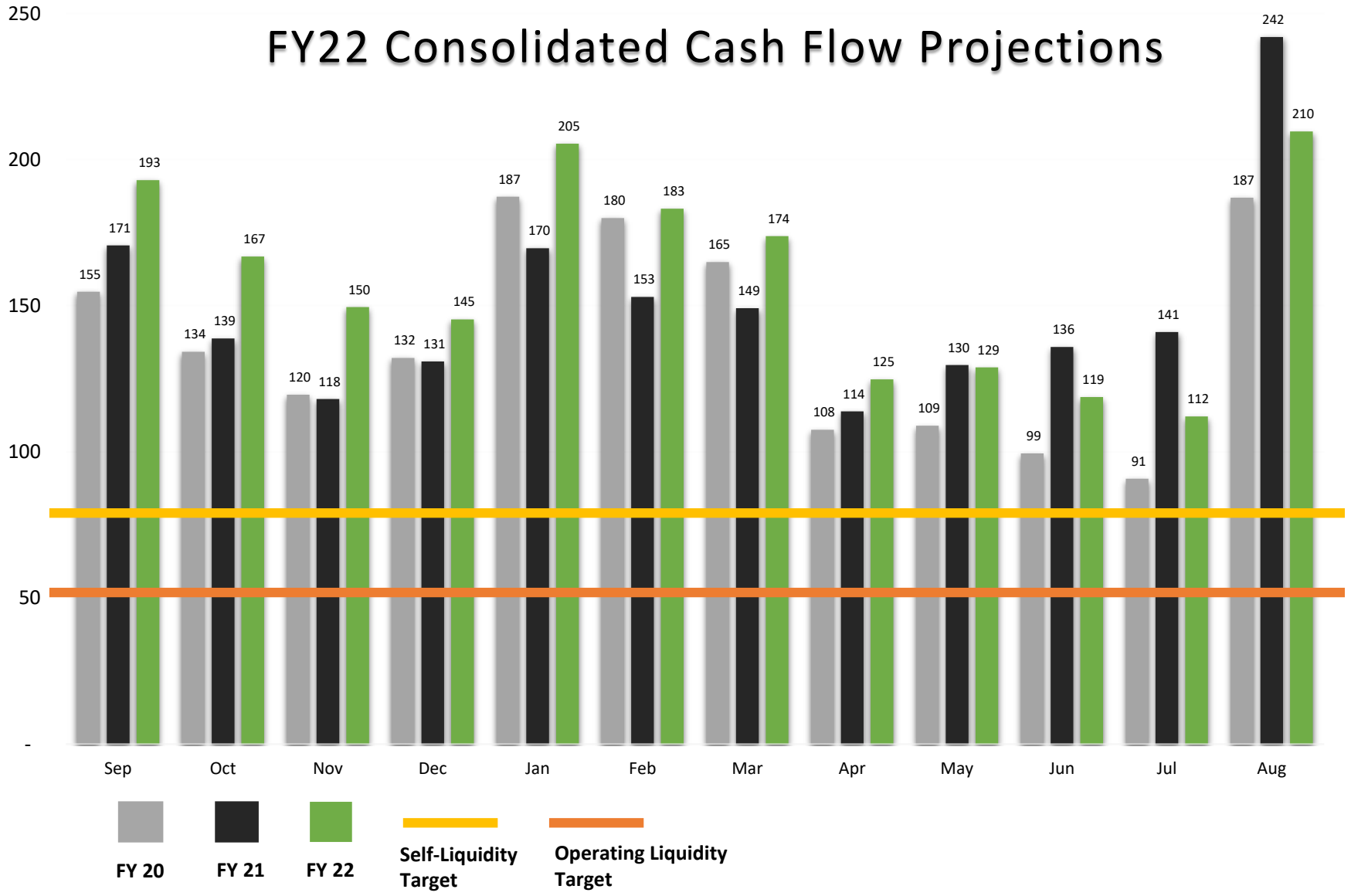
- Self liquidity target of $82.5m represents 1.65x our commercial paper program
- Operating liquidity target of $53m represents coverage of monthly payroll and 5 days of accounts payable

Days Cash on Hand

8/31/2021	11/30/2021	2/28/2022
226.41	182.71	200.54

5/31/2022	8/31/2022
178.01	213.05

Benchmark – 169 days



Q1 2022 Summary

- Overall, we are starting off the fiscal year strong with our financial posture improving across the system including higher revenues from enrollment and state appropriations

- Current year revenue to date indicates a sustaining recovery of financials largely due to higher enrollment and return to campus positively impacting auxiliaries

- Current year expenses to date increased compared to first quarter of last year due to higher enrollment support (mostly faculty) and campus reopening, however; expenses to date are running below planned levels

- We continue to pursue strategic activities to enable new opportunities for growth and to enhance operations that create value for students across the UNT World

Backup Materials

FY 2022 Q1 Performance: UNTS Consolidated

Q1 Revenue

1.4% increase

- Total revenue increased by $8.2m/1.4%.
  - Tuition and Fee revenue increased by $12.9m/7.1% due to higher enrollment;
  - Sales of Goods and Services increased by $8.5m/18.8% due to recovering from COVID-19 effects last fiscal year;
  - Grants and Contracts are flat due to continued federal COVID-19 relief funding and increased grant activity;
  - State Appropriations decreased by $39.5m/15.8% due to timing issue in last fiscal year.

Q1 Expenses

8.9% increase

- Total expenses increased by $20.9m/8.9%.
  - Personnel costs increased $10.2m/6.2% due to higher enrollment support;
  - Maintenance & Operations increased by $7.1m/16.0% due to reopening campuses;
  - Scholarships and Financial Aid increased by $2.9m/14.2% due to COVID-19 relief funding.

All $ presented as thousands

	FY22 Q1 Budget	FY22 Q1 Actuals	FY21 Q1 Actuals	22 Actuals vs. 21 Actuals Variance ($000's)	22 Actuals vs. 21 Actuals Variance (%)
REVENUES					
Net Tuition and Fees	182,961	195,353	182,453	12,900	7.1%
Sales of Goods and Services	75,212	53,627	45,138	8,489	18.8%
Grants and Contracts	41,280	46,981	47,115	(134)	-0.3%
State Appropriations	195,614	210,387	249,911	(39,524)	-15.8%
All Other Revenue	53,580	72,996	62,947	10,049	16.0%
Total Revenues	**548,647**	**579,344**	**587,563**	**(8,219)**	**-1.4%**
EXPENSES					
Personnel Costs	176,261	173,397	163,205	10,192	6.2%
Maintenance & Operation Costs	63,017	51,559	44,457	7,101	16.0%
Scholarships, Exemptions and Financial Aid	24,289	23,336	20,428	2,908	14.2%
All Other Expenses	12,088	6,532	5,816	716	12.3%
Total Expenses	**275,654**	**254,824**	**233,906**	**20,918**	**8.9%**
TRANSFERS					
Total Net Transfers	**(51,514)**	**(49,327)**	**(57,045)**	**7,719**	**-13.5%**
Estimated Budgeted Impact on Fund Balances	**221,479**	**275,193**	**296,611**	**(21,418)**	**-7.2%**

FY 2022 Q1 Performance: UNT

Q1 Revenue

11.4% increase

- Total revenue increased by $43.3m/11.4%.
  - Tuition and Fees increased by $14.3m/9.1% due to increased enrollment;
  - Sale of Goods and Services increased by $8.6m/26.9% due to campus reopening;
  - Grants and Contracts increased by $2.0m/7.4% due to COVID relief funding.
  - State Appropriations increased by $11.3m/9.2% due to 10% appropriations reduction last fiscal year.

Q1 Expenses

3.5% increase

- Total expenses increased by $5.4m/3.5%.
  - Personnel Costs increased by $3.6m/3.4% due to higher enrollment support;
  - Maintenance & Operation Costs increased by $1.9m/5.6% due to campus reopening support;
  - Scholarships and Financial Aid increased by $0.9m/5.6% due to awards via COVID relief funding.

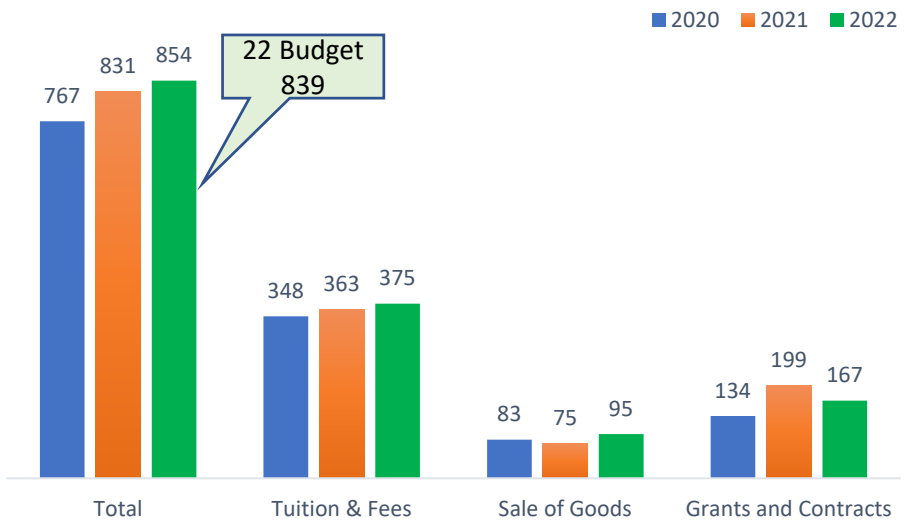
All $ presented as thousands

	FY22 Q1 Budget	FY22 Q1 Actuals	FY21 Q1 Actuals	22 Actuals vs. 21 Actuals Variance ($000's)	22 Actuals vs. 21 Actuals Variance (%)
REVENUES					
Net Tuition and Fees	161,328	171,171	156,910	14,262	9.1%
Sales of Goods and Services	41,556	40,642	32,037	8,605	26.9%
Grants and Contracts	26,028	29,705	27,659	2,046	7.4%
State Appropriations	132,728	133,406	122,144	11,262	9.2%
All Other Revenue	41,847	46,916	39,820	7,096	17.8%
Total Revenues	**403,488**	**421,840**	**378,569**	**43,271**	**11.4%**
EXPENSES					
Personnel Costs	115,225	111,812	108,149	3,663	3.4%
Maintenance & Operation Costs	32,519	28,342	26,425	1,918	7.3%
Scholarships, Exemptions and Financial Aid	20,090	18,240	17,267	974	5.6%
All Other Expenses	8,194	2,583	3,708	(1,125)	-30.3%
Total Expenses	**176,029**	**160,978**	**155,549**	**5,429**	**3.5%**
TRANSFERS					
Total Net Transfers	**(57,044)**	**(64,569)**	**(64,206)**	**(362)**	**0.6%**
Estimated Budgeted Impact on Fund Balances	**170,415**	**196,294**	**158,814**	**37,480**	**23.6%**

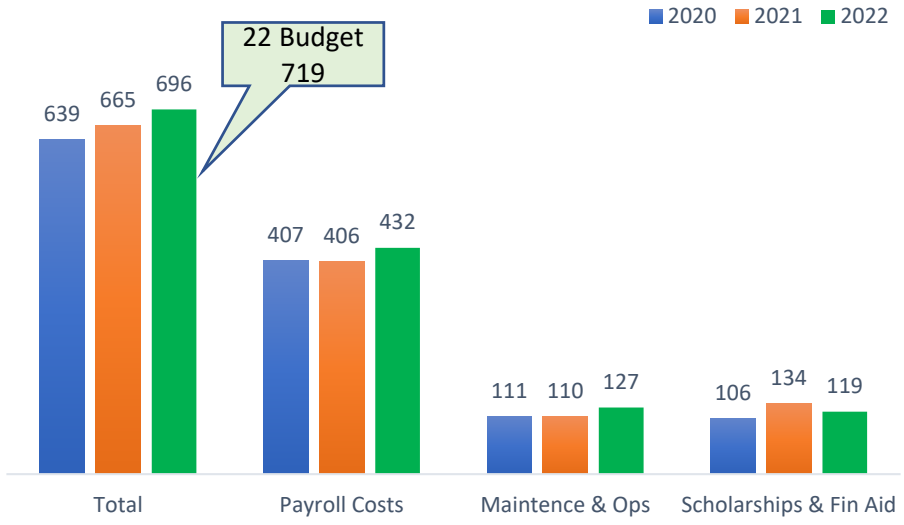
FY 2022 prior years vs. actuals: UNT ($m)

- Projected Revenue:
  - FY22 Revenue projecting above prior year by $23m;
  - Tuition and Fees above FY21 by $12m due to increased enrollment;
  - Sale of Goods $20m more than prior year due to full reopening of campus;
  - Contracts & grants less than prior year due to federal funding that mostly received in FY21.

*Note: These are the main drivers, and do not total



- Projected Expenses:
  - FY22 Expenses projecting above prior year by $31m;
  - Payroll costs above FY21 by $26m due to increased enrollment support;
  - Maintenance & Operations above prior year due to increased enrollment support;
  - Scholarships & Aid projected behind prior year by $15m due to CARES Act funding in FY21.



FY 2022 Q1 Performance: UNTHSC

Q1 Revenue

37.4% decrease

- Total revenue decreased by $58.7m/37.4%.
  - Tuition and Fees decreased by $1.5m/11.3%;
  - Sales of Goods and Services decreased by $0.6m/4.9%;
  - Grants and Contracts decreased by $4.8m/29.1% due to Tarrant County contract.
  - State Appropriations decreased by $54.5m/56.8% due to timing issue in prior fiscal year.

Q1 Expenses

23.4% increase

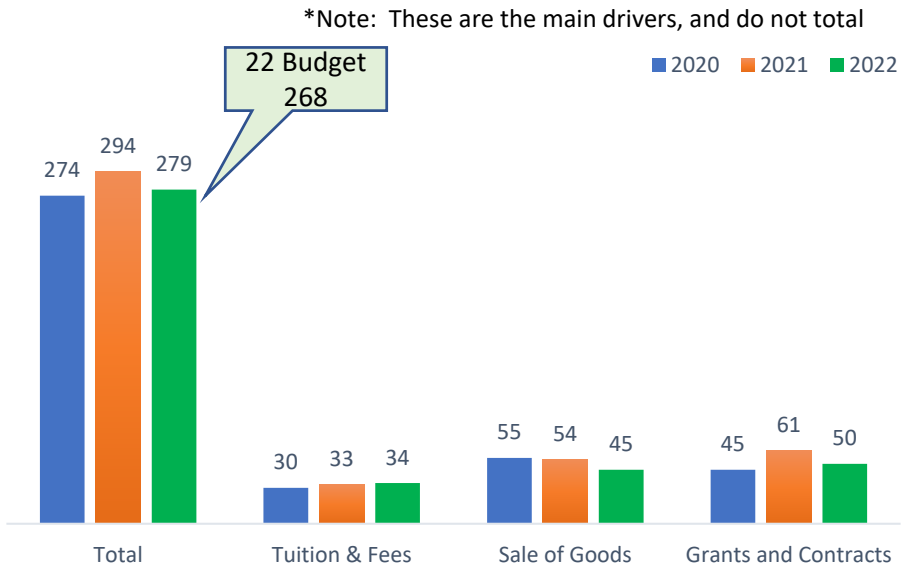
- Total expenses increased by $11.3m/23.4%.
  - Personnel Costs increased by $5.6m/16.5%;
  - Maintenance & Operations increased by $3.4m/27.7% due to higher grant and contract activity;
  - Scholarships increased $0.5m/81.0%.

All $ presented as thousands

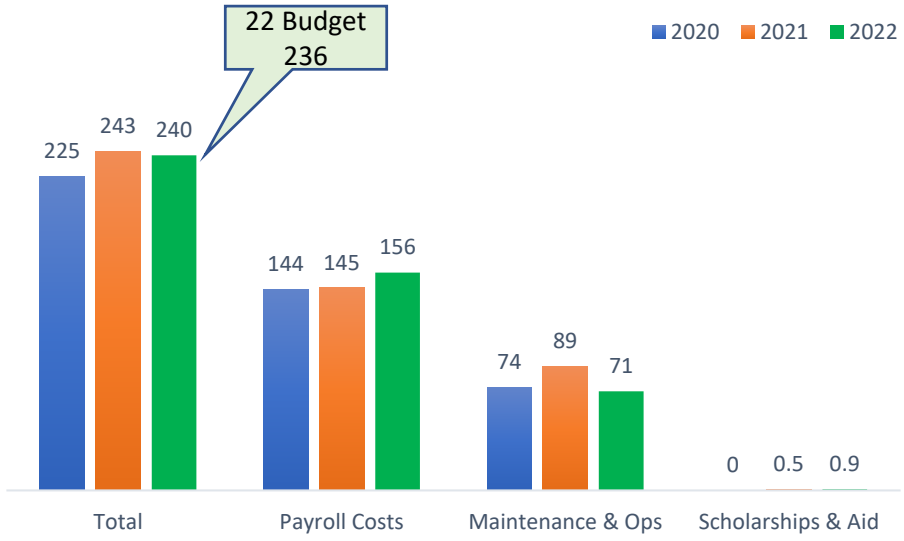
	FY22 Q1 Budget	FY22 Q1 Actuals	FY21 Q1 Actuals	22 Actuals vs. 21 Actuals Variance ($000's)	22 Actuals vs. 21 Actuals Variance (%)
REVENUES					
Net Tuition and Fees	8,388	11,535	13,007	(1,472)	-11.3%
Sales of Goods and Services	32,268	11,445	12,033	(588)	-4.9%
Grants and Contracts	9,412	11,717	16,530	(4,814)	-29.1%
State Appropriations	27,842	41,458	95,996	(54,538)	-56.8%
All Other Revenue	8,109	22,134	19,454	2,680	13.8%
Total Revenues	**86,020**	**98,289**	**157,020**	**(58,731)**	**-37.4%**
EXPENSES					
Personnel Costs	39,001	39,714	34,080	5,634	16.5%
Maintenance & Operation Costs	22,675	15,447	12,092	3,355	27.7%
Scholarships, Exemptions and Financial Aid	212	582	0	582	
All Other Expenses	2,529	3,890	2,150	1,740	81.0%
Total Expenses	**64,417**	**59,633**	**48,322**	**11,311**	**23.4%**
TRANSFERS					
Total Net Transfers	**(14,489)**	**(16,909)**	**(21,570)**	**4,661**	**-21.6%**
Estimated Budgeted Impact on Fund Balances	**7,113**	**21,747**	**87,128**	**(65,381)**	**-75.0%**

FY 2022 prior years vs. actuals: UNTHSC ($m)

- Projected Revenue:
  - FY22 Revenue projecting $15m below prior year;
  - Tuition & Fees are slightly higher than prior year;
  - Sale of Goods and Services projecting $9m below prior year ;
  - Grants and Contracts projecting below prior year due to $9.0m Tarrant County contact in FY21 inflating prior year.



- Projected Expenses:
  - FY22 Expenses projecting $3m below prior year;
  - Payroll Costs higher than FY21 by $11m;
  - Maintenance & Operations projecting lower due to $23m in expenses related to the Tarrant County vaccine contract (offset by revenue) in FY21;
  - Scholarships higher by $0.4m due to increased grant activity.



FY 2022 Q1 Performance: UNTD

Q1 Revenue

16.0% increase

- Total revenue increased by $7.1m/16.0%.
  - Tuition and Fees are flat to prior fiscal year;
  - Sales of Goods increased by $0.5m/164.4% due to campus reopening;
  - Grants and Contracts increased $2.6m/90.0% due to COVID relief funding;
  - State Appropriations increased by $3.8m/15.2% due to 10% appropriations reduction last year.

Q1 Expenses

16.3% increase

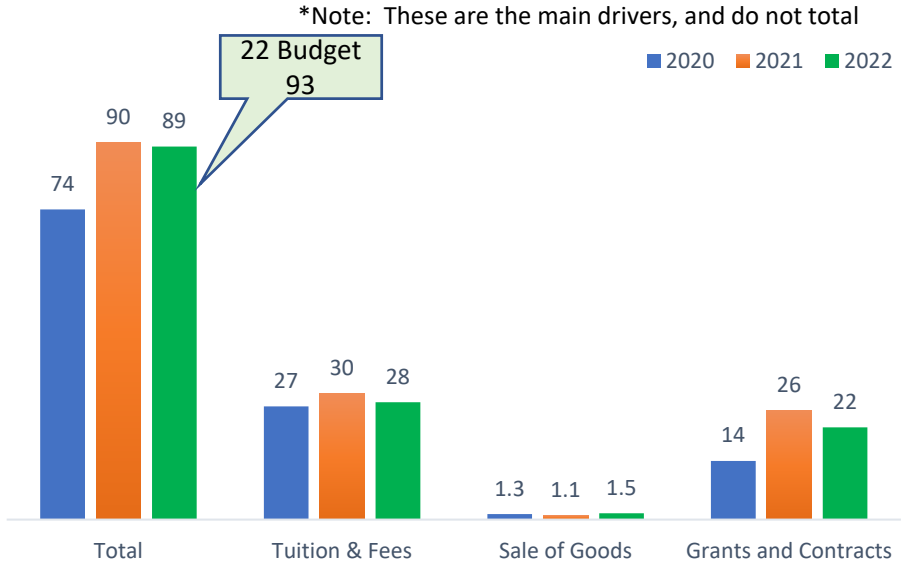
- Total expenses increased by $2.5m/16.3%.
  - Personnel Cots increased by $0.8m/7.5% in order to support enrollment growth;
  - Maintenance & Operations increased $0.4m/16.3% due to campus reopening;
  - Scholarships and Financial Aid increased by $1.4m/42.8% due to increased CARES funding.

All $ presented as thousands

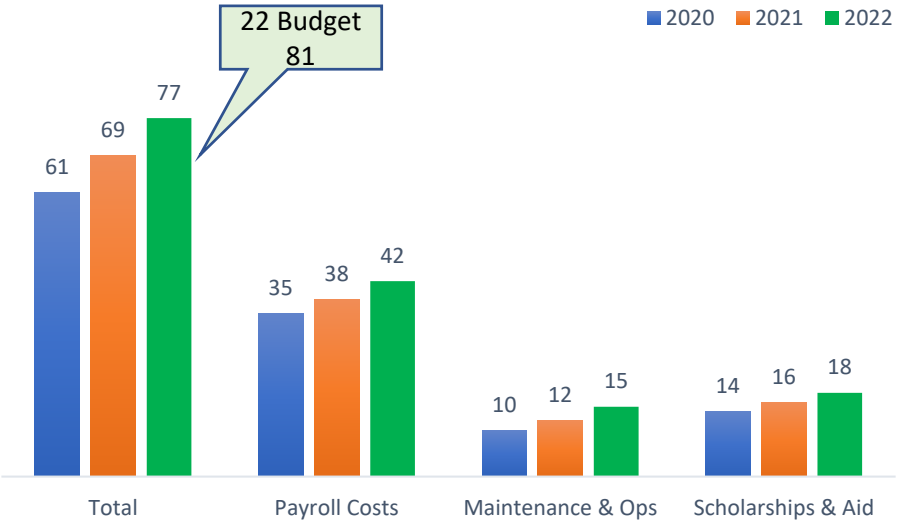
	FY22 Q1 Budget	FY22 Q1 Actuals	FY21 Q1 Actuals	22 Actuals vs. 21 Actuals Variance ($000's)	22 Actuals vs. 21 Actuals Variance (%)
REVENUES					
Net Tuition and Fees	13,244	12,646	12,536	110	0.9%
Sales of Goods and Services	661	811	307	504	164.4%
Grants and Contracts	5,840	5,560	2,926	2,634	90.0%
State Appropriations	29,512	28,996	25,162	3,834	15.2%
All Other Revenue	3,573	3,711	3,662	49	1.3%
Total Revenues	**52,830**	**51,724**	**44,593**	**7,131**	**16.0%**
EXPENSES					
Personnel Costs	10,924	10,875	10,119	756	7.5%
Maintenance & Operation Costs	3,341	2,601	2,237	364	16.3%
Scholarships, Exemptions and Financial Aid	3,986	4,514	3,161	1,353	42.8%
All Other Expenses	1,237	9	-43	52	-120.0%
Total Expenses	**19,488**	**17,999**	**15,474**	**2,525**	**16.3%**
TRANSFERS					
Total Net Transfers	**(10,164)**	**(10,157)**	**(10,857)**	**700**	**-6.4%**
Estimated Budgeted Impact on Fund Balances	**23,178**	**23,568**	**18,261**	**5,306**	**29.1%**

FY 2022 prior years vs. actuals: UNTD ($m)

- Projected Revenue:
  - Total Revenue below prior year by $1m;
  - Tuition & Fees revenue projecting below prior year by $2m;
  - Sales of Goods & Services above prior year due to campus reopening;
  - Grants & Contracts below prior year by $4m due to COVID-19 funding inflating FY21.



- Projected Expenses:
  - Total Expenses above prior year by $8m;
  - Payroll Costs higher than prior year by $4m anticipating needs for a rapidly growing institution;
  - Maintenance & Operations projecting higher than prior year by $3m due to growth of institution and recovery from COVID-19;
  - Scholarships & Aid above prior year by $2m due to delayed COVID-19 funding being expensed.



FY 2022 Q1 Performance: UNT System Administration

Q1 Revenue

1.5% increase

- Total revenue increased by $0.1m/1.5%.
  - Sales of Goods and Services slightly decreased;
  - State Appropriations also slightly decreased;
  - All Other Revenue increased by $0.2m due to higher investment income.

Q1 Expenses

11.3% increase

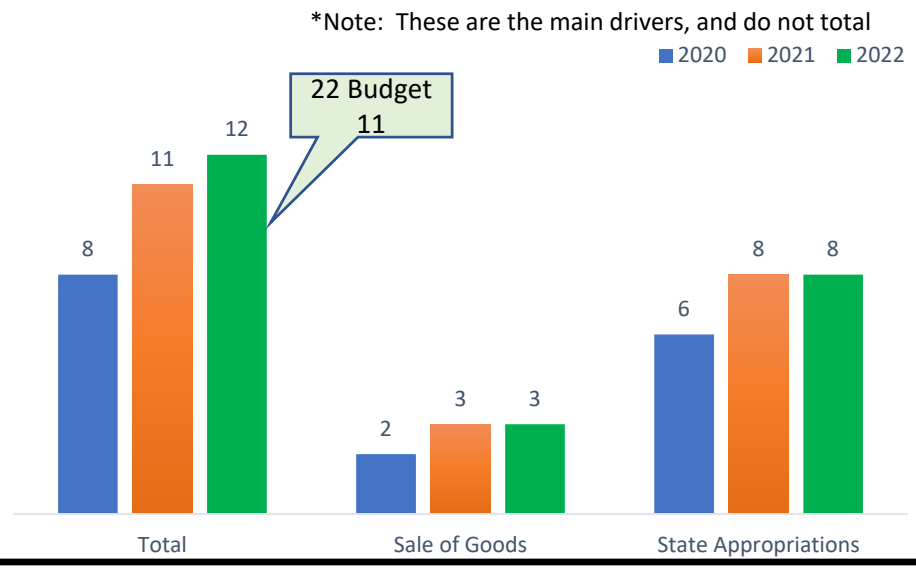
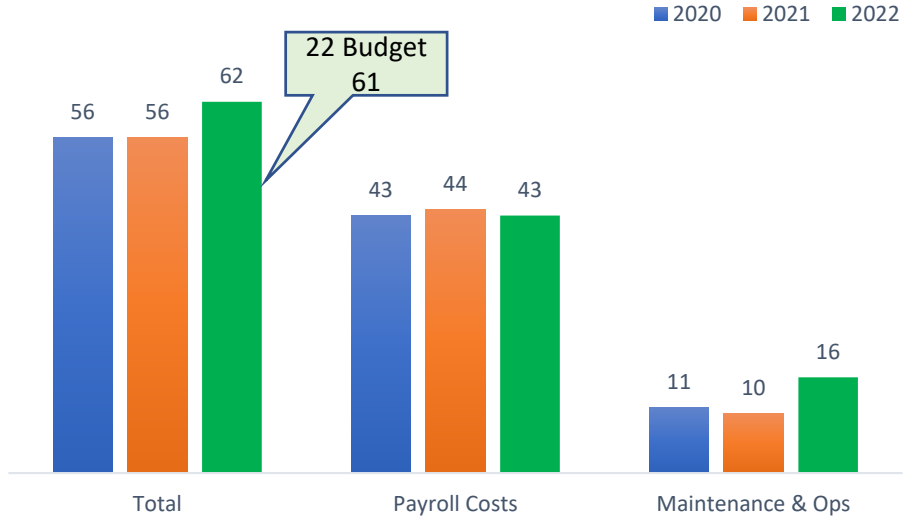
- Total expenses increased by $1.7m/11.3%.
  - Personnel Costs increased by $0.1m/1.3%;
  - Maintenance Costs increased by $1.5m/39.5% due to FY22 strategic initiatives;
  - Other Expenses slightly increased.

All $ presented as thousands

	FY22 Q1 Budget	FY22 Q1 Actuals	FY21 Q1 Actuals	22 Actuals vs. 21 Actuals Variance ($000's)	22 Actuals vs. 21 Actuals Variance (%)
REVENUES					
Net Tuition and Fees	0	0	0	0	
Sales of Goods and Services	728	728	762	(34)	-4.4%
Grants and Contracts	0	0	0	0	
State Appropriations	5,531	6,527	6,609	(82)	-1.2%
All Other Revenue	50	236	11	225	2081.0%
Total Revenues	**6,309**	**7,491**	**7,382**	**109**	**1.5%**
EXPENSES					
Personnel Costs	11,110	10,996	10,857	139	1.3%
Maintenance & Operation Costs	4,481	5,169	3,704	1,465	39.5%
Scholarships, Exemptions and Financial Aid	0	0	0	0	
All Other Expenses	129	50	2	48	3202.8%
Total Expenses	**15,720**	**16,215**	**14,562**	**1,653**	**11.3%**
TRANSFERS					
Total Net Transfers	**30,183**	**42,308**	**39,588**	**2,720**	**6.9%**
Estimated Budgeted Impact on Fund Balances	**20,772**	**33,585**	**32,408**	**1,177**	**3.6%**

FY 2022 prior years vs. actuals: UNT System Administration

- Projected Revenue:
  - Total Revenue above prior year by $1m;
  - Sale of Goods & Services are projecting flat to prior year;
  - State Appropriations are also projecting flat to prior year.



- Projected Expenses:
  - Total expenses above prior year by $6m, however only $1m over budget;
  - Payroll Costs are projecting slightly below prior year;
  - Maintenance & Operations above prior year by $6m due to FY22 strategic initiatives, however only $1m over budget.