University of Connecticut

Financial Report
For the Year Ended June 30, 2009

Message from the Vice President and Chief Financial Officer

Founded in 1881, the University of Connecticut (University) serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, service and outreach. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

This financial report for the fiscal year ended June 30, 2009 represents the transactions and balances of the University, here defined as all programs except the Health Center. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work. The University's enrollment in fiscal year 2009 was 28,880 students, taught by 1,324 full-time faculty members and an additional 705 part-time faculty and adjuncts. In total, the University employs 4,631 full and part-time faculty and staff. The University has shifted its focus accordingly from managing growth to growing quality. Two other entities also support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) and the University of Connecticut Law School Foundation, Inc. (Law School Foundation).

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, purchasing authority, and, with the advent of UCONN 2000 in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans, operating and capital budgets, approved by the University Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight of all University financial reporting and processes, and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by state auditors. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their opinion appears in this report.

The fiscal operations of the University are not an end in themselves—rather, the maintenance of fiscal health and stability serves the ultimate goal of enabling the University to achieve its academic, research, service and outreach mission. The growth and diversification of the University's funding streams, combined with the physical transformation through UCONN 2000, have led the University to record enrollments, research success and ever-growing contributions to the economic well-being of the State of Connecticut.

The financial condition of the University is closely tied to the state's economic condition. There are significant financial and economic challenges facing the state and the nation. Since June 30, 2009, the University experienced an approximate reduction of $3.2 million in state support for the fiscal year 2010 and the University will continue to face a very difficult financial climate. The University has been managing funding reductions and limited refill of employee vacancies without impeding student progress or the quality of the education delivered. The University's Costs, Operations & Revenue Efficiencies Task Force will continue to identify new cost-savings, efficiencies, and revenue enhancements by studying a broad range of the University's operations and processes. In all of this, the University is committed to continue its high standard of service to its students and the citizens of the state.

Among its many accomplishments, for the tenth consecutive year, the University was named the top public university in New England in the annual *U.S. News and World Report* rankings. In fiscal year 2009, the University was ranked 26th among 164 public universities in the nation.

- Undergraduate enrollment is at an all-time high, while the quality and diversity of students choosing the University has shown a documented rise every year since the mid-1990's. Compared to fall of 1995, fall 2008 freshman enrollment at the main campus was up 78%, minority freshman enrollment was up 131% and, since 1996, average SAT scores were up 87 points. Thirty-nine percent of these students ranked in the top 10% of their high school class. In fiscal year 2009, the University added 30 full-time faculty members to address the increased instructional demand.
- The University's freshman-to-sophomore retention rate at the main campus is 92% and is substantially higher than the 80% average for 424 colleges and universities in the national Consortium for Student Retention Data Exchange. The 6-year graduation rate is 76% and the average time to graduate is 4.3 years among students completing Bachelor's within six years.
- Approximately 6,860 degrees were conferred in the 2008-09 school year for the completion of undergraduate, graduate and professional programs at the Storrs and regional campuses.
- Research awards for the Storrs-based program grew from $55.9 million in fiscal year 1996 to $120 million in fiscal year 2009.
- UConn, including both the Health Center and Storrs-based programs, ranked 80/679 among all institutions and 55/393 among public universities nationwide in research and development expenditures, as measured by the National Science Foundation.
- The Foundation's endowment, including both the Health Center and Storrs-based programs, which stood at $43 million at the start of 1995, is now valued at $247 million. Total Foundation net assets reached $322 million. The University received $28.8 million in disbursements in support of scholarships, faculty, programs and facilities from the Foundation in 2009.
- By 2009, the UCONN 2000 program had led to the completion of 100 major projects and 9.7 million square feet of new and renovated space.
- The Board of Trustees approved an Academic Plan that will set the future direction and priorities for the entire University. The Plan builds on the themes of health and human behavior, the environment, and arts, culture and society from a local to global perspective.

Respectfully Submitted,

Paul R McDowell

Richard D. Gray
Vice President and Chief Financial Officer
University of Connecticut

Paul R. McDowell
Chief Financial Officer
Storrs-based Programs

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
KEVIN P. JOHNSTON
210 CAPITOL AVENUE
ROBERT G. JAEKLE
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
University of Connecticut

We have audited the accompanying statements of net assets of the University of Connecticut (University) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. The University is a component unit of the University of Connecticut system, which includes the University of Connecticut, the University of Connecticut Health Center and the University of Connecticut Foundation, Inc. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Connecticut Law School Foundation, Inc., a discretely presented component unit, which represented .63 and .51 percent of the assets of the University as of June 30, 2009 and 2008, respectively. The University of Connecticut Law School Foundation, Inc. experienced negative revenues that effected a .12 percent reduction in total revenues and other additions for the year ended June 30, 2009; it represented .03 percent of the combined revenues and other additions for the year ended June 30, 2008. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Connecticut Law School Foundation, Inc., is based solely on the reports of the other auditors. The audits of the University of Connecticut Law School Foundation, Inc. were conducted in accordance with auditing standards generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University, as of June 30, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 2 through 14 is not a required part of the basic financial statements of the University, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 9, 2010
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview, and analysis of those statements. The MD&A, which is unaudited, includes an analysis of the financial position and results of activities of the University of Connecticut (University, as defined below) for the fiscal year ended June 30, 2009, based on currently known facts, decisions, or conditions. It also includes selected comparative information for the years ended June 30, 2008 and 2007. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

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This financial report for the fiscal year ended June 30, 2009 represents the transactions and balances of the University, here defined as all programs except the Health Center. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work.

During the year ended June 30, 2004, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement No. 14, *The Financial Reporting Entity*. As a result, The University of Connecticut Law School Foundation, Inc. (Law School Foundation) is included as a component unit with the University (see Note 1). A related, but independent, corporate entity, The University of Connecticut Foundation, Inc. (Foundation), operates exclusively for charitable and educational purposes, raising funds to promote, encourage, and assist education and research at the University and the Health Center (see Note 12). The Foundation solicits and accepts donations of properties, monies, and securities and invests and administers these gifts. The Foundation materially supports the mission of both the University and the Health Center which are separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore the Foundation is not included as a component unit in the accompanying financial statements.

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its state appropriation, check-writing authority, human resource control, purchasing authority and, with the advent of UCONN 2000 in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing external review. The financial statements contained in this report reflect budget execution results consistent with spending plans and operating and capital budgets approved by the University's Board of Trustees. The Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their opinion appears on Page 1.

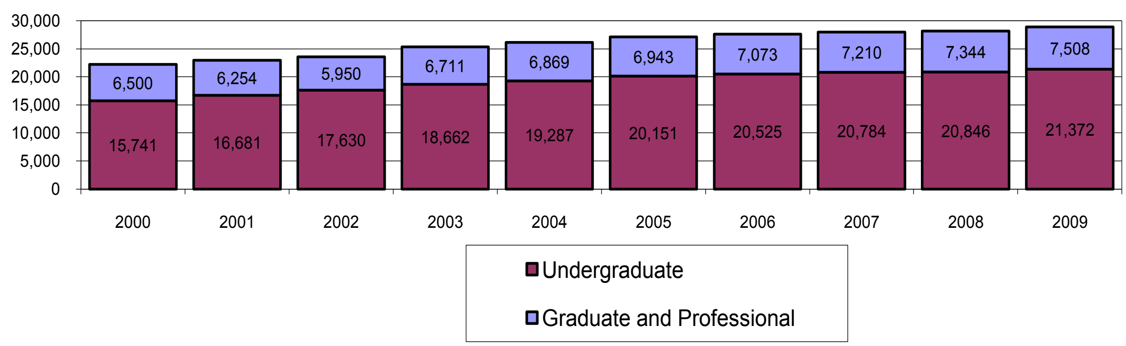
FINANCIAL HIGHLIGHTS AND ECONOMIC OUTLOOK

The University submits separate biennial operating and capital budgets to the Governor and General Assembly through the Board of Governors for Higher Education. The General Assembly appropriates and allocates funds directly to the University. In general, the Governor may reduce state agency allotments by not more than 5%, although in recent years the General Assembly has afforded the Governor certain specified additional reduction authority.

The financial statements contained herein show an operating loss of $406.4 million for the year ending June 30, 2009 (fiscal year 2009) as compared to $402.3 million for the year ending June 30, 2008 (fiscal year 2008), and $362.9 million for the year ending June 30, 2007 (fiscal year 2007). The increase in operating loss in fiscal year 2009 from fiscal year 2008 was due to an increase in total operating expenses of 5.6%, primarily caused by a 4.7% increase in salaries as a result of a 1.7% increase in full-time equivalent staff and negotiated raises. The increase in operating loss in fiscal year 2008 from fiscal year 2007 was due to an increase in total operating expenses of 8.7%, primarily caused by a 9.9% increase in salaries as a result of a 2.0% increase in full-time equivalent staff and negotiated raises. For public institutions, the measure more indicative of normal and recurring activities is income or loss before other changes in net assets, which includes revenue from state appropriations. The University experienced a loss before other changes in net assets of $67.9 million in fiscal year 2009 as compared to $53.6 million and $32.4 million for fiscal years 2008 and 2007, respectively. Total operating revenues grew $45.0 million in fiscal year 2009 and $31.6 million in fiscal year 2008. At the same time, operating expenses increased $49.1 million in fiscal year 2009 as compared to an increase in fiscal year 2008 of $71.0 million over fiscal year 2007. Investment income decreased $6.1 million in fiscal year 2009 and $1.9 million in fiscal year 2008 after three years of increases, including an increase of $2.7 million in fiscal year 2007.

Sources of recurring revenues continued to exhibit strength, with increases in operating revenues the past three fiscal years. The University's total enrollment in fiscal year 2003 topped 25,000 students and grew to 28,880 students in fiscal year 2009. These students are taught by 1,324 full-time faculty members (an increase of 30 faculty over the prior year) and an additional 705 part-time faculty and adjuncts. Undergraduate enrollment at the University reached 21,372 students in fiscal year 2009, 2.5% more than fiscal year 2008 (.3% more students in fiscal year 2008 over 2007). At the same time, an in-state tuition and mandatory fee increase of 5.49% and an out-of-state increase of 5.5% were approved for fiscal year 2009. Graduate and professional enrollment increased by 2.2% with an in-state tuition and mandatory fee increase of 5.39% and an out-of-state increase of 5.44%. The increased enrollment of all students, when combined with the tuition and mandatory fee increases, resulted in an increase in tuition and fee revenue, before scholarship allowances, of $24.5 million (9.0%) as compared to a $20.2 million (8.0%) increase in fiscal year 2008. Sales and services of auxiliary enterprises, before scholarship allowances, increased $16.5 million (12.0%), primarily as a result of an overall increase in room and board fees of 7.39% for undergraduate students and graduate students and an increase in room occupancy of 5.9% over fiscal year 2008. In fiscal year 2008, sales and services of auxiliary enterprises, before scholarship allowances, increased $6.0 million (4.7%), primarily as a result of an overall increase in room and board fees of 7.1% for undergraduate students and graduate students, offset by a decrease in room occupancy of 3.4%. Grant and contract revenues increased $11.3 million (9.3%) in fiscal year 2009 as compared to $9.2 million (8.2%) in fiscal year 2008 over 2007.

HEADCOUNT ENROLLMENT IN FALL OF EACH FISCAL YEAR
TEN YEAR COMPARISON



The 21st Century UConn program, also known as Phase III of UCONN 2000, began in fiscal year 2005. It represents a $1.3 billion, 10-year extension of the original UCONN 2000 program (see Note 5), and provides $1.0 billion for facilities improvements at Storrs, the regional campuses, the School of Law and the School of Social Work, and $305.4 million for improvements at the Health Center. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year, without any change in the total amount. This commitment from the state provides long-term funds for capital enhancement and preservation and will allow the University to provide quality facilities commensurate with the enrollment growth experienced in recent years.

The financial condition of the University is closely tied to the state's economy. There are significant financial and economic challenges facing the state and the nation. In fiscal year 2009, the University experienced an approximate $15.7 million decrease in state support due to an appropriation rescission and an associated reduction in fringe benefit support. These funds have not been restored to the University's appropriation in fiscal year 2010 and an additional $3 million was taken by the state from unrestricted funds in November, 2009. The University will continue to face a very difficult financial climate as further reductions are possible. A Costs, Operations, and Revenue Efficiencies (CORE) Task Force was convened in November, 2008 to address this severe economic downturn. Approximately $5 to $7 million in savings or new revenues were identified by this task force through fiscal year 2010. Although future reductions in state funding are possible, the University is committed to continue its high standard of service to its students and the citizens of the state.

FINANCIAL STATEMENTS

Effective July 1, 2001, the University adopted GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. GASB Statement No. 35 establishes standards for financial reporting for public colleges and universities. The University's financial report includes three basic financial statements: Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows. In addition, the following elements are included with these general-purpose financial statements: Management's Discussion and Analysis and Notes to the Financial Statements. GASB No. 35 focuses on the University as a whole rather than on accountability by individual fund groups and provides accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. The adoption of these standards resulted in the conversion from fund accounting statements to statements presented in a single-column format.

The financial statements reflect budget execution results consistent with operating budgets and spending plans approved by the University's Board of Trustees. The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format.

STATEMENTS OF NET ASSETS

The Statements of Net Assets present the assets, liabilities, and net assets of the University as of the end of the fiscal year, June 30. The Statements of Net Assets are a point in time financial statement – a snapshot – and a measure of the financial condition of the University. These statements present end-of-year data concerning assets, classified as current (those available for use within one year) and noncurrent (those available beyond one year), liabilities, categorized as current (those maturing and due within one year) and noncurrent (those maturing and due after one year), and net assets that represent the difference between total assets and total liabilities. Assets represent what is owned by or what is owed to the University, including payments made to others before a service was received. Assets are recorded at their current value, except for property and equipment that are recorded net of accumulated depreciation. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University.

Readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the University. The net asset value of the University is the residual interest or equity in the University's assets after liabilities are deducted. Over time, an increase in net assets is an indicator of the University's improving financial strength.

The following table shows condensed Statements of Net Assets at June 30 (in millions):

	2009	2008	2007
Current assets	$ 532.9	$ 421.2	$ 453.4
Noncurrent assets			
State debt service commitment	780.2	700.1	763.4
Investments	9.5	12.3	14.9
Property and equipment, net	1,411.8	1,459.1	1,487.1
Other	19.5	18.9	20.3
Total assets	$2,753.9	$2,611.6	$2,739.1
Current liabilities	$ 274.6	$ 250.7	$ 259.9
Noncurrent liabilities			
Long-term debt and bonds payable	1,039.0	962.7	1,040.3
Other	21.8	20.2	21.3
Total liabilities	$1,335.4	$1,233.6	$1,321.5
Invested in capital assets, net	$1,142.7	$1,186.9	$1,200.1
Restricted	128.6	55.3	95.7
Unrestricted	147.2	135.8	121.8
Total net assets	$1,418.5	$1,378.0	$1,417.6

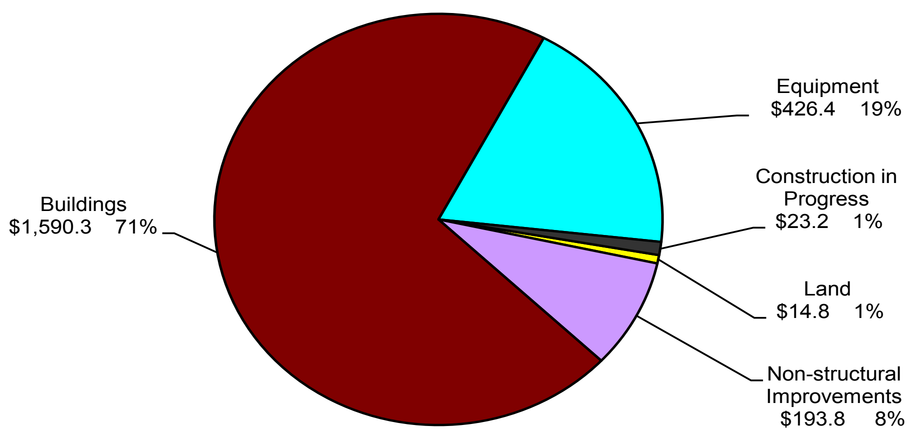
The total assets increased $142.3 million in fiscal year 2009 over 2008 and decreased $127.5 million in fiscal year 2008 over 2007. The increase in fiscal year 2009 was primarily due to a $22.4 million ($22.8 million in fiscal year 2008) increase in cash and cash equivalents and a $2.8 million decrease in due from State of Connecticut ($10.0 million increase in fiscal year 2008), a $94.6 million increase in deposit with bond trustee ($64.2 million decrease in fiscal year 2008), a $82.0 million increase in the state debt service commitment ($59.3 million decrease in fiscal year 2008), a $2.4 million decrease in accounts receivable ($9.3 million decrease in fiscal year 2008) and a net decrease of $47.3 million to property and equipment ($28.0 million decrease in fiscal year 2008).

The total liabilities for fiscal year 2009 increased $101.9 million ($87.9 million decrease in fiscal year 2008) primarily due to newly acquired debt through the sale of general obligation bonds (fiscal year 2009 only) and other new debt, totaling $151.6 million ($1.1 million in fiscal year 2008) offset by the retirement of debt on existing bonds and loans of $73.1 million ($75.6 million in fiscal year 2008) and an increase in due to affiliate of $21.6 million in fiscal year 2009 ($13.8 million decrease in fiscal year 2008). The combination of the increase in total assets of $142.3 million ($127.5 million decrease for fiscal year 2008) and total liabilities of $101.9 million ($87.9 million decrease for fiscal year 2008) yields an increase in total net assets of $40.4 million ($39.6 million decrease in fiscal year 2008).

Capital and Debt Activities

During fiscal year 2009, the University recorded additions to property and equipment totaling $43.1 million ($73.1 million and $53.9 million in fiscal years 2008 and 2007, respectively) of which $18.9 million related to buildings and construction in progress ($28.7 million and $27.2 million in fiscal years 2008 and 2007, respectively). The growth of the University's property and equipment is a direct result of the successful UCONN 2000 program. The third phase of the program, also known as 21st Century UConn, expands and builds on the success of UCONN 2000 with an additional $1.3 billion for improvements to facilities at the University and the Health Center (see Note 5). The following pie chart presents the total property and equipment at cost:

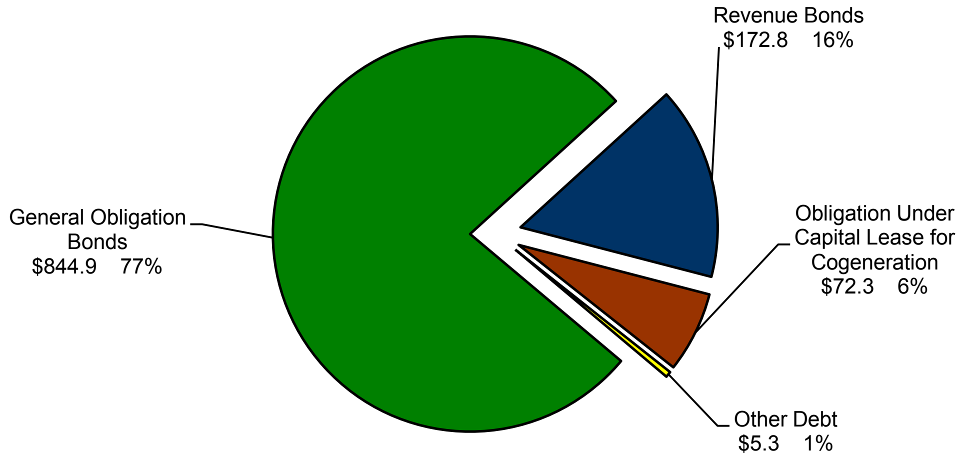
TOTAL PROPERTY AND EQUIPMENT AT COST AT JUNE 30, 2009
($ in Millions) Total $2,248.5



In fiscal year 2009, the University issued UCONN 2000 general obligation bonds with a face value of $144.9 million of which $39.9 million was committed to the Health Center for its UCONN 2000 projects (see Note 5). No general obligation bonds were issued in fiscal year 2008. The state has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt, inclusive of 21st Century UConn. As the general obligation debt is incurred, the commitment from the state is recorded as a current and noncurrent receivable (state debt service commitment in the accompanying Statements of Net Assets). When bonds are issued, the amount of the commitment for the Health Center is reflected as a liability by the University. During fiscal year 2008, the University paid off the remaining balances on two loans, the Towers Loan financed by the U.S. Department of Education and the Financial Accelerator Loan.

The chart on the next page illustrates the categories of debt as of June 30, 2009, exclusive of premiums, discounts and debt differences due to refunding:

CATEGORIES OF DEBT AT JUNE 30, 2009
($ in millions) Total $1,095.3

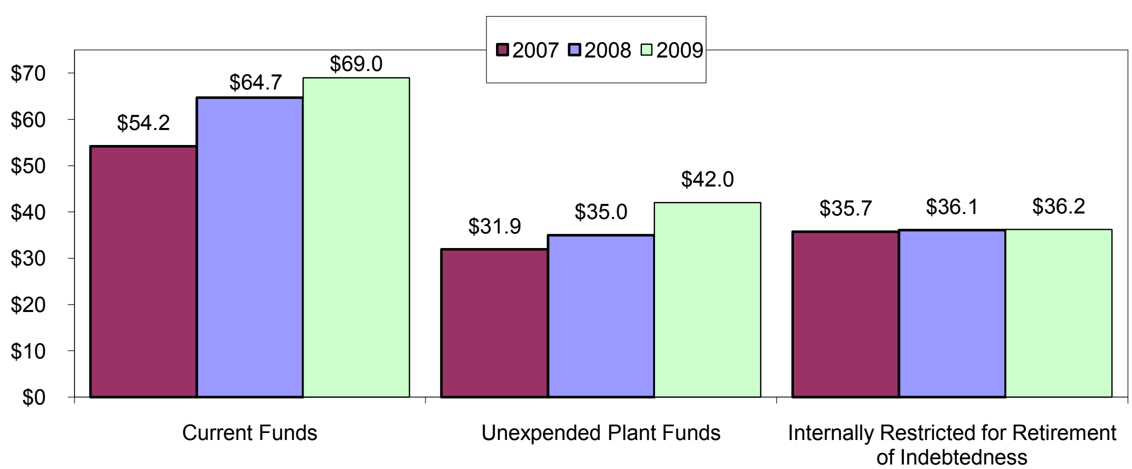


See Notes 4 and 5 of the financial statements for further information on capital and debt activities.

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in property and equipment. The restricted net assets category is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes, and in the University's Statements of Net Assets this amount represents endowment assets. Expendable restricted net assets are available for expenditure by the institution, but must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are defined by GASB to include funds not restricted by third-parties, including all unrestricted funds formerly (prior to fiscal year 2002) included in the balances of unrestricted current funds, retirement of indebtedness funds, and plant funds on the Statement of Net Assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. GASB prohibits a breakout of designated unrestricted funds on the face of the Statements of Net Assets. Unrestricted net assets are available to the University for any lawful purpose of the institution. The following shows a comparison between fiscal years by category of unrestricted net assets:

UNRESTRICTED NET ASSETS ($ in Millions)



Substantially all unrestricted net assets are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

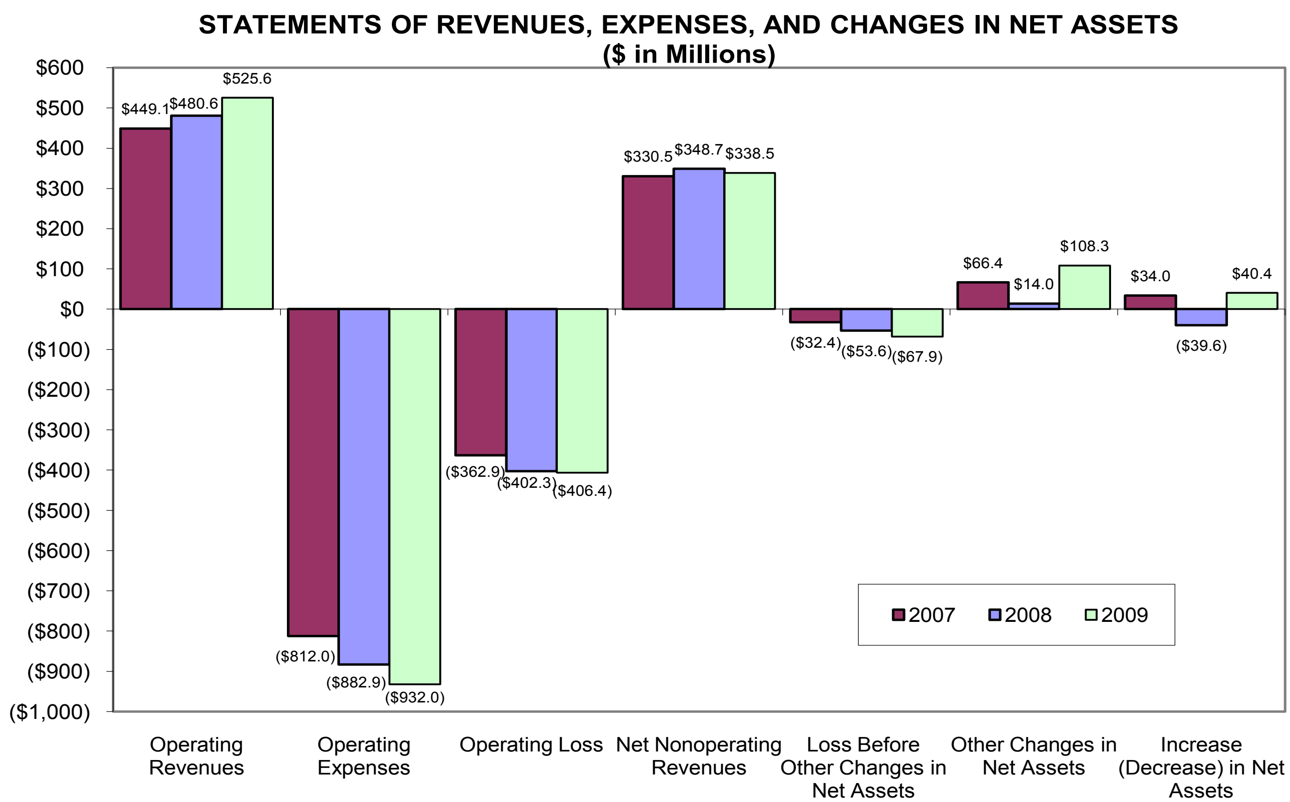
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Revenues and expenses are classified as operating, nonoperating, or other changes in net assets according to definitions prescribed by GASB. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include state appropriations for general operations, state debt service commitment for interest, noncapital gifts, and short-term investment income. By its very nature, a state funded institution does not receive tuition, fees, and room and board revenue sufficient to support the operations of the University. Therefore, these nonoperating revenues are essential to the programs and services provided by the University. Unless a significant increase in tuition and fees and room and board revenues occurs, the University will always show a loss from operations.

The following table shows condensed Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30 (in millions):

	2009	2008	2007
Operating revenues	$ 525.6	$ 480.6	$ 449.1
Operating expenses	932.0	882.9	812.0
Operating loss	(406.4)	(402.3)	(362.9)
Net nonoperating revenues	338.5	348.7	330.5
Loss before other changes in net assets	(67.9)	(53.6)	(32.4)
Net other changes in net assets	108.3	14.0	66.4
Increase (Decrease) in net assets	$ 40.4	$ (39.6)	$ 34.0

While the Statements of Net Assets present the financial condition at a point in time, the Statements of Revenues, Expenses, and Changes in Net Assets represent the activity for a period of time – one year. These statements present either an increase or decrease to net assets based on the revenues received by the University, both operating and nonoperating, the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University.



Generally, operating revenues are earned when providing goods and services to the various customers of the University. Operating expenses are incurred in the normal operation of the University and represent those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Operating expenses also include the provision for estimated depreciation of property and equipment. The difference between operating revenues and operating expenses is the operating income or loss. As a state funded agency, the University is expected to experience an operating loss each year.

Nonoperating revenues are revenues received for which goods and services are not provided, including state appropriations and state debt service commitment for interest. Such revenues are provided by the state to the University without the state directly receiving commensurate goods and services in exchange for those revenues. Nonoperating revenues (expenses) also include noncapital gifts, investment income, interest expense, and other expenses not considered in the functional classification of operating expenses.

Other changes in net assets are comprised of the state's debt service commitment for principal payments on general obligation bonds used for capital purposes, capital appropriation, capital grants and gifts, the disposal of property and equipment, additions to permanent endowments, state match on endowments and other changes in net assets. The Statements of Revenues, Expenses, and Changes in Net Assets reflect an increase in the net assets of $40.4 million in fiscal year 2009, a decrease of $39.6 million in fiscal year 2008 and an increase $34.0 million for fiscal year 2007.

Revenues

The following table summarizes operating and nonoperating revenues and other changes in net assets for the fiscal years ended June 30 (in millions):

	2009	**2008**	**2007**
Operating revenues:			
Student tuition and fees, net	$ 215.6	$ 199.7	$ 183.5
Grants and contracts	132.6	121.2	112.1
Sales and services of educational departments	17.2	15.3	14.9
Sales and services of auxiliary enterprises, net	149.5	133.5	127.5
Other sources	10.7	10.9	11.1
Total operating revenues	525.6	480.6	449.1
Nonoperating revenues:			
State appropriation	327.8	328.2	305.9
State debt service commitment for interest	37.8	39.5	35.9
Gifts	21.8	24.8	24.4
Investment income	4.3	10.4	12.3
Total nonoperating revenues	391.7	402.9	378.5
Other changes in net assets:			
State debt service commitment for principal	105.0	-	65.2
Capital appropriation	-	8.0	-
Capital grants and gifts	3.8	6.8	3.0
Additions to permanent endowments and state match to endowments	-	.1	.1
Other changes in net assets	-	-	1.6
Total other changes in net assets	108.8	14.9	69.9
Total revenues	$ 1,026.1	$ 898.4	$ 897.5

Revenue highlights, for fiscal years 2009 and 2008 and comparison between fiscal years, including operating and nonoperating revenues and other changes in net assets, presented on the Statements of Revenues, Expenses, and Changes in Net Assets are as follows:

- Student tuition and fees, net of scholarship allowances, increased 8.0% in fiscal year 2009 (8.9% in fiscal year 2008) and 9.0% before scholarship allowances (8.0% in fiscal year 2008). The increase in fiscal year 2009 was due in part to a 2.5% (.3% in fiscal year 2008) increase in undergraduate enrollment at the University and an increase of 5.49% (5.8% in fiscal year 2008) for undergraduate in-state tuition and mandatory fees charged, and 5.5% (5.72% in fiscal year 2008) for out-of-state tuition and mandatory fees.

- Total grants and contracts increased $11.3 million (9.3%) in fiscal year 2009 ($9.2 million or 8.2% in fiscal year 2008) as a result of higher than anticipated financial aid and an increase in federal grants, including funding from the Federal American Recovery and Reinvestment Act.

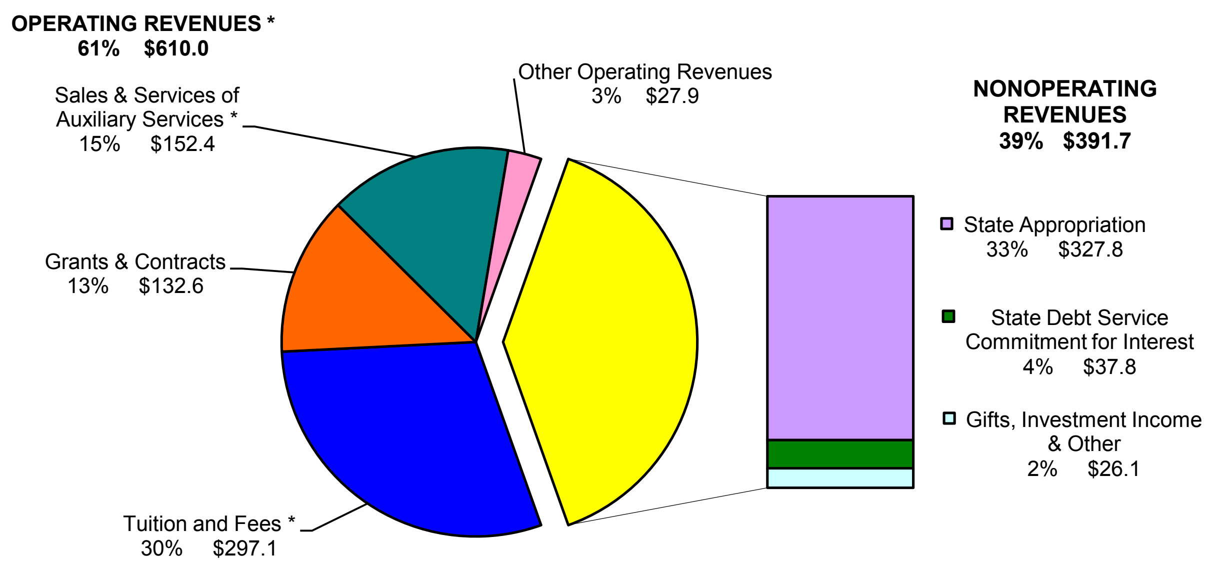
- Sales and services of auxiliary enterprises, net of scholarship allowances, increased approximately 12.0% and 4.7% during fiscal years 2009 and 2008, respectively. The increase in fiscal year 2009 resulted from an increase in fees charged for both room and board of 7.39% for undergraduate students and graduate students and an increase in room occupancy of 5.9% over fiscal year 2008. The increase in fiscal year 2008 resulted primarily from an increase in fees charged for both room and board of 7.1% for undergraduate students and graduate students, offset by a decrease in room occupancy of 3.4% over fiscal year 2007.

- The largest source of revenue, state appropriation including fringe benefits, decreased $.4 million in fiscal year 2009 and increased $22.2 million (7.3%) in fiscal year 2008. The state appropriation is included in the nonoperating section. The state also provides state debt service commitment for the interest payments made annually on general obligation bonds. State debt service commitment for interest revenue is included with nonoperating revenues and corresponds to the total interest paid and accrued on general obligation bonds. Effectively, this revenue offsets a significant portion of interest expense each year. Also, as general obligation bonds are issued (see Note 5) the state commits to the repayment of the future principal amounts and a receivable is recorded on the Statements of Net Assets to reflect this commitment. This results in revenue that is recorded in other changes in net assets that totaled $105.0 million in fiscal year 2009. There were no general obligation bonds issued in fiscal year 2008. In fiscal year 2008, included in other changes in net assets, the state provided a capital appropriation totaling $8 million related to a project at the University's School of Law.

- Gift revenue, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and Law School Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. Both the Foundation and the Law School Foundation disburse funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These gifts, including capital gifts, received by the University from both Foundations totaled approximately $19.4 million in fiscal year 2009 compared to $21.6 million in fiscal year 2008. On a combined basis, both Foundations also paid approximately $3.7 million in fiscal year 2009 ($4.7 million in fiscal year 2008) to third parties on behalf of the University. This amount is not reflected in the University's financial statements. In addition, the University receives gifts directly from donors. Total nonoperating gifts and capital gifts and grants revenue to the University from all sources amounted to $25.6 million and $31.6 million in fiscal years 2009 and 2008, respectively.

Revenues, excluding other changes in net assets, come from a variety of sources and are illustrated in the following graph:

REVENUES FOR FISCAL YEAR 2009 ($ in Millions)
Total: $1,001.7



* Shown here at gross amounts, not netted for student financial aid totaling $84.4 million.

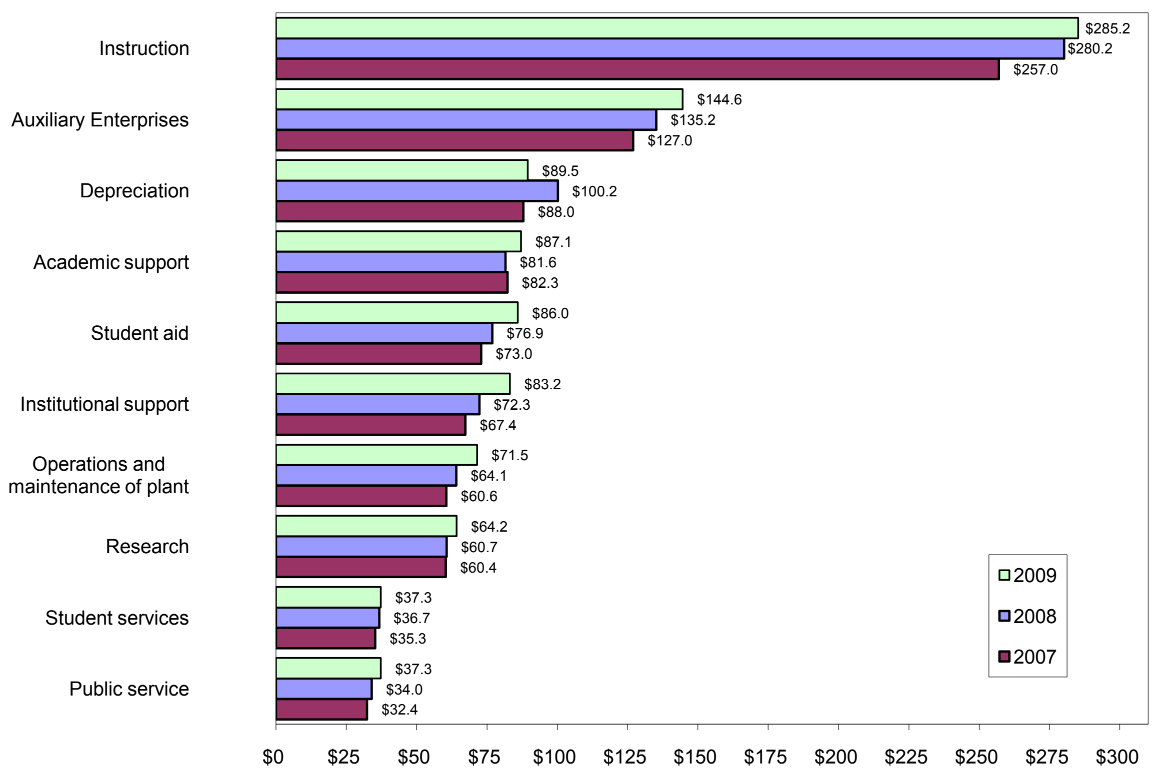
Expenses

The following table summarizes operating and nonoperating expenses and other changes in net assets for the fiscal years ended June 30 (in millions):

	2009	2008	2007
Operating expenses:			
Instruction	$ 284.1	$ 279.1	$ 256.1
Research	64.0	60.3	59.6
Operations and maintenance of plant	71.5	64.1	60.6
Auxiliary enterprises	144.4	135.1	126.8
Depreciation	89.6	100.2	88.0
Other	278.4	244.1	220.9
Total operating expenses	932.0	882.9	812.0
Nonoperating expenses:			
Interest expense	48.9	51.2	47.5
Other nonoperating expense, net	4.2	2.9	.6
Total nonoperating expenses	53.1	54.1	48.1
Other changes in net assets:			
Disposal of property and equipment, net	.4	.9	3.4
Total other changes in net assets	.4	.9	3.4
Total expenses	$ 985.5	$ 937.9	$ 863.5

Operating expenditures are classified by function in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets. These functions directly contribute to the major mission of the University. The following chart depicts comparative functional expenditures of the University. It does not include other operating expenses:

EXPENSES BY FUNCTIONAL CLASSIFICATION
($ in Millions)
(Shown here at gross amount, not netted for student financial aid.)



Total operating expenses were $932.0 million and $883.0 million in fiscal years 2009 and 2008, respectively, netted for student financial aid totaling $84.4 million and $75.5 million, respectively. Natural or object classification includes salaries, fringe benefits, utilities, and supplies and other expenses (see Note 14 for operating expenses classified by object).

Highlights of expenses, including operating and nonoperating expenses and other changes in net assets, presented on the Statements of Revenues, Expenses, and Changes in Net Assets are as follows:

- Instruction, the University's largest operating expense, increased $5.0 million (1.8%) in fiscal year 2009 primarily due to an increase of approximately 29 full-time equivalent faculty and staff, and an average compensation increase for the bargaining units of approximately 5% offset by a 6.3% decrease in supplies, commodities and other expenditures. In fiscal year 2008, instruction increased $20.6 million (8.0%) due to approximately 32 more full-time equivalent faculty and staff, an average compensation increase for the bargaining units of approximately 5% and a 6.7% increase in supplies, commodities and other expenditures.

- In fiscal year 2009, research expenses increased $3.7 million or 6.1% ($.7 million or 1.2% in fiscal year 2008). This is commensurate with an increase in fiscal years 2009 and 2008 in associated research revenues. These expenditures are related primarily to sponsored research revenues and are affected by the timing of salaries and the purchase of supplies and commodities that can be charged to grants.

- Even with a decrease in fulltime equivalent staff of 1.6%, academic support increased $5.5 million in fiscal year 2009 (decrease of $.7 million in fiscal year 2008). This increase resulted from the timing of purchases for supplies, commodities and other expenditures, which included major periodicals and subscriptions.

- In fiscal years 2009 and 2008, institutional support experienced increases of $10.9 million or 15.0% and $5.0 million or 7.4%, respectively. This resulted from a 2.8% increase (5.1% in fiscal year 2008) in the number of full-time equivalent staff and an average compensation increase for the bargaining units of approximately 5% in both years. Also, in fiscal year 2009 supplies, commodities and other expenditures increase $6.4 million compared to a small decrease for the same expenditures in fiscal year 2008.

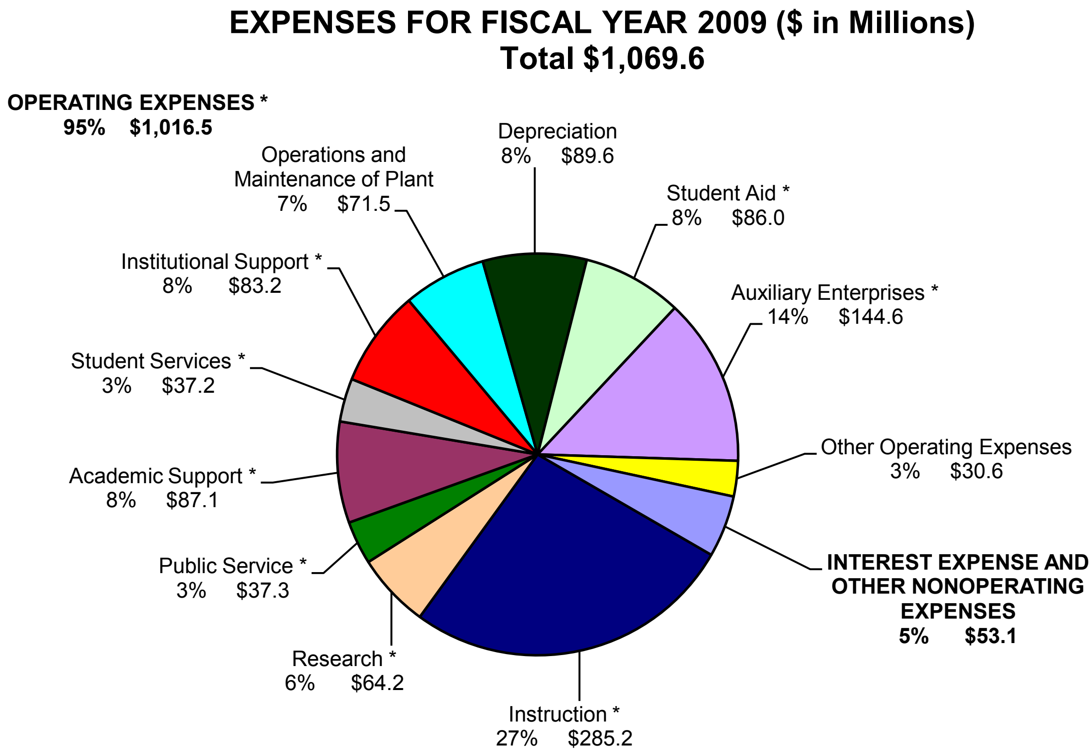
- Operations and maintenance of plant increased $7.4 million or 11.5% in fiscal year 2009 ($3.5 million or 5.8% in fiscal year 2008). The University began providing on-site generation of electricity, steam and chilled water for heating and cooling for the University at its Storrs campus in fiscal year 2006, with fiscal year 2007 the first full year of operation. Fiscal years 2009 and 2008 experienced a 14.4% and 36.2% reduction, respectively, in electricity consumption (rates increased approximately 18.8% and 8.6%, including distribution and demand charges) while natural gas consumption, the primary energy source that fuels the cogeneration plant, increased 14.1% and 4.7%. An increase in natural gas prices of approximately 4.0% and 9.1% was experienced in fiscal years 2009 and 2008, respectively.

- Fiscal year 2008 depreciation expense was higher than fiscal year 2009 and prior years due to certain adjustments for property additions and changes in the capitalization policy in fiscal year 2008.

- Auxiliary enterprises expenditures increased 6.9% in fiscal year 2009 (6.5% in fiscal year 2008), primarily due to contractual salary increases and the hiring of 17 full-time equivalent staff (11 in fiscal year 2008).

- For fiscal year 2009, a total of $16.5 million was expensed in other operating expenses for a project to correct structural deficiencies related to the construction of the Law School Library building. These expenditures will not increase the value of the building or extend its useful life (see Note 4). Also, in fiscal year 2009, a total of $8.7 million was expensed ($11.6 million in fiscal year 2008) in other operating expenses for inspections, fire and safety code updates and other corrective action needed in order to achieve safety goals for all buildings. Other amounts in other operating expenses included costs not capitalized under University policy such as repairs, project management fees, capital project studies, and mold, lead and asbestos removal projects and other miscellaneous capital-related costs and adjustments.

The pie chart below illustrates operating expenses by function, not netted for financial aid, and it also includes other operating expenses. A significant portion of student aid is reflected as an allowance against tuition and fees revenue and sales and services of auxiliary enterprises on the Statements of Revenues, Expenses, and Changes in Net Assets. The chart also shows interest expense and other nonoperating expenses.



* Shown here at gross amounts, not netted for financial aid totaling $84.4 million.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present detailed information about the cash activity of the University during the year. The first section of these statements, cash flows from operating activities, will always be different from the Statements of Revenues, Expenses, and Changes in Net Assets' operating loss amount. The difference results from noncash items such as depreciation expense and the use of the accrual basis of accounting in preparing the Statements of Revenues, Expenses, and Changes in Net Assets. These statements show revenues and expenses when incurred, not necessarily when cash is received or used. The Statements of Cash Flows, on the other hand, show cash inflows and outflows without regard to accruals. The Statements of Cash Flows have four additional sections including: cash flows from noncapital financing activities including state appropriation, gifts and other nonoperating revenues and expenses; cash flows from capital financing activities that reflect the cash received and used by the University for financing, principally capital in nature, capital grants and gifts, and state debt service commitments for principal and interest; cash flows from investing activities showing the purchases, proceeds and interest received from investing activities; and a reconciliation of operating loss reflected on the Statements of Revenues, Expenses, and Changes in Net Assets to net cash used in operating activities.

The following table shows condensed Statements of Cash Flows for the years ended June 30 (in millions):

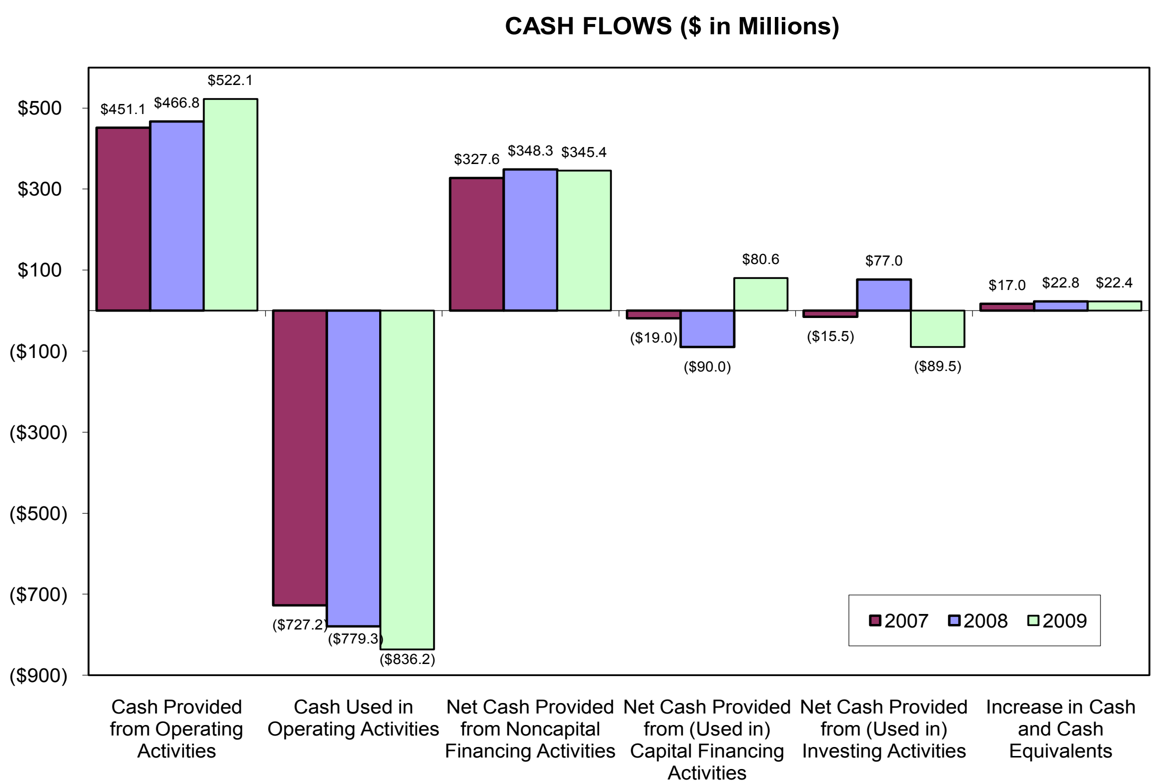
	2009	2008	2007
Cash provided from operating activities	$ 522.1	$ 466.8	$ 451.1
Cash used in operating activities	(836.2)	(779.3)	(727.2)
Net cash used in operating activities	(314.1)	(312.5)	(276.1)
Net cash provided from noncapital financing activities	345.4	348.3	327.6
Net cash provided from (used in) capital financing activities	80.6	(90.0)	(19.0)
Net cash provided from (used in) investing activities	(89.5)	77.0	(15.5)
Net increase in cash and cash equivalents	$ 22.4	$ 22.8	$ 17.0

Net cash used in operating activities was $314.1 million and $312.5 million in fiscal years 2009 and 2008, respectively, and is consistent with the operating loss discussed earlier after adding back depreciation (a noncash expense), the major difference between the two statements. GASB requires that cash flows from noncapital financing activities include state appropriation and noncapital gifts. Cash flows from these activities totaled $345.4 million in fiscal year 2009 ($348.3 million in fiscal year 2008), a $2.8 million decrease from fiscal year 2008 ($20.7 increase from fiscal year 2007).

Cash flows provided from capital financing activities was $80.6 million in fiscal year 2009 and $90.0 million used in fiscal year 2008. The major difference between fiscal years 2009 and 2008 is an increase in proceeds from bonds of $150.0 million in fiscal year 2009 ($89.0 million decrease in fiscal year 2008) and a decrease in the amount of purchases of property and equipment of $12.4 million ($12.5 million increase in 2008).

Net cash used in investing activities was $89.5 million in fiscal year 2009 and net cash provided from investing activities was $77.0 million in fiscal year 2008. The major difference between fiscal years 2009 and 2008 is that $150.0 million in bond proceeds were received in fiscal year 2009 ($0 in fiscal year 2008) which were invested in the deposit with bond trustee.

Total cash and cash equivalents increased $22.4 million and $22.8 million in fiscal years 2009 and 2008, respectively, as a result of these activities. The following bar graph shows the cash flows from and used by major categories and as described in the preceding paragraphs:



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FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
STATEMENTS OF NET ASSETS
As of June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 240,211,599	$ 217,773,679
Accounts receivable, net	28,359,703	30,803,831
Student loans receivable, net	2,573,325	2,615,922
Due from State of Connecticut	46,244,528	49,042,365
Due from related agencies	59,465	4,628
State debt service commitment	79,923,083	78,045,650
Inventories	3,078,130	2,781,158
Deposit with bond trustee	128,909,965	34,283,667
Deferred charges	1,014,731	982,777
Prepaid expenses	2,556,415	4,857,018
Total Current Assets	532,930,944	421,190,695
Noncurrent Assets		
Cash and cash equivalents	1,471,795	1,468,489
Investments	9,497,273	12,310,361
Student loans receivable, net	9,547,902	9,288,331
State debt service commitment	780,167,441	700,089,715
Property and equipment, net of accumulated depreciation	1,411,814,151	1,459,143,806
Deferred charges	8,500,782	8,182,465
Total Noncurrent Assets	2,220,999,344	2,190,483,167
Total Assets	$ 2,753,930,288	$ 2,611,673,862
LIABILITIES		
Current Liabilities		
Accounts payable	$ 21,091,031	$ 28,225,300
Deferred income	19,411,476	21,695,631
Wages payable	52,718,457	48,478,932
Compensated absences	17,363,619	16,855,310
Due to the State of Connecticut	19,441,793	17,569,745
Due to affiliate (see Note 5)	35,488,325	13,871,320
Due to related agencies	-	35,105
Current portion of long-term debt and bonds payable	75,053,811	72,972,797
Other current liabilities	34,077,858	30,991,622
Total Current Liabilities	274,646,370	250,695,762
Noncurrent Liabilities		
Compensated absences	9,087,379	8,162,754
Deposits held for others	3,221,648	2,484,812
Long-term debt and bonds payable	1,039,045,777	962,679,046
Refundable for federal loan program	9,450,638	9,554,638
Total Noncurrent Liabilities	1,060,805,442	982,881,250
Total Liabilities	$ 1,335,451,812	$ 1,233,577,012
NET ASSETS		
Invested in capital assets, net of related debt	$ 1,142,659,278	$ 1,186,905,318
Restricted nonexpendable	10,819,220	13,778,850
Restricted expendable		
Research, instruction, scholarships and other	15,146,605	14,629,093
Loans	3,758,595	3,728,763
Capital projects	88,449,046	13,235,167
Debt service	10,397,121	10,035,433
Unrestricted (see Note 15)	147,248,611	135,784,226
Total Net Assets	$ 1,418,478,476	$ 1,378,096,850

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Student tuition and fees (Net of scholarship allowances of $81,473,702 for 2009 and $72,915,047 for 2008. See Note 1. Net revenues totaling approximately $36,808,000 for 2009 and $33,908,000 for 2008 were used as security for revenue bonds. See Note 5.)	$ 215,641,536	$ 199,720,598
Federal grants and contracts	92,375,974	85,328,534
State and local grants and contracts	27,853,272	25,429,642
Nongovernmental grants and contracts	12,347,917	10,506,027
Sales and services of educational departments	17,216,404	15,280,038
Sales and services of auxiliary enterprises (Net of scholarship allowances of $2,947,782 for 2009 and $2,524,596 for 2008. See Note 1. Net revenues totaling approximately $19,857,000 for 2009 and $15,048,000 for 2008 were used as security for revenue bonds. See Note 5.)	149,500,934	133,471,934
Other sources (Net revenues totaling approximately $2,542,000 for 2009 and $3,022,000 for 2008 were used as security for revenue bonds. See Note 5.)	10,681,689	10,907,810
Total Operating Revenues	525,617,726	480,644,583
OPERATING EXPENSES		
Educational and general		
Instruction	284,054,407	279,086,991
Research	64,028,438	60,345,206
Public service	37,128,819	33,854,891
Academic support	87,046,815	81,513,934
Student services	36,711,365	36,006,579
Institutional support	83,169,130	72,314,553
Operations and maintenance of plant	71,478,092	64,110,720
Depreciation	89,556,846	100,186,738
Student aid	3,917,207	4,009,588
Auxiliary enterprises	144,375,731	135,061,206
Other operating expenses	30,579,207	16,491,610
Total Operating Expenses	932,046,057	882,982,016
Operating Loss	(406,428,331)	(402,337,433)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	327,751,422	328,176,623
State debt service commitment for interest	37,843,218	39,525,537
Gifts	21,805,530	24,770,574
Investment income (Income totaling approximately $42,000 for 2009 and $130,000 for 2008 were used as security for revenue bonds. See Note 5.)	4,267,674	10,384,021
Interest expense	(48,915,717)	(51,246,898)
Other nonoperating expenses, net	(4,247,111)	(2,869,076)
Net Nonoperating Revenues	338,505,016	348,740,781
Loss Before Other Changes in Net Assets	(67,923,315)	(53,596,652)
OTHER CHANGES IN NET ASSETS		
State debt service commitment for principal	104,910,000	-
Capital appropriation	-	8,000,000
Capital grants and gifts	3,813,671	6,802,586
Disposal of property and equipment, net	(438,433)	(874,837)
Additions to permanent endowments	19,703	56,711
State match to endowments	-	59,484
Net Other Changes in Net Assets	108,304,941	14,043,944
Increase (Decrease) in Net Assets	40,381,626	(39,552,708)
NET ASSETS		
Net Assets-beginning of year	1,378,096,850	1,417,649,558
Net Assets-end of year	$ 1,418,478,476	$ 1,378,096,850

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 211,124,206	$ 195,073,604
Grants and contracts	131,954,380	119,992,809
Sales and services of auxiliary enterprises	148,826,102	129,967,728
Sales and services of educational departments	16,841,653	15,042,921
Payments to suppliers and others	(237,806,623)	(204,201,259)
Payments to employees	(449,299,559)	(429,268,293)
Payments for benefits	(149,104,408)	(145,812,607)
Other receipts, net	13,396,280	6,697,091
Net Cash Used in Operating Activities	(314,067,969)	(312,508,006)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	322,996,059	325,566,212
Gifts	22,989,941	23,711,662
Other nonoperating expenses, net	(535,366)	(1,019,853)
Net Cash Provided from Noncapital Financing Activities	345,450,634	348,258,021
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds	150,000,000	-
State debt service commitment	100,743,059	98,832,438
Purchases of property and equipment	(51,171,301)	(63,552,008)
Proceeds from sale of property and equipment	396,048	-
Principal paid on debt and bonds payable	(71,859,929)	(73,329,800)
Interest paid on debt and bonds payable	(49,733,299)	(52,088,551)
Capital grants and gifts	2,182,405	148,634
Net Cash Provided from (Used in) Capital Financing Activities	80,556,983	(89,989,287)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(36,942)	1,365,114
Interest on investments	5,164,818	11,488,412
Deposits with bond trustee	(94,626,298)	64,169,954
Net Cash Provided from (Used in) Investing Activities	(89,498,422)	77,023,480
INCREASE IN CASH AND CASH EQUIVALENTS	22,441,226	22,784,208
BEGINNING CASH AND CASH EQUIVALENTS	219,242,168	196,457,960
ENDING CASH AND CASH EQUIVALENTS	$ 241,683,394	$ 219,242,168
ACCOMPANYING SCHEDULE OF NON-CASH TRANSACTIONS		
Obligations under capital leases	$ 322,112	$ 51,198

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2009 and 2008

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

	2009	2008
Operating Loss	$ (406,428,331)	$ (402,337,433)
Adjustments to Reconcile Operating Loss to Net Cash		
Used in Operating Activities:		
Depreciation expense	89,556,846	100,186,738
Property and equipment	4,928,119	1,616,376
Investments	(100,000)	-
Changes in Assets and Liabilities:		
Receivables, net	349,937	9,334,816
Inventories	(296,971)	85,311
Prepaid expenses	2,300,601	(4,848,646)
Accounts payable, wages payable and compensated absences	3,679,835	(2,396,667)
Deferred income	(2,284,155)	(1,540,806)
Deferred charges	1,425	152,645
Deposits	736,836	7,590
Due from State of Connecticut	9,425,250	2,771,368
Due to affiliate	(18,327,996)	(13,799,733)
Due from related agencies	(76,858)	1,996
Other liabilities	2,684,467	(2,423,390)
Loans to students and employees	(216,974)	681,829
Net Cash Used in Operating Activities	$ (314,067,969)	$ (312,508,006)

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF CONNECTICUT
COMPONENT UNIT
THE UNIVERSITY OF CONNECTICUT LAW SCHOOL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2009 and 2008

ASSETS	2009	2008
Current Assets		
Cash and cash equivalents	$ 769,736	$ 686,860
Investments	12,589,103	15,137,921
Pledges receivable, net of allowance	554,072	625,059
Other receivable	75,230	67,900
Prepaid expenses	20,122	-
Total Current Assets	14,008,263	16,517,740
Property and equipment, net of accumulated depreciation of $97,856 for 2009 and $88,248 for 2008	26,412	20,021
Total Assets	$ 14,034,675	$ 16,537,761
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	$ 2,403	$ 1,515
NET ASSETS		
Unrestricted	1,157,947	1,242,789
Temporarily restricted	1,141,320	3,965,419
Permanently restricted	11,733,005	11,328,038
Total Net Assets	14,032,272	16,536,246
Total Liabilities and Net Assets	$ 14,034,675	$ 16,537,761

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
REVENUES AND SUPPORT					
Contributions and grants	$ 405,353	$ 116,621	$ 404,967	$ 926,941	$ 1,095,394
Interest and dividends	28,344	438,173	-	466,517	584,120
Realized and unrealized gains and losses	(271,487)	(2,362,735)	-	(2,634,222)	(1,382,141)
Net assets released from restrictions	1,016,158	(1,016,158)	-	-	-
Total Revenues and Support	1,178,368	(2,824,099)	404,967	(1,240,764)	297,373
EXPENSES					
Program Expenses					
Scholarships and awards	197,150	-	-	197,150	185,391
Student support and faculty support	476,622	-	-	476,622	894,096
Alumni and graduate relations	121,905	-	-	121,905	96,960
Total Program Expenses	795,677			795,677	1,176,447
Support Expenses					
Management and general	379,925	-	-	379,925	436,178
Fundraising	87,608	-	-	87,608	80,350
Total Support Expenses	467,533	-	-	467,533	516,528
Total Expenses	1,263,210	-	-	1,263,210	1,692,975
Changes in Net Assets	(84,842)	(2,824,099)	404,967	(2,503,974)	(1,395,602)
Net Assets-beginning of year	1,242,789	3,965,419	11,328,038	16,536,246	17,931,848
Net Assets-end of year	$ 1,157,947	$ 1,141,320	$ 11,733,005	$ 14,032,272	$16,536,246

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University of Connecticut and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. This financial report for the fiscal years ended June 30, 2009 and 2008 represents the transactions and balances of the University, here defined as all programs except the Health Center.

Two related, but independent, corporate entities support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) (see Note 12) and The University of Connecticut Law School Foundation, Inc. (Law School Foundation). These Foundations raise funds to promote, encourage, and assist education and research at the University and the Health Center.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires that legally separate and tax exempt entities be presented as component units of the reporting entity if they meet all of the following criteria: the economic resources of the organization are entirely or almost entirely for the direct benefit of the reporting unit; the reporting unit is entitled to access all or a majority of the economic resources received or held by the organization; and the economic resources received or held by the organization are significant to the reporting unit. As a result, the Law School Foundation, which is organized for the benefit of the University and whose economic resources can only be used by or for the benefit of the University, is included as a component unit of the University.

The Foundation materially supports the mission of the University and the Health Center, which are both separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

Financial Statement Presentation

The financial statements have been prepared using the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The University has the option to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Effective July 1, 2001, the University adopted GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. GASB Statement No. 35 establishes standards for financial reporting for public colleges and universities. These reporting standards focus on the University as a whole rather than on accountability by individual fund groups and provide accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. To that end, GASB requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, and reduced by outstanding principal balances of bonds (net of state debt service commitment) and notes that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted nonexpendable:** Represents endowment and similar type assets in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may be expended or reinvested in principal.

- **Restricted expendable:** Net assets that are expendable but where the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.

- **Unrestricted:** Consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." These assets are not subject to externally imposed stipulations. These assets, while not restricted, are generally designated to support instruction, research, auxiliary enterprises, capital projects, and retirement of indebtedness (see Note 15).

Expenses are charged to either restricted or unrestricted net assets based on a variety of factors, including consideration of prior or future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted by most universities as of July 1, 2007. The state funds the postretirement benefits of University employees and, therefore, no liability is recorded in the University's financial statements (see Note 8).

For reporting periods beginning after June 15, 2005, GASB Statement No. 47, *Accounting for Termination Benefits*, is required for universities. This statement requires employers to recognize a liability and expense for voluntary termination benefits when the termination offer is accepted and the amount of the benefits can be estimated. Any pension liability related to early retirement is the state's responsibility and therefore none is recorded by the University (see Note 6). However, an accrual for compensated absences is recorded as of June 30, 2009 in the Statements of Net Assets that includes a component that is related to a retirement incentive plan (see Note 7).

Effective for reporting periods beginning after December 15, 2006, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* requires the University to disclose in the notes to the financial statements additional information about pledged revenues (see Note 5).

The University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* as of July 1, 2007. This statement requires that outlays for pollution remediation obligations should be accrued as a liability and expensed if reasonably estimable, and disclosed in the notes to the financial statements (see Note 4).

GASB Statement No. 50, *Pension Disclosures,* was adopted by most universities as of July 1, 2007. This statement expands the footnote disclosures required for pension obligations in GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The state is responsible for and separately funds the pension benefits of University employees. Therefore, no liability is recorded in the University's financial statements (see Note 6).

The University adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* as of July 1, 2008. This statement requires that certain intangible assets are identified and recorded as capital assets. The University capitalizes certain costs related to internally generated software as capital assets according to the provisions of this statement (see Note 4).

Certain reclassifications were made to the Statements of Revenue, Expense and Changes in Net Assets and the Statements of Cash Flows for the year ended June 30, 2008 to reflect changes in the classification of operating expenses. These changes have no effect on net assets and ending cash balance for the year ended June 30, 2008.

The University follows the "business-type activities" (BTA) requirements of GASB 35. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services. All significant intra-agency transactions have been eliminated.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained internally following the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Cash Equivalents (see Note 2)

For the purposes of the Statements of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State of Connecticut Treasurer's Short Term Investment Fund are considered cash equivalents.

Investments (see Note 2)

The University accounts for its investments at fair value in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. Changes in the unrealized gain (loss) on the carrying value are recorded in Nonoperating Revenues (Expenses) in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets. Noncurrent investments are externally restricted by donors or outside sources that have stipulated as a condition of the gift instrument that the principal be maintained inviolate and in perpetuity. Noncurrent investments also include those amounts restricted by creditors for certain debt service payments (see Note 5).

Accounts Receivable (see Note 3)

Accounts receivable consist of tuition, fees, and auxiliary enterprises service fees charged to students, faculty, staff and others, and amounts due from state and federal governments for grants and contracts. Accounts receivable are recorded net of an estimated allowance for doubtful accounts.

Inventories

Consumable supplies are expensed when received with the exception of certain central inventories. Inventory is valued at cost as determined by various methods, including the first-in, first-out method.

Deposit with Bond Trustee (see Note 5)

Tax-exempt bond proceeds are deposited to various accounts held by the Trustee Bank as required by certain trust indentures. The funds are invested and disbursed as directed by the University. The University's bond proceeds investment policy is to balance an appropriate risk-return level, heavily weighted towards safety of assets, as defined and permitted under the relative indentures and Connecticut General Statutes.

The University directs the Trustee Bank to invest UCONN 2000 General Obligation construction fund proceeds in the State Treasurer's Short Term Investment Fund. Similarly, the University has directed the Trustee Bank to invest the debt services funds for the Special Obligation Bonds in dedicated Short Term Investment Fund accounts. The 1998 Special Obligation Special Capital Reserve Fund, which can be invested in various Investment Obligations as defined in the Special Obligation Indenture of Trust, is wholly invested in the Short Term Investment Fund.

Investment earnings from UCONN 2000 General Obligation bond proceeds are retained by the State Treasurer's Office and do not flow to the University or to the Trustee Bank. The Student Fee Revenue Bonds investment earnings are part of the Pledged Revenues and are directly retained by the Trustee Bank to pay debt service on the bonds or for other indenture permitted purposes. The earnings on the UCONN 2000 General Obligation Debt Service Commitment Refunding Bonds, Series 2004-A, 2006-A and 2007-A, and the Special Obligation Student Fee Revenue Refunding Series 2002-A Redemption Fund escrow, form part of the irrevocable escrows and are used by the Trustee Bank to meet the debt service payments on the defeased bonds until called.

Also included in the accompanying Statement of Net Assets in deposit with bond trustee, is the remaining portion of an advance request that the University received related to the lease purchase agreement for the cogeneration plant construction project at the University. Although these funds are not held by the Trustee Bank, they are invested in a dedicated State Treasurer's Short Term Investment Fund or Tax Exempt Proceeds Fund, and are invested and disbursed as directed by the University similar to bond proceeds (see Note 5).

Deferred Charges – Current and Noncurrent (see Note 10)

Deferred charges consist of payments made in advance of revenues being earned. Deferred charges also represent the cost of issuance which will be amortized over the terms of the respective bond issues.

Noncurrent Cash and Cash Equivalents (see Note 2)

Noncurrent cash and cash equivalents are related to endowment assets and are externally restricted as to use.

Property and Equipment (see Note 4)

Property and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Renovations that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance, and certain library materials, are charged to operating expense in the year the expenditure was incurred. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years.

Deferred Income (see Note 10)
Deferred income includes amounts received for services rendered in a future accounting period including tuition and fee revenues and event ticket sales. It also includes amounts received for certain restricted research grants that are included in revenue when the funds are expended.

Compensated Absences (see Note 7)
Employee vacation and sick leave is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statements of Net Assets and in the various expense functions on the Statements of Revenues, Expenses, and Changes in Net Assets. The liability for compensated absences is also classified as current and noncurrent based on the amount estimated to be paid to employees in one year and beyond one year.

Noncurrent Liabilities
Noncurrent liabilities include the long-term portion of compensated absences, deposits held for others that are included in the assets of the University, principal payments due on bonds (net of unamortized premiums and discounts), loans and capital leases with a maturity of more than one year, and governmental advances for revolving loan programs that would be returned to the federal government upon cessation of the student loan program.

Revenues and Expenses
Operating revenues consist of tuition and fees, state and federal grants and contracts, sales and services of educational activities, auxiliary enterprises revenue and other sources of revenue. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. Restricted grant revenue that does not meet the nonexchange transaction definition is recognized to the extent expended or in the case of fixed price contracts, when the contract terms are met or completed.

Operating expenses, except for depreciation and other operating expenses, are reported using functional classification, including those under educational and general and auxiliary enterprises. See Note 14 for operating expenses by object. All other revenues and expenses of the University are reported as nonoperating revenues and expenses including state appropriation and debt service commitment, noncapital gifts, investment income, and interest expense, and other changes in net assets. Revenues are recognized when earned and expenses are recognized when incurred.

GASB No. 35 requires that revenues be reported net of discounts and scholarship allowances. Student aid for scholarships and fellowships, recorded in the Statements of Revenues, Expenses and Changes in Net Assets, includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance and deducted from the University's revenues. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

Component Unit
The Law School Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the Law School Foundation's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions.

- **Temporarily Restricted Net Assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Law School Foundation and/or passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

- **Permanently Restricted Net Assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Law School Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Investments are reported at fair value based upon quoted market prices.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 40 requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as they relate to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name.

The University's total cash and cash equivalents balance was $241,683,394 and $219,242,168 as of June 30, 2009 and 2008, respectively, and included the following:

	2009	2008
Cash maintained by State of Connecticut Treasurer	$ 218,195,602	$ 194,718,834
Invested in State of Connecticut Investment Pool	18,730,752	20,152,054
Invested in State of Connecticut Investment Pool - Endowments	1,471,795	1,468,489
Invested in Short-term Corporate Notes	2,772,576	2,063,521
Deposits with Financial Institutions and Other	512,669	839,270
Total cash and cash equivalents	241,683,394	219,242,168
Less: current balance	240,211,599	217,773,679
Total noncurrent balance	$ 1,471,795	$ 1,468,489

Collateralized deposits are protected by Connecticut statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio – a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut are insured by the Federal Deposit Insurance Corporation or collateralized. As a state agency, the University benefits from this protection, though the extent to which the deposits of an individual state agency such as the University are protected cannot be readily determined.

The University's cash management investment policy permits the University to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts. The $18,730,752 and $1,471,795 invested in the State of Connecticut Investment Pool is invested by the State Treasurer in its Short-term Investment Fund and had a Standard and Poor's rating of AAAm during fiscal year 2009. The $2,772,576 invested in Short-term Corporate Notes includes repurchase agreements held with a financial institution and is collateralized by the Federal National Mortgage Association with an AAA Standard and Poor's rating.

The University designated the Foundation as the manager of the University's endowment funds. Gifts that are internally designated as endowments, and externally designated endowment gifts that are to be processed for transfer to the Foundation, are included in cash and cash equivalents (see table above for total amounts). The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments, the policies and procedures of the University and State of Connecticut statutes. The University's governing board may appropriate for expenditure, according to the uses and purposes for which the endowment fund was established, a portion of the realized or unrealized appreciation in the fair value of the endowment fund over the historic dollar value of the fund.

The Foundation's pooled endowment portfolio is professionally managed on a total return basis. Each quarter, an amount equal to 1.0625% (4.25% per annum) of the prior twelve-quarter average unitized market value will be distributed for spending in accordance with the respective purposes of the individual endowment funds. Spending distributions may be made from current or accumulated investment return, and calculations for individual endowment funds will be performed on a unitized basis. If an individual endowment fund does not have sufficient funds to support its computed spending allocation from the current period net total return and/or from accumulated gains from prior periods, the amount allocated for spending will be limited to the interest and dividends of the fund from the current period.

The cost and fair value of the University's investments including those managed by the Foundation at June 30, 2009 and 2008 are:

	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Endowments:				
Foundation Managed	$ 9,426,073	$ 9,347,425	$ 9,387,131	$ 12,308,361
Corporate Bonds	-	-	2,000	2,000
Other:				
Campus Associates Limited Partnership Interest	149,848	149,848	-	-
Total Investments	$ 9,575,921	$ 9,497,273	$ 9,389,131	$ 12,310,361

University endowment investments are managed by the Foundation in its pooled portfolio, which is actively managed by professional investment managers as determined by the Investment Committee of the Foundation's Board of Directors. The Foundation has established asset allocation guidelines for its pooled investment portfolio, which provides that the maximum exposure with any one manager would be 20% for liquid assets and 5% for illiquid assets. The Foundation Board of Directors also established an asset allocation policy for the long-term pooled investment portfolio (see following table). The Foundation expects that portfolios will be invested in only the strategies described in the table, not above or below the individual strategy percentage and its total percentage by objective, unless otherwise specified by its Board of Directors.

Investment Objective/Strategies	Allocation Range as Percentage of Market Value
Growth	
High yield fixed income	0% - 10%
Global equities – high beta	20% - 60%
Private capital	0% - 20%
Long/short equities	0% - 15%
Global macro strategies	0% - 10%
Event driven strategies (ex diversified)	0% - 10%
Real estate (public & private)	0% - 10%
Other opportunistic	0% - 10%
Total Growth	40% - 85%
Inflation Hedge	
TIPS	0% - 10%
Natural resources/commodities	0% - 15%
Other inflation hedging strategies	0% - 10%
Total Inflation Hedge	5% - 25%
Risk Minimizing	
Investment grade fixed income	0% - 20%
Relative value/Event driven (diversified)	0% - 15%
Cash equivalents	0% - 10%
Other low volatility strategies	0% - 10%
Total Risk Minimizing	5% - 40%

The endowments invested with the Foundation are subject to risk due to the uncollateralized nature of most of its investments. Certain investments of the Foundation include external investment pools. The bond mutual funds had average credit quality of Aa2/AA (Moody's and Standard and Poor's) and pooled investments of high yield fixed income had an average credit quality of B1/B+ (Moody's and Standard and Poor's). A portion of the University's endowment pool is also invested with WCM Investment Management (WCM) in a separate account with U.S. Bank as custodian, and inherent in such investments is custodial credit risk. These investments are all publicly traded U.S. equities and money market accounts and are uncollateralized. The value of the equities at June 30, 2009 and 2008 was $149,147 and $217,179, respectively. The money market balance held in the account available for WCM to use for purchases was $2,397 at June 30, 2009 and $3,971 at June 30, 2008. The University's endowment invested by the Foundation also has investments in foreign publicly traded equities totaling $861,556 and $2,600,366 and there are amounts included in private capital investments totaling approximately $1,194,641 and $1,311,703 at June 30, 2009 and 2008, respectively.

Certain other funds are held by outside fiscal agents and are not under the direct control of the University. Accordingly, the assets of these funds are not included in the financial statements. The fair value of these funds was $10,260,341 and $12,613,173 as of June 30, 2009 and 2008, respectively. Investment income earned on these assets is transferred to the University in accordance with applicable trust agreements. Income received from those sources for the years ended June 30, 2009 and 2008 was $467,853 and $515,368, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 and 2008 consisted of the following:

	2009	**2008**
Grants and contracts	$ 16,864,814	$ 18,412,847
Recovery of costs related to corrective work	-	500,000
Student and general	15,701,380	15,396,343
Investment income	311,304	1,221,532
Allowance for doubtful accounts	(4,517,795)	(4,726,891)
Total accounts receivable, net	$ 28,359,703	$ 30,803,831

4. PROPERTY AND EQUIPMENT

Land, buildings, non-structural improvements, and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Any gains or losses on the exchange are recognized immediately.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years. Library materials have an estimated useful life of 15 years. The value of library materials, before depreciation, is $77,947,457 and $76,435,763 at June 30, 2009 and 2008, respectively. Historical collections and art are recognized at their estimated fair values at the time of donation, and are not depreciated. Historical collections and art totaled $50,815,253 and $49,587,345 at June 30, 2009 and 2008, respectively. Capitalized software has an estimated life of 5 years. The value of capitalized software, before depreciation, is $25,028,075 and $21,657,933 at June 30, 2009 and 2008, respectively. Library materials, historical collections and art, and capitalized software are all included in equipment in the schedule of Changes in Property and Equipment.

For the year ended June 30, 2009, a total of $16,472,807 was expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in other operating expenses for a project to correct structural deficiencies related to the construction of the Law School Library building. These expenditures will not increase the value of the building or extend its useful life. While the University intends to pursue remedies from the construction and design professionals involved in the original construction of the building, the total amount that may be recovered is unknown as of the date of these financial statements.

In the accompanying Statements of Net Assets, an accrual for estimated expenditures totaling $499,541 and $2,728,102 at June 30, 2009 and 2008, respectively, is recorded in other current liabilities to complete a project to close and remediate an existing landfill. The project involves capping and diversion of water from its vicinity, and expenditures primarily include professional fees, preparation for capping, and contouring of surrounding land. The total project expenditures of

$28,123,049 have been expensed in other operating expenses from fiscal year ending June 30, 2004 through fiscal year ending June 30, 2009.

For the year ended June 30, 2008, a total of $695,325 was expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in other operating expenses for estimated outlays to remove contaminated soil from the old Waterbury campus in accordance with the provisions of GASB Statement No. 49. At June 30, 2009 and 2008, an accrual for estimated costs to complete the remediation totaling $624,892 and $656,191, respectively, is recorded in other current liabilities in the Statement of Net Assets.

For the years ended June 30, 2009 and 2008, a total of $8,652,156 and $11,551,156, respectively, was expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in other operating expenses for inspections, fire and safety code updates and other corrective action needed in order to achieve safety goals for all buildings. At June 30, 2009 and 2008, an accrual for estimated expenditures to complete these projects totaling $15,492,877 and $9,922,043, respectively, is recorded in other current liabilities in the Statement of Net Assets. While the University intends to pursue the recovery of costs related to the code updates and corrective work, the total amount to be recovered is unknown as of the date of these financial statements.

The following table describes the changes in property and equipment for the years ended June 30, 2009 and 2008.

Changes in Property and Equipment for the Year Ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Transfers and Other	Balance June 30, 2009
Property and equipment:					
Land	$ 14,826,476	$ -	$ -	$ -	$ 14,826,476
Non-structural Improvements	188,051,215	4,896,762	-	809,208	193,757,185
Buildings	1,571,665,366	10,219,659	(49,437)	8,488,728	1,590,324,316
Equipment	439,555,454	19,221,282	(32,392,201)	-	426,384,535
Construction in Progress	23,758,837	8,723,969	-	(9,297,936)	23,184,870
Total property and equipment	2,237,857,348	43,061,672	(32,441,638)	-	2,248,477,382
Less accumulated depreciation:					
Non-structural Improvements	75,863,612	8,047,020	-	-	83,910,632
Buildings	453,206,775	56,705,976	(30,302)	-	509,882,449
Equipment	249,643,155	24,803,850	(31,576,855)	-	242,870,150
Total accumulated depreciation	778,713,542	89,556,846	(31,607,157)	-	836,663,231
Property and equipment, net:					
Land	14,826,476	-	-	-	14,826,476
Non-structural Improvements	112,187,603	(3,150,258)	-	809,208	109,846,553
Buildings	1,118,458,591	(46,486,317)	(19,135)	8,488,728	1,080,441,867
Equipment	189,912,299	(5,582,568)	(815,346)	-	183,514,385
Construction in Progress	23,758,837	8,723,969	-	(9,297,936)	23,184,870
Property and equipment, net:	$ 1,459,143,806	$ (46,495,174)	$ (834,481)	$ -	$ 1,411,814,151

Changes in Property and Equipment for the Year Ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Transfers and Other	Balance June 30, 2008
Property and equipment:					
Land	$ 14,806,476	$ 20,000	$ -	$ -	$ 14,826,476
Non-structural Improvements	183,705,201	2,937,588	-	1,408,426	188,051,215
Buildings	1,551,130,347	12,803,261	-	7,731,758	1,571,665,366
Equipment	413,069,080	41,490,152	(15,003,778)	-	439,555,454
Construction in Progress	17,043,892	15,855,129	-	(9,140,184)	23,758,837
Total property and equipment	2,179,754,996	73,106,130	(15,003,778)	-	2,237,857,348
Less accumulated depreciation:					
Non-structural Improvements	67,912,338	7,951,274	-	-	75,863,612
Buildings	395,282,256	57,924,519	-	-	453,206,775
Equipment	229,461,151	34,310,945	(14,128,941)	-	249,643,155
Total accumulated depreciation	692,655,745	100,186,738	(14,128,941)	-	778,713,542
Property and equipment, net:					
Land	14,806,476	20,000	-	-	14,826,476
Non-structural Improvements	115,792,863	(5,013,686)	-	1,408,426	112,187,603
Buildings	1,155,848,091	(45,121,258)	-	7,731,758	1,118,458,591
Equipment	183,607,929	7,179,207	(874,837)	-	189,912,299
Construction in Progress	17,043,892	15,855,129	-	(9,140,184)	23,758,837
Property and equipment, net:	$ 1,487,099,251	$ (27,080,608)	$ (874,837)	$ -	$ 1,459,143,806

5. LONG-TERM DEBT PAYABLE

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act). This Act amended Public Act No. 95-230 that enabled the University to borrow money in its own name for a special ten year capital improvement program (UCONN 2000) designed to modernize, rehabilitate, and expand the physical plant of the University. The Act extended the UCONN 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. The original Public Act No. 95-230 authorized projects for Phases I and II of UCONN 2000, estimated to cost \$1,250,000,000, of which \$962,000,000 was to be financed by bonds of the University; \$18,000,000 was to be funded by State General Obligation bonds; and the balance of \$270,000,000 to be financed by gifts, other revenue, or borrowing resources of the University. The new Act authorized additional projects for the University and the Health Center for what is called Phase III of UCONN 2000 at an estimated cost of \$1,348,400,000, of which \$1,300,000,000 is to be financed by bonds of the University and \$48,400,000 is to be financed by the issuance of special obligation bonds of the University, from gifts, other revenue or borrowing resources of the University, or through the deferring of projects or achieved savings. The project costs authorized are \$305,400,000 for the Health Center and \$1,043,000,000 for the University. The UCONN 2000 program, including Phases I, II and III, is estimated to total \$2,598,400,000.

General obligation bonds issued to finance UCONN 2000 projects as of June 30, 2009 are (see page 36 for outstanding balances):

1996 Series A	$ 83,929,715
1997 Series A	124,392,432
1998 Series A	99,520,000
1999 Series A	79,735,000
2000 Series A	130,850,000
2001 Series A	100,000,000
2002 Series A	100,000,000
2003 Series A	96,210,000
2004 Series A	97,845,000
2005 Series A	98,110,000
2006 Series A	77,145,000
2007 Series A	89,355,000
2009 Series A	144,855,000
Total issued	$ 1,321,947,147

The University has also issued several series of general obligation refunding bonds, providing debt service savings for bonds refunded in advance of maturity. Sufficient proceeds were deposited to irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt (see Note 1). These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the state to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any revenues for the payment of these bonds. Under the Master Indenture, the University expects to issue additional bonds to finance UCONN 2000 projects secured by the State Debt Service Commitment.

The 2009 Series A bonds principal amount of \$144,855,000 recorded as state debt service commitment for principal, together with part of the original issue premium, resulted in total construction fund proceeds of \$150,000,000. The proceeds included \$39,945,000 to finance projects for the Health Center. As noted above, Phase III of UCONN 2000 includes a commitment to fund projects totaling \$305,400,000 for the Health Center. As bonds are issued, the amount of the commitment for the Health Center is reflected as an offset to the revenue for the University. In fiscal year 2009 this offset totaled \$39,945,000 resulting in net revenue of \$104,910,000 recorded in the Other Changes in Net Assets section of the Statements of Revenues, Expenses, and Changes in Net Assets of these financial statements. A corresponding liability is recorded in due to affiliate in the Statement of Net Assets for the unspent portion of the bonds due to the Health Center (\$35,488,325 and \$13,871,320 at June 30, 2009 and 2008, respectively). Also, for the years ended June 30, 2009 and 2008, nonoperating revenues include state debt service commitment for interest on general obligation bonds of \$37,843,218 and \$39,525,537, respectively. There were no bonds issued in fiscal year 2008.

The University may also issue Special Obligation bonds backed by certain pledged revenues of the University. Certain Special Obligation bonds may also be secured by the State's Special Capital Reserve Fund, which enables state funds to be used to pay debt service if the University does not meet its obligation. On February 4, 1998, the University issued $33,560,000 of the Student Fee Revenue Bonds 1998 Series A to fund $30,000,000 of the South Campus Project, $2,126,425 of a Special Capital Reserve Fund held by the Trustee Bank, and the remainder to pay costs of issuance, including the underwriters' discount. The Special Capital Reserve Fund is invested in the State Treasurer's Short-term Investment Fund and held by the Trustee Bank pursuant to the Indenture and restrictions thereof. The bonds have a final maturity of November 15, 2027.

The 2000 Series A bonds dated May 15, 2000 represented the second series of Special Obligation bonds issued in the amount of $89,570,000. Bond proceeds funded three UCONN 2000 projects: Hilltop Dormitory at $21,000,000, Hilltop Student Rental Apartments at $42,000,000 and Parking Garage South at $24,000,000. These bonds were refunded in advance of maturity in fiscal year 2002 with the issuance of Student Fee Revenue Bonds 2002 Refunding Series A on February 27, 2002 in the amount of $96,130,000 and have a final maturity of November 15, 2029. Consistent with general obligation bond refundings, the proceeds are deposited into an escrow account to meet all obligations.

On February 14, 2002, the University issued $75,430,000 of the Student Fee Revenue Bond 2002 Series A to fund five UCONN 2000 projects: Alumni Quadrant Renovations at $7,000,000, Shippee/Buckley Renovations at $5,000,000, East Campus North Renovations at $1,000,000, Towers Renovations (including Greek Housing) at $14,180,000, and North Campus Renovations at $45,000,000. The bonds have a final maturity of May 15, 2030.

The State of Connecticut issues certain general obligation bonds that are categorized as self-liquidating bonds. These bonds were issued to fund the construction and renovations of revenue-generating capital projects. The University reimburses the state primarily with revenue from student fee charges in the amount equal to the debt service on self-liquidating bonds.

The Special Obligation bonds are secured by certain pledged revenues, as defined in the indenture, including gross and net revenue amounts. The total gross and net pledged revenues of the University are approximately $59,247,000 and $52,108,000 in fiscal years 2009 and 2008, respectively. Gross pledged revenues include the infrastructure maintenance fee and the general university fee plus investment income on the bond accounts held by the Trustee Bank, prior to any payments, deductions, offsets, or provisions. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, the board (dining) fee, and the parking and transportation fees, after providing for the cost of maintaining, repairing, insuring, and operating the facilities for which the fees are imposed. Special Obligation bond investment earnings amounted to approximately $42,000 and $130,000 for the fiscal years ending June 30, 2009 and 2008, respectively. These investment earnings are part of the pledged revenues and are directly retained by the Trustee Bank to pay debt service on the Special Obligation bonds. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt, including the U.S. Department of Education loan. The University has covenanted to collect in each fiscal year fees representing pledged revenues so that the sum of gross and net revenue amounts is no less than 1.25 times the debt service requirements in such fiscal year for the Special Obligation bonds.

As of June 30, 2009 and 2008, the total principal and interest remaining to be paid on all Special Obligation bonds are $279,505,200 and $292,714,151, respectively. The total amount paid by pledged revenues for this debt for principal were $4,500,000 and $4,325,000, and for interest were $8,708,951 and $8,885,721 at June 30, 2009 and 2008, respectively.

In December 2003, the University entered into a lease purchase agreement for a project to provide on-site generation of electricity, steam and chilled water for heating and cooling for the University at its Storrs campus. The project initially assumed a total cost of $75,000,000 and included construction of a building, engineering, design and installation of certain equipment at the Storrs campus. The lease was amended in August, 2005 as a result of an increase in the total anticipated cost to $81,900,000. In December 2005, the University requested a final advance from the lessor related to this lease purchase agreement. At June 30, 2009 and 2008, $0 and $61,210, respectively, of the unspent advance are included in deposit with bond trustee in the Statements of Net Assets. Although these funds are not held by the Trustee Bank, they are invested in a dedicated State Treasurer's Short Term Investment Fund or Tax Exempt Proceeds Fund, and are invested and disbursed as directed by the University similar to bond proceeds (see Note 1). With the amendment, monthly payments of $471,254 increased to $517,135. Payments began January, 2006 and the lease matures 20 years from commencement with interest at a nominal rate of 4.42% on the first $75,000,000 and 5.09% for the last $6,900,000 of advances. Amounts advanced by the lessor include capitalized interest during construction, and are reflected as long-term debt in the accompanying financial statements. At the completion of the lease term, the University has an option to purchase the project assets for one dollar.

During fiscal year 2009, the University purchased a unit in Campus Associates Limited Partnership for $49,848. The related loan is included in long-term debt in the accompanying financial statements.

Net unamortized premium, discounts and debt difference due to refundings are recorded as additions to the face value of bonds payable. These amounts are amortized using the straight-line basis over the life of the bonds, reducing interest expense for premiums and increasing it for discounts.

Long-term debt activity, including refunding of debt, for the years ended June 30, 2009 and 2008 was as follows:

Long-term Debt Activity for the Year Ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
General Obligation Bonds	$ 763,413,355	$ 144,855,000	$ (63,323,640)	$ 844,944,715	$ 64,777,274
Revenue Bonds	177,330,000	-	(4,500,000)	172,830,000	4,695,000
Self Liquidating Bonds	5,808,324	32,484	(1,055,124)	4,785,684	993,466
Installment Loans	177,491	322,112	(120,336)	379,267	63,719
Obligation Under Capital Lease for Cogeneration	75,196,110	-	(2,898,221)	72,297,889	3,030,571
Campus Associates Limited Partnership Loan	-	49,848	(12,500)	37,348	24,894
Total long-term debt	1,021,925,280	145,259,444	(71,909,821)	1,095,274,903	73,584,924
Premiums/discounts/debt difference due to refunding	13,726,563	6,312,563	(1,214,441)	18,824,685	1,468,887
Total long-term debt, net	$ 1,035,651,843	$ 151,572,007	$ (73,124,262)	$1,114,099,588	$ 75,053,811

Long-term Debt Activity for the Year Ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
General Obligation Bonds	$ 823,132,147	$ -	$ (59,718,792)	$ 763,413,355	$ 63,323,640
Revenue Bonds	181,655,000	-	(4,325,000)	177,330,000	4,500,000
Self Liquidating Bonds	7,021,902	1,017,209	(2,230,787)	5,808,324	1,017,733
U.S. Dept. of Ed. Towers Loan	1,647,906	-	(1,647,906)	-	-
Installment Loans	867,844	51,198	(741,551)	177,491	85,069
Obligation Under Capital Lease for Cogeneration	77,967,770	-	(2,771,660)	75,196,110	2,898,221
Financial Accelerator Loan	2,946,710	-	(2,946,710)	-	-
Total long-term debt	1,095,239,279	1,068,407	(74,382,406)	1,021,925,280	71,824,663
Premiums/discounts/debt difference due to refunding	14,910,860	-	(1,184,297)	13,726,563	1,148,134
Total long-term debt, net	$ 1,110,150,139	$ 1,068,407	$ (75,566,703)	$1,035,651,843	$ 72,972,797

Long-term debt outstanding at June 30, 2009 and 2008 consisted of the following:

Type of Debt and Issue Date	Type of Issue	Principal Payable	Maturity Dates Through Fiscal Year	Interest Rate	Balance 2009	Balance 2008
Bonds:						
GO 1996 Series A	original	annually	2011	5.05-5.1%	$ 4,369,715	$ 4,369,715
GO 1997 Series A	original	annually	2009	5.30%	-	3,553,640
GO 1999 Series A	original	annually	2012	4.3-4.5%	13,000,000	19,000,000
GO 2000 Series A	original	annually	2010	5.0%	6,550,000	15,825,000
GO 2001 Series A	original	various	2021	4.0-4.75%	20,675,000	25,675,000
GO 2002 Series A	original	annually	2012	4.0-4.46%	15,000,000	20,000,000
GO 2003 Series A	original	annually	2023	2.3-4.4%	37,205,000	41,930,000
GO 2004 Series A	original	annually	2024	2.5-5.0%	73,370,000	78,265,000
GO 2004 Ref. Series A	refund	annually	2020	3.9-5.0%	203,080,000	212,285,000
GO 2005 Series A	original	annually	2025	3.25-3.7%	76,870,000	83,410,000
GO 2006 Series A	original	annually	2026	3.45-5.0%	65,570,000	69,430,000
GO 2006 Ref. Series A	refund	various	2020	4.75-5.0%	59,555,000	59,555,000
GO 2007 Series A	original	annually	2027	3.5-5.0%	78,815,000	84,085,000
GO 2007 Ref. Series A	refund	various	2022	5.0%	46,030,000	46,030,000
GO 2009 Series A	original	annually	2029	2.0-5.0%	144,855,000	-
Total General Obligation Bonds					844,944,715	763,413,355
Rev 1998 Series A	original	annually	2028	4.3-5.125%	26,010,000	26,840,000
Rev 2002 Series A	original	annually	2030	3.95-5.25%	64,305,000	66,050,000
Rev 2002 Ref. Series A	refund	annually	2030	4.0-5.25%	82,515,000	84,440,000
Total Revenue Bonds					172,830,000	177,330,000
March 1993	original	annually	2012	5.4-5.5%	195,000	260,000
October 1993	refund	various	2012	6.0%	205,690	205,690
March 1994	original	annually	2010	5.5%	76	112
August 1994	original	annually	2009	5.8%	-	9
September 1997	refund	annually	2009	5.0-5.5%	-	75,066
February 1998	refund	annually	2009	4.5%	-	2,193
June 2001	refund	annually	2016	4.4 -5.5%	633,610	892,056
November 2001	refund	various	2014	3.6-5.13%	1,174,156	1,313,541
June 2002	refund	annually	2010	5.0 -5.5%	296,248	593,151
August 2002	refund	various	2016	3.5-5.5%	551,867	551,867
December 2003	refund	annually	2011	5.0%	420,003	638,089
April 2005	refund	various	2017	4.38-5.25%	274,800	274,800
December 2007	refund	annually	2015	3.5-5.0%	1,001,750	1,001,750
March 2009	refund	annually	2010	2.0%	32,484	-
Total Self-Liquidating Bonds					4,785,684	5,808,324
Total Bonds					1,022,560,399	946,551,679
Loans and other debt:						
Installment Loans		various	various	1.0-5.604%	379,267	177,491
Obligation Under Capital Lease for Cogeneration		monthly	2026	4.42-5.09%	72,297,889	75,196,110
Campus Associates Limited Partnership Loan		Semi-annually	2011	0.75%	37,348	-
Total loans and other					72,714,504	75,373,601
Total bonds, loans and installment purchases					1,095,274,903	1,021,925,280
Premiums/discounts/debt difference due to refunding					18,824,685	13,726,563
Total bonds, loans and installment purchases, net					1,114,099,588	1,035,651,843
Less: current portion, net					75,053,811	72,972,797
Total noncurrent portion, net					$1,039,045,777	$ 962,679,046

Long-term debt including general obligation bonds, revenue bonds and loans are scheduled to mature in the following fiscal years as of June 30:

	General Obligation Bonds			Long-term Debt Other than General Obligation Bonds			Total Obligations		
Year(s)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	$ 64,777,274	$ 39,219,582	$ 103,996,856	$ 8,882,110	$ 11,939,377	$ 20,821,487	$ 73,659,384	$ 51,158,959	$ 124,818,343
2011	67,752,441	38,002,699	105,755,140	9,011,967	11,538,685	20,550,652	76,764,408	49,541,384	126,305,792
2012	64,350,000	33,090,007	97,440,007	9,309,407	11,124,439	20,433,846	73,659,407	44,214,446	117,873,853
2013	60,880,000	30,289,284	91,169,284	9,782,555	10,703,011	20,485,566	70,662,555	40,992,295	111,654,850
2014	64,055,000	27,413,783	91,468,783	10,115,712	10,233,964	20,349,676	74,170,712	37,647,747	111,818,459
2015-2019	286,645,000	93,949,468	380,594,468	56,793,717	43,220,720	100,014,437	343,438,717	137,170,188	480,608,905
2020-2024	175,260,000	35,497,602	210,757,602	70,903,317	27,900,095	98,803,412	246,163,317	63,397,697	309,561,014
2025-2029	61,225,000	6,956,293	68,181,293	64,446,403	10,573,804	75,020,207	125,671,403	17,530,097	143,201,500
2030	-	-	-	11,085,000	396,625	11,481,625	11,085,000	396,625	11,481,625
Total	$844,944,715	$304,418,718	$1,149,363,433	$250,330,188	$137,630,720	$387,960,908	$1,095,274,903	$442,049,438	$1,537,324,341

6. RETIREMENT PLAN

All regular full-time employees participate in one of two retirement plans. The State Employees' Retirement System, a single employer defined benefit public employee retirement system, is administered by the state and covers approximately 44% of full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of University employees who participate in this plan. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the state. Employees may also choose to participate in the Alternative Retirement Plan (ARP) which is a defined contribution plan administered through a third-party administrator, ING Life Insurance and Annuity Company. Under this arrangement, the University and the plan participants make annual contributions to the plan.

With respect to the University's Department of Dining Services (DDS), of its approximately 552 full-time employees, 84 participate in either the State Employees' Retirement System or ARP, while 468 are eligible to participate in two other retirement plans: the Department of Dining Services Money Purchase Pension Plan (MPPP) or the University of Connecticut Department of Dining Services 403(b) Retirement Plan. Under the provisions of MPPP, the University DDS is required to contribute 6% or 7% of employee's covered compensation for eligible employees and its employees do not make any contributions to the Plan. The MPPP is a defined contribution plan administrated through a third-party administrator, Pension Consultants, Inc. On behalf of MPPP participants, the University DDS contributed $553,355 and $498,155 to the plan for the years ended June 30, 2009 and 2008, respectively.

7. COMPENSATED ABSENCES AND WAGES PAYABLE

Compensated absences are recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and represent the amounts earned by eligible employees. The liability for compensated absences is classified as current and noncurrent based on the amount estimated to be paid to employees in one year and beyond one year, respectively. Compensated absences include accrued unused vacation and sick leave balances for employees, and at June 30, 2009 totaled $24,553,669 and $1,897,329, respectively, and at June 30, 2008 totaled $23,589,495 and $1,428,569, respectively. During fiscal year 2009, the State of Connecticut offered a Retirement Incentive Plan (RIP) to University employees. According to the terms of the RIP, unused vacation and sick leave will be paid in three equal payments on July 1 of each year, beginning July 1, 2012. Included in the noncurrent compensated absences liability as of June 30, 2009, are $1,660,331 for accrued vacation and $421,491 for sick leave for University employees that participated in RIP. A reclassification was made to compensated absences in the accompanying Statements of Net Assets to better reflect the current and noncurrent portions at June 30, 2008.

Wages payable includes salaries and wages for amounts owed at June 30. The State of Connecticut administers benefit and retirement plans for the University. Therefore, the payable for fringe benefits related to wages payable is included in Due to the State of Connecticut as of June 30.

8. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the state provides post retirement health care and life insurance benefits to University employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the state pays 100% of their health care insurance premium cost (including the cost of dependents' coverage). In addition, the state pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of state service that the retiree had at the time of retirement. The state finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

9. COMMITMENTS

On June 30, 2009, the University had outstanding commitments exceeding $100,000 each, totaling $84,996,006, which included $70,291,853 of commitments related to capital projects. Of this amount, commitments totaling $34,689,236 related to UCONN 2000 capital projects that are administered by the University for the Health Center. The commitments on behalf of the Health Center are included in the Due to Affiliate (See Note 5). Of the total amount of outstanding commitments, $3,555,973 was included in accounts payable at June 30, 2009. In addition to the amount for capital outlay, commitments were also related to research, academic, institutional support and operating leases for building space. Of these commitments, the University expects $4,256,224 to be reimbursed by federal grants.

10. DEFERRED INCOME AND CHARGES

Deferred income is comprised of certain restricted research grants that are not included in revenue until the funds are expended; tuition and fees and auxiliary enterprises fees received in advance of services rendered for summer and fall sessions; athletic ticket sales and commitments received in advance of the season; and other revenues received but not earned. As of June 30, 2009 and 2008 deferred income is as follows:

	2009	2008
Certain restricted research grants	$ 8,728,099	$ 9,762,544
Tuition and fees and auxiliary enterprises	6,633,967	7,104,697
Athletic ticket sales and commitments	3,116,151	3,339,216
Other	933,259	1,489,174
Total deferred income	$ 19,411,476	$ 21,695,631

A portion of current deferred charges totaling $836,982 and $803,603 and noncurrent deferred charges totaling $8,500,782 and $8,182,465 at June 30, 2009 and 2008, respectively, represent the cost of issuance on certain bond issues which will be amortized over the terms of the respective bond issues (see Note 5).

11. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is required by collective bargaining agreements to waive tuition for certain employees and their dependents. The University has included the portion of waived tuition related to employees and their dependents as a fringe benefit cost and the same amount as tuition revenue in the Statement of Revenues, Expenses and Changes in Net Assets. This increases tuition and fee revenues and operating expenses by $3,971,970 for the year ended June 30, 2009, and $3,703,591 for the year ended June 30, 2008. Waivers not reflected in the accompanying financial statements totaled $41,344,583 and $38,236,803 in fiscal years 2009 and 2008, respectively. In fiscal years 2009 and 2008, approximately 91% of such waivers were provided to graduate assistants.

12. RELATED PARTY TRANSACTIONS

The Foundation is a tax-exempt organization supporting the University and the Health Center (see Note 1). The University has entered into a written agreement with the Foundation whereby the University agreed to reimburse the Foundation for certain administrative services and operating expenses and the Foundation agreed to reimburse the University for certain personal services performed. The following transactions occurred between the University and the Foundation as of and for the years ended June 30, 2009 and 2008:

	2009	2008
Amount paid to the Foundation for its guaranteed contractual services	$ 7,582,000	$ 7,242,000
Reimbursements from the Foundation for personal services and operating expenses	$ 671,925	$ 476,248
Capital and noncapital gifts and grants received from the Foundation	$ 19,050,811	$ 21,351,641
Amount receivable from the Foundation	$ 4,543,300	$ 4,793,553

The State of Connecticut supports the University's mission primarily via two mechanisms: State appropriations and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the State's general fund. Payments for fringe benefits were made by the State for reimbursements related to salaries expensed from the general fund. The transactions were as follows for the years ended June 30, 2009 and 2008:

	2009	2008
Amount of general fund appropriations received from State of Connecticut	$234,057,728	$234,481,293
Amount of payments for fringe benefits received from State of Connecticut	88,938,332	91,084,919
Amount of general fund payroll included in receivable from State of Connecticut	4,755,362	2,610,411
Total appropriations and payments for fringe benefits from the State of Connecticut	$327,751,422	$328,176,623

The Office of Technology Commercialization (OTC) is a university-wide function consisting of the following divisions: the Center for Science and Technology Commercialization, the Research and development Corporation, and the Technology Incubation Program. The funding for these divisions is consolidated into the Health Center's budget, a part of which is reimbursed by the University in accordance with an annual memorandum of agreement for the transfer of funds. The amount contributed by the University to fund the OTC was $1,087,933 in fiscal year 2009 and $1,029,445 in fiscal year 2008. The University also engaged in certain cost share arrangements with the Health Center for shared services such as senior management salaries.

The University and the University of Connecticut Alumni Association (Association), a Connecticut non-stock corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code have an agreement that recognizes the benefits of a coordinated approach to alumni relationship building and defines the responsibilities of the parties. During the years ended June 30, 2009 and 2008, the University directed funding to the Association in the amount of $323,007 and $312,507, respectively.

The University entered into a land lease with Campus Associates Limited Partnership on February 1, 2000. The limited partnership was formed for the purpose of managing the Nathan Hale Inn, a hotel located on campus. The lease will continue for a term of fifty years and provides for base rents of $5,000 for the first five years and $25,000 for the sixth year. For the seventh year and every year thereafter, base rent will be adjusted by the increase in the Consumer Price Index. In exchange for a rent concession amounting to $100,000 in total for five years, the University received two limited partnership units. On June 15, 2009, the University purchased a third unit in the limited partnership paying $49,848 for the limited partnership interest (see Note 2). As of June 30, 2009, the University owed Campus Associates Limited partnership $37,348 (see Note 5).

In addition, the University has also provided office space and administrative support for certain other related parties.

13. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on the University's financial statements.

14. OPERATING EXPENSES BY OBJECT

The table below details the University's operating expenses by object for the years ended June 30, 2009 and 2008.

Operating Expenses by object for the Year Ended June 30, 2009:

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation	Total
Instruction	$ 198,676,752	$ 59,882,773	$ 25,494,882	$ -	$ -	$ 284,054,407
Research	36,163,139	8,219,381	19,645,918	-	-	64,028,438
Public Services	22,787,611	7,187,062	7,154,146	-	-	37,128,819
Academic Support	50,019,745	18,320,531	18,706,539	-	-	87,046,815
Student Services	22,988,198	8,336,228	5,050,777	336,162	-	36,711,365
Institutional Support	45,109,153	19,257,642	18,696,789	105,546	-	83,169,130
Operations and Maintenance	19,373,491	10,548,524	20,336,027	21,220,050	-	71,478,092
Depreciation	-	-	-	-	89,556,846	89,556,846
Student Aid	410,812	-	3,506,395	-	-	3,917,207
Auxiliary Enterprises	59,769,448	23,174,108	49,493,652	11,938,523	-	144,375,731
Other Operating Expenses	803,393	288,603	29,487,211	-	-	30,579,207
	$ 456,101,742	$ 155,214,852	$ 197,572,336	$ 33,600,281	$ 89,556,846	$ 932,046,057

Operating Expenses by object for the Year Ended June 30, 2008:

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation	Total
Instruction	$ 191,401,515	$ 60,482,368	$ 27,203,108	$ -	$ -	$ 279,086,991
Research	34,720,246	8,103,480	17,521,480	-	-	60,345,206
Public Services	20,914,047	6,629,221	6,311,577	46	-	33,854,891
Academic Support	48,461,671	18,110,942	14,941,321	-	-	81,513,934
Student Services	22,434,810	8,324,136	4,948,120	299,513	-	36,006,579
Institutional Support	41,798,676	18,088,008	12,303,950	123,919	-	72,314,553
Operations and Maintenance	18,537,572	9,801,817	17,454,618	18,316,713	-	64,110,720
Depreciation	-	-	-	-	100,186,738	100,186,738
Student Aid	415,906	-	3,593,682	-	-	4,009,588
Auxiliary Enterprises	56,315,159	22,122,801	46,139,971	10,483,275	-	135,061,206
Other Operating Expenses	751,828	225,200	15,514,582	-	-	16,491,610
	$ 435,751,430	$ 151,887,973	$ 165,932,409	$ 29,223,466	$ 100,186,738	$ 882,982,016

15. UNRESTRICTED NET ASSETS

The University adopted GASB No. 35 for external reporting purposes, which requires net assets to be classified for accounting and reporting purposes into one of three net asset categories, as discussed in Note 1 to the financial statements. Unrestricted net assets, as defined by the GASB, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

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