



RUTGERS

THE STATE UNIVERSITY
OF NEW JERSEY

Financial Reporting

University Senate
January 22, 2016

J. Michael Gower

Executive Vice President for Finance & Administration
and University Treasurer

Financial Statements vs. University Budget

- The annual *audited financial statements* show performance at the end of the year based on Generally Accepted Accounting Principles (GAAP) as determined by the Government Accounting Standards Board (GASB); it includes *all* operating and non-operating fund sources (e.g. capital gifts, additions to endowment, etc.)
- The *annual budget* sets out a projected plan for what resources the university will have available and how they will be spent at the beginning of the year for operations.

Improving Transparency

- Financial statements are on the university finance website:
 - <http://uco.rutgers.edu/financial-statements>

- Board approved budgets are on the university finance website:
 - <http://budgetfacts.rutgers.edu>

- A more detailed view of the university budget in progress as part of the RCM conversion will be available on the university finance website beginning next week:
 - <http://finance.rutgers.edu>
 - Example to follow

Financial Statement Timing

- Financial statements for Rutgers and other NJ public colleges were late this year, driven by a change in how pension liabilities are reported for governmental entities
- Rutgers was assigned its share of the State's net pension liability and expense (primarily PERS) based on actuarial calculations
- The substantial impact on the University's financial position was on "paper only" – the State retains responsibility for these liabilities
- External entities are assessing Rutgers' credit-worthiness based on "pre-GASB 68" figures (see pages 7 & 11 of financial statements)

Financial Statement Context

- FY14 was the first year of the merger with Rutgers and components of UMDNJ that became a single university requiring a single corporate audit
- Comparisons before FY14 are not possible – UMDNJ financial statements included University Hospital (separate entity) and the School for Osteopathic Medicine (Rowan) and there were no separate audited statements for the units that joined Rutgers
- Financial statements are done on a total university basis vs. the budget which shows each of the components (NB, RBHS, Newark, Camden) as required by State law

FY15 Final Operating Report (Audited)

Statements of Revenues and Expenses

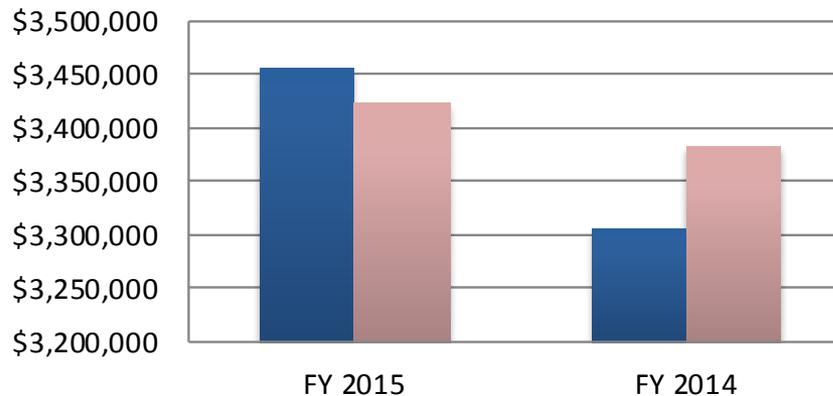
For the Year Ending June 30, 2015

(dollars in thousands, audited)

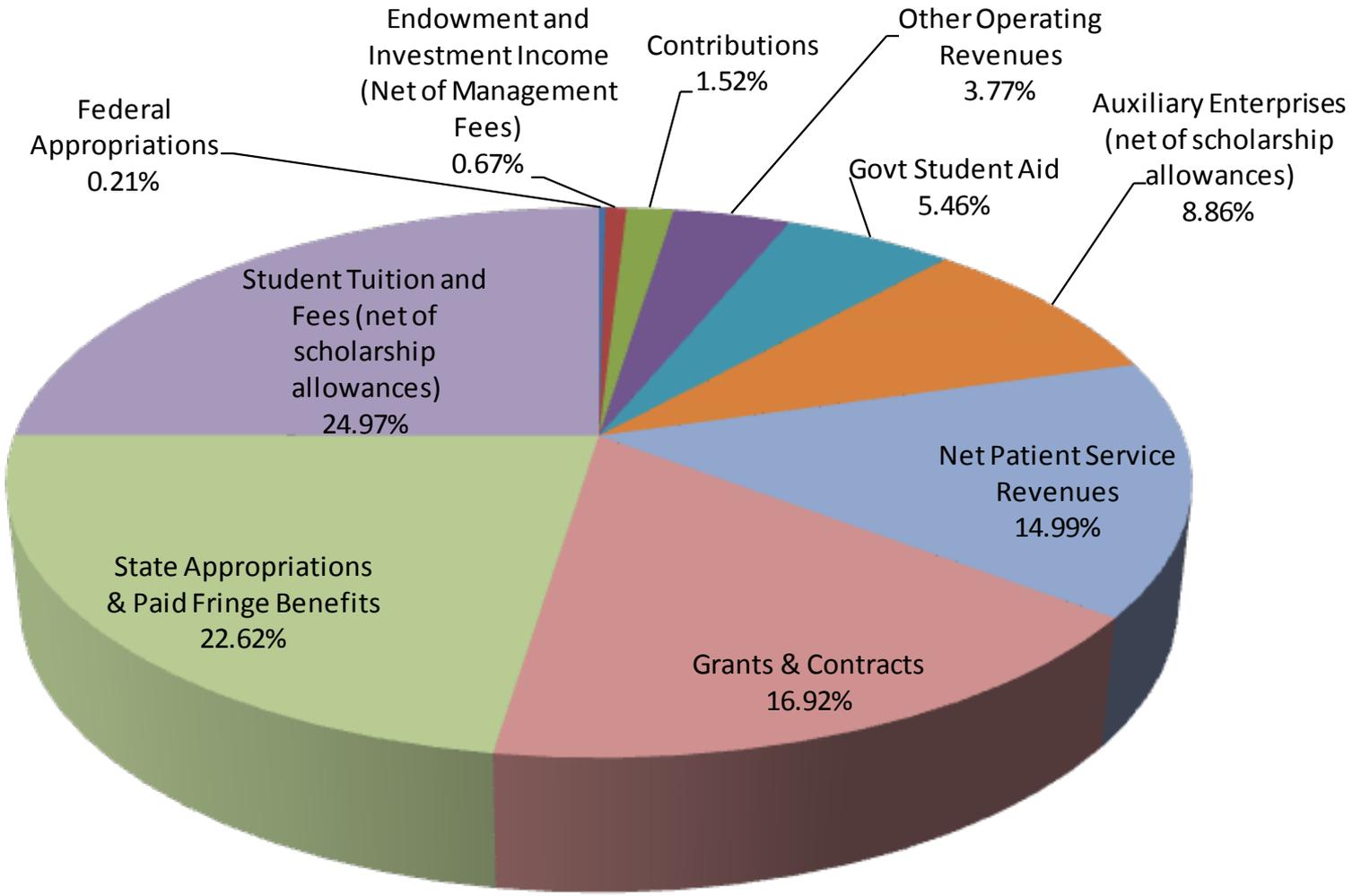
	FY 2015	FY 2014	Increase/ (Decrease)	% of Change
Total Operating Revenues	3,456,276	3,305,826	150,450	4.6%
Total Operating Expenses	3,423,969	3,382,547	41,422	1.2%
Operating Gain / Loss Including Depreciation & Interest	\$32,307	-\$76,721	\$109,028	142.1%

(GAAP Basis *without* GASB 68 Adjustments)

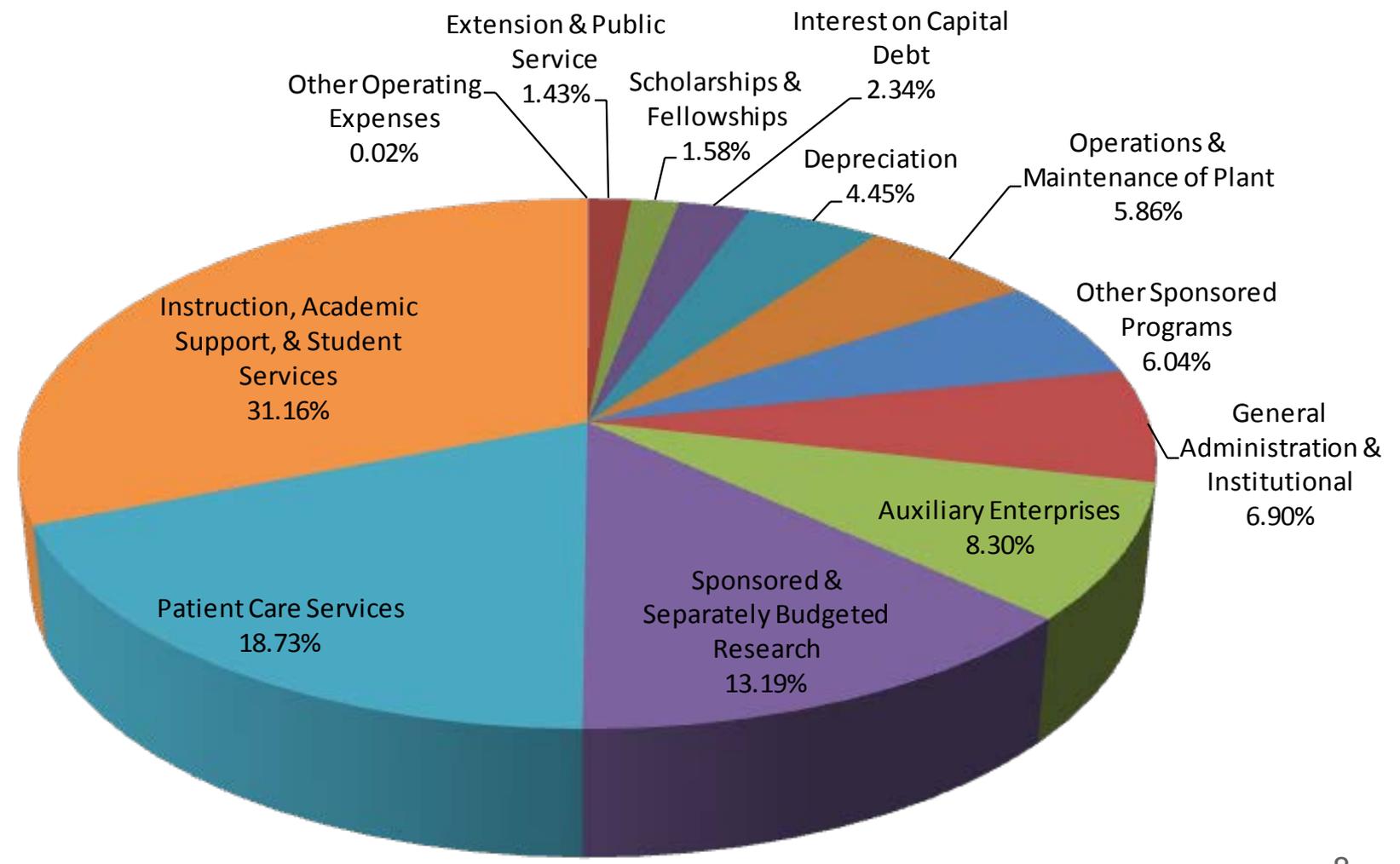
Operating Revenue/Expense



FY15 Revenues



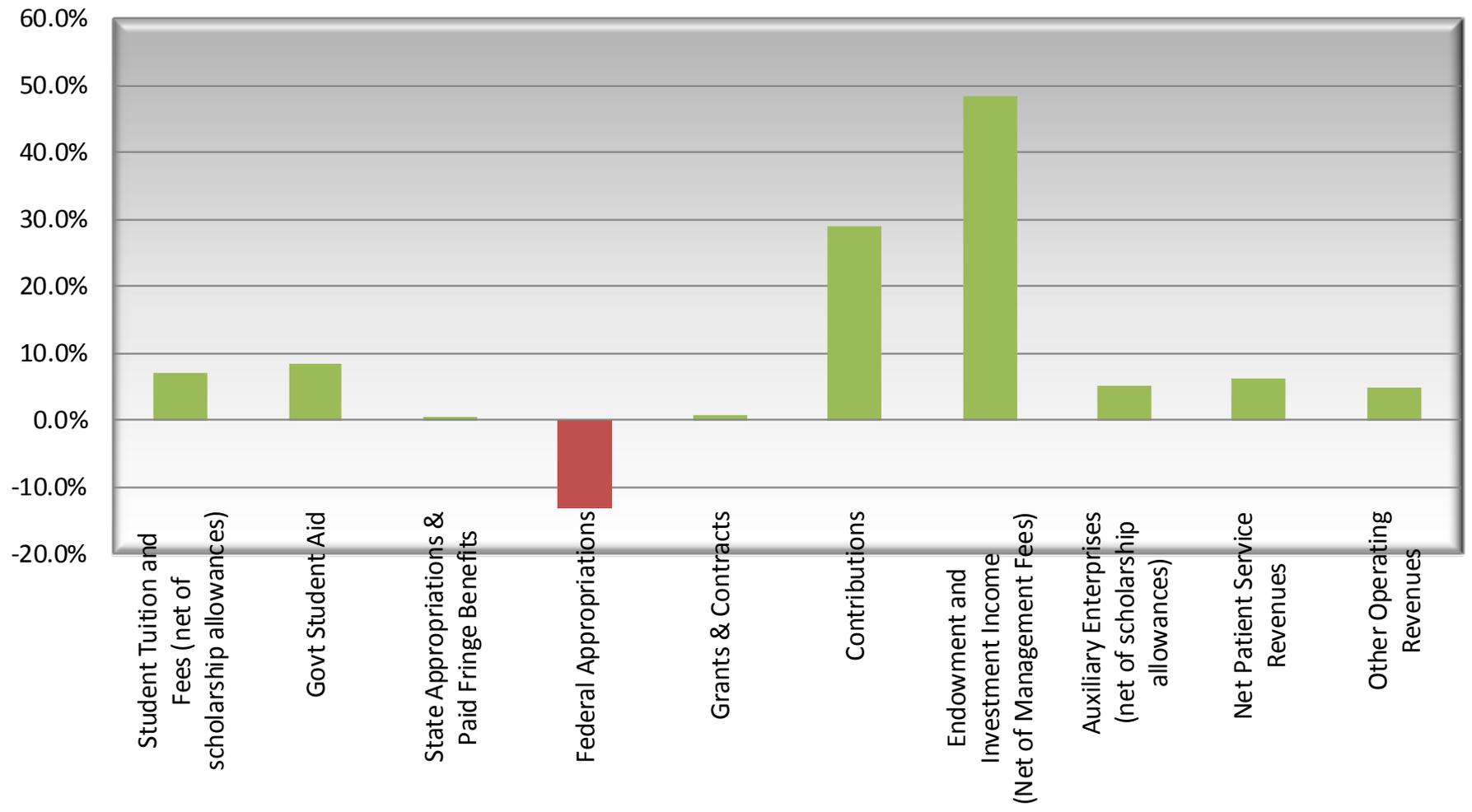
FY15 Expenses



Revenues

	FY 2015	FY 2014	Increase/ (Decrease)	% of Change
OPERATING REVENUES				
Student Tuition and Fees (net of scholarship allowances)	863,051	806,491	56,560	7.0%
Govt Student Aid	188,707	174,104	14,603	8.4%
State Appropriations & Paid Fringe Benefits	781,884	777,393	4,491	0.6%
Federal Appropriations	7,346	8,463	(1,117)	-13.2%
Grants & Contracts	584,867	579,695	5,172	0.9%
Contributions	52,416	40,625	11,791	29.0%
Endowment and Investment Income (Net of Management Fees)	23,287	15,678	7,609	48.5%
Auxiliary Enterprises (net of scholarship allowances)	306,260	291,460	14,800	5.1%
Net Patient Service Revenues	518,019	487,578	30,441	6.2%
Other Operating Revenues	130,439	124,339	6,100	4.9%
Total Operating Revenues	3,456,276	3,305,826	150,450	4.6%

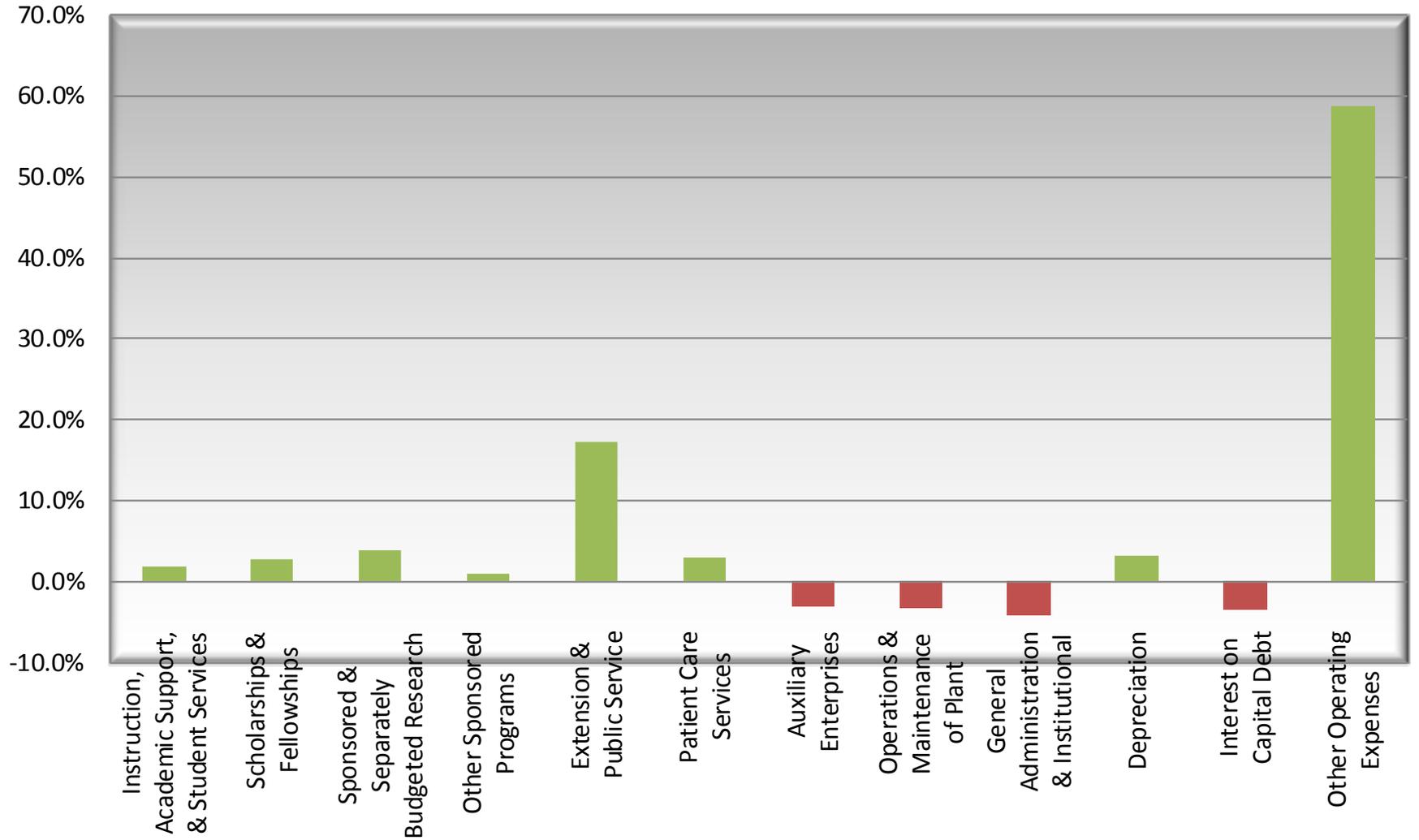
FY15 Percent Change in Revenues



Expenses

	FY 2015	FY 2014	Increase/ (Decrease)	% of Change
OPERATING EXPENSES				
Instruction, Academic Support, & Student Services	1,066,769	1,047,916	18,853	1.8%
Scholarships & Fellowships	53,983	52,517	1,466	2.8%
Sponsored & Separately Budgeted Research	451,514	434,698	16,816	3.9%
Other Sponsored Programs	206,779	204,927	1,852	0.9%
Extension & Public Service	48,927	41,681	7,246	17.4%
Patient Care Services	641,269	622,868	18,401	3.0%
Auxiliary Enterprises	284,279	292,991	(8,712)	-3.0%
Operations & Maintenance of Plant	200,610	207,167	(6,557)	-3.2%
General Administration & Institutional	236,316	246,606	(10,290)	-4.2%
Depreciation	152,525	147,629	4,896	3.3%
Interest on Capital Debt	80,214	83,053	(2,839)	-3.4%
Other Operating Expenses	784	494	290	58.7%
Total Operating Expenses	3,423,969	3,382,547	41,422	1.2%

FY15 Percent Change in Expenses



Net Position – Change from FY14 to FY15

Includes *non-operating revenue, capital grants/gifts, and additions to permanent endowments*

	FY 2015	FY 2014	Increase/ (Decrease)	% of Change
Net Increase/(Decrease) in Net Position	194,603	68,241	126,362	185.17%
Net Position - Beginning of the Year	3,068,354	3,000,113	68,241	2.27%
Net Position - End of the Year	<u>3,262,957</u>	<u>3,068,354</u>	<u>194,603</u>	<u>6.34%</u>

Financial Aid – FY15

Financial Aid

For the Year Ended June 30, 2015

(dollars in thousands, unaudited)

	2015	2014	Increase/ (Decrease)
Scholarship Allowances- Tuition & Fees	205,331	191,513	7%
Scholarship Allowances- Auxiliary Enterprises	43,307	41,987	3%
Scholarships & Fellowships - Other	53,992	52,517	3%
TOTAL FINANCIAL AID	302,630	286,017	6%
Less:			
Federal Student Aid	-81,774	-77,633	5%
State Student Aid	-106,933	-96,471	11%
NET FINANCIAL AID - UNIVERSITY FUNDS	113,923	111,913	2%

How Does RCM Work?

Revenues are credited to the Responsibility Center that generate them

Responsibility Centers must then pay for their direct expenses as well as a share of the expenses to fund the Support Units

REVENUE

- Tuition and Fees
- F&A Return
- Other Income

RESPONSIBILITY CENTERS

- Universities/Operating Units
- Schools
- Research Centers
- Auxiliaries

DIRECT & INDIRECT COSTS

- Direct Expenses
- System-wide Support Units
- Local/ Regional Support Units

Allocation of Costs

System-wide Cost Pools



General Administration



Facilities (O&M and Utilities)



Academic and Student Support



Debt Service



Strategic Fund



Information Technology



Libraries



Research Support

Metrics for Allocation of Costs

- Cost pools allocated to the schools and other RCs using a metric that is a *reasonable measure of their approximate use of those services*
- The metrics are based on “best practices” – verifiable, easy to understand, consistent to source data, and uniform
- Our model includes the following metrics: unit expenditures, net assignable square footage, MTDC expenditures, student headcounts, and faculty & staff FTE or headcounts, among others

Primary Benefits Responsibility Centers (RCs)

- Makes clear the full cost of programs, both direct expenses and overhead costs for support services, using consistent allocation methods
- Demonstrates the level of university support needed for each RC based on a common set of assumptions
- Encourages discussion of appropriateness of ratio of self-funding to university support
- Promotes trade-off discussions and encourages better planning
- Provides **one tool** for academic leadership in considering contributions to missions

Primary Benefits Support Units (Cost Centers)

- Requires support units to justify their costs and evaluate services being provided
- Makes support units more accountable to schools and other RCs that clearly see the charges for the services being provided
- Makes clearer the choices that are needed within fiscally constrained environment
- Encourages priority setting

Is the Model Done?

- No budget model is perfect or “done”
- Issues deferred to phase 2 for further study now underway
 - Enrollment Management / Student Accounts
 - Information Technology
 - HR/Payroll
 - Development / RUF
 - Libraries
 - Research Administration
- Business process redesigns in key areas in progress
- Current model is a significant step forward in increasing the understanding of the *true financial position of RCs under a common set of assumptions*
- Finishing project to automate cost allocations for budget and accounting needs and to streamline reporting
- Units becoming accustomed to thinking in an RCM way: more strategic, understanding trade offs, more cognizant of the need to take control of both revenues and costs
- *HOWEVER: RCM went into effect and the sun came up in the morning*

RCM & the Evolution of University Budget

- Prior to FY14 budget was done on a total university basis, without breakout for NB, Newark, and Camden
- Merger legislation required campus breakout beginning in FY14 – this breakout required allocating central services to the campuses before RCM methodologies were in place
 - FY14 and FY15 allocations used simplified preliminary allocations
- Reviewed by state auditor:
 - Concluded that allocations of revenues and expenditures across the campuses were “reasonable” and met requirements of the Restructuring Act

Rationalizing Budget Differences

- FY16 budget is the first using RCM methodologies for budget allocations
- New RBHS leadership changed its budget reporting to better:
 - Reflect clinical and non-clinical revenues and associated expenses
 - Align with RU budgeting practices
- Some budget categories changed from the simplified allocation methodologies to align better with RCM pools
- These changes resulted in some shifts between categories which obviates comparisons across years

Results of Evolution

- Comparisons before FY14 not possible: cannot create combined budgets or operating results for RU and UMDNJ
- Comparisons across years not possible between FY14/FY15, and FY16 forward due to changes in allocation methods
- Restating budgets on common bases would require substantial effort better spent on looking forward
- Effort dedicated to systems development necessary to manage the new Rutgers more effectively and to standardize and simplify budget reporting across *all* Rutgers units

RCM Budget Detail

- Detailed budgets for each responsibility center and each cost pool are reconciled with the University budget and now under review by owners
- School budgets will be posted on finance website next week (<http://finance.rutgers.edu>)
- Other RCs and cost centers will follow as reviews are complete
- FY17 process automates and consolidates budget data and allocations:
 - Reports will be posted in the summer after the BOG approves the budget
 - This year's process is a one-time transition

Sample School Budget Report

- Important to understand that schools are different:
 - In structure within a major operating unit
 - In ability to raise certain funds
 - In mission and mix of programs
 - In service functions
 - In many other ways

- Sample school and cost center reports follow

FY16 Public Views – Responsibility Center

RUTGERS
**FY 2016 BUDGET
SCHOOL OF ENGINEERING**
**NEW BRUNSWICK
RESPONSIBILITY CENTER**

REVENUES	FY 2016 BUDGET	% OF UNRESTRICTED REV	% OF TOTAL REV	% OF CAMPUS REV	% OF UNIVERSITY REV
UNRESTRICTED					
Tuition and Fees	\$ 51,347,351	60.4%	40.2%	3.0%	1.4%
F&A Costs Recovered	\$ 7,265,476	8.5%	5.7%	0.4%	0.2%
Auxiliary	\$ -	0.0%	0.0%	0.0%	0.0%
University Support	\$ 17,938,357	21.1%	14.1%	1.0%	0.5%
Other	\$ 8,479,000	10.0%	6.6%	0.5%	0.2%
TOTAL UNRESTRICTED	\$ 85,030,184	100.0%	66.6%	5.0%	2.2%
RESTRICTED	\$ 42,550,000		33.4%	2.5%	1.1%
HEALTHCARE	\$ -		0.0%	0.0%	0.0%
TOTAL REVENUES	\$ 127,580,184		100.0%	7.4%	3.4%
EXPENSES	FY 2016 BUDGET	% OF UNRESTRICTED EXP	% OF TOTAL EXP	% OF CAMPUS EXP	% OF UNIVERSITY EXP
DIRECT EXPENSES					
UNRESTRICTED					
Personnel	\$ 30,473,256	42.9%	23.9%	1.8%	0.8%
Non Personnel	\$ 40,499,791	57.1%	31.7%	2.4%	1.1%
TOTAL UNRESTRICTED	\$ 70,973,047	100.0%	55.6%	4.1%	1.9%
RESTRICTED					
Sponsored Research	\$ 31,093,965		24.4%	1.8%	0.8%
Scholarships and Fellowships	\$ -		0.0%	0.0%	0.0%
Other Sponsored Programs	\$ 11,456,035		9.0%	0.7%	0.3%
TOTAL RESTRICTED	\$ 42,550,000		33.4%	2.5%	1.1%
HEALTHCARE (excludes indirect)	\$ -		0.0%	0.0%	0.0%
TOTAL DIRECT EXPENSES	\$ 113,523,047		89.0%	6.6%	3.0%

FY16 Public Views – Responsibility Center (cont.)

INDIRECT (COST POOL) EXPENSES				
Academic Support	\$ 8,322,870	6.5%	0.5%	0.2%
Debt Service	\$ 4,334,634	3.4%	0.3%	0.1%
Facilities O&M	\$ 3,913,578	3.1%	0.2%	0.1%
General and Administrative Service	\$ 5,713,149	4.5%	0.3%	0.2%
Information Technology	\$ 2,131,449	1.7%	0.1%	0.1%
Libraries	\$ 1,536,250	1.2%	0.1%	0.0%
Research Support	\$ 1,268,759	1.0%	0.1%	0.0%
Strategic Funds	\$ 1,758,385	1.4%	0.1%	0.0%
Student Service	\$ 409,458	0.3%	0.0%	0.0%
Utilities	\$ 3,607,461	2.8%	0.2%	0.1%
TOTAL INDIRECT (COST POOL) EXPENSES	\$ 32,995,993	25.9%	1.9%	0.9%
ADJUSTMENTS				
Transfers (unrestricted)	\$ (2,649,899)	-2.1%	-0.2%	-0.1%
Provision for Initiatives and Contingencies	\$ 812,730	0.6%	0.0%	0.0%
Use of one time funds	\$ (17,101,687)	-13.4%	-1.0%	-0.5%
TOTAL ADJUSTMENTS	\$ (18,938,856)	-14.8%	-1.1%	-0.5%
TOTAL EXPENSES	\$ 127,580,184	100.0%	7.4%	3.4%
COST POOL ALLOCATION	\$ -	0.0%	0.0%	0.0%
STRATEGIC FUNDS TRANSFER	\$ -	0.0%	0.0%	0.0%
TOTAL NET EXPENSES	\$ 127,580,184	100.0%	7.4%	3.4%

NOTES:

- State paid fringe benefits and Federal/State student aid are shown at the campus level.
- University Support consists of state appropriation and other President/Chancellor revenues.

FY16 Public Views – Cost Center

RUTGERS
**FY 2016 BUDGET
UNIVERSITY REGISTRAR**
**CENTRAL
COST CENTER**

REVENUES	FY 2016 BUDGET	% OF UNIVERSITY REV
UNRESTRICTED	\$ -	0.0%
RESTRICTED	\$ -	0.0%
TOTAL REVENUES	\$ -	0.0%
EXPENSES	FY 2016 BUDGET	% OF UNIVERSITY EXP
DIRECT EXPENSES		
UNRESTRICTED		
Personnel	\$ 2,052,497	0.1%
Non Personnel	\$ 141,190	0.0%
TOTAL UNRESTRICTED	\$ 2,193,687	0.1%
RESTRICTED	\$ -	0.0%
TOTAL DIRECT EXPENSES	\$ 2,193,687	0.1%
INDIRECT (COST POOL) EXPENSES	\$ -	0.0%
ADJUSTMENTS		
Transfers (unrestricted)	\$ -	0.0%
Provision for Initiatives and Contingencies	\$ -	0.0%
Use of one time funds	\$ -	0.0%
TOTAL ADJUSTMENTS	\$ -	0.0%
TOTAL EXPENSES	\$ 2,193,687	0.1%

FY16 Public Views – Cost Center (cont.)

COST POOL ALLOCATION	\$ (2,193,687)	-0.1%
REALLOCATION	\$ -	0.0%
TOTAL NET EXPENSES	\$ -	0.0%

COST POOL ALLOCATION	FY 2016 BUDGET	% OF TOTAL ALLOC
NEW BRUNSWICK		
Schools	\$ 1,778,539	81.1%
Centers and Institutes	\$ -	0.0%
Auxiliaries	\$ -	0.0%
TOTAL NEW BRUNSWICK	\$ 1,778,539	81.1%
NEWARK		
Schools	\$ 237,077	10.8%
Auxiliaries	\$ -	0.0%
TOTAL NEWARK	\$ 237,077	10.8%
CAMDEN		
Schools	\$ 48,804	2.2%
Auxiliaries	\$ -	0.0%
TOTAL CAMDEN	\$ 48,804	2.2%
RBHS		
Schools	\$ 129,267	5.9%
Centers and Institutes	\$ -	0.0%
TOTAL RBHS	\$ 129,267	5.9%
TOTAL COST POOL ALLOCATION	\$ 2,193,687	100.0%

NOTES:

- State paid fringe benefits and Federal/State student aid are shown at the campus level.
- University Support consists of state appropriation and other President/Chancellor revenues.

Questions?