



UCF Board of Trustees

Budget and Finance Committee

December 5, 2024

Agenda Item

DISC-1: Draft University Audited Financial Statements Report

Proposed Action

This information is being presented for discussion purposes only.

Authority for Board of Trustees Action

Board of Governors Regulation 9.009 Preparation of the State University System Financial Statements

UCF Board of Trustees Policy, Presidential Authority and Delegation, Section 6(o).

Supporting Documentation Included

Attachment A: Draft University Financial Statements Report

Facilitators/Presenters

Gerald Hector, Senior Vice President for Administration and Finance and Chief Financial Officer
Danta White, Senior Assistant Vice President for Financial Affairs and University Controller

Summary of Key Observations/Recommendations

This item is provided to the trustees to discuss the draft financial results of the university for fiscal year 2023-2024. This is a preliminary update; the final audit will be issued in the February to March 2025 timeframe.

In accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the State of Florida Auditor General's office is currently conducting the financial statement audit for the University of Central Florida and its aggregate discretely presented component units, which collectively comprise the university's basic financial statements, as of and for the fiscal year ended June 30, 2024.

- Board of Governors (BOG) Regulation 9.009 Preparation of the State University System Financial Statements requires universities to submit draft financial statements to the BOG by October 31. Due to Hurricanes Helene and Milton, the BOG extended this due date to November 7. UCF submitted its draft financial statements to the BOG and the Auditor General by the revised due date. As of December 5, 2024, the audit is on-going and generally starts to wrap-up in January with the final report issued in the February to March timeframe.
- The Statement of Net Position (e.g., balance sheet) reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the university, using the accrual basis of accounting, and presents the financial position of the university at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the university's current financial condition.

The university's assets and deferred outflows of resources totaled **\$2.6 billion** at June 30, 2024. This balance reflects a **\$58.9 million**, or **2.3%**, increase as compared to the 2022-2023 fiscal year, resulting from an increase in cash and cash equivalents and due from primary government related to capital appropriations, offset by decreases of deferred outflows of resources relating to pension and other postemployment benefits. Liabilities and deferred inflows of resources increased by **\$3.2 million** or **0.2%**, totaling **\$1.3 billion** at June 30, 2024.

As a result, the university's net position increased by **\$55.7 million**, resulting in a year-end balance of **\$1.3 billion**. The net position includes a negative unrestricted net position of **\$121 million**. The deficit can be attributed to the full recognition of certain long-term liabilities (specifically, compensated absences payable, other post-employment benefits [OPEB] payable and deferrals, and net pension liability and deferrals) in the current unrestricted funds that are expected to be paid overtime. Unrestricted net position before recognition of these long-term liabilities and deferred outflows and inflows is positive **\$600.6 million** or an increase of **\$71 million** or **13.4%**.

- The Statement of Revenues, Expenses, and Changes in Net Position (e.g., Income Statement) presents the university's revenue and expense activity, categorized as operating and nonoperating. Certain revenue sources that the university relies on to provide funding for operations, including state noncapital appropriations, federal and state student financial aid, certain gifts and grants, and investment income, are defined by Governmental Accounting Standards Board (GASB) as nonoperating. The changes in net position that occur over time indicate improvement or deterioration in the university's financial condition. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The university's operating revenues totaled **\$588.2 million** for the 2023-2024 fiscal year, representing a **\$17.1 million** or **3%** increase compared to the 2022-2023 fiscal year. Student tuition and fees, net, **increased \$6.4 million** or **2.3%** due to an increase in student enrollment. Grants and contracts **increased by \$13 million** or **7.8%** primarily due to an increase in federal grant funding.

Operating expenses totaled **\$1.4 billion** for the 2023-2024 fiscal year, representing an increase of **\$81 million** or **6.1%** as compared to the 2022-2023 fiscal year. Compensation and employee benefits increased by **\$69.4 million**, or **8.9%**, primarily resulting from fiscal year 2023-2024 recognizing a full year of merit increases instituted in March 2023 of fiscal year 2022-2023 and increases in the annual change in actuarially determined pension expense. Scholarships, fellowships, and waivers increased by **\$9.4 million**, or **6.1%**, primarily due to increases in state and federal student financial aid.

Net nonoperating revenues increased by **\$56.4 million**, or **7.4%**, primarily due to increases in state noncapital appropriations (**\$76.6 million** increase) and investment income (**\$17.4 million** increase), offset by decreased other nonoperating revenues (**\$49.9 million** decrease). Other nonoperating revenue decreases are primarily due to a reduction of Higher Education Emergency Relief Fund (HEERF) institutional funding as the federal program ended in fiscal year 2023-2024.

Loss Before Other Revenues totaled **\$8.4 million**, an increased loss of **\$7.5 million** or **797.8%**. This loss is heavily influenced by actuarially determined pension and OPEB expenses. Adjusting for these amounts, the university experienced **income** before other revenues of **\$24.7 million**.

Other revenue, which is composed of state capital appropriations and capital grants, contracts, donations, and fees, decreased **\$7.2 million** or **10.1%**. This decrease is primarily due to State capital appropriations decreasing by **\$32.3 million** due to funding in fiscal year 2022-2023 for the Dr. Phillips Nursing Pavillion and deferred maintenance projects. This decrease was offset by an increase of **\$25.1 million** or **2,521.5%** in capital grants, contracts, donations, and fees. The increase is related to a capital donation of a student housing complex and land to support the Rosen College of Hospitality Management.

Additional Background

N/A

Implementation Plan

N/A

Resource Considerations

N/A