

Education & General Summary

University activities of instruction, research, and public service that are derived from and support its primary role and mission are recorded in the Unrestricted Funds group as a sub-set of the total operation called Education and General (E&G). E&G excludes auxiliaries which are defined in this context as entities that furnish goods or services to students, faculty, or staff; that charge a fee directly related to, though not necessarily equal to, the cost of the good or services; and that are managed as self-supporting activities. In this context, Continuing Education is considered an auxiliary and is therefore excluded from E&G. E&G also excludes sponsored programs and grants because of their restricted nature. Specific to CSU-Pueblo, all E&G activity is recorded in funds beginning with 01.

The University's E&G activity for the second quarter of FY10 that ended December 31, 2009 is summarized below.

Education & General Activity, <u>Cash Basis</u>			
FY2009-10 at December 31, 2009			
REVENUES		EXPENDITURES	
Tuition & Fees	\$14,386,800	Instruction	\$8,867,700
State Fee for Service	\$2,851,300	Academic Support	\$2,456,200
Federal Stimulus Funds	\$0	Student Services	\$2,512,200
Sales & Service of Educ. Activities	\$169,500	Operation & Maintenance of Plant	\$2,295,600
F & A Recoveries	\$107,500	Institutional Support	\$1,732,400
Interest Income	\$10,000	Scholarships & Fellowships	\$1,289,000
Other Sources	\$230,700	Research & Public Service	\$60,300
TOTAL REVENUE	\$17,755,800	TOTAL EXPENDITURES	\$19,213,400

As discussed in last quarter's report, the University's primary revenue source is tuition and fees collected from students and from the State in the form of COF stipends for eligible resident undergraduate students. Historically, 47% of this revenue is collected in August for the fall semester. Thus, the E & G revenue reported in this report is only \$2.9M more than the total reported at September 30 and that increase is primarily Fee for Service received from the State.

Last quarter's report also explained that expenditures run ahead of revenues from the beginning of the fiscal year in July until the University collects tuition & fee revenue for the fall semester. Since that revenue supports expenditures made during the first two quarters of the fiscal year, at the end of September the revenues appeared to grossly exceed expenditures. Now, at the end of the second quarter of the fiscal year, expenditures have caught up to revenues. In fact, per the table above, expenditures exceeded revenues at December 31 by \$1.457M. This is misleading because distribution of Fee for Service funds and federal stimulus ARRA funds were delayed by the State. Had those funds been received within the quarter to match up with the expenditures they are funding, E&G revenue would have exceeded E&G expenditures by \$1.957M at December 31. This net amount is in accordance with the current fiscal year E&G budget adjusted as discussed in the September 30 report.

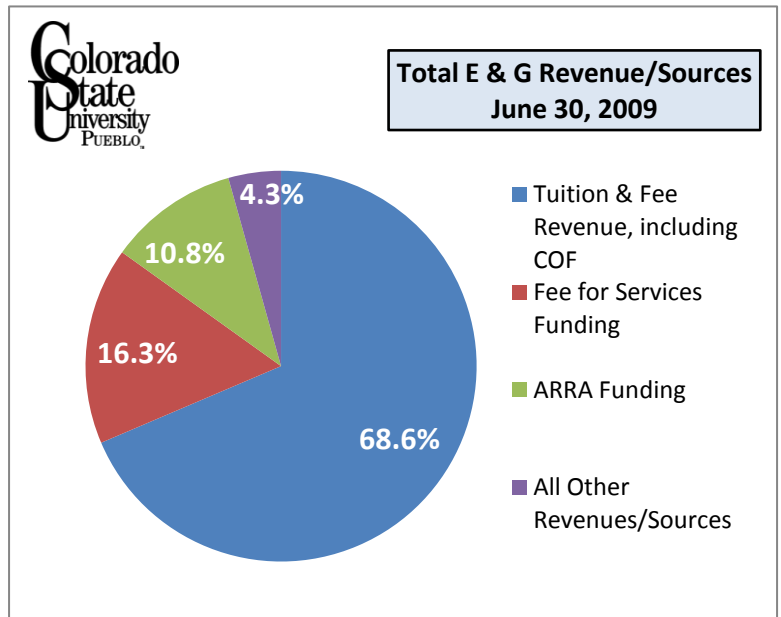
Additional adjustments that will impact the E&G FY10 budget going forward include:

1. The University's decision to increase its contribution to the cost of employee health care premiums when those increased January 1, 2010.
2. The Strategic Budget Advisory Committee's recommendation for a minor unbudgeted expenditure of funds to address issues with AIS programs that support student enrollment and financial aid.
3. Under-earned spring semester tuition and fee revenue because more nonresident students left between the fall and spring semesters than has been the case historically. More on this item will be included in the next quarter's report.
4. Any additional reductions of state funding in FY10 that may come out of the current Legislative Session.

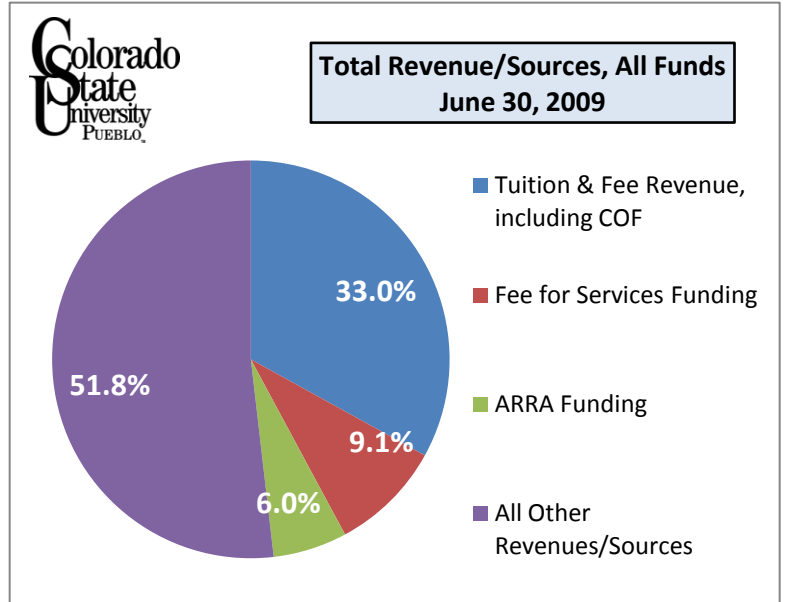
University Revenues Overview

Because of the University's dependence on student enrollment based funding and state support, the budget development process focuses first on revenues because estimated available funds must be known before expenditure commitments can be made. Once a budget is approved, it is important that expenditures are monitored and controlled to stay within that budget. Of equal importance is that the budgeted revenue supporting those expenditures be earned. Given our University's dependence on student enrollment revenue and state support, items 3 and 4 will significantly impact the current fiscal year budget even though they don't occur until well into the year. The two graphs below attempt to make that point clear by showing the components of E&G revenues in the first graph and the components of the all the University's revenue sources in the second graph.

This first graph is the E&G revenue budget and clearly shows that tuition & fee revenue is its largest funding source at 68.6%. Federal stimulus ARRA funds made up 10.8% of total E&G revenues in FY09 and are an equally important funding source for the current fiscal year but will not be available in FY12. State funding in the form of Fee for Service contracts (16.3% in FY09) and COF stipends (4.3% in FY09) have been reduced in FY10 and will be reduced more, perhaps drastically, in FY11 and beyond. Thus, as the State reduces its support for or ability to provide higher education funding, the University becomes more dependent on tuition and fee revenue which is why increased and sustainable enrollment growth is so vital.



This second graph reflects the relationship between the E&G revenues discussed above and the University's total revenues. The major components of non-E&G revenues are grants and contracts, auxiliary revenue, and capital funding. Many large research institutions generate significantly more of these non-E&G revenues than does an institution of our size, primary service area, and role and mission. Theoretically, the perceived earning power of such institutions suggests that they are less dependent on student-enrollment based revenues and state funding. However, to the extent that these non-E&G revenues are made up of auxiliary revenues, they are also enrollment driven, particularly if the is a large on-campus resident student population.



Such differences in revenue earning capability/dependency will be part of the upcoming discussion of public higher education funding in Colorado. The above information is presented in hopes of providing some context for how those issues impact CSU-Pueblo.

Non-Education & General Summary

Financial activity derived from and supporting the University's primary role and mission activities of instruction, research, and public service are recorded in the Unrestricted Funds group as a sub-set of the total operation called Education and General (E&G). The FY10 second quarter E&G activity is discussed above. On a quarterly basis, the University provides the Colorado State University System Board of Governors an unaudited income/expense statement for the total operation including all fund sources. A summary of that statement is presented and discussed below.

The Condensed Summary of Revenues, Expenses and Changes in Net Assets includes financial statement presentation information that is not included in the E&G specific report displayed and discussed above. GAAP reporting requires the recording of several non-management-related, financial statement reporting adjustments. Some of the adjustments significant to understanding the chart below are 1) Tuition & Fees and Auxiliary Operations revenues are reported net of awarded student financial aid disbursed by application to student accounts; 2) Auxiliary Operations expenditures include Athletics which is supported by revenue reported in multiple lines including Tuition & Fees, Auxiliary Operations, and Gifts; 3) Grants & Contracts revenue is reported as expended in functional categories relevant to its use, such as Instruction or Research & Public Service; 4) Interest Earnings are reported net of interest paid on capital debt; and, 5) Depreciation is an un-budgeted, non-cash expense.

Condensed Summary of Revenues, Expenses and Changes in Net Assets, All Funds, <u>Unaudited GAAP Basis</u> September 30, 2009			
REVENUES		EXPENDITURES/EXPENSES	
Tuition & Fees, net	\$12,006,400	Instruction	\$9,561,400
Grants & Contracts	\$11,535,200	Auxiliary Operations	\$6,130,100
Auxiliary Operations, net	\$5,750,200	Student Services	\$3,152,200
Fee for Services (State)	\$3,015,600	Academic Support	\$3,074,400
Other Sources	\$560,700	Operation & Maintenance of Plant	\$2,527,500
ARRA Funds (Federal)	\$2,542,000	Institutional Support	\$1,981,900
Gifts	\$307,100	Depreciation	\$1,882,200
Interest Earnings	(\$356,600)	Scholarships & Fellowships	\$1,590,700
State Capital Funds	\$2,778,100	Research & Public Service	\$1,845,500
TOTAL REVENUE	\$38,138,700	TOTAL EXPENDITURES/EXPENSES	\$31,745,900

The timing differences between collection of revenue and expenditure of funds discussed in last quarter's report applies to some extent to the total University operation which is part of the reason for the \$6.393+M net revenue (\$38.139M revenues minus \$31.746M expenditures/expenses) at December 31, 2009 per the table above. Additionally, in accordance with generally accepted accounting procedures (GAAP) for higher education institutions, revenue received to support capital projects is included in this statement but the expenditure of that revenue is not.

The University's finances are managed in accordance with generally accepted accounting principles (GAAP) and auditing standards established for public higher education institutions by the Governmental Accounting Standards Board (GASB) and the National Association of College and University Business Officers (NACUBO). Further regulation is provided by statutes which are codified in State Fiscal Rules, State Procurement Rules, State Personnel Rules, and State Administrative Rules & Regulations.

The primary E&G revenue sources are tuition, fees, and unrestricted state and federal support. The expenditure of E&G funds fall into the functional expenditure classifications defined below:

Educational & General: High-level category of expenditures for the direct role and mission activities of the institution. Includes the functional classifications of expenditures for Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, and Scholarships and Fellowships. Excludes Auxiliaries and Independent Operations.

Instruction: Category of expenditures supporting an institution's instruction program for regular, special and extension sessions. Includes academic, vocational, technical, remedial, and tutorial instruction. Excludes academic administration when the primary assignment is administration, for example, deans and provosts.

Research: Category of expenditures for activities specifically organized to produce research outcomes, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Includes institutes, research centers, and internal individual, project, or departmental research.

Public Service: Category of expenditures for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. Includes community service activities, cooperative extension activities, and public broadcasting services.

Academic Support: Category of expenditures whose primary purpose is to provide support services for the institution's primary missions of instruction, research, and public service. Includes libraries, museums and galleries, educational media services, academic computing support, and academic administration.

Student Services: Category of expenditures for those activities whose primary purpose is to contribute to the student's emotional and physical well-being and to his/her intellectual, cultural, and social development outside the context of the formal instruction program. Includes the offices of admissions, registrar, and student life.

Institutional Support: Category of expenditures for central executive-level activities concerned with management and long-range planning of the entire institution; fiscal operations; administrative data process; space management; employee personnel and records; procurement, storerooms, printing, and transportation services; support services to faculty and staff, other than auxiliary enterprises; and, community and alumni relations, development, and fund raising activities.

Operation and Maintenance of Plant: Category of expenditures for the operation and maintenance of the physical plant, both grounds and facilities. Includes public safety, utilities, fire protection, and property insurance.

Scholarships and Fellowships: Category of expenditures for student financial assistance in the form of scholarships and fellowships. Includes grants to students resulting either from selection by the institution or from an entitlement program.

Auxiliaries: Entities that furnish goods or services to students, faculty, or staff; that charge a fee directly related to, though not necessarily equal to, the cost of the good or services; and that are managed as self-supporting activities. Includes resident halls, food services, college stores, and parking operations.

Independent Operations: Category of expenditures for operations that are independent of, or unrelated to, but which may enhance the primary mission of the institution.