

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 first quarter of FY11 that ended September 30, 2010 is summarized below:

<b>Education &amp; General Activity</b>			
<b>FY2010-11 at September 30, 2010 Cash Basis</b>			
REVENUES		EXPENDITURES	
Tuition & Fees, Net	\$15,380,200	Instruction	\$4,700,200
State Fee for Service	\$0	Academic Support	\$1,389,500
Federal Stimulus Funds	\$0	Student Services	\$1,313,000
Sales & Service of Educ. Activities	\$135,200	Operation & Maintenance of Plant	\$1,270,100
F & A Recoveries	\$47,500	Institutional Support	\$732,100
Interest Income	\$400	Scholarships & Fellowships	\$993,500
Other Sources	\$128,000	Research & Public Service	\$14,100
<b>TOTAL REVENUE</b>	<b>\$15,691,300</b>	<b>TOTAL EXPENDITURES</b>	<b>\$10,412,500</b>

The following information is important to understanding the relationship of these quarterly numbers as they relate to the University's annual budget and activity:

Earning & Expenditure Pattern

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. Thus, the University has two major revenue generating events annually – the beginning of the fall and spring semesters – with the summer semester being a minor revenue generating event. Historically, the University collects 47% of this enrollment-driven revenue in August for the fall semester, 44% in January for the spring semester, and 9% in May for the summer semester. As is the case with most higher education institutions, CSU-Pueblo's biggest E&G expense is personnel. 87% of the FY10 E&G expenditures went to salaries and benefits. The majority of personnel expenditures are made in relatively equal amounts over the twelve months of the fiscal year. As a result, expenditures run ahead of revenues from the beginning of the fiscal year in July until the fall semester revenue is received. That revenue supports expenditures in September through December until the spring semester revenue is collected in January. That cumulative revenue supports expenditures through the end of the fiscal year with a small revenue increase in May for the summer session. Thus, at the end of the first quarter of the fiscal year, revenues

appear to grossly exceed expenditures. At the end of the second quarter of the fiscal year, expenditures will have nearly caught up to revenues. By the end of the third quarter of the fiscal year, over 90% of the annual revenue will have been collected and expenditures should be slightly less than that revenue amount. By the end of the fiscal year, revenues and expenditures will be matched and any difference will be an addition to or a reduction of the E&G fund balance.

Enrollment Revenue versus FTE Enrollment

Tuition revenue for FY11 was budgeted based on an estimate of 5% growth in revenue from enrollment with the expectation of actually achieving 7% - 8%. The Fall 2010 census enrollment statistics indicate that:

1. Overall enrolled headcount increased 2% from 5,051 in Fall 2009 to 5,145 (+94) in Fall 2010.
2. Total full time equivalent (FTE) enrollment increased 3.3 percent to 4,343.9.
3. The number of undergraduate students taking a full course load (more than 12 credit hours) increased to 82 % in Fall 2010 from 75% of the student body in Fall 2007.
4. Enrollment increased more for non-resident (+83 or +15%) than for resident (+11.3 or +0%) students.

Analysis of the budget impact of these factors indicates that gross base tuition revenue for Fall 2010 increased 16.8% over comparable Fall 2009 revenue. This tuition revenue increase resulted from a) the tuition rate increase, b) enrollment growth, and c) growth in the FTE to headcount percentage. Despite this, given the actual Fall 2010 HC and FTE enrollment, the University will likely not achieve significant unbudgeted tuition revenue as hoped. While at this time there does not appear to be a need to reduce the FY11 expenditure budget, there are outstanding factors that could negatively impact the current situation, including

- o The likelihood that COF revenue will fall short of the budgeted amount.
- o The impact of fall-to-spring student attrition on the tuition revenue budget which includes an attrition factor based on a multi-year average. In FY10, while the student HC/FTE attrition was within past norms, the revenue loss was larger than budgeted.
- o The possibility of reductions in State funding during FY11.

Therefore, close monitoring and strict adherence to the expenditure budget is necessary for the rest of the fiscal year. At September 30, 2010 the % of the E&G budget earned/expended was as presented below:

<b>Education &amp; General Revenue Earned/Expenditures Made as a % of Budget</b>			
<b>FY2010-11 at September 30, 2010 <u>Cash Basis</u></b>			
REVENUES		EXPENDITURES	
Tuition & Fees, Net	47.7%	Instruction	23.4%
State Fee for Service	0.0%	Academic Support	32.2%
Federal Stimulus Funds	0.0%	Student Services	25.0%
Sales & Service of Educ. Activities	38.5%	Operation & Maintenance of Plant	19.5%
F & A Recoveries	19.2%	Institutional Support	23.2%
Interest Income	0.5%	Scholarships & Fellowships	45.9%
Other Sources	20.8%	Research & Public Service	29.6%
<b>TOTAL REVENUE</b>	<b>37.3%</b>	<b>TOTAL EXPENDITURES</b>	<b>25.1%</b>

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 FY11 first 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 displays 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.

<b>Condensed Summary of Revenues, Expenses and Changes in Net Assets, All Funds, <u>Unaudited GAAP Basis</u> September 30, 2010</b>			
REVENUES		EXPENDITURES/EXPENSES	
Tuition & Fees, net	\$13,154,000	Instruction	\$5,086,000
Grants & Contracts	\$8,485,000	Auxiliary Operations	\$3,818,000
Auxiliary Operations, net	\$6,103,000	Student Services	\$1,688,000
Fee for Services (State)	\$1,688,000	Academic Support	\$1,766,000
Other Sources	\$549,000	Operation & Maintenance of Plant	\$1,996,000
ARRA Funds (Federal)	\$0	Institutional Support	\$707,000
Gifts	\$478,000	Depreciation	\$1,156,000
Interest Earnings	(\$61,000)	Scholarships & Fellowships	\$8,371,000
State Capital Funds	\$2,828,000	Research & Public Service	\$788,000
<b>TOTAL REVENUE</b>	<b>\$33,224,000</b>	<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$25,376,000</b>

The timing differences in the earning and expenditure pattern for E&G funds that is discussed above applies to some extent to the total University operation which is part of the reason for the \$7.8M net revenue (\$38.224M revenues minus \$25.376M expenditures/expenses) at September 30, 2010 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.