FINANCIAL REPORT

UNIVERSITY OF ILLINOIS

URBANA-CHAMPAIGN•CHICAGO•SPRINGFIELD

BOARD OF TRUSTEES
November 13, 2014
University of Illinois
Fiscal Year 2014 Financial Summary

• It was a year of performance
  - Hospital, medical service plan and auxiliaries had positive outcomes
  - Tuition revenue and sponsored research grants met budget expectations
    and expense control continued
  - Fiscal Year 2013 State appropriation receivable of $181 million was
    collected by December 2013

• It was a year of improvements, but continuing challenges
  - Ended Fiscal Year 2014 with $150 million State appropriation receivable
  - Over $4.5 billion in unpaid Fiscal Year 2014 State vouchers at June 30th
  - State budget, pension and benefit issues were a major concern
  - State credit rating reductions and impact on the University’s credit ratings
Big Ten University Credit Rating
with Corresponding State Rating

*Source: Moody’s Investor Service as of 8/06/14.

*State Credit Rating*

U of Illinois (UI)
University of Iowa (U-IA)
Michigan State University (MI-S)
Ohio State University (OH-S)
Penn State University (Pen-S)
University of Minnesota (U-MN)
University of Nebraska (U-NE)
Indiana University (IN-U)
Purdue University (PU)
University of Michigan (U-MI)
Rutgers University
University of Maryland (U-MD)
State Appropriation Revenue
Billings and Collections through November 10, 2014

Does Not Include $29.5 million receivable for Fall MAP Awards

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriation</th>
<th>Billed</th>
<th>Collected</th>
<th>CY/PY Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$689</td>
<td>$321</td>
<td>$172</td>
<td>$11</td>
</tr>
<tr>
<td>2012</td>
<td>$697</td>
<td>$310</td>
<td>$174</td>
<td>$153</td>
</tr>
<tr>
<td>2013</td>
<td>$662</td>
<td>$327</td>
<td>$153</td>
<td>$62</td>
</tr>
<tr>
<td>2014</td>
<td>$663</td>
<td>$332</td>
<td>$332</td>
<td>$62</td>
</tr>
<tr>
<td>2015</td>
<td>$662</td>
<td>$351</td>
<td>$289</td>
<td>$62</td>
</tr>
</tbody>
</table>

Does Not Include $29.5 million receivable for Fall MAP Awards
UI Month End GRF Receivable & Percent of State Budget
Fiscal Year 2009 through Fiscal Year 2015
As of November 10, 2014

Receivables as of June 30th for each of the following fiscal years were: 2009 ($125.9M), 2010 ($278.5M), 2011 ($312.7M), 2012 ($206.7M), 2013 ($181.4M), 2014 (150.4M).
Payments on Behalf
FY 2010 – FY 2014
(Dollars in Millions)

In Nominal Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Retired (Millions)</th>
<th>Fringe Benefits (Millions)</th>
<th>Total (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>$291</td>
<td>$343</td>
<td>$634</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$321</td>
<td>$362</td>
<td>$683</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$404</td>
<td>$414</td>
<td>$818</td>
</tr>
<tr>
<td>FY 2013</td>
<td></td>
<td></td>
<td>$1,084</td>
</tr>
<tr>
<td>FY 2014</td>
<td></td>
<td></td>
<td>$1,075</td>
</tr>
</tbody>
</table>

* Retirement based on estimated historical share of SURS funding and fringe benefits based on 5 year average increase.
Income Fund (Tuition) Revenue
Fiscal Years 2010 – 2014
Collections and Billed through June 30th of Fiscal Years 2013 & 2014

Exclude funds transferred for the State Surveys.
Hospital Revenue/Expense/Net Income
Fiscal Year 2013 vs. Fiscal Year 2014 through June 30th

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Revenue</th>
<th>Expense</th>
<th>Net Income plus Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$808.0</td>
<td>$814.7</td>
<td>$787.4</td>
<td>$47.7</td>
</tr>
<tr>
<td>2014</td>
<td>$826.8</td>
<td>$809.8</td>
<td>$797.9</td>
<td>$30.9</td>
</tr>
</tbody>
</table>
Medical Service Plan Revenue/Expense/Net Income
Fiscal Year 2013 versus Fiscal Year 2014 through June 30

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Revenue</th>
<th>Expense</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2013</td>
<td>$182</td>
<td>$203</td>
<td>$214</td>
<td>-$11</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$194</td>
<td>$212</td>
<td>$196</td>
<td>$16</td>
</tr>
</tbody>
</table>
Auxiliary/Departmental Activities
Revenue/Expense/Net Income
Fiscal Year 2013 versus Fiscal Year 2014 through June 30

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$631</td>
<td>$667</td>
</tr>
<tr>
<td>Revenue</td>
<td>$653</td>
<td>$696</td>
</tr>
<tr>
<td>Expense</td>
<td>$648</td>
<td>$686</td>
</tr>
<tr>
<td>Net Income</td>
<td>$5</td>
<td>$10</td>
</tr>
</tbody>
</table>

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Utility Budget versus Actual Expenditures
Fiscal Year 2013 and 2014
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.
University of Illinois
Foundation Distributions to the University

<table>
<thead>
<tr>
<th></th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Millions</td>
<td>$127.6</td>
<td>$128.3</td>
<td>$129.1</td>
<td>$137.3</td>
<td>$174.8</td>
</tr>
</tbody>
</table>

Source: University Accounting and Financial Reporting
Includes endowment income and current use gifts distributions from the UI Foundation.
UI and UIF Individual and Combined Total Endowment

Values are as of June 30, 2014

UI Endowment $715.7 Million
- Pool: 82.3%
- Farms: 10.6%
- BIT's: 6.7%
- Separately Invested: 0.4%

UIF Endowment $1.56 Billion
- Pool: 93.4%
- Farms: 5.4%
- BIT's: 2.3%
- Separately Invested: 0.6%

UI/UIF Combined Endowment $2.28 Billion
- Pool: 89.9%
- Farms: 5.4%
- Real Estate/Other Assets: 0.5%
- BIT's: 3.7%
- Separately Invested: 0.5%
University Endowment Pool Market Values:
June 30, 2014 $588,731,185
March 31, 2014 $559,047,775
December 31, 2013 $538,678,775

Performance Summary for the Periods Ending June 30, 2014

<table>
<thead>
<tr>
<th>Period</th>
<th>University of Illinois Endowment Pool</th>
<th>Endowment Pool Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Year</td>
<td>15.7%</td>
<td>17.4%</td>
</tr>
<tr>
<td>3-Year</td>
<td>11.0%</td>
<td>11.8%</td>
</tr>
<tr>
<td>5-Year</td>
<td>15.1%</td>
<td>14.8%</td>
</tr>
<tr>
<td>10-Year</td>
<td>7.6%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>
## University of Illinois
### Budget by Campus, All Sources

<table>
<thead>
<tr>
<th>Source: Budget Summary for Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excludes Payments on Behalf; excludes AFMFA.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2004 $ in Thousands</th>
<th>% of Budget</th>
<th>FY 2015 $ in Thousands</th>
<th>% of Budget</th>
<th>$ Change FY04-FY15</th>
<th>% Change FY04-FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urbana</td>
<td>$1,289,936</td>
<td>43.8%</td>
<td>$2,041,178</td>
<td>45.6%</td>
<td>$751,242</td>
<td>58.2%</td>
</tr>
<tr>
<td>Chicago</td>
<td>1,356,425</td>
<td>46.1%</td>
<td>2,095,527</td>
<td>46.8%</td>
<td>739,102</td>
<td>54.5%</td>
</tr>
<tr>
<td>Springfield</td>
<td>54,846</td>
<td>1.9%</td>
<td>88,825</td>
<td>2.0%</td>
<td>33,979</td>
<td>62.0%</td>
</tr>
<tr>
<td>University Programs</td>
<td>117,154</td>
<td>4.0%</td>
<td>136,184</td>
<td>3.0%</td>
<td>19,030</td>
<td>16.2%</td>
</tr>
<tr>
<td>University Administration</td>
<td>123,605</td>
<td>4.2%</td>
<td>118,214</td>
<td>2.6%</td>
<td>(5,391)</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Total</td>
<td>$2,941,966</td>
<td></td>
<td>$4,479,928</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Source: Budget Summary for Operations
- Excludes Payments on Behalf; excludes AFMFA.
Big Ten Universities Total Systems
Institutional Support as a % of Total Expenditures FY 2013

Note: Total Expenditures are Operating Expenditures less Depreciation
Source: FY 2013 Annual Financial Reports
Big Ten Universities Total Systems
Institutional Support as a % of Total Expenditures FY 2013
Excluding Hospital Enterprises

Note: Total Expenditures are Operating Expenditures less Depreciation and Hospital/Medical
Source: FY 2013 Annual Financial Reports
University of Illinois
Fiscal Year 2015 Fiscal Outlook

- State’s FY2015 general operating funds budget appears unbalanced
- Extension of the State income tax and impact on the University
- University had $150 million in unpaid FY 2014 State vouchers as of June 30, 2014 expected to be repaid by calendar year-end
- University’s appropriation down modestly in FY 2015, but payment delays expected
- No new capital bill for FY 2015
- Significant unfunded pension liability; pension reform legislation stayed and retiree healthcare benefit cost increase ruled “unconstitutional”
- Pension cost shift may be considered by the legislature
- Affordable Care Act and State Medicaid program expected to reduce hospital revenues with adjustment from fee for service to managed care
- Federal budget impact on research grants and sequestration concern
- Election