

Annual Financial Report for Fiscal Year 2013



Presentation to: The Board of Regents

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Financial Highlights

FY2013 marked a year of stability, strength, and progress for the University System of Alaska.

- State support very robust – 45% of revenues.
- Tuition & Fees – 15.42% of revenues.
- Total Net position increased 16.6% (FY12-13).
- Rating agency *Morningstar* awarded a “Gold” rating to the T. Rowe Price College Savings Plan. Portfolio managed on June 30, 2013: \$5.4 Billion.

- Total Operating expenses grew only 0.9%.
- Operating funds were invested (\$124.6 M) for necessary liquidity, security, reasonable returns.
- Investment return on our Consolidated Fund (\$134.6 M) = 10%.
- Total Debt outstanding = \$201.6 M.
- Annual Debt level modest = \$17.3 M.
- Annual Debt Service = 2.9% of unrestricted revenues.

5 Successful External Audits

- a) Received “unmodified” opinion , the most favorable, from external/independent auditors (Moss Adams LLP).
- b) Received favorable ratings of “compliant” in Property Control Systems Analysis by the Office of Naval Research (Dept. of the U.S. Navy).
- c) Received “unmodified” opinion from Pricewaterhouse Coopers, LLP. for the Education Trust of Alaska.

- d) No exceptions/deficiencies noted in F & A cost rates audit by Defense Contract Audit Agency. These rates are used on Federal grants/contracts for recovering indirect/overhead costs
- e) Received from Moss Adams a Single Audit report on federal awards in accordance with Government Auditing Standards and OMB Circular A-133.

- Maintained high Credit Ratings from both Standard & Poor (AA-) and Moody's Investor Services (Aa2).

CODA

1. Financial health has 2 dimensions: *capacity* (measured by resources) & *sustainability* (ability to maintain capacity).
2. Portfolio Risk has 2 categories: *debt service risk* & *liquidity risk*.

From both perspectives, we are pleased to report that the University System of Alaska continues to be financially healthy. This has been a remarkable year.



Graphical Presentation of Data

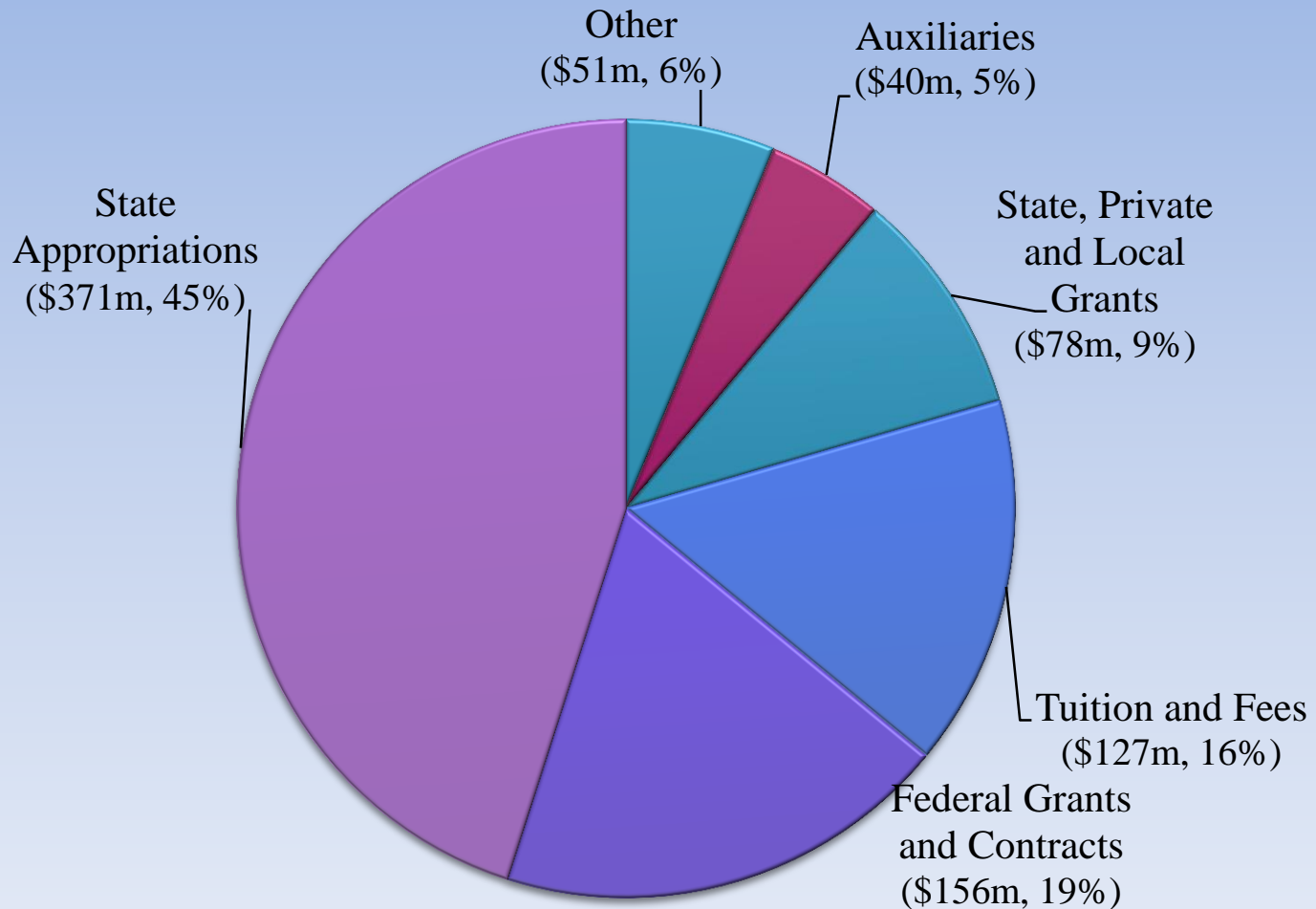
Condensed Statements of Net Position

	2013	2012
Assets:		
Current Assets	\$ 143,039	\$ 157,492
Other noncurrent assets	336,078	296,779
Capital assets, net of depreciation	<u>1,324,208</u>	<u>1,097,258</u>
Total assets	<u>1,803,325</u>	<u>1,551,529</u>
Liabilities:		
Current liabilities	120,515	115,298
Noncurrent liabilities	<u>194,936</u>	<u>159,863</u>
Total liabilities	<u>315,451</u>	<u>275,161</u>
Net position:		
Net investment in capital assets	1,120,771	931,674
Restricted – expendable	78,443	74,102
Restricted – nonexpendable	131,365	130,513
Unrestricted	<u>157,295</u>	<u>140,079</u>
Total net position	<u>\$ 1,487,874</u>	<u>\$ 1,276,368</u>
(\$ in Thousands)		

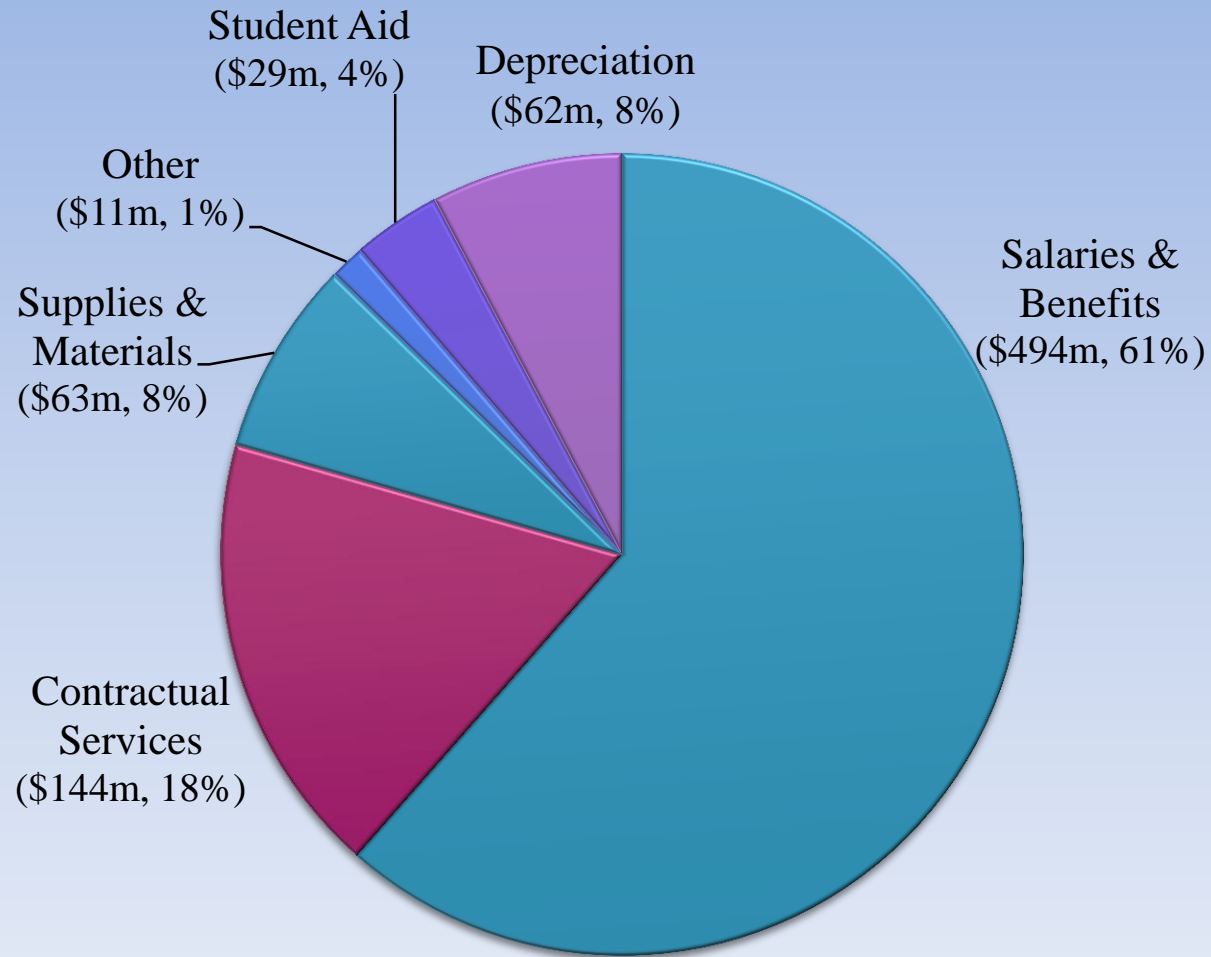
Condensed Statements of Revenues & Expenses

	2013	2012
Revenues:		
State Operating Appropriations	\$ 371,051	\$ 358,441
Capital Appropriations and Grants	191,809	170,026
Student Tuition and Fees, net	127,055	123,971
Federal Grants and Contracts	156,247	160,415
State, Local and Private Grants	77,801	76,351
Auxiliary Enterprises	40,008	39,813
Endowment Income	18,992	3,015
Other	<u>32,226</u>	<u>23,178</u>
Total Revenues	1,015,189	955,210
Expenses:		
Student and Academic	363,074	359,953
Research	132,905	135,928
Public Service	41,360	38,842
Operations and Maintenance	63,364	65,476
Institutional Support	96,072	95,372
Auxiliary Enterprises	35,276	38,288
Depreciation	62,103	58,403
Other Expenses	<u>9,529</u>	<u>9,201</u>
Total Expenses	<u>803,683</u>	<u>801,463</u>
Increase in Net Position	<u>\$ 211,506</u>	<u>\$ 153,747</u>
(\$ in Thousands)		

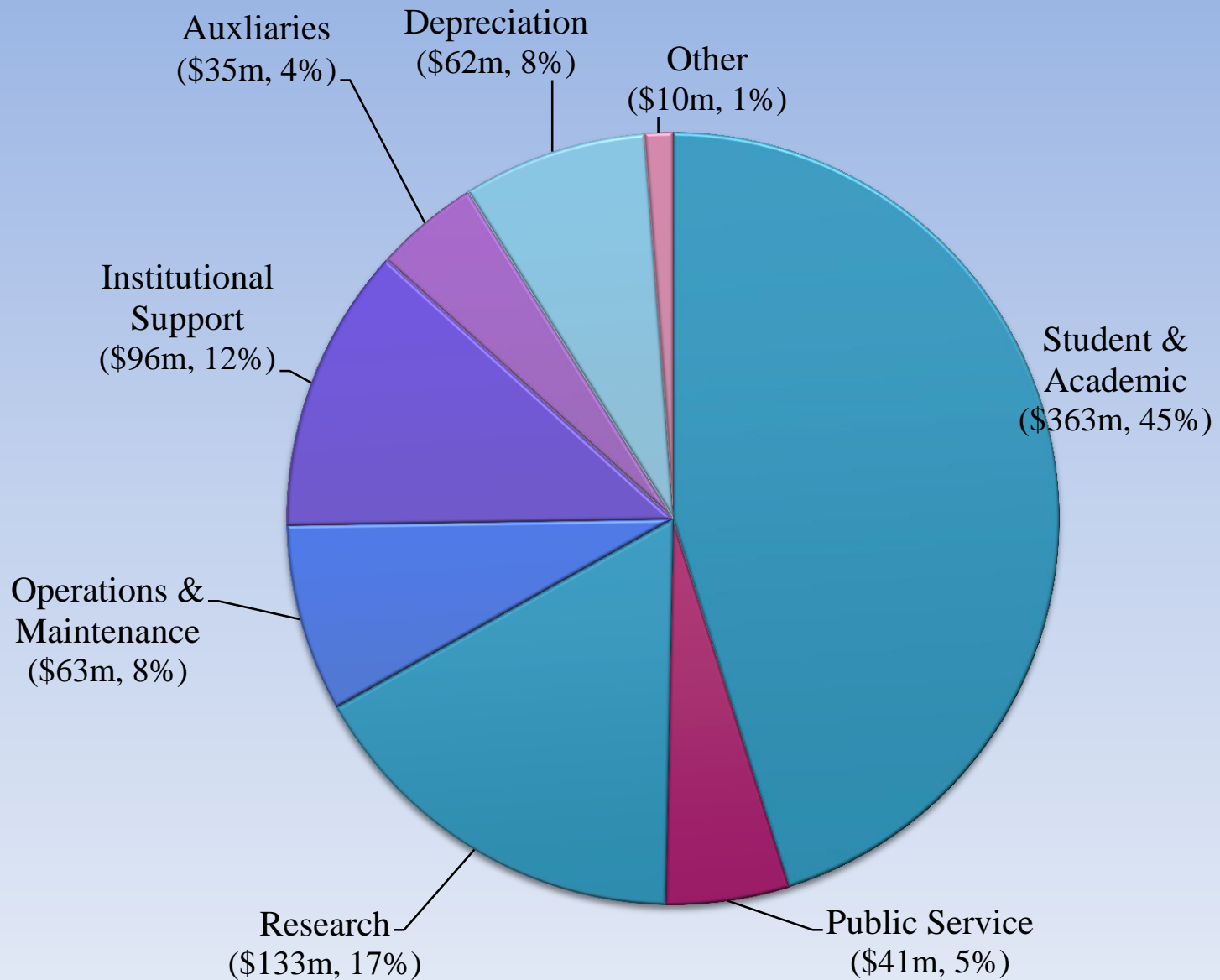
Revenue Mix



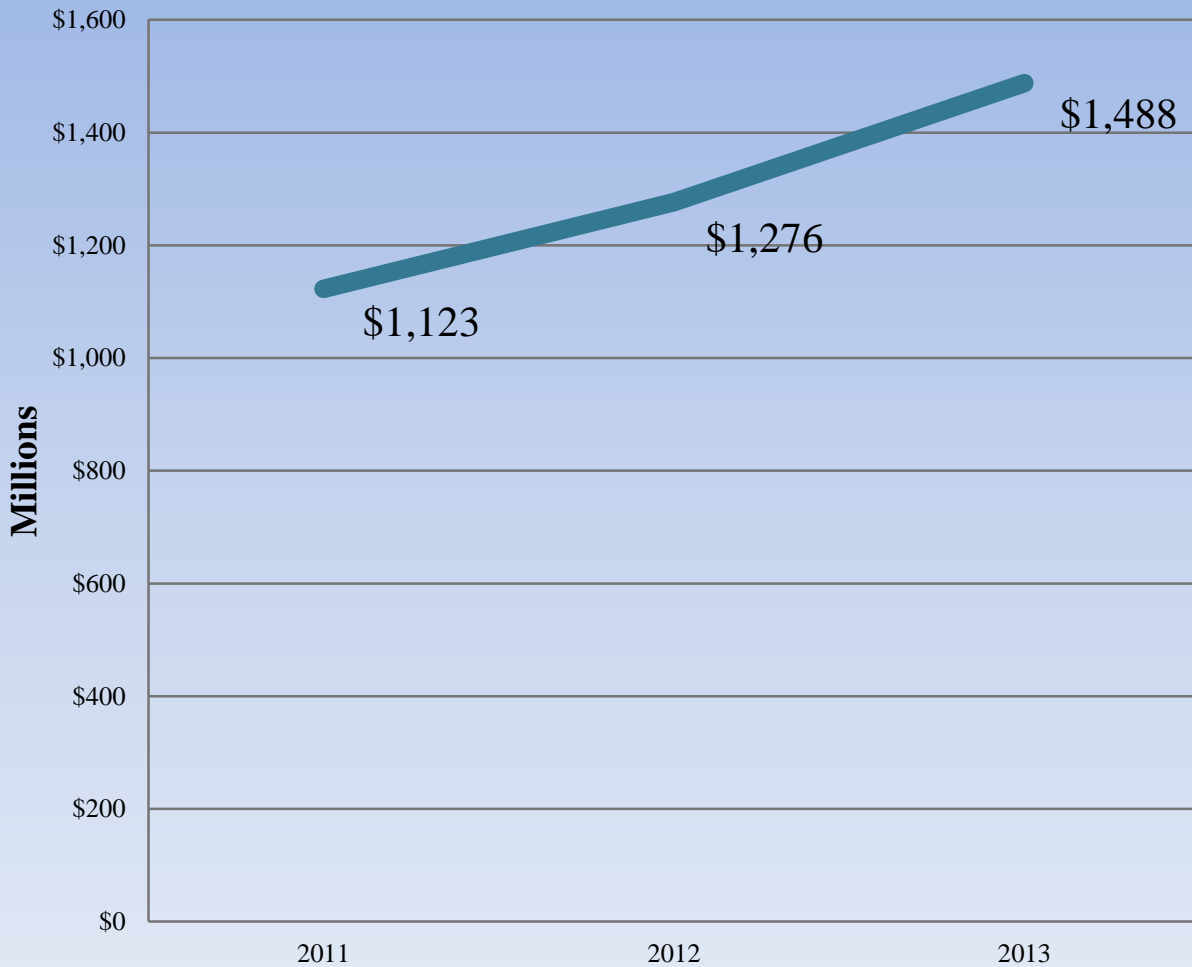
Expenditure Mix



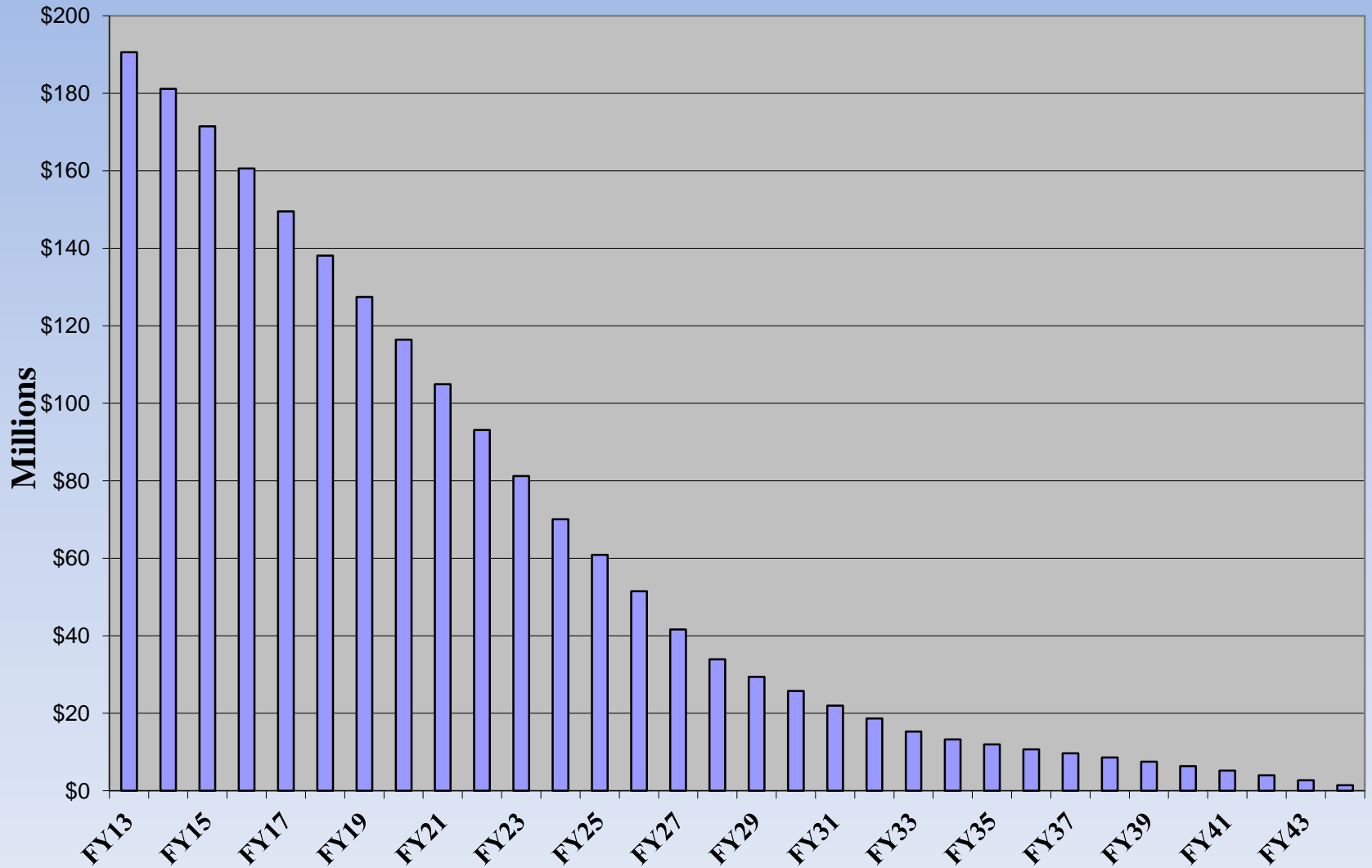
Expenditure Mix by Function



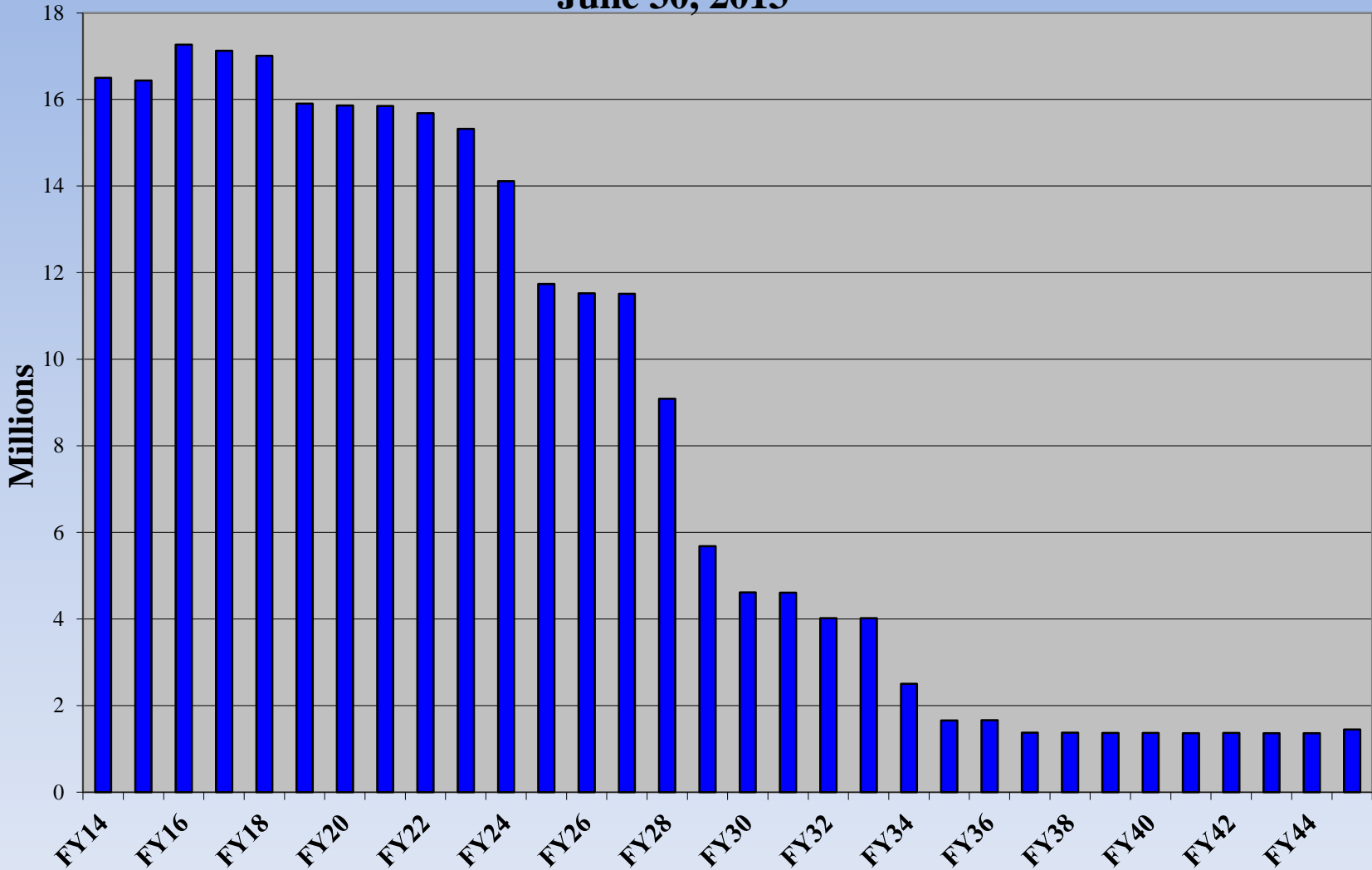
Net Position



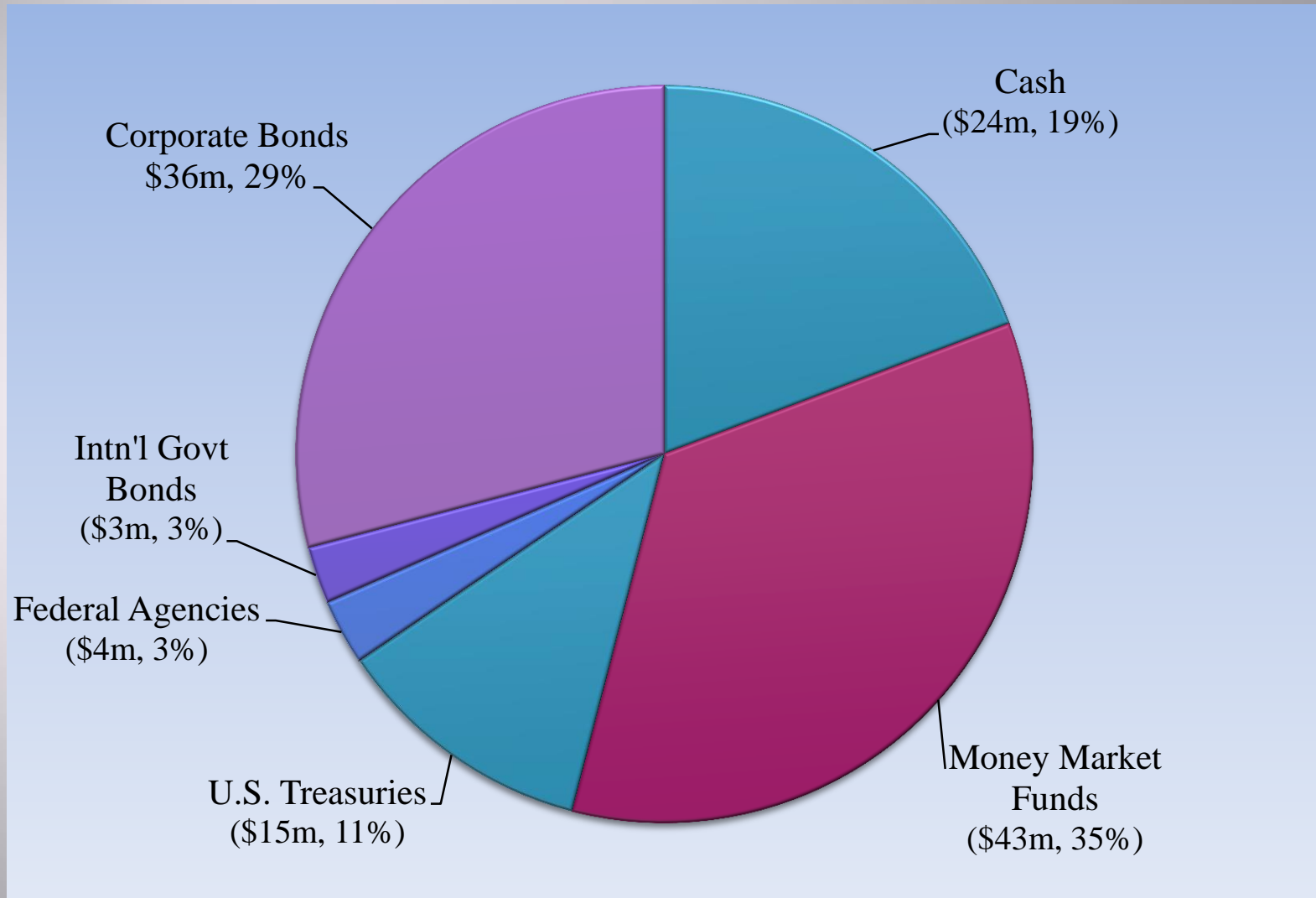
Total University of Alaska Debt Outstanding June 30, 2013



Total Annual Debt Service June 30, 2013



Operating Cash & Investments (\$125M)

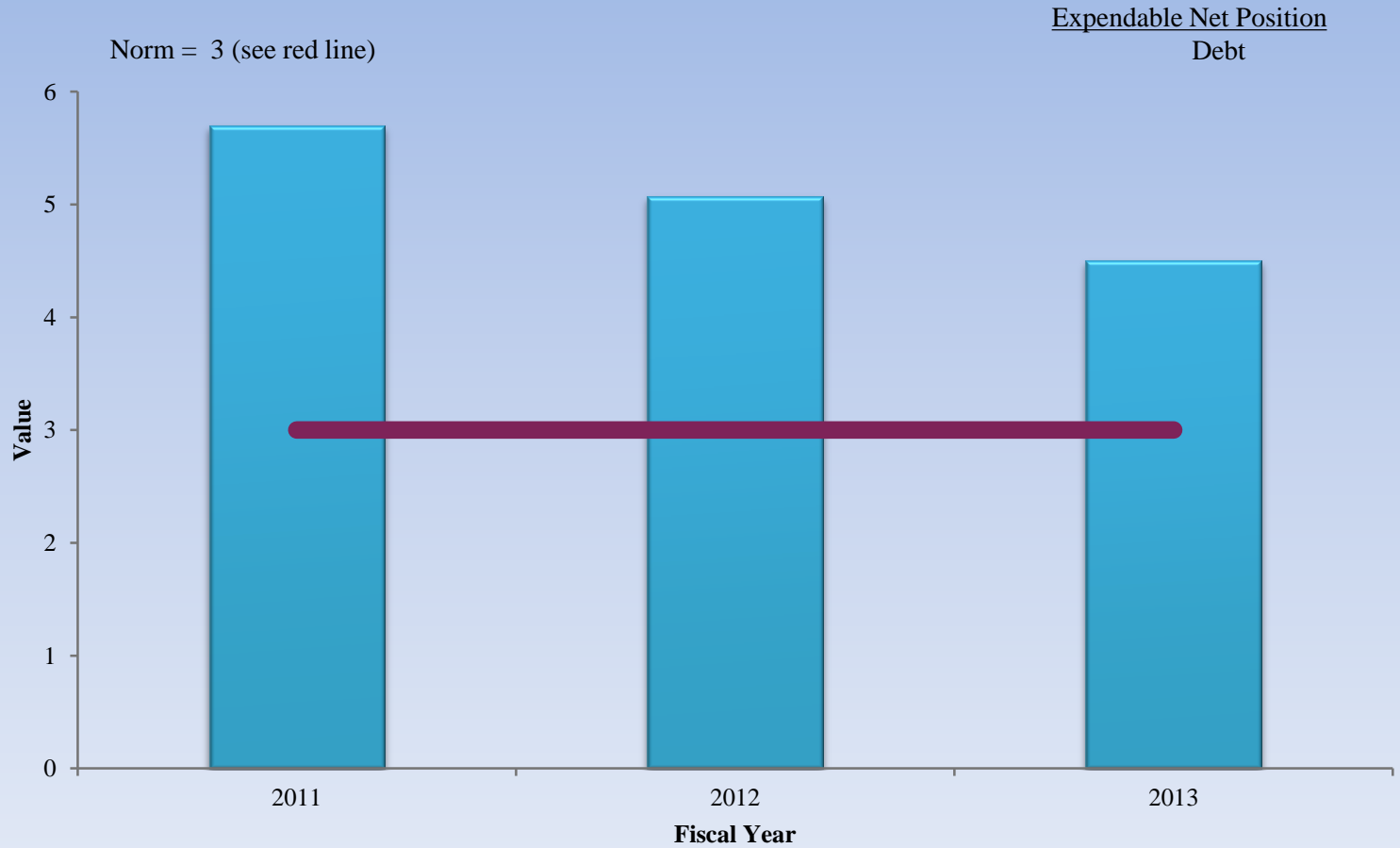




Financial Metrics

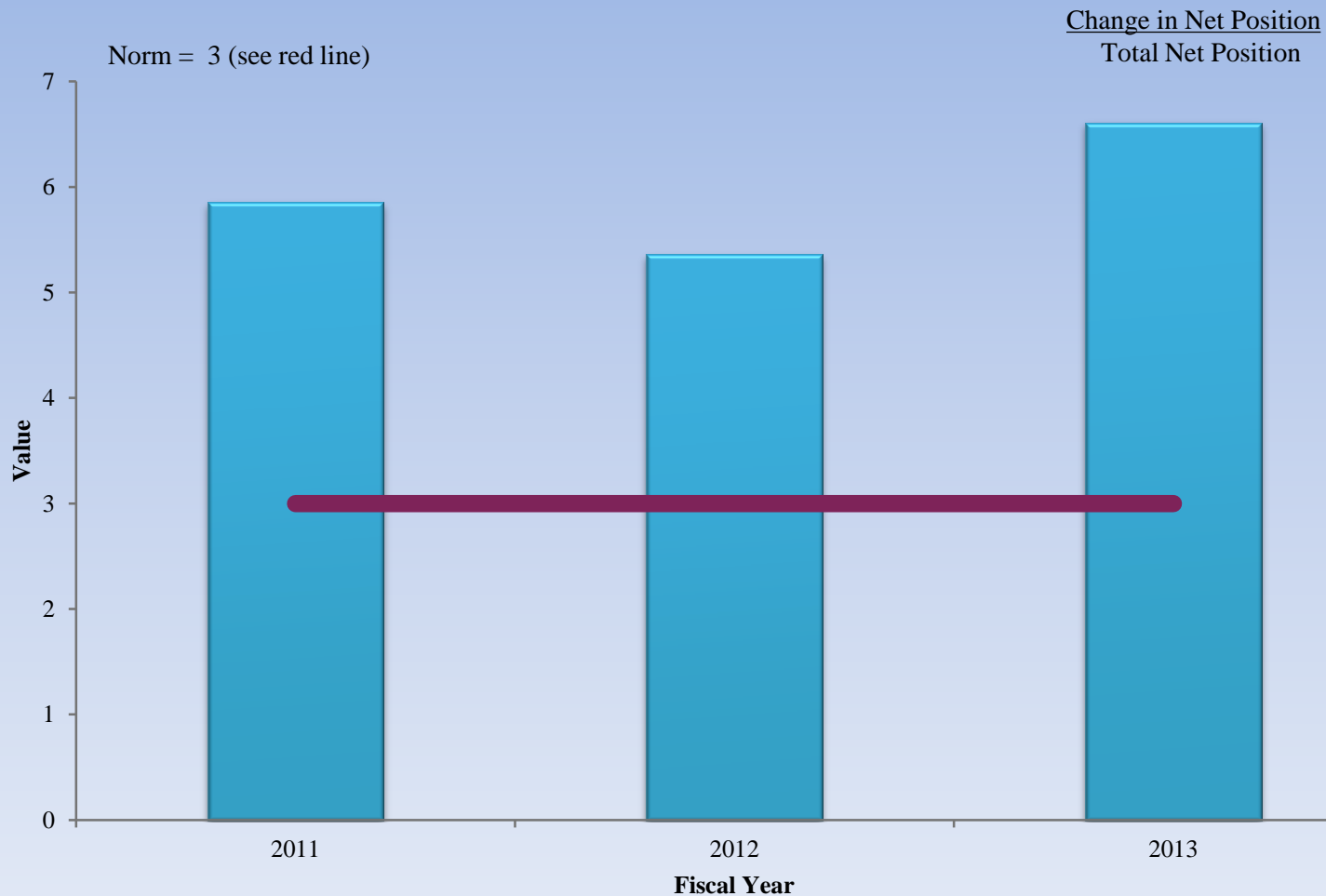
Viability Ratio

(Measures debt burden and debt capacity)



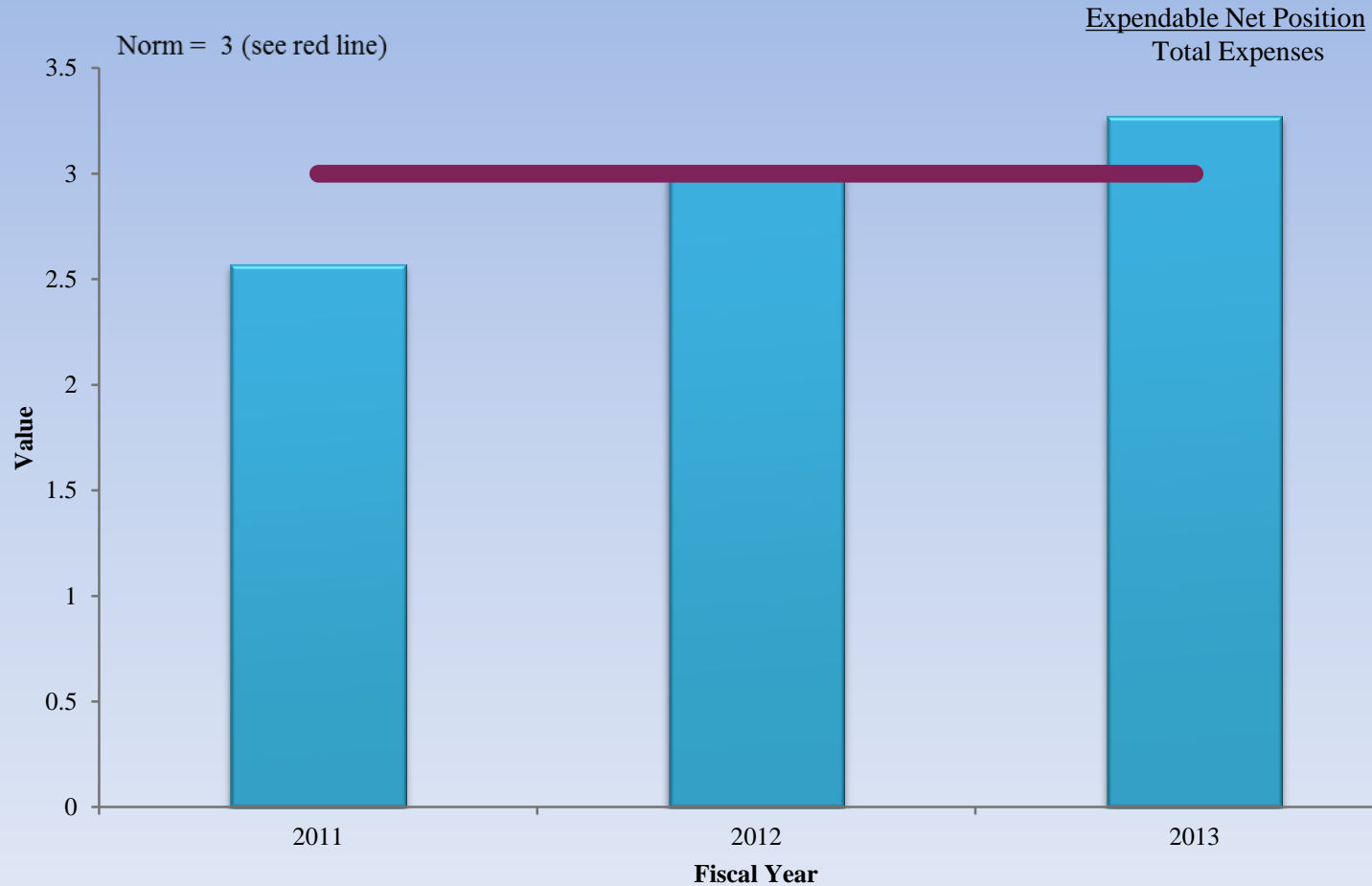
Return on Net Position Ratio

(Measures the return on total net position)



Primary Reserve Ratio

Primary Reserve Ratio
(Measures the level of reserves relative to expenses)

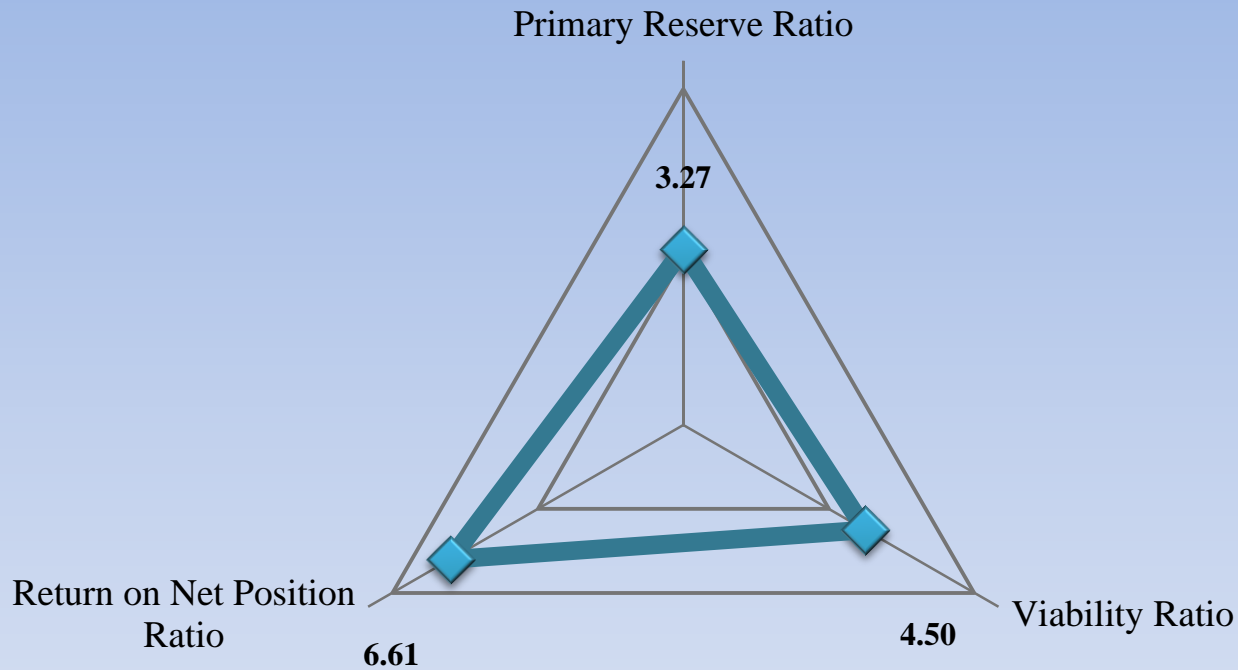


Composite Financial Index (CFI) (1 of 2)

(Measures overall financial health)



Composite Financial Index (CFI) (2 of 2)



Key:

- Blue triangle = University of Alaska
- Inside triangle = Norm
- Outside triangle = Outer limit of scale