

FINANCIAL REPORT

**Prepared for presentation to the Board of Trustees
November 10, 2016**

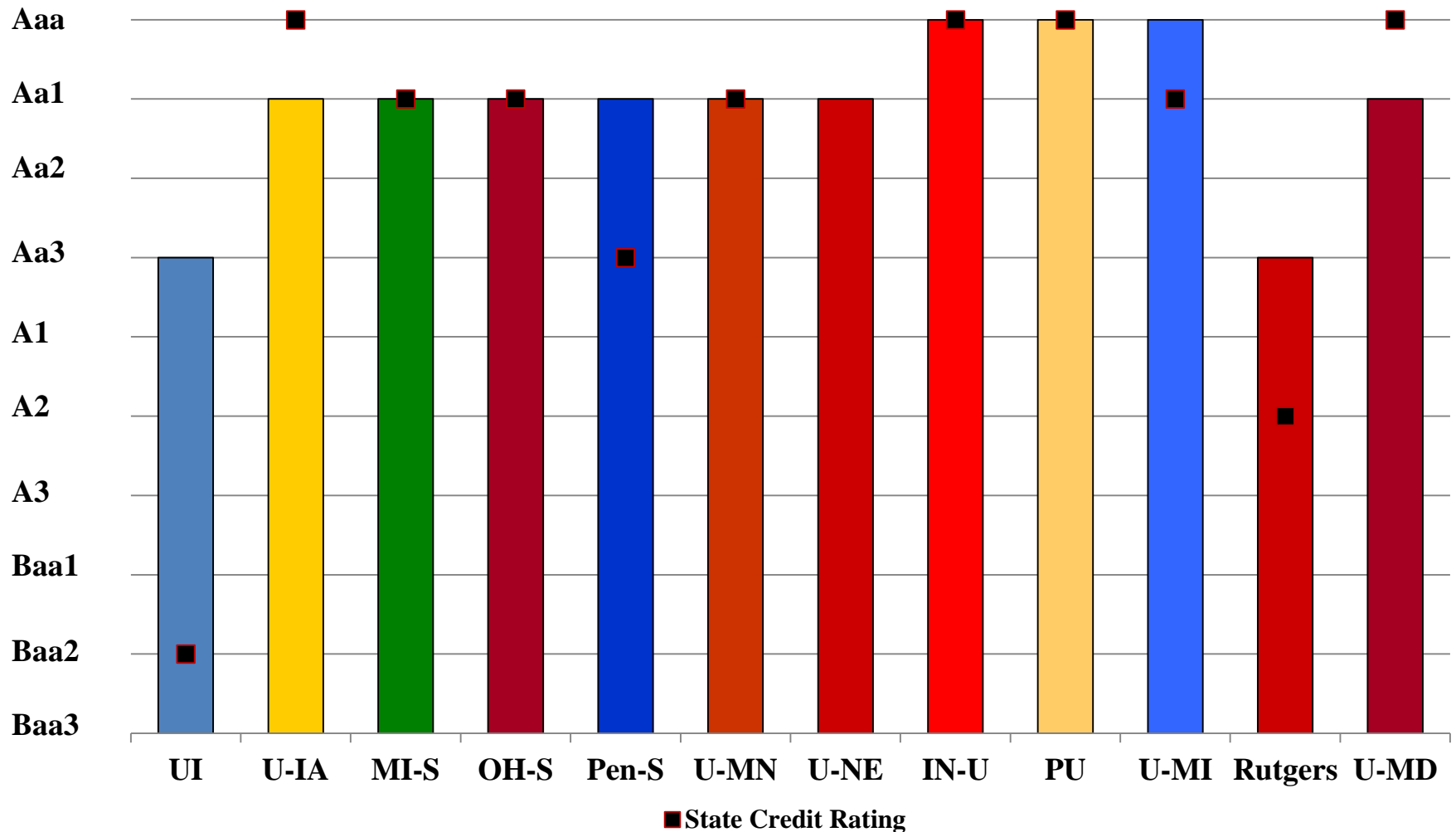
UNIVERSITY OF ILLINOIS
SYSTEM



Since September BOT Meeting

- No change in State budget impasse; timing to address the budget remains uncertain; \$10 billion in unpaid bills projected by December 31, 2016
- \$299 million of the \$351 million Fiscal Year 2017 “bridge” appropriation has been billed to the State with \$200 million received to date
- Fiscal Year 2017 appropriation of \$29 million for Monetary Award Program was paid in mid-October and applied to the Spring 2016 semester awards
- Met with State Comptroller’s staff and expect full payment of the Fiscal Year 2017 appropriation from the Education Assistance Fund by December 31, 2016
- Payment of the employees group health insurance claims a continuing concern
- Successful Certificates of Participation financing saving \$3.9 million and eliminated interest rate risk by terminating a related interest rate swap
- Moody’s affirms an Aa3 rating; Standard & Poor’s downgrades to A+ rating following downgrades in the State’s credit rating
- Meeting with IBHE confirmed expected “foundational level” support for the University’s operating budget request

Big Ten University Credit Rating with Corresponding State Rating



*Source: Moody's Investor Service as of 10/19/16.

University of Illinois

Moody's Investors Service

Rating Rationale: Aa3; outlook negative

Strengths-

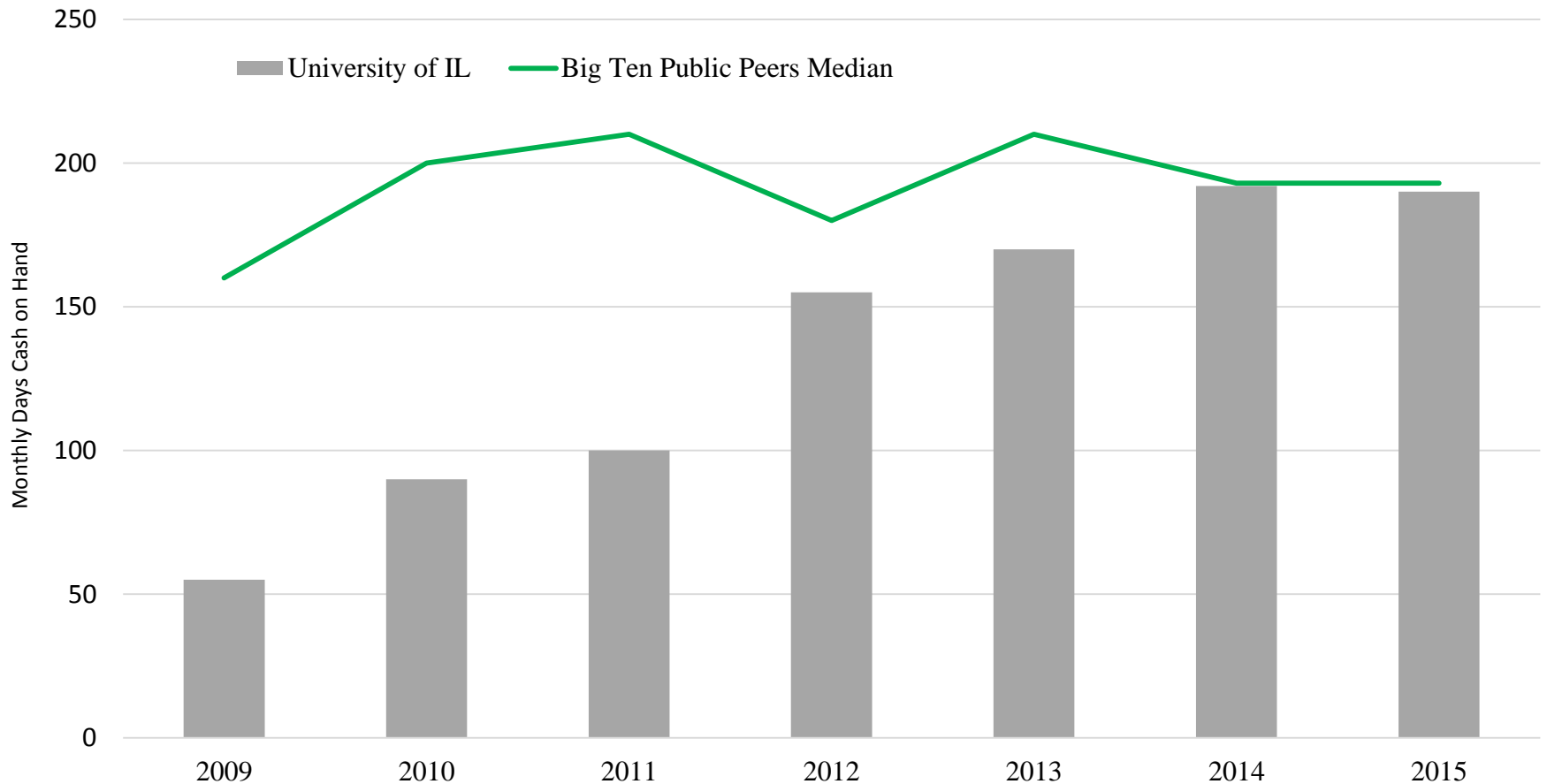
- “Excellent liquidity provides significant flexibility to cope with the lack of regular, full direct state funding”
- “Strong global brand and a large and diverse revenue base”
- “Reduced leverage as it carefully managed capital investment”
- “Enrollment growth demonstrates demand stability”
- “Strong philanthropic support”

Challenges-

- “State has a significant structural budget gap and sizeable bill backlog”
- “Prospects for a prolonged period of reductions or delays in state operating support” and “potential for cost shifting”
- “Enhanced capital investment necessary to sustain competitiveness”
- “Over time, inability to effectively compete for top tier faculty and invest in facilities could impair the University's strategic position”

Liquidity Stronger, Including Against Big Ten Peers

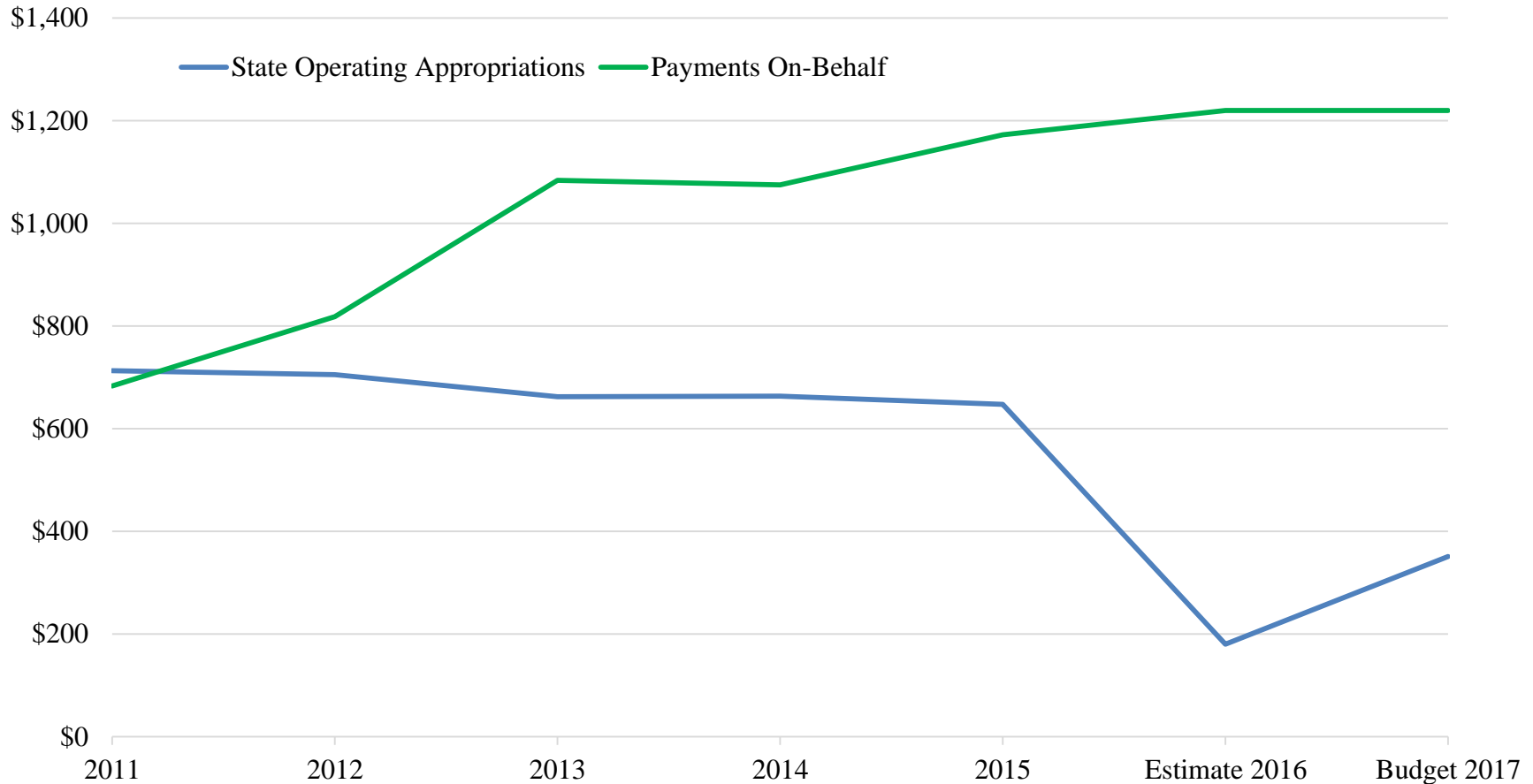
Monthly days cash on hand compared to Big Ten Peers



Source: Moody's Investors Service

State Operating Appropriation Decline as “On-Behalf” Payments for Pensions and Benefits Increase

\$ Million



FY 2016 State Operating Appropriations as budgeted in the “stop gap” funding enacted April 21, 2016

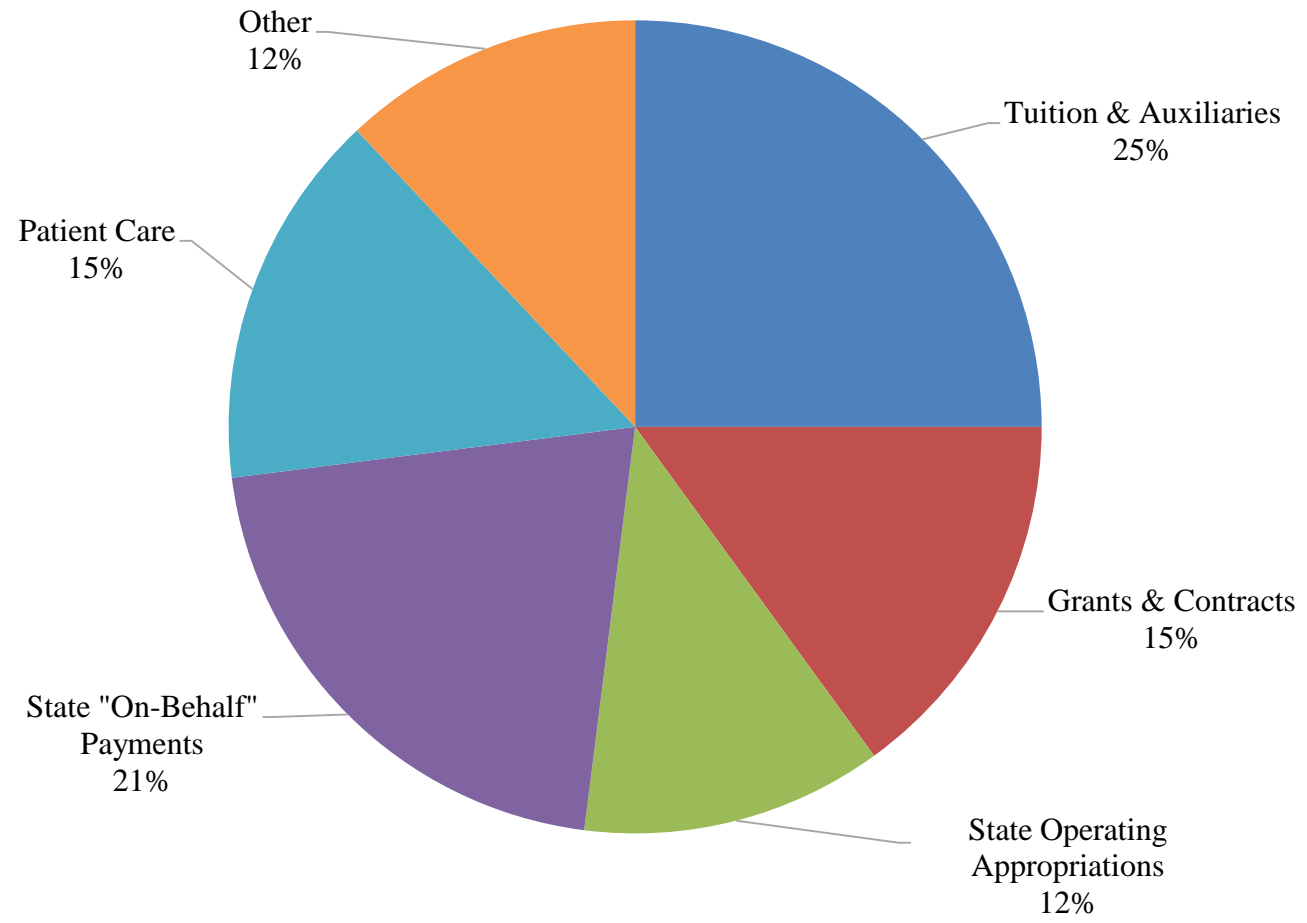
FY 2017 State Operating Appropriations as budgeted in the six month interim budget enacted June 30, 2016

FY 2016 Payments On-Behalf estimated by university with no assumed increase in FY 2017

Source: Moody’s Investors Service; University of Illinois

University Has Diverse Operating Revenue Sources

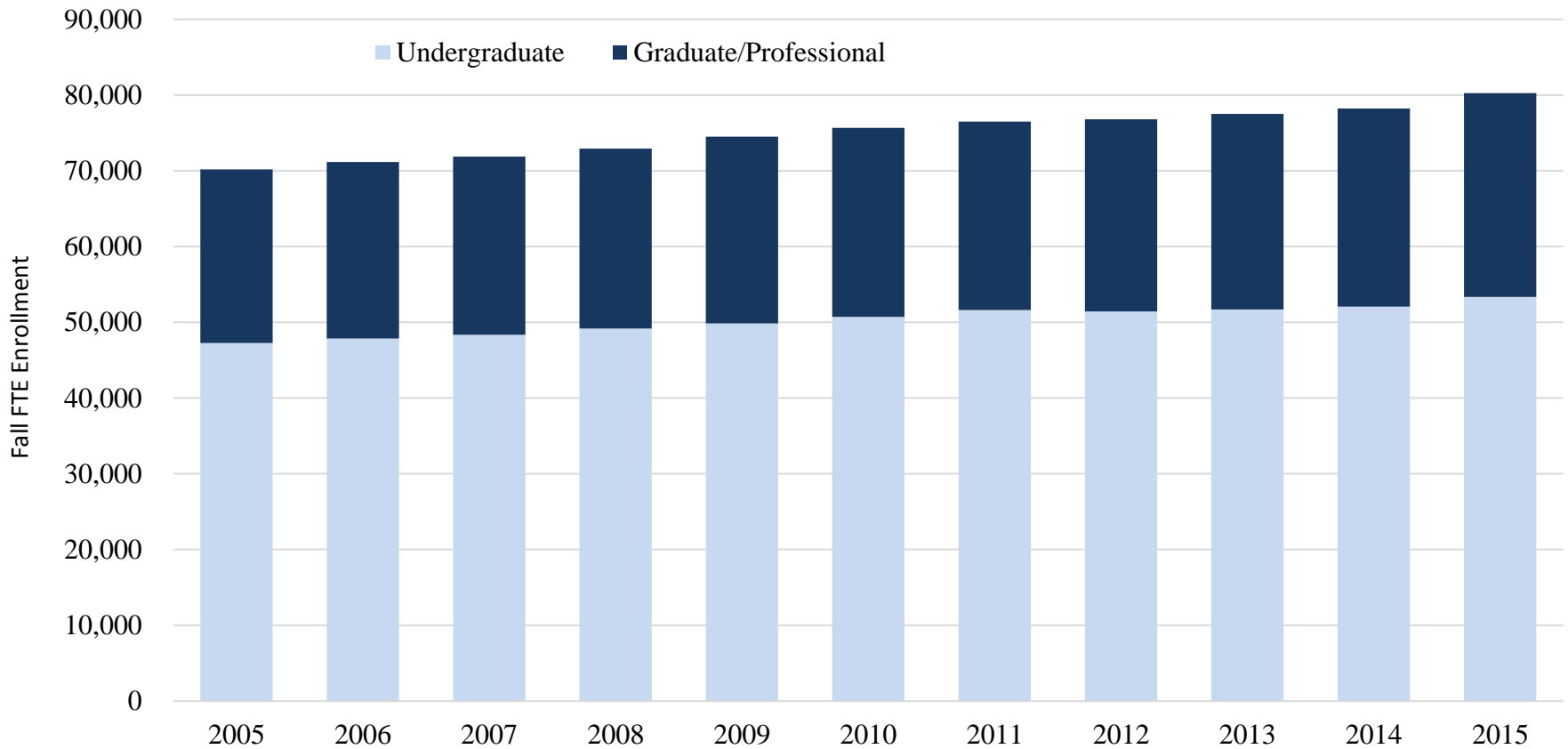
% of FY 2015 Operating Revenues



Source: Moody's Investors Service

Continued Enrollment Growth Demonstrates Demand Stability

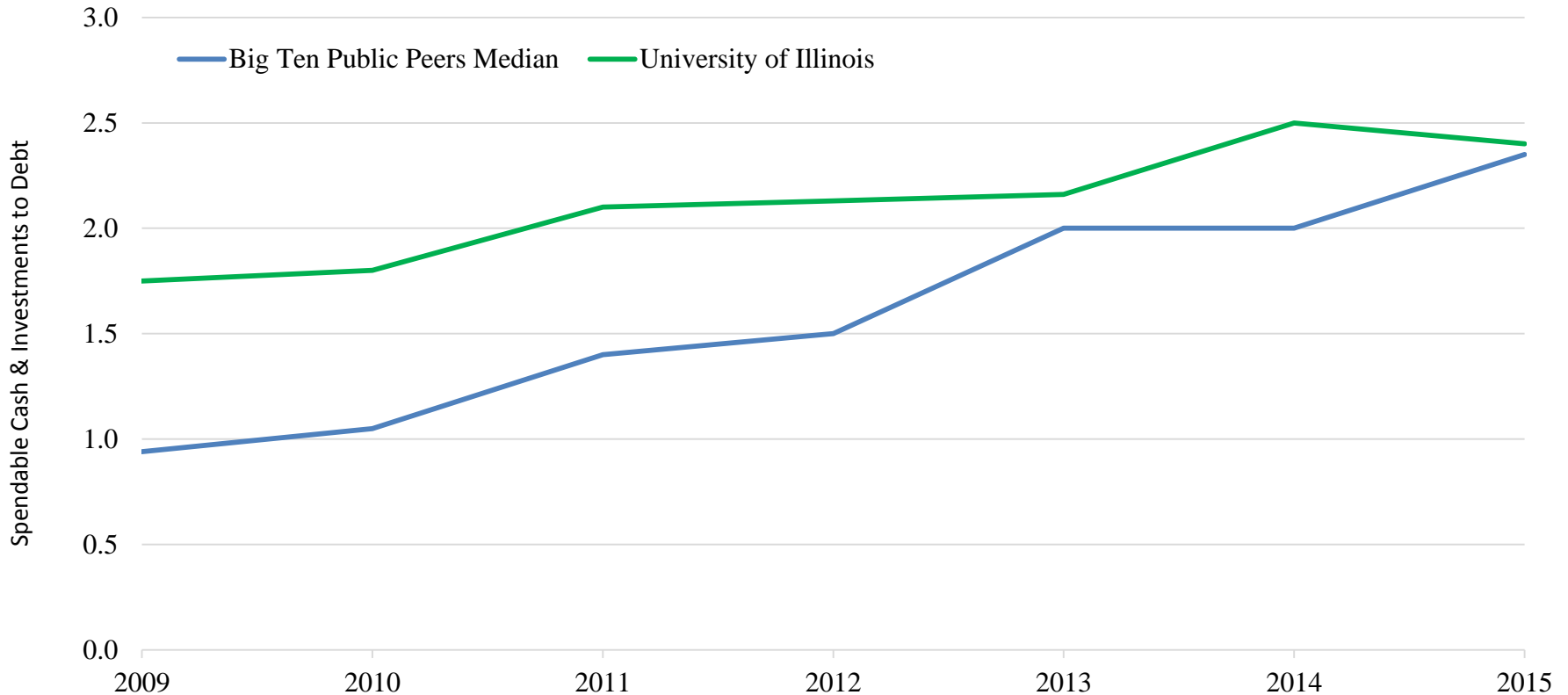
Fall FTE Enrollment



Source: Moody's Investors Service

Deleveraging Brings University of Illinois in Line With Big Ten Peers

Spendable Cash & Investments to Debt

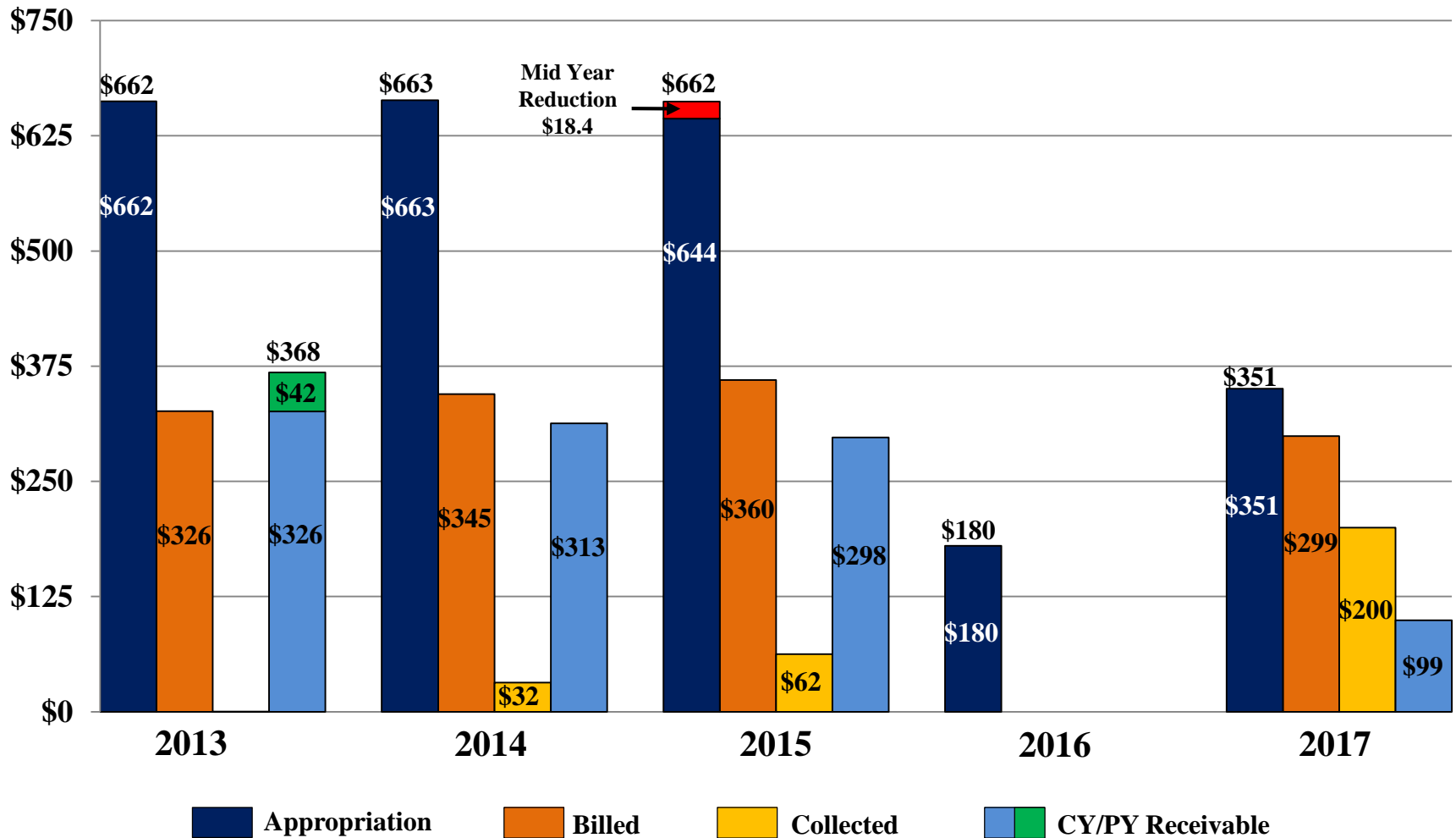


Source: Moody's Investors Service

State Appropriation Revenue

Billings and Collections through November 1, 2016

Dollars in Millions



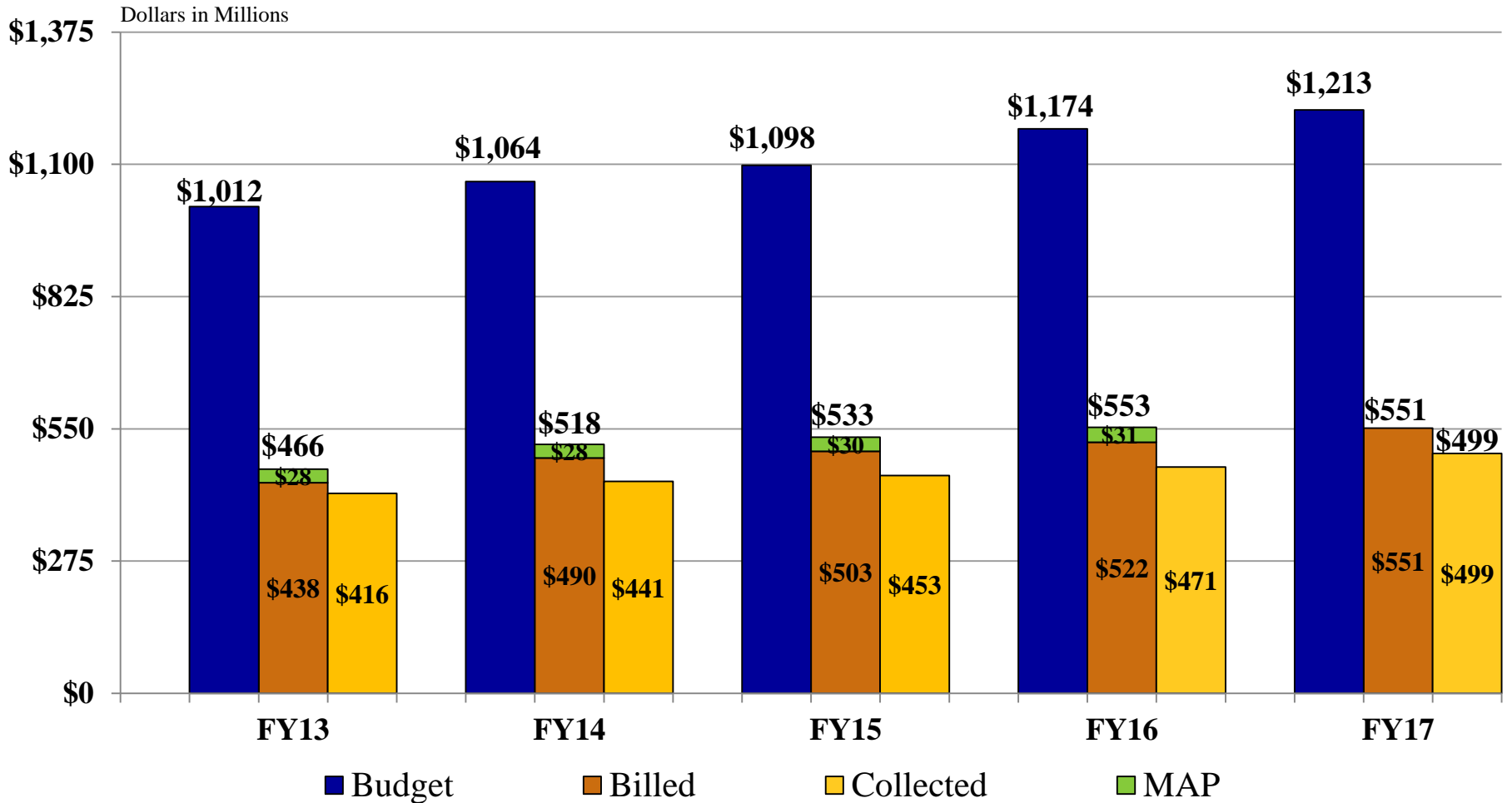
Note: FY16 appropriation not enacted until April 2016.

Income Fund (Tuition) Revenue

Unrestricted Funds

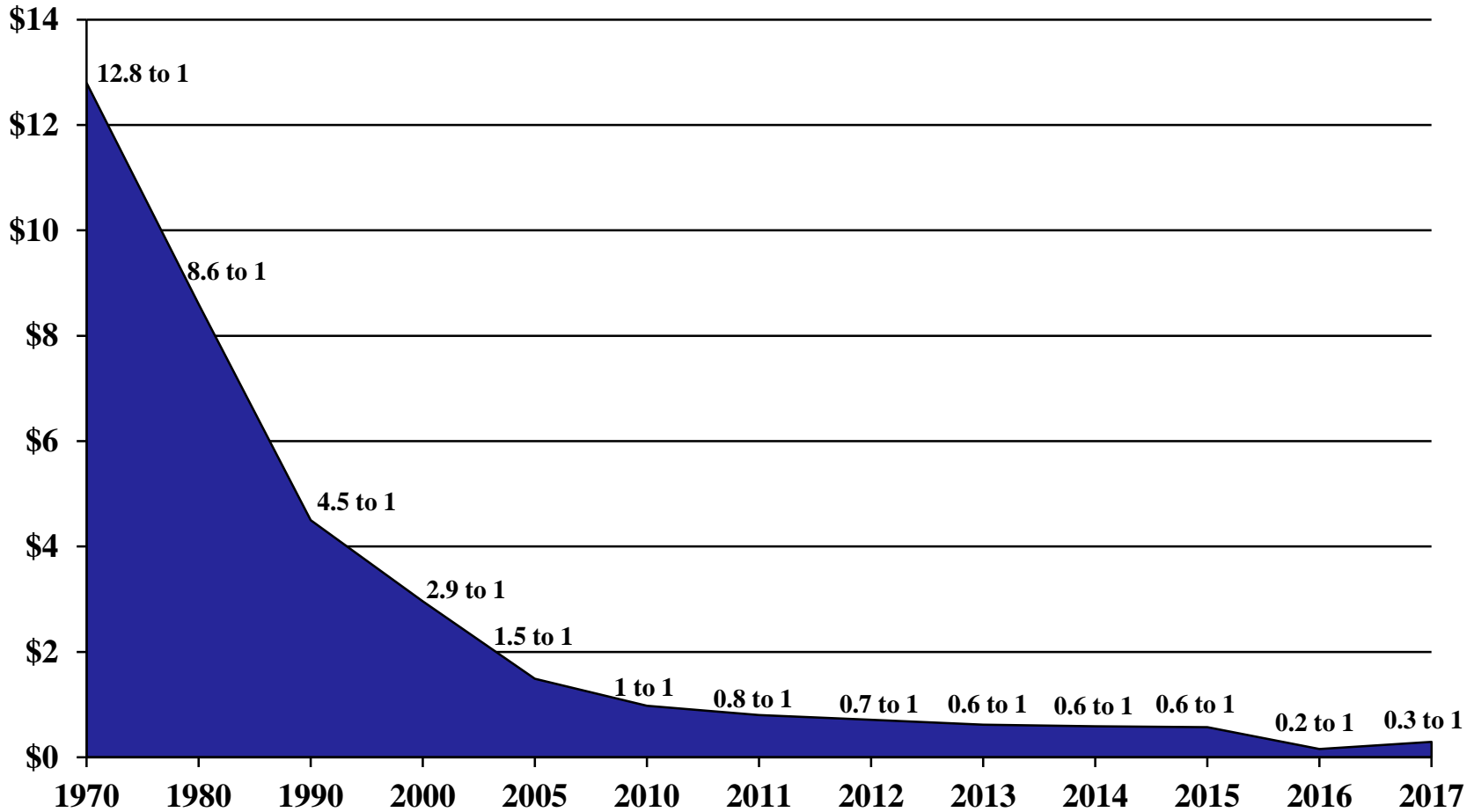
Fiscal Years 2013 – 2017

Collections and Billed through September 30th



State Support Per Tuition Dollar

FY 1970 to FY 2017

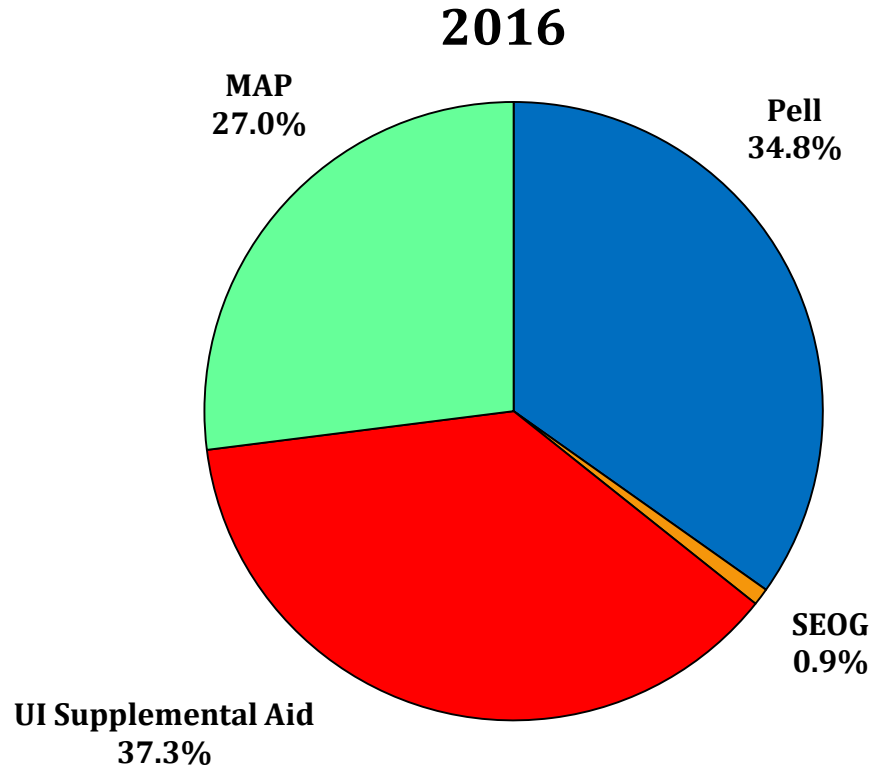


FY09 - FY15 exclude survey transfer and survey specific appropriation lines. FY02-15 excludes health insurance re-direction to CMS. FY16 excludes survey specific appropriation lines and no adjustment for CMS. FY17 excludes survey specific appropriations but includes full bridge funding (no adjustment for CMS).

University of Illinois

Undergraduate Need Based Financial Aid

PELL, MAP, SEOG, and UI Supplemental Aid

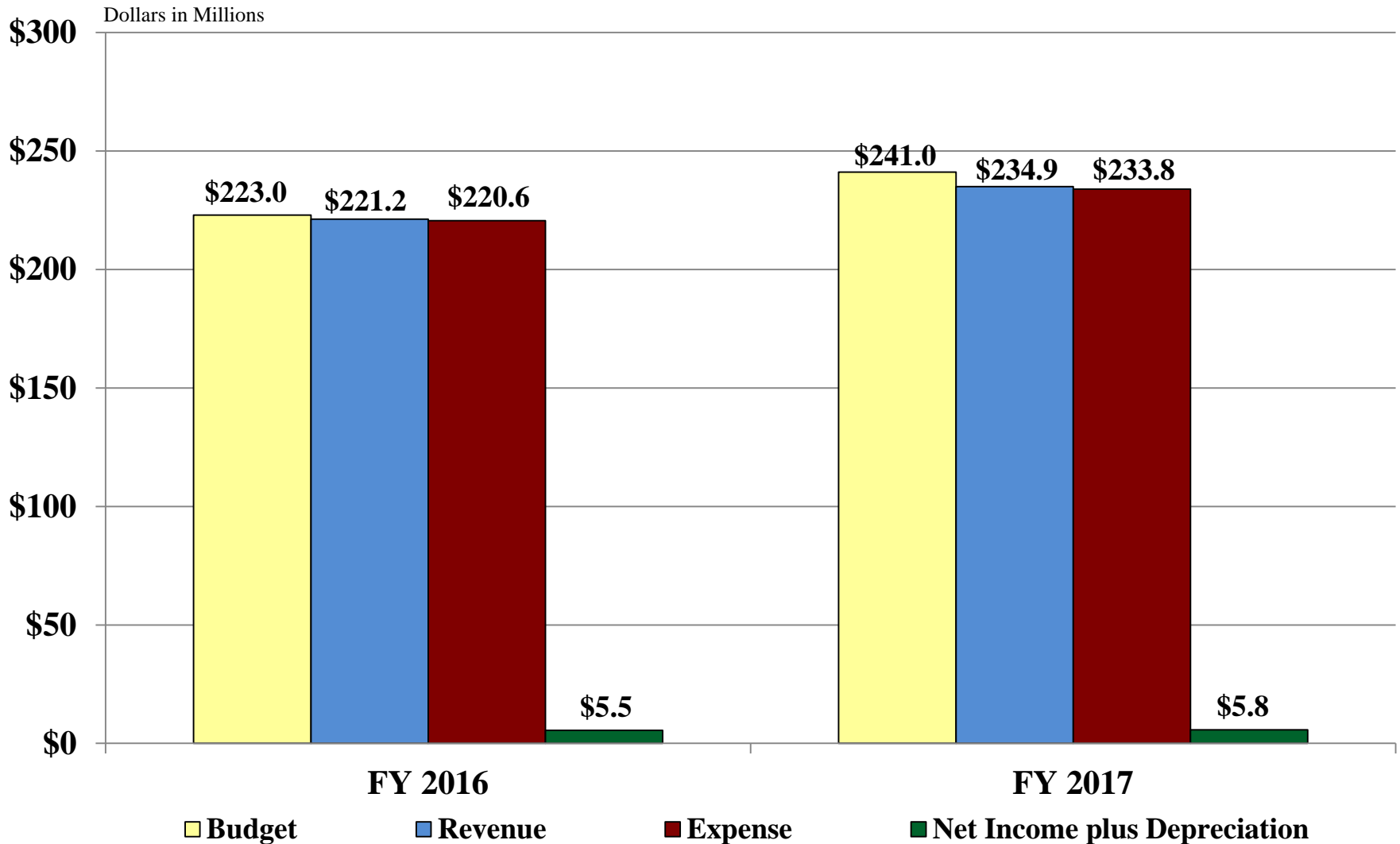


\$223,851,043*

Source: IBHE Financial Aid Survey. *Preliminary.

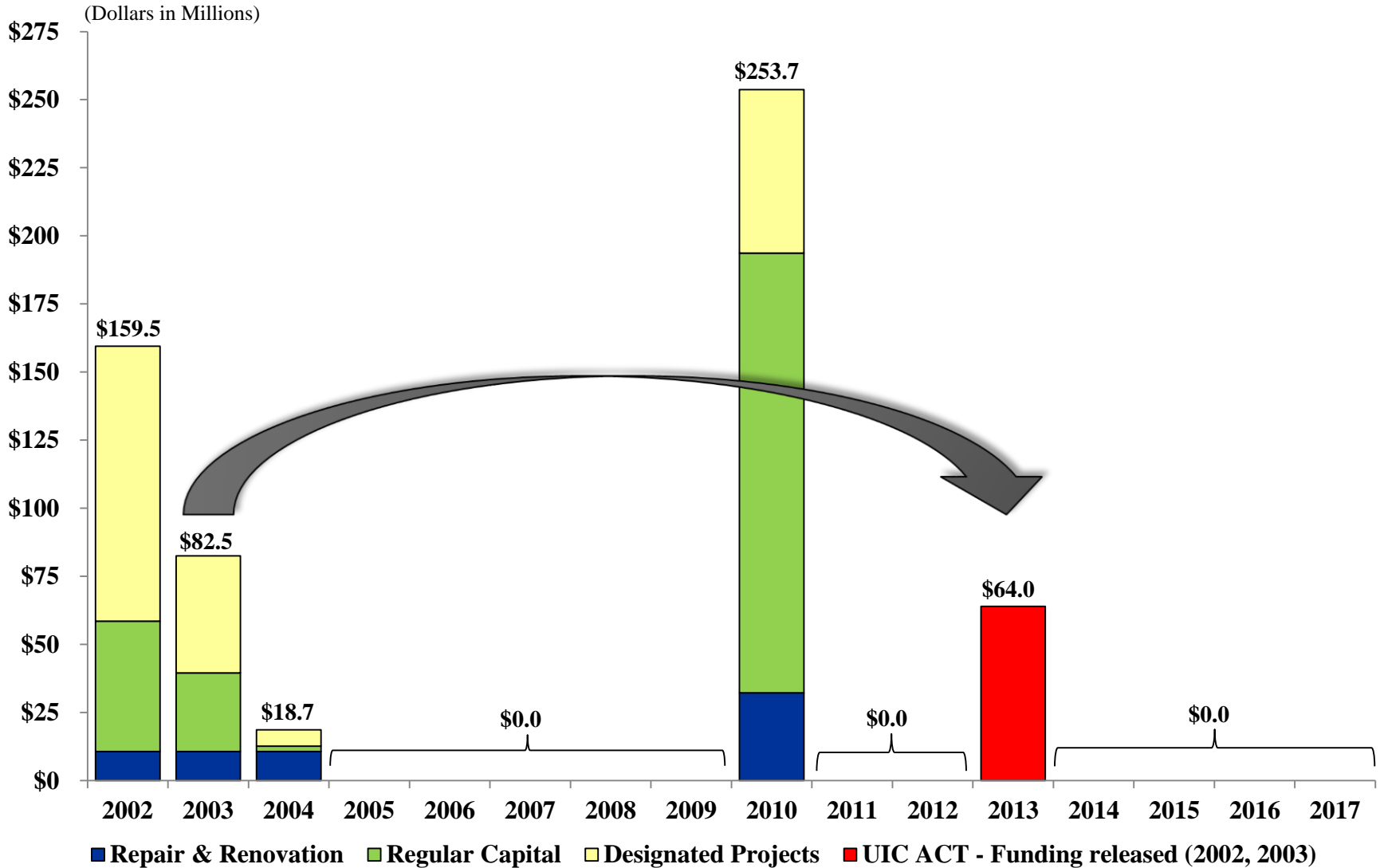
Hospital Revenue/Expense/Net Income

Fiscal Year 2016 and 2017 through September 30th



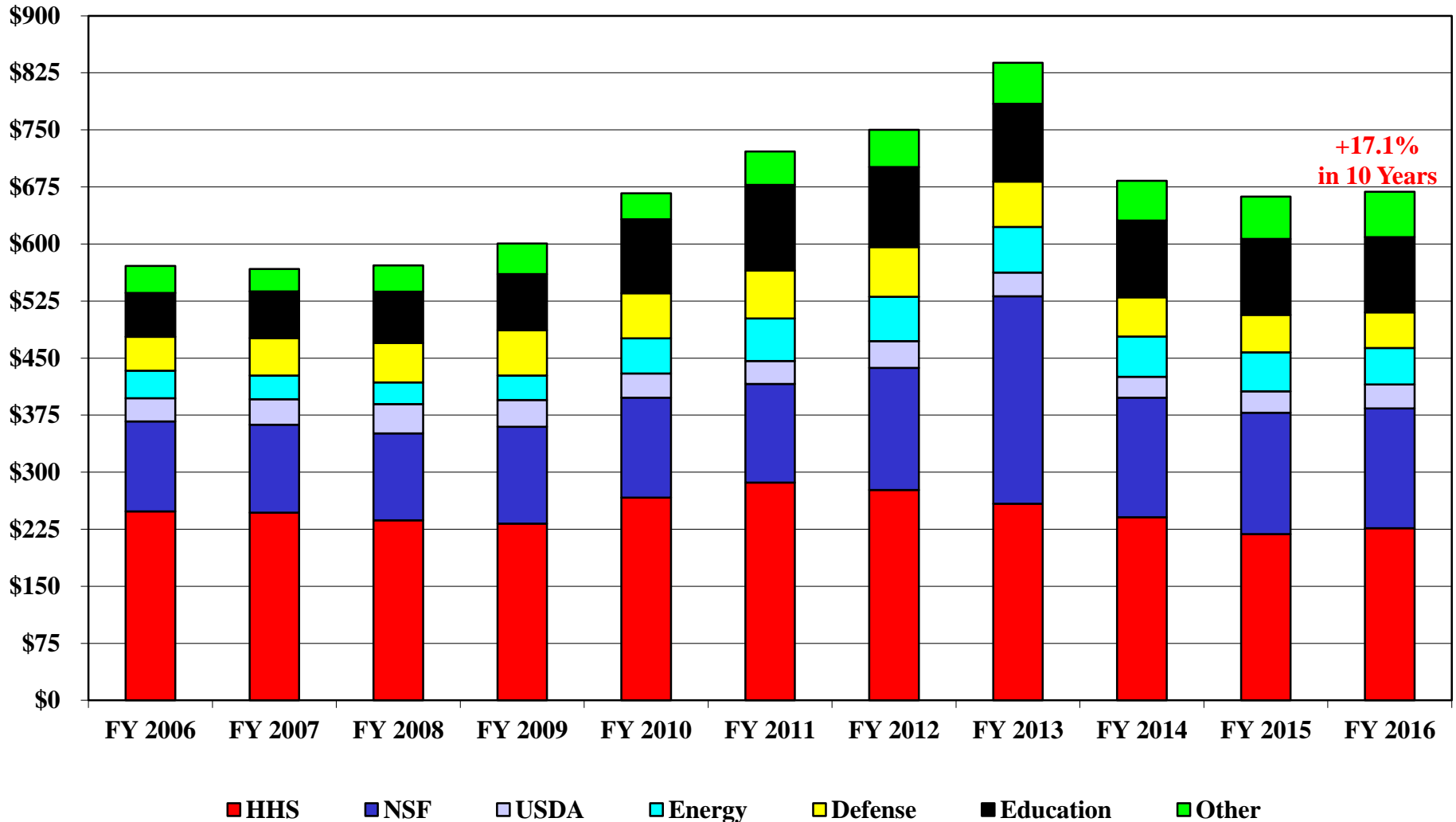
U of I Capital Appropriations

FY 2002 – FY 2017



Federal Grants & Contracts Expenditures All Functions – Total University

(Dollars in Millions)



Does not include federal funds passed through to the University from non-federal entities.