FINANCIAL REPORT

UNIVERSITY OF ILLINOIS

URBANA-CHAMPAIGN•CHICAGO•SPRINGFIELD

BOARD OF TRUSTEES

September 12, 2013
University of Illinois
Moody’s Rating Action
August 9, 2013

• Challenges –
  – Reliance on State “for a significant portion of its operating
    revenues”
  – “Vulnerable to impact of pension reform”
  – University healthcare system “exposed to healthcare risks”

• Strengths –
  – University is flagship institution
  – “Proactive management of operations and cash flow”
  – Leading national research and fundraising success
Big Ten University Credit Rating
with Corresponding State Rating

*Source: Moody’s Investor Service as of 3/21/13.
Fiscal Year 2013
University Financial Summary

• It was a year of performance
  – Positive outcomes for hospital, medical service plan and auxiliaries
  – Instruction/research operations (tuition/sponsored research grants) had robust revenue generation and all campuses demonstrated strong expense control
  – UI collected $207 million FY 2012 state appropriation receivable by 12/31/12

• It was a year of improvements but continuing challenges
  – Ended FY 2013 with $181 million State receivable
  – State had over $6.1 billion in unpaid FY 2013 vouchers as of June 30th
  – Pension and benefit issues continue to be a concern
University of Illinois
Appropriations & Tuition
(Dollars in Millions)

- Total Enrollment FY 2002 over 67,000
- Total Enrollment FY 2012 over 77,600

Assumes 2.5% CPI for FY14.
State Appropriation Revenue
Lapsed Period Billings and Collections through September 9, 2013

FY09 appropriation includes $18.6 million rescission.
FY10 appropriation includes $45.5 million of federal stimulus funding.
State Appropriation Revenue
Billings and Collections through September 9, 2013

FY10 appropriation includes $45.5 million of federal stimulus funding.
Dollars in Millions

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).
Income Fund (Tuition) Revenue
Fiscal Years 2009 – 2013
Collections and Billed through June 30th of Fiscal Years 2012 & 2013

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Billed</th>
<th>Collected</th>
<th>MAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2009</td>
<td>$655</td>
<td>$53</td>
<td>$608</td>
<td></td>
</tr>
<tr>
<td>FY 2010</td>
<td>$739</td>
<td>$56</td>
<td>$695</td>
<td></td>
</tr>
<tr>
<td>FY 2011</td>
<td>$843</td>
<td>$59</td>
<td>$780</td>
<td></td>
</tr>
<tr>
<td>FY 2012</td>
<td>$939</td>
<td>$61</td>
<td>$873</td>
<td>$61</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$1,012</td>
<td>$59</td>
<td>$942</td>
<td>$59</td>
</tr>
</tbody>
</table>

Exclude funds transferred for the State Surveys.
University of Illinois
Half the Full-time Undergraduate Students Pay Less than Sticker Price
Fall 2012 – All Students

Based on Fall 2012 Full-time Undergraduates.

Note: Although 29% of UIC students in Fall 2012 have no out-of-pocket costs for tuition, only 3% have their tuition waived completely. The remainder have a portion of their tuition paid with State, Federal and private funds.
Hospital Revenue/Expense/Net Income
Fiscal Year 2012 vs. Fiscal Year 2013 through June 30, 2013

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$696.9</td>
<td>$760.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>$744.3</td>
<td>$766.8</td>
</tr>
<tr>
<td>Expense</td>
<td>$731.6</td>
<td>$738.7</td>
</tr>
<tr>
<td>Net Income plus Depreciation</td>
<td>$33.4</td>
<td>$48.6</td>
</tr>
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</table>
Medical Service Plan Revenue/Expense/Net Income
Fiscal Year 2012 versus Fiscal Year 2013 through June 30

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$172</td>
<td>$203</td>
</tr>
<tr>
<td>Revenue</td>
<td>$184</td>
<td>$182</td>
</tr>
<tr>
<td>Expense</td>
<td>$14</td>
<td>-$11</td>
</tr>
<tr>
<td>Net Income</td>
<td>$0</td>
<td>$50</td>
</tr>
</tbody>
</table>

Dollars in Millions

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Auxiliary/Departmental Activities
Revenue/Expense/Net Income
Fiscal Year 2012 versus Fiscal Year 2013 through June 30

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$619</td>
<td>$631</td>
</tr>
<tr>
<td>Revenue</td>
<td>$630</td>
<td>$653</td>
</tr>
<tr>
<td>Expense</td>
<td>$611</td>
<td>$648</td>
</tr>
<tr>
<td>Net Income</td>
<td>$19</td>
<td>$5</td>
</tr>
</tbody>
</table>
Fiscal Year 2013 Budget Assessment
Sponsored Projects Revenue

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urbana</td>
<td>$556</td>
<td>$458</td>
</tr>
<tr>
<td>Chicago</td>
<td>$296</td>
<td>$317</td>
</tr>
<tr>
<td>Springfield</td>
<td>$13</td>
<td>$13</td>
</tr>
<tr>
<td>University Admin</td>
<td>$8</td>
<td>$8</td>
</tr>
<tr>
<td>UI Total</td>
<td>$873</td>
<td>$796</td>
</tr>
</tbody>
</table>
UI and UIF Individual and Combined Total Endowment

Values are preliminary as of June 30, 2013

UI Endowment $580 Million

- Farms 14.5%
- BIT's 7.7%
- Separately Invested 0.4%
- Pool 77.3%

UIF Endowment $1.34 Billion

- Real Estate/Other Assets 0.5%
- BIT's 2.4%
- Separately Invested 0.6%
- Farms 3.2%

UI/UIF Combined Endowment $1.925 Billion

- Real Estate/Other Assets 0.4%
- BIT's 4.0%
- Separately Invested 0.6%
- Farms 6.6%
- Pool 88.4%
UI, UIF and Combined Endowment Pool Targets

As of June 30, 2013

**UI Approved Target**
- Equity: 48%
- Fixed Income: 20%
- Private Equity: 8%
- Real Estate: 7%
- Farmland: 7%
- Hedge Funds: 10%

**UIF Target**
- Equity: 60%
- Fixed Income: 17%
- Private Equity: 10%
- Real Estate: 10%
- Farmland: 7%
- Hedge Funds: 3%

**UI/UIF Combined**
- Equity: 57%
- Fixed Income: 18%
- Real Estate: 9%
- Private Equity: 9%
- Farmland: 2%
- Hedge Funds: 5%
* Other includes cash and other investments not categorized in the asset classes represented by responding institutions.

Note: May not equal 100% due to rounding.
Investment Performance: University Endowment Pool

University Endowment Pool Market Values:
June 30, 2013 $448,707,242
March 31, 2013 $424,671,473
December 31, 2012 $392,784,225
## University of Illinois

### Budget by Campus, All Sources

<table>
<thead>
<tr>
<th></th>
<th>FY 2004</th>
<th>FY 2014</th>
<th>$ Change FY04-FY14</th>
<th>% Change FY04-FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ in Thousands</td>
<td>$ in Thousands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urbana</td>
<td>$1,289,936</td>
<td>$1,998,503</td>
<td>$708,567</td>
<td>54.9%</td>
</tr>
<tr>
<td>Chicago</td>
<td>1,356,425</td>
<td>2,079,310</td>
<td>722,885</td>
<td>53.3%</td>
</tr>
<tr>
<td>Springfield</td>
<td>54,846</td>
<td>84,871</td>
<td>30,025</td>
<td>54.7%</td>
</tr>
<tr>
<td>University Programs</td>
<td>117,154</td>
<td>132,151</td>
<td>14,997</td>
<td>12.8%</td>
</tr>
<tr>
<td>University Administration</td>
<td>123,605</td>
<td>116,632</td>
<td>(6,973)</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Total</td>
<td>$2,941,966</td>
<td>$4,411,467</td>
<td>(1,469,501)</td>
<td>-50.4%</td>
</tr>
</tbody>
</table>

Source: Budget Summary for Operations
Excludes Payments on Behalf.
Big Ten Universities Total Systems
Institutional Support as a % of Total Expenditures FY 2012

Northwestern: 14.70%
Purdue: 11.74%
Penn State: 6.92%
Minnesota: 6.84%
Nebraska: 6.16%
Michigan State: 5.70%
Indiana: 5.42%
Ohio State: 5.18%
Wisconsin: 5.14%
Illinois: 5.12%
Michigan: 3.39%
Iowa: 3.14%

Note: Total Expenditures are Operating Expenditures less Depreciation
Source: FY 2012 Annual Financial Reports
Big Ten Universities Total Systems
Institutional Support as a % of Total Expenditures FY 2012
Excluding Hospital Enterprises

Note: Total Expenditures are Operating Expenditures less Depreciation and Hospital/Medical
Source: FY 2012 Annual Financial Reports