

UMass Medical School Mid-year Financial Update

As of December 31, 2007

UMass Medical School

Mid-year Financial Update

- Increase in net assets (operating surplus) = \$17.4M
 - Variance to plan = \$3.2M
 - Variance to plan without HSC = (\$7.0M)
- Projected surplus for Fiscal '08 ahead of plan at \$45.4M (plan as submitted = \$28.4M)
 - Variance to plan without HSC = (\$3.4)
- Cash balances increased by \$51.6M
- Unrestricted net assets increased \$22M

Statement of Net Assets (Balance Sheet)

Mid-year Financial Update
As of December 31, 2007

Statement of Net Assets

(\$ 000's)

	2008 12/31/2007	2007 6/30/2007	Change	
Assets				
Cash & Investments	199,037	147,411	51,626	35.0%
Cash Held by Trustee	105,488	122,905	(17,417)	-14.2%
Receivables	184,626	261,316	(76,690)	-29.3%
Inventories	7,742	7,763	(21)	-0.3%
Property, Plant & Equipment	509,505	500,578	8,927	1.8%
Other Assets	9,167	5,847	3,320	56.8%
Total Assets	<u>1,015,565</u>	<u>1,045,820</u>	<u>(30,255)</u>	-2.9%
Liabilities				
Accounts & Wages Payable	18,969	62,959	(43,990)	-69.9%
Compensated Absences	25,930	25,930	-	0.0%
Debt	325,703	333,355	(7,652)	-2.3%
Other Liabilities	91,313	87,331	3,982	4.6%
Total Liabilities	<u>461,916</u>	<u>509,575</u>	<u>(47,659)</u>	-9.4%
Net Assets				
Invested in Plant	280,373	282,986	(2,614)	-0.9%
Restricted	28,090	30,112	(2,021)	-6.7%
Unrestricted	245,186	223,147	22,039	9.9%
Total Net Assets	<u>553,650</u>	<u>536,245</u>	<u>17,404</u>	3.2%
Total Liabilities & Net Assets	<u>1,015,565</u>	<u>1,045,820</u>	<u>(30,255)</u>	-2.9%

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Statement of Net Assets

Cash & Investments

- Cash increased \$51.6 million due to \$17.4 million from the results of operations plus the collection of \$76.7 million in receivables, offset by \$44 million expended for accounts and wages payable accrued at year-end.

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Statement of Net Assets

Receivables

- Receivables decrease of \$77 million is a result of:
 - HSC receivable decreased \$55 million due to the collection of \$113 million balance from 6/30/07, offset by \$58 million accrued for the current year
 - Commonwealth Medicine receivables decreased \$21 million due to the collection of year-end billings

Statement of Net Assets

(\$ 000's)

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Statement of Net Assets

Accounts & Wages Payable

- Accounts & Wages payable decreased \$44 million due to salaries and trade payables accrued at year-end and subsequently paid.

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(\$ 000's)

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Operating Results

Mid-year Financial Update
As of December 31, 2007

Operating Results

(\$ 000's)

	2008 Actual	2008 Budget	Variance Act. vs. Bud.		2007 Actual
Revenue					
Unrestricted	305,110	344,561	(39,451)	-11.4%	341,023
Restricted	<u>73,571</u>	<u>88,234</u>	<u>(14,663)</u>	-16.6%	<u>74,641</u>
	378,681	432,795	(54,114)	-12.5%	415,664
Expenses					
Unrestricted	287,693	331,017	(43,324)	-13.1%	300,777
Restricted	<u>73,584</u>	<u>87,575</u>	<u>(13,991)</u>	-16.0%	<u>73,485</u>
	361,277	418,592	(57,315)	-13.7%	374,263
Net Incr./.(Decr.)	<u><u>17,404</u></u>	<u><u>14,203</u></u>	<u><u>3,201</u></u>	22.5%	<u><u>41,402</u></u>
Net Incr./.(Decr.) excluding HSC	(18,581)	(11,567)	(7,014)	60.6%	12,757

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Unrestricted Revenue

■ Projected Actual Bottom Line Net Impact

	<u>Budget</u>		<u>Actual</u>		<u>Diff</u>
State Payment	107.50		71.30		(36.20)
Prior Yr Adj			17.60		17.60
MSF	<u>215.00</u>		<u>142.60</u>		(72.40)
Subtotal	107.50		71.30		(36.20)
EOHHS	18.75	17%	18.75	26%	-
UMMHC	55.96	52%	23.38	33%	(32.58)
CWM	13.12	12%	11.67	16%	(1.45)
School	<u>19.67</u>	18%	<u>17.50</u>	25%	(2.17)
Distribution	107.50		71.30		(36.20)
School Distribution	51.54		47.92		(3.62)
Prior Yr Recoup			<u>24.05</u>		24.05
Total School / EOHHS	51.54		71.97		20.43

Unrestricted Revenue

- CWM revenue is under budget for the first half due to normal cyclical variations caused mostly by contingency contract revenue realized in 2nd half and the awarding of the DOC contract at 80% of the previous contract – net revenue impact, \$12 million; no bottom line impact.
- The budget for interest included earnings of \$1.6M on the \$40 million in quasi-endowment which will be accrued in the second half.

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Grant & Contract Revenue

(\$ 000's)

	Federal	Non-Federal	Total Direct	Indirect
2008 Operating Budget	100,340	72,127	172,467	57,839
2008 Projected	87,945	64,923	152,868	52,839
Variance	<u>(12,395)</u>	<u>(7,204)</u>	<u>(19,599)</u>	<u>(5,000)</u>

Variance Components

Base	(3,059)	(5,275)	(8,334) [1]	(2,795)
Existing Recruits	(5,511)	(969)	(6,480)	(2,173)
New Recruits	(3,825)	(960)	(4,785) [2]	(1,605)
F&A Rate				1,573
	<u>(12,395)</u>	<u>(7,204)</u>	<u>(19,599)</u>	<u>(5,000)</u>

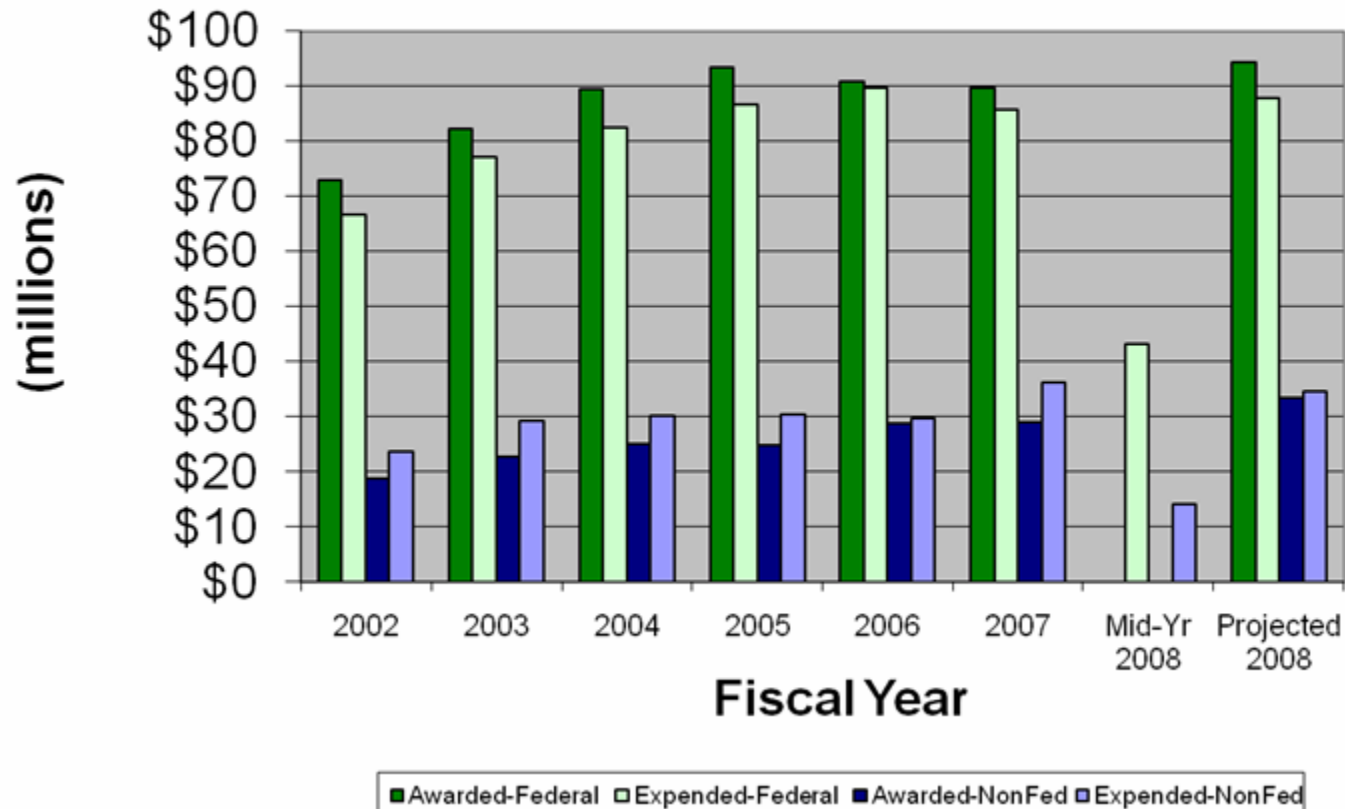
[1] Operating budget included a \$5M on top adjustment to base growth

[2] Plan called for 3 leaders and 3 seniors

Grant & Contract Revenue Budget

- The G & C budget is developed centrally
- The budget is based on historical trends and projected growth
- Projected growth is influenced by other factors in the Long Range Financial Plan
 - P/L level
 - Positive trending
- Departmental projections are considered a conservative 'base' not the final word

Direct Research Dollars Awarded vs Expended (\$ millions)



Operating Results

(\$ 000's)

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Unrestricted Expenses

- HSC payment under budget \$30 million - \$24 million due to carry-forward credit – net bottom line impact (revenue & expense) \$20.4 million.
- Real estate is over budget due to \$5.4 million payment for construction at Biotech V.
- Sales & Services are under budget primarily due to less expense in Facilities Construction.

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Fiscal 2008 YTD Operating Results

By Business Line (\$ 000's)

	Comnwlth. Medicine	Mass Biologic Labs	Academic Depts.	Campus Operations	Total
Revenue					
Unrestricted	137,491	32,714	49,328	85,577	305,110
Restricted	17,114	547	55,278	632	73,571
	<u>154,606</u>	<u>33,261</u>	<u>104,605</u>	<u>86,210</u>	<u>378,681</u>
Expenses					
Unrestricted	126,662	25,579	43,436	92,016	287,693
Restricted	16,446	547	54,046	2,545	73,584
	<u>143,108</u>	<u>26,126</u>	<u>97,482</u>	<u>94,561</u>	<u>361,277</u>
Oper. Surplus/(Deficit)	<u>11,498</u>	<u>7,135</u>	<u>7,123</u>	<u>(8,352)</u>	<u>17,404</u>
Transfers	1,464	(2,858)	-	1,394	(0)
Net Incr./(Decr.)	<u>12,962</u>	<u>4,277</u>	<u>7,123</u>	<u>(6,958)</u>	<u>17,404</u>
Net Incr./(Decr.) excluding HSC	(2,247)	4,277	7,123	(27,734)	(18,581)

Year-End Projection

Mid-year Financial Update
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Fiscal 2008 Projection

(\$ 000's)

Impact of major mid-year variances:

Original Budgeted 2008 Surplus	28,407
HSC	20,430
F&A on reduced grants	(5,000)
Depreciation	1,600
Projected 2008 Surplus	<u><u>45,437</u></u>