

## FY23 Projection Summary

### **The FY23 Forecast (P1) achieves key financial objectives.**

- 0.8% Operating Margin compared to a revised budget of -3.0% OM
- While first-year enrollment increased in '23, undergrad net tuition revenue is less than the FY23 budget due to the effect of large graduating classes on historical projection modeling. As a result, Durham enrollment is projected to decrease by 190 due to smaller upper classes; savings in financial aid slightly offset this.
- Graduate net tuition revenue is down due to several factors, including but not limited to a pandemic-driven decline in international students and an increase in funded Ph.D. students
- Grant Revenue is up nearly 11.1M with offsetting costs increases in salary and supplies
- Employee compensation (non-grant) increase over FY22 due to salary increases and new hires.
- Utilities are up nearly 2M due to rising costs.

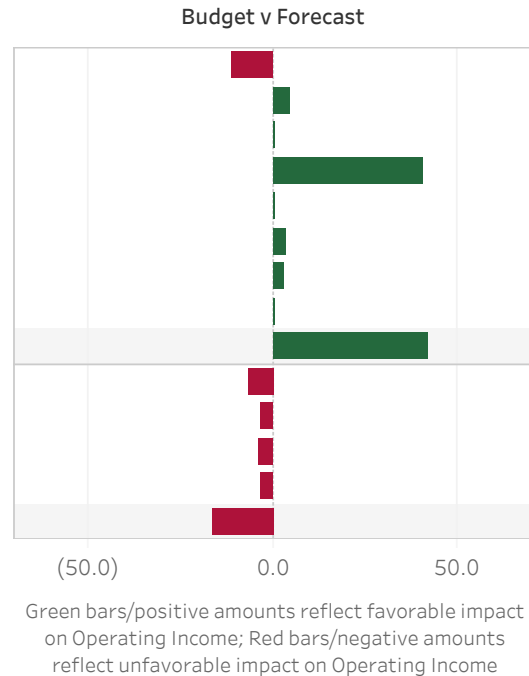
### **The FY23 Forecast incorporates strategic investments**

- ERP
- Online Infrastructure
- GSC Merger
- Research funding

Key Performance Indicators (KPI)						Commentary	
		FY23 YTD	FY23 Forecast	FY23 Budget	FY22 Actual	FY21 Actual	
<b>Operating Income (Total)</b>	Operating Revenues (\$M)	596.0	706.1	663.9	690.5	616.4	<p>Note: Forecast is as of 12/31/22</p> <p><b>Operating Income:</b> FY23 Operating Income forecast is \$26M favorable versus budget primarily due to the higher FEMA recovery of \$28.3M and increase in Grants &amp; contract direct revenue of \$11.1M, partially offset by decreased Net tuition &amp; fees of \$6.1M and increase in employee compensation \$6.7M. *FY23 YTD Operating Income is temporarily inflated due to the recognition of the spring semester estimated net tuition revenue; however, the offsetting expenses have yet to be fully recognized.</p>
	Operating Expenses (\$M)	338.7	700.1	683.8	656.7	631.0	
	Operating Income (\$M)	257.4	6.0	(20.0)	33.7	(14.5)	
	Operating Income Pct	43.2%	0.8%	-3.0%	4.9%	-2.4%	
<b>Undergraduate Enrollment</b>	Undergrad Enrollment (Fall R30)	11,903	11,903	12,173	12,073	12,358	<p><b>Undergraduate Enrollment:</b> FY23 Undergraduate Net tuition forecast is \$2.1M unfavorable versus budget, primarily driven by the lower-than-budgeted total student enrollment on the Durham and Manchester campus. FY23 YTD Undergraduate Enrollment reflects Fall '22 R30 census data. Net tuition per student calculations excludes grant-funded financial aid. *YTD FY23 net tuition is overstated due to the timing of financial aid disbursements.</p>
	Undergrad Gross Tuition (\$M)	306.4	298.0	304.7	284.5	285.8	
	Undergrad Financial Aid (\$M)	(69.2)	(138.2)	(142.9)	(130.1)	(125.6)	
	Undergrad Net Tuition (\$M)	237.1	159.7	161.8	154.4	160.2	
	Undergrad Net Tuition/Student (Fall, \$)	7,553	7,553	7,473	7,374	7,353	
<b>Graduate Enrollment (Total)</b>	Grad Enrollment (Fall R30)	2,974	2,974		2,948	2,925	<p><b>Graduate Enrollment:</b> FY23 Graduate Net Tuition forecast is \$5M unfavorable versus budget due to lower-than-projected enrollment. Graduate net tuition fluctuates throughout the year due to differing programmatic schedules and the timing of financial aid postings. *YTD FY23 net tuition is overstated due to the timing of financial aid disbursements.</p>
	Grad Gross Tuition (\$M)	55.4	61.7	66.1	55.3	50.6	
	Grad Financial Aid (\$M)	(17.6)	(26.9)	(26.4)	(24.2)	(21.3)	
	Grad Net Tuition (\$M)	37.8	34.8	39.8	31.1	29.3	
<b>Non-Credit Tuition (\$M)</b>		1.4	2.4	2.1	1.8	1.4	<p><b>Non-Credit Tuition:</b> Includes Professional Development &amp; Training and Paul Development Programs. *Prior to FY23, Summer and J-term were coded as continuing education. Starting in FY23, they are now recorded as undergraduate &amp; graduate net tuition.</p>
<b>Balances</b>	Unrestricted Reserves (\$M)	392.1	129.8	107.9	132.5	65.4	<p><b>Balances:</b> YTD Unrestricted reserves balance is temporarily inflated due to the timing of Operating Income described above. Current Use Gift fund balance excludes certain funds not available for spending (i.e., pledges, investments, future capital projects, accounting adj). Restricted reserves include endowment corpus and net investment in the capital plant and equipment.</p>
	Total External Debt (\$M)	147.5	142.1	142.1	152.8	163.4	
	Unrestricted Reserves/Debt	2.7	0.9	0.8	0.9	0.4	
	Current Use Gift Fund Balance (\$M)	50.6	38.2	41.2	46.3	43.5	
	Restricted Reserves (\$M)	1,079.2	1,119.4	1,113.5	1,068.3	1,088.0	

### Operating Income (Total)

		FY23 YTD	FY23 Forecast	FY23 Budget	FY22 Actual	
<b>Operating Revenues (\$M)</b>	Gross Tuition & Fees	376.2	376.0	386.9	367.9	
	Financial Aid	(87.2)	(165.9)	(170.7)	(155.7)	
	State Appropriation	30.2	60.4	60.4	60.4	
	Grants & Contracts/F&A/Pell	110.7	222.1	181.2	219.5	
	Non Cap Gifts & Endowment Income	15.8	38.0	37.4	37.1	
	Sales of Aux Services	134.7	145.4	141.7	133.4	
	Other Operating Revenue	15.5	29.9	26.8	27.7	
	Other Chgs Impacting Op Margin	0.1	0.1	0.0	0.2	
	<b>Total</b>	<b>596.0</b>	<b>706.1</b>	<b>663.9</b>	<b>690.5</b>	
<b>Operating Expenses (\$M)</b>	Employee Compensation	200.0	420.5	413.8	387.2	
	Supplies & Services	103.6	206.5	203.6	202.7	
	Depreciation	26.5	54.1	50.6	53.1	
	Other Operating Expense	8.5	19.0	15.8	13.7	
	<b>Total</b>	<b>338.7</b>	<b>700.1</b>	<b>683.8</b>	<b>656.7</b>	
<b>Operating Income (\$M)</b>	<b>257.4</b>	<b>6.0</b>	<b>(20.0)</b>	<b>33.7</b>		
<b>Operating Income Pct</b>	<b>43.2%</b>	<b>0.8%</b>	<b>-3.0%</b>	<b>4.9%</b>		



### Commentary

**Operating Income:** FY23 Operating Income forecast is \$26M favorable versus budget primarily due to the higher FEMA recovery of \$28.3M and increase in Grants & contract direct revenue of \$11.1M, partially offset by decreased Net tuition & fees of \$6.1M (tuition & fees decrease \$10.9M offset by a projected reduction of financial aid \$4.8M due to lower total student enrollment) and increase in employee compensation \$6.7M. FY23 YTD Operating Income is temporarily inflated due to the recognition of spring semester net tuition revenue without all the offsetting employee compensation and support expenses.

**Gross Tuition & Fees** forecast is \$10.9M unfavorable versus budget, primarily due to a lower than the projected total undergraduate enrollment of \$6M, Grad enrollment of \$3.8M, and a decrease in summer tuition of \$1M.

**The Financial Aid** forecast is \$4.8M favorable versus budget, primarily due to lower than projected enrollment.

**Grants & Contracts/F&A/Pell** forecast is \$40.9 favorable versus budget, primarily due to \$11.1M additional grant revenue, FEMA recovery of \$28.3M, and an increase of F&A of \$1.5M.

**Employee Compensation** forecast is \$6.7M unfavorable versus budget, primarily driven by an increase in grant funds \$4.9M, and \$1.9M in other funds (mainly in student labor \$0.7M, full benefit salaries \$0.5M, and partial benefit salaries \$0.5M).

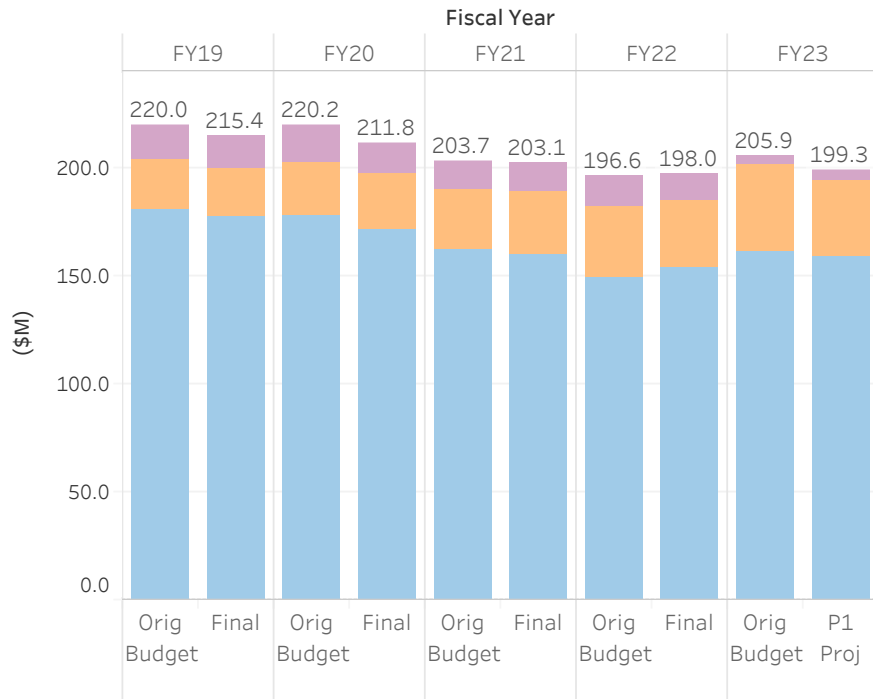
**Notes:**

- The FY23 forecast is as of 12/31/22

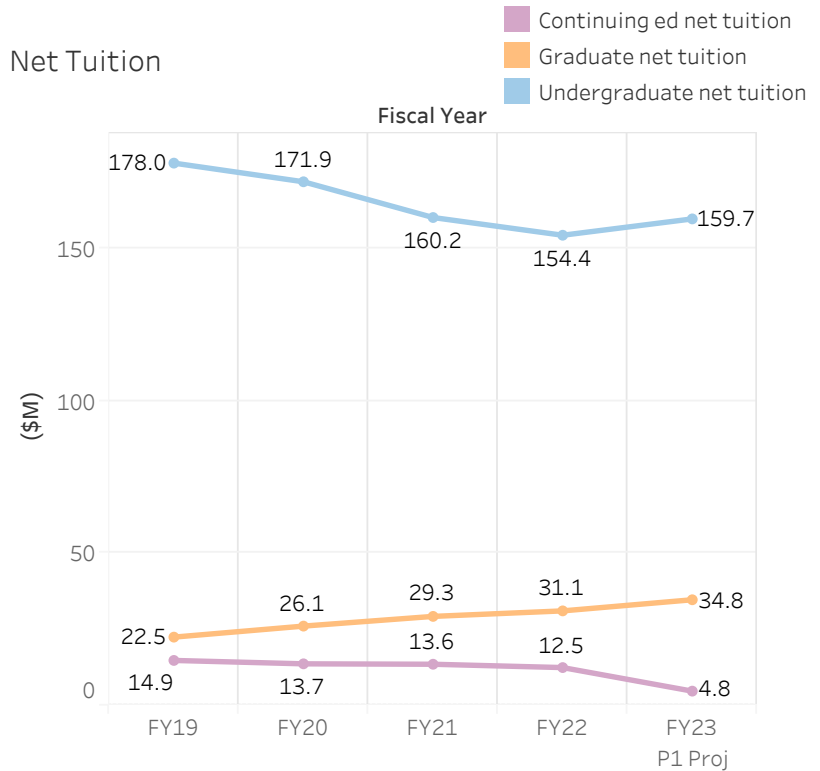
- 'Budget v Forecast' is calculated as Forecast-Budget for Operating Revenues and Budget-Forecast for Operating Expenses.

## Net Tuition

Net Tuition



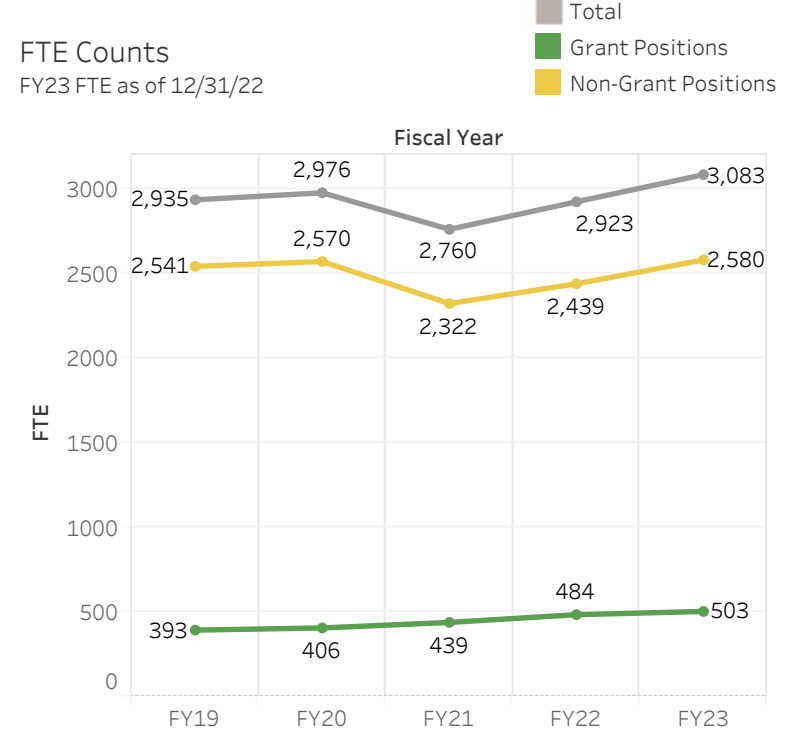
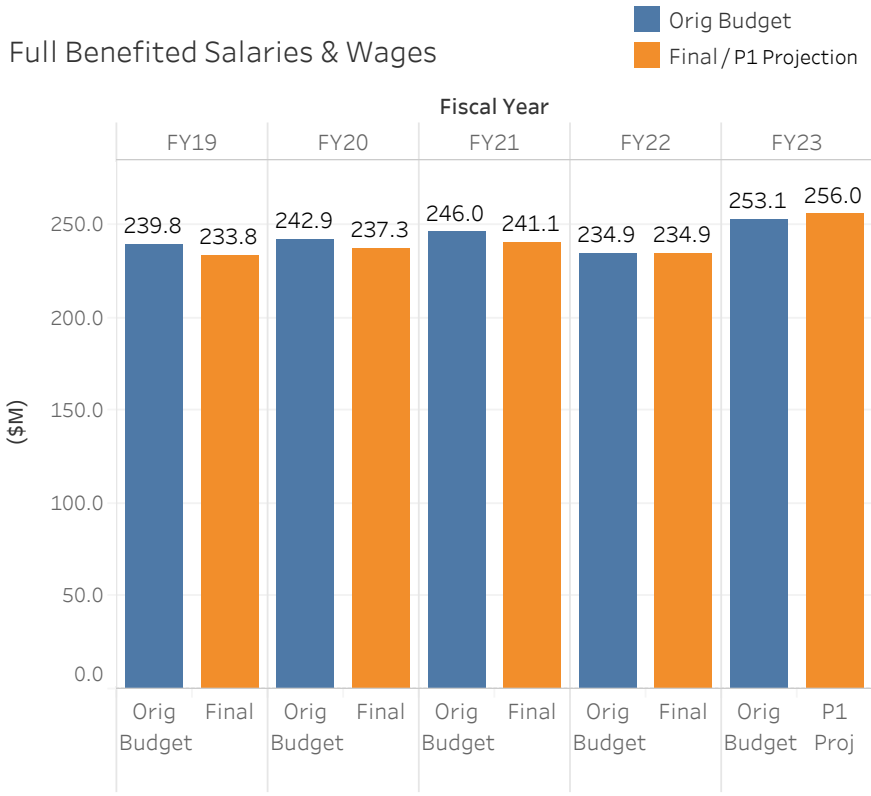
Net Tuition



## Commentary

**Net tuition** forecast is \$6.6M unfavorable versus budget primarily due to a decrease in overall UG enrollment(\$6M), a decrease in graduate enrollment (\$3.8M), and summer tuition (\$1M), partially offset by a reduction of financial aid of \$4.1M. Five years of the historical amount of net tuition has declined over FY19-22.

## Full Benefited Salaries & Wages and FTE



## Commentary

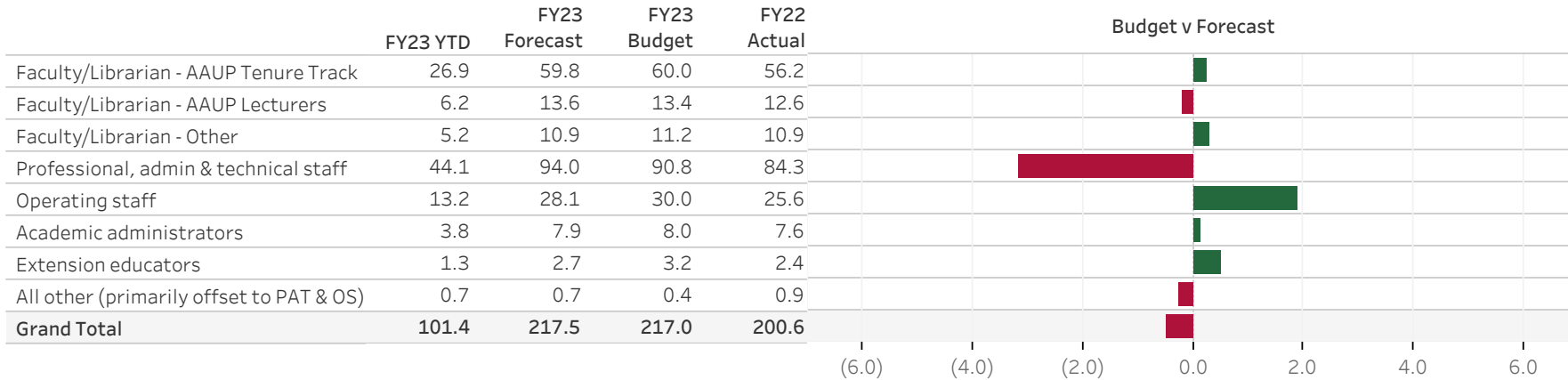
**Full Benefited Salaries & Wages** forecast is \$2.9M unfavorable versus budget and \$21.1M unfavorable versus FY22 final, primarily due to the salary increase and the increase in PAT and additional approved positions. Five years of historically Full Benefited Salaries and Wages has an increasing trend over FY19-21 and declined \$6.2M in FY22 due to the COVID Early Retirement Program (CERP) impact.

**FTE Counts - as of 12/31/22**

**Grant Positions** increased by 19 FTEs, and **Non-Grant Positions** increased by 141 FTEs versus FY22 FTE final counts.

## Salary Expense - Fully Benefited Positions

(\$M, excluding Grant Funds)



### FTE - Permanently Budgeted, Term and Perm-Term Positions (Non-Grant)

	FY23 12/31/22	FY22 12/31/21	Variance
Faculty/Librarian - AAUP Tenure Track	524	519	5
Faculty/Librarian - AAUP Lecturers	170	161	9
Faculty/Librarian - Other	116	111	5
Professional, admin & tech staff	1,081	988	92
Operating staff	598	556	42
Academic administrators	37	37	0
Extension educators	54	54	0
<b>Grand Total</b>	<b>2,580</b>	<b>2,426</b>	<b>154</b>

### Commentary

**Notes:**

- FY23 forecast is as of 12/31/22
- Principal administrators are included in 'Professional, admin & technical staff' rows;
- Postdoctoral associates are included in 'Faculty/Librarian - Other' rows

### FY23 - Recurring vs Non-Recurring Operating Income

	Recurring			Non-Recurring			Total		
	FY23 YTD	FY23 Forecast	FY23 Budget	FY23 YTD	FY23 Forecast	FY23 Budget	FY23 YTD	FY23 Forecast	FY23 Budget
<b>Operating Revenues (\$M)</b>									
Gross Tuition / Fees	376.2	376.0	385.0	0.0		2.0	376.2	376.0	386.9
Financial Aid	(87.1)	(165.9)	(170.7)	(0.1)		0.0	(87.2)	(165.9)	(170.7)
State Appropriation	30.2	60.4	60.4				30.2	60.4	60.4
Grants & Contracts/F&A/Pell	99.8	190.5	178.4	10.9	31.7	2.8	110.7	222.1	181.2
Non Cap Gifts & Endowment Income	15.8	38.0	37.4				15.8	38.0	37.4
Sales of Aux Services	134.7	145.4	141.7	0.0		0.0	134.7	145.4	141.7
Other Operating Revenue	15.5	29.9	26.8	0.0	0.0	0.0	15.5	29.9	26.8
<b>Grand Total</b>	<b>585.2</b>	<b>674.3</b>	<b>659.1</b>	<b>10.8</b>	<b>31.7</b>	<b>4.8</b>	<b>595.9</b>	<b>706.0</b>	<b>663.9</b>
<b>Operating Expenses(\$M)</b>									
Employee Compensation	197.9	413.6	406.8	2.1	6.9	6.9	200.0	420.5	413.8
Supplies & Services	100.3	187.4	184.4	3.3	19.1	19.2	103.6	206.5	203.6
Depreciation	26.5	54.1	50.6				26.5	54.1	50.6
Other Operating Expense	8.5	19.0	15.8	0.0		0.0	8.5	19.0	15.8
<b>Grand Total</b>	<b>333.3</b>	<b>674.1</b>	<b>657.7</b>	<b>5.4</b>	<b>26.0</b>	<b>26.1</b>	<b>338.6</b>	<b>700.1</b>	<b>683.8</b>
<b>Operating Income</b>	<b>252.0</b>	<b>0.4</b>	<b>1.4</b>	<b>5.4</b>	<b>5.6</b>	<b>(21.3)</b>	<b>257.4</b>	<b>6.0</b>	<b>(20.0)</b>
<b>Operating Margin</b>	<b>43.1%</b>	<b>0.1%</b>	<b>0.2%</b>				<b>43.2%</b>	<b>0.8%</b>	<b>-3.0%</b>

### Commentary

The Non-Recurring Operating Income contains the impact of one-time items not expected to repeat in future fiscal years. This primarily includes expenses related to key strategic initiatives such as the GSC merger, ERP, and Online Infrastructure.