

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2010 (with trends since FY 2007)
Prepared in March 2011

As with any large business organization governed by a board, it is essential that the board members know the financial strength of the organization. This information is important to have in order to make informed decisions. The central purpose and use of the information in this report is to provide the board with a financial analysis of each institution which is needed to assist the board in fulfilling its fiduciary responsibilities. In addition, to this report a separate budget status report is regularly presented which discloses significant revenue and expenditure variances, deficits, and pending lawsuits.

The purpose of this financial review is to gain an understanding of the financial health of each institution, based on year-end financial statements as of June 30, 2010 and to identify trends that are occurring over a period of time (FY2007 thru FY2010). It is not the intent of the Ratio Analysis section of this report to compare ratios of one institution to the ratios of another, but rather to compare each institution to the identified industry standard. These are general industry standards and not specific to just higher education. However, they do provide a good benchmark to measure financial performance. **In addition, it is important to note that individual ratio results do not stand on their own; rather, the results of all the ratios and trends over time should be viewed together when considering the financial health of the institution.**

In order to distinguish between financial statement position and funding adequacy, a Funding Analysis section (**pages 14-15**) is included in this report. NDUS institutions are funded, on average, at 54 percent of their peers based on state and local appropriations. Nationally, although ND ranks very high in state per capita funding for higher education, ND ranks 22 out of 50 in state/local appropriations funding per FTE student. It is important to point out that institutions can be financially stable despite being less well funded than their counterparts. This is largely due to good fiscal management; however, there is a limit to how far resources can be stretched. Some long-term consequences of limited resources are deferred maintenance and faculty and staff salaries, which lag comparators. Even in light of their funding challenges, this report suggests that ND institutions are well managed and most are financially stable.

Viability Ratio

This ratio measures the ability to retire long-term debt using current resources. It is calculated by comparing combined expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1.0 is good and a ratio of less than .3 is of concern. *Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases). Historical figures have been restated consistent with the new reporting approach.*

The following table shows the viability ratio for each institution for the current fiscal year and three previous fiscal years:

VIABILITY RATIO				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
DSU	10.1	9.5	4.7	3.2
NDSUS	6.6	4.6	3.6	2.9
DCB	3.9	2.2	2.3	2.2
LRSC	2.6	2.1	1.9	1.9
MiSU	1.6	3.5	2.9	2.4
WSC	1.4	1.6	2.0	1.8
VCSU	1.2	1.0	1.0	1.0
BSC	.9	.8	.6	.5
UND	.9	.9	.9	.9
Total NDUS	.8	.9	.9	.9
NDSU	.5	.6	.6	.8
MaSU	.2	.4	.4	.3

*Greater than
1.0 is good*

Four of the eleven institutions have a viability ratio of less than 1.0. The ratio increased for six of the institutions in FY 2010 compared to FY 2007 as a result of long-term debt retired during the three year period and an increase in net assets. The ratio for the NDUS, as a whole, is below industry standard of 1.0.

Primary Reserve Ratio

This ratio measures the ability to operate at current levels without future revenues. It is calculated by comparing combined unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern.

The following table shows the primary reserve ratio for each institution for the current fiscal year and three previous fiscal years:

PRIMARY RESERVE RATIO				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
MiSU	.5	.6	.5	.5
DSU	.4	.4	.5	.4
NDSCS	.4	.3	.3	.3
LRSC	.3	.3	.3	.4
UND	.3	.3	.3	.3
Total NDUS	.3	.3	.3	.3
NDSU	.2	.2	.3	.3
VCSU	.2	.2	.2	.3
BSC	.2	.2	.2	.2
DCB	.2	.1	.2	.2
MaSU	.2	.2	.2	.1
WSC	.1	.1	.2	.2

*Greater than
.1 is good*

The primary reserve ratio is good for all campuses and has remained stable over the last several years. As a result, the total NDUS ratio remains good.

Current Ratio

This ratio measures the ability to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of long-term debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern.

The following table shows the current ratio for each institution for the current fiscal year and three previous fiscal years:

CURRENT RATIO				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
DSU	7.8	4.5	8.0	6.2
NDSCS	5.5	4.0	4.5	4.4
DCB	3.7	2.6	3.5	5.3
MiSU	3.6	6.1	5.2	5.2
LRSC	3.4	3.7	3.5	4.4
VCSU	2.8	2.5	2.5	3.0
BSC	2.7	2.3	2.2	2.6
Total NDUS	2.5	2.7	3.1	3.0
UND	2.3	2.2	2.8	2.6
NDSU	2.0	2.9	3.1	2.5
MaSU	1.5	0.9	1.6	1.3
WSC	1.5	1.9	2.3	2.7

*Greater than
2.0 is good*

The current ratio for most of the institutions is good and it increased at four of the eleven institutions since FY 2007 (DSU, NDSCS, BSC, MaSU). At MaSU, there was an abnormal increase in accounts payable at June 30, 2010 due to construction bills related to the Science/Library Renovation and Education Addition Project and for the Agassiz Hall Renovation. Excluding these payables, the ratio would have been 5.7.

Working Capital Ratio

This ratio measures the ability to sustain operations in a short-term emergency situation (4-6 weeks). The ratio compares working capital (current assets less current liabilities) to total operating expenses, converted into weeks. While no industry standard is available, professional judgment suggests that an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency.

The following table shows the working capital ratio for each institution for the current fiscal year and three previous fiscal years:

WORKING CAPITAL RATIO				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
MiSU	22.7	25.7	24.6	20.6
DSU	21.1	20.5	22.1	17.3
LRSC	15.8	15.0	13.8	17.3
NDSCS	15.7	13.2	12.3	12.3
VCSU	9.1	9.3	9.3	10.9
BSC	9.0	8.2	9.8	9.8
DCB	8.9	5.3	7.0	8.8
Total NDUS	8.1	9.4	11.1	9.8
UND	6.3	7.1	10.3	9.9
NDSU	5.6	8.9	9.6	7.2
MaSU	4.5	0.0	4.2	2.3
WSC	3.2	5.4	7.2	7.9

4-6 weeks is
 good

Most of the institutions have good or very good working capital reserves.

Operating Income Margin

This ratio measures current year financial results. The ratio is calculated by comparing combined operating and nonoperating net income (before capital gifts and grants) to total combined operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired and indicates the institution is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the institution is adding to reserves.

The following table shows the operating income margin for each institution for the current fiscal year and three previous fiscal years:

Operating Income Margin				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
WSC	11.5%	5.0%	1.1%	-0.6%
DCB	5.7%	-2.2%	-3.7%	-0.2%
LRSC	4.6%	0.0%	-3.7%	0.4%
MiSU	1.6%	0.9%	3.8%	4.9%
UND	1.9%	-0.5%	-0.3%	1.5%
Total NDUS	1.5%	0.1%	0.5%	2.9%
BSC	1.3%	-0.4%	1.7%	2.1%
NDSU	-0.2%	-0.9%	0.1%	3.5%
MaSU	-0.5%	-1.9%	0.3%	0.8%
NDSCS	-0.7%	-3.4%	-3.1%	-2.8%
VCSU	-2.1%	-3.8%	-6.3%	-3.4%
DSU	-2.2%	-0.2%	1.5%	1.7%

*Greater than 0
is good*

Five institutions have an operating income margin below zero, which means they spent more to operate in 2010 than they earned from operations in 2010. A negative margin for one year could be due to timing issues or one-time events. Several years of a ratio of zero or less is of concern. Institutions with a ratio of zero or less for two or more consecutive years such as DCB, DSU, MaSU, NDSCS, NDSU, UND and VCSU should be closely monitored.

Net Income Margin

This ratio measures an institution's financial status in terms of current year operations. The ratio is calculated by dividing the current year's increase in net assets by total revenues. A positive net income margin indicates that the institution experienced a net increase in current year fund balances. A negative net income margin results when an institution's current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or creating deficit spending.

<i>Net Income Margin</i>				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
DSU	26.4%	14%	9%	12%
MiSU	17.7%	7%	6%	5%
WSC	16.0%	9%	13%	5%
MaSU	12.9%	5%	7%	2%
NDSCS	12.1%	3%	2%	0%
DCB	9.1%	-1%	1%	31%
Total NDUS	6.9%	3%	2%	4%
VCSU	6.7%	5%	4%	-2%
NDSU	5.2%	2%	2%	4%
LRSC	5.1%	1%	-3%	2%
BSC	4.7%	14%	1%	3%
UND	3.0%	1%	2%	2%

Positive margin good

All institutions had a positive net income margin. A negative margin for one year could be due to timing issues or one-time events. Several years of a negative margin is of concern. Since FY2007, no institution has had a negative net income margin for more than one year.

Trend: Change in net liquid assets less current liabilities (2007 to 2010)

This calculation measures the change in ability to meet current obligations over time. It is the percentage change from June 30, 2007 to June 30, 2010 between liquid assets (cash, current investments and current receivables) and current liabilities. A positive percentage change is desirable as it indicates improvement over time in an institution's ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The following table shows the percentage change in net liquid assets for each institution from FY 2007 to FY 2010 and the dollar amount of net liquid assets for the current fiscal year and three previous fiscal years:

Net Liquid Assets					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2007-2010	FY 2010	FY 2009	FY 2008	FY 2007
MASU	238%	\$1.0	\$-0.8	\$0.8	\$0.3
DSU	50%	\$11.9	\$10.7	\$10.8	\$7.9
NDSCS	50%	\$11.6	\$9.1	\$8.5	\$7.7
DCB	33%	\$1.1	\$0.5	\$0.6	\$0.8
MISU	28%	\$21.1	\$21.1	\$19.3	\$16.5
BSC	22%	\$5.4	\$4.4	\$5.0	\$4.4
LRSC	15%	\$3.4	\$2.9	\$2.7	\$2.9
VCSU	2%	\$3.0	\$2.7	\$2.6	\$2.9
Total NDUS	1%	\$137.0	\$149.1	\$166.2	\$135.2
NDSU	-3%	\$33.9	\$51.2	\$51.4	\$35.0
UND	-28%	\$40.0	\$44.9	\$61.6	\$55.4
WSC	-54%	\$0.5	\$0.9	\$1.0	\$1.1

Positive change good

The change in net liquid assets coupled with the current ratio gives an indication of change in financial liquidity from one year to another. All institutions, with the exception of NDSU, UND, and WSC had an increase in net liquid assets since FY 2007.

Trend: Change in long-term liabilities (2007-2010)

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. A negative change indicates the institution retired more debt than it added over the three-year period. A positive change indicates the institution added more debt than it retired.

The following table shows the percentage change in long-term liabilities for each institution from FY 2007 to FY 2010 and the dollar amount of long-term liabilities at year end and for the three previous fiscal years:

Long-term Liabilities					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2007-2010	FY 2010	FY 2009	FY 2008	FY 2007
DSU	-57%	\$1.3	\$1.2	\$2.6	\$3.0
NDSUS	-43%	\$2.0	\$2.6	\$3.2	\$3.6
BSC	-39%	\$7.8	\$8.2	\$12.6	\$12.7
DCB	-26%	\$0.3	\$0.4	\$0.5	\$0.5
WSC	-20%	\$0.7	\$0.8	\$0.7	\$0.9
LRSC	-19%	\$1.5	\$1.6	\$1.7	\$1.9
VCSU	-13%	\$3.9	\$4.1	\$4.3	\$4.4
UND	8%	\$121.0	\$115.8	\$109.9	\$112.4
Total NDUS	23%	\$328.8	\$284.2	\$275.7	\$267.3
NDSU	41%	\$151.8	\$127.5	\$117.3	\$107.9
MISU	87%	\$16.6	\$7.0	\$8.3	\$8.9
MASU	197%	\$13.5	\$6.1	\$4.4	\$4.6

Negative
change
good

This calculation, coupled with the viability ratio indicates an institution's ability to service debt over time. Institutions with a viability ratio of less than 1.0, coupled with a large increase in long-term debt, are MaSU, MiSU and NDSU. MaSU has increased its long term debt in the past two years by \$6.1 million for the construction of a Coal Heating Plant and by \$3.7 million for the Renovation of Agassiz Hall. In FY 2010, MiSU issued a \$10 million bond for the construction of the Wellness Center. NDSU issued a \$26 million bond for the construction of the Niskanen Apartments & Addition to West Dining Center. With a viability ratio of less than 1.0, NDSU and MaSU should remain cautious about adding new debt in the near future.

Trend: Change in Fall FTE enrollment (2007-2010)

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010, including all credit on-campus and distance learning students.

The second column in the following table shows the percentage change for each institution in Fall FTE enrollment from the Fall 2010 Enrollment Report (FY11) to the Fall 2007 (FY08) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2009 (FY10) Enrollment Report to the Fall 2006 (FY07) Enrollment Report.

Institution	Fall FTE Enrollment						
	Trend	Trend	Enrollment*				
	% Change Fall Enrollment Report FY 2007-2010	% Change Fall Enrollment Report FY 2006-2009	2010	2009	2008	2007	2006
DCB	34%	23%	540	490	440	402	399
LRSC	21%	16%	921	868	784	764	750
MASU	20%	2%	704	662	563	586	652
VCSU	19%	-1%	957	833	823	807	844
BSC	15%	19%	3208	3,160	2,937	2,792	2,651
NDSU	13%	15%	12,708	12,577	11,794	11,221	10,890
Total NDUS	11%	6%	38,913	37,564	36,096	35,075	35,383
UND	10%	-1%	12,018	11,306	11,137	10,967	11,381
MISU	10%	-3%	3,002	2,832	2,720	2,730	2,928
NDSCS	6%	-4%	2,217	2,076	2,041	2,097	2,171
WSC	3%	-12%	570	573	562	551	648
DSU	-4%	6%	2,068	2,187	2,294	2,158	2,059

**From the Fall Enrollment Report and as re-defined, Aug. 2006 based on 15 credit hours.*

Positive growth good

Overall, the NDUS saw an increase in FTE enrollment since Fall 2007 of 11 percent. All of the institutions, with the exception of DSU experienced increased enrollment in each of the last three consecutive years. Occasional declines in enrollment are not unusual, but several consecutive years of declining enrollment is noteworthy. DSU had three consecutive years of declining enrollment since 2007.

Trend: Change in On Campus and Distance Learning Enrollment (2007-2010)

The following tables show the percentage change for each institution in Fall On Campus and Distance Learning enrollment from FY 2007 to FY 2010 and the FTE enrollment numbers for the current fiscal year and three previous fiscal years.

The second column in the following tables shows the percentage change for each institution in Fall FTE enrollment from the Fall 2010 Enrollment Report (FY11) to the Fall 2007 (FY08) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2009 (FY10) Enrollment Report to the Fall 2006 (FY07) Enrollment Report.

		Fall On Campus Enrollment*					
Institution	Trend	% Change Fall Enrollment Report FY 2006-2009	Enrollment				
	% Change Fall Enrollment Report FY 2007-2010		2010	2009	2008	2007	2006
WSC	35%	4%	564	524	402	419	503
DCB	17%	12%	377	342	325	323	306
BSC	14%	10%	2,737	2,649	2,471	2,405	2,400
MASU	14%	15%	590	672	492	519	585
NDSU	13%	13%	13,798	13,602	12,847	12,226	12,002
MISU	12%	-2%	2,805	2,595	2,492	2,512	2,647
VCSU	12%	-7%	812	716	721	726	774
Total NDUS	11%	3%	38,230	36,402	35,093	34,548	35,255
UND	7%	-4%	11,885	11,207	11,208	11,113	11,630
DSU	-3%	0%	2,078	2,111	2,111	2,136	2,104
NDSCS	-4%	-13%	1,699	1,636	1,645	1,774	1,883
LRSC	-10%	1%	885	866	839	986	861

*May include students who are simultaneously enrolled in both on campus and distance learning methods.

		Fall Distance Learning Enrollment*					
Institution	Trend	% Change Fall Enrollment Report FY 2006-2009	Enrollment				
	% Change Fall Enrollment Report FY 2007-2010		2010	2009	2008	2007	2006
NDSU	102%	129%	609	587	382	301	256
LRSC	93%	29%	1,028	836	818	534	646
VCSU	85%	40%	473	367	298	256	263
NDSCS	76%	67%	1,134	1,015	900	643	607
UND	60%	64%	2,309	1,965	1,540	1,446	1,201
MASU	57%	-13%	392	215	297	250	247
DCB	55%	36%	486	406	330	314	299
Total NDUS	36%	35%	9,890	9,415	8,349	7,279	6,982
BSC	21%	27%	1,440	1,371	1,317	1,186	1,077
WSC	18%	4%	368	425	448	312	409
MISU	16%	-1%	1,061	1,054	940	912	1,065
DSU	10%	40%	590	656	619	534	468

*Includes students who are enrolled in distance learning only.

Waivers as a percentage of tuition

This calculation measures the dollar amount of waivers granted as a percentage of gross tuition and fee revenue. The higher the percentage, the more the institution is forgoing revenues.

The following table shows waivers for each institution as a percentage of tuition for the current fiscal year and three previous fiscal years:

<i>Waivers as a Percentage of Tuition</i>				
Institution	FY 2010	FY 2009	FY 2008	FY 2007
BSC	1.1%	1.1%	1.0%	1.1%
DCB	2.2%	2.8%	3.0%	3.5%
MASU	3.1%	5.8%	4.0%	5.0%
LRSC	3.9%	5.1%	5.2%	4.3%
WSC	5.3%	3.2%	4.2%	3.9%
MISU	5.8%	7.5%	7.4%	7.4%
UND	7.0%	6.8%	6.7%	8.0%
VCSU	8.0%	8.0%	8.1%	8.1%
NDSCS	8.8%	7.3%	5.7%	7.0%
Total NDUS	9.6%	9.5%	9.1%	9.3%
NDSU	14.4%	13.6%	13.2%	12.1%
DSU	21.7%	23.0%	21.1%	19.3%

FY 2010 waivers for the NDUS totaled \$29.8 million, an increase of 26 percent over FY 2007. While the dollar amount of waivers increased 26 percent, total waivers as a percentage of tuition increased by only less than .1 percent. Therefore, the dollar increase in waivers corresponds to the dollar increase in tuition over the three-year period, rather than the result of an increase in the number of waivers.

Four of the institutions (DSU, NDSCS, NDSU and WSC) had an increase while five institutions (DCB, LRSC, MaSU, MiSU and UND) had a decrease in the amount of discounts granted as a percent of tuition since FY 2007. BSC and VCSU remained relatively unchanged since FY2007. DSU had the largest increase — from 19.3 percent in FY 2007 to 21.7 percent in FY 2010.

The NDUS has not been able to obtain external objective and measurable national data against which to benchmark tuition discounts.

It should be noted that many of the waivers are partial waivers to reduce the “published” tuition rate. At some campuses, this practice is not necessary as the SBHE approved special tuition rates at select campuses. For example, some campuses charge the resident rate to all students, regardless of residency status. Others have a published higher non-resident rate, but use waivers to lower this rate, but generally not less than the resident rate.

Deferred Maintenance as a percentage of plant value

This calculation measures the value of deferred maintenance of state facilities and infrastructure (excluding auxiliary buildings and infrastructure) compared to respective plant replacement values.

The following table shows deferred maintenance for each institution as a percentage of plant replacement values as of March 2010 and as of March of three prior years:

Deferred Maintenance as a Percentage of Plant Value				
Institution	2010	2008	2006	2004
LRSC	2%	3%	3%	1%
DCB	3%	5%	5%	15%
BSC	3%	5%	5%	5%
MISU	3%	3%	11%	10%
NDSCS	4%	5%	5%	6%
UND	7%	9%	9%	7%
NDSU	8%	10%	10%	11%
WSC	8%	1%	1%	7%
Total NDUS	8%	10%	10%	10%
VCSU	15%	15%	15%	25%
DSU	16%	17%	17%	24%
MASU	22%	29%	29%	39%

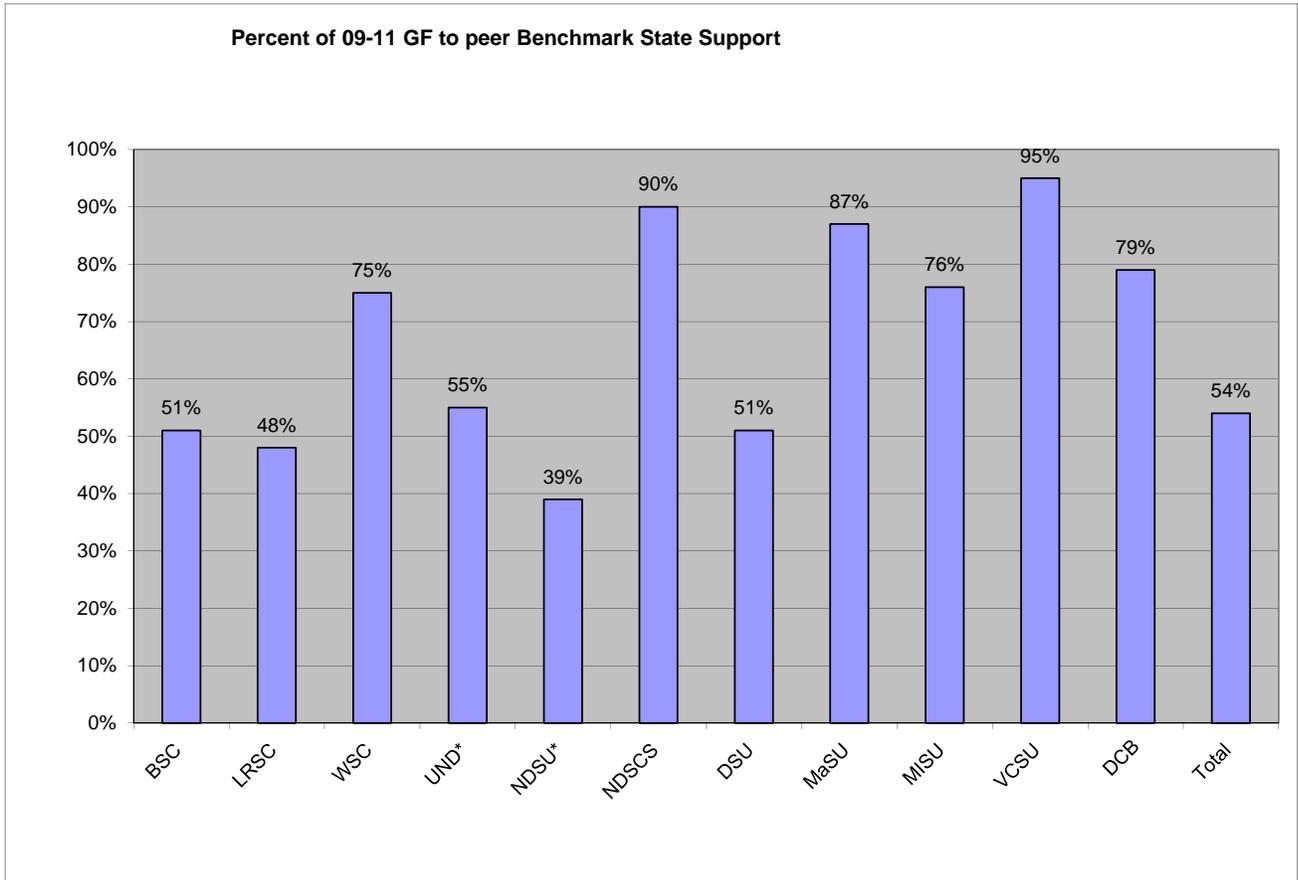
Lower
percentage
good

System-wide deferred maintenance on state funded facilities and infrastructure in March 2010 totaled \$109.3 million dollars. Four institutions have a deferred maintenance ratio above the system average; eight institutions had a decrease since 2004.

FUNDING ANALYSIS

Peer Funding Comparison

Data from the NDUS Resource Allocation Model indicates NDUS institutions are funded with state and local appropriations on average at about 54 percent of their peers



**UND includes med school, NDSU excludes Ag
Data Source NDUS Resource Allocation Model*

National per FTE Funding Comparison

Funding per FTE for the public institutions of higher education in North Dakota are well below that of public institutions in other states.

FY 2010 Total Educational Revenue per FTE - Public Institutions of Higher Ed			
Total Educational Revenues Per FTE*		Educational Appropriations (State/Local) Per FTE*	
1 Alaska	17033	1 Wyoming	13090
2 Delaware	14952	2 Alaska	12606
3 Wyoming	14936	3 North Carolina	9007
4 Vermont	14397	4 Texas	8897
5 Connecticut	14332	5 Connecticut	8450
6 New Jersey	14330	6 Oklahoma	8400
7 Rhode Island	13909	7 Illinois	8120
8 Maine	13878	8 Mississippi	7942
9 Maryland	13803	9 Nevada	7800
10 Pennsylvania	13736	10 New York	7783
11 Texas	13435	11 Idaho	7746
12 Mississippi	13025	12 New Mexico	7589
13 Kentucky	12884	13 Kentucky	7532
14 Michigan	12797	14 Tennessee	7477
15 North Dakota	12741	15 Hawaii	7451
16 Oklahoma	12607	16 Georgia	7319
17 Illinois	12144	17 Maryland	7163
18 Alabama	12009	18 Arkansas	7144
19 West Virginia	11869	19 New Jersey	7136
20 New York	11567	20 Louisiana	6995
21 Tennessee	11457	21 Nebraska	6731
22 South Carolina	11369	22 North Dakota	6520
23 North Carolina	11159	23 Wisconsin	6499
24 Iowa	11045	24 Alabama	6361
25 Arkansas	10968	25 Arizona	6322
26 Massachusetts	10956	26 Maine	6215
27 Virginia	10937	27 West Virginia	6155
28 Nebraska	10878	28 Missouri	6074
29 Minnesota	10789	29 Massachusetts	6006
30 Arizona	10773	30 Florida	5968
31 Nevada	10718	31 California	5941
32 South Dakota	10496	32 Washington	5831
33 Idaho	10492	33 Minnesota	5645
34 Wisconsin	10492	34 Delaware	5643
35 Hawaii	10424	35 South Carolina	5477
36 New Hampshire	10297	36 Utah	5328
37 Indiana	10203	37 Iowa	5276
38 Missouri	10112	38 Kansas	5191
39 Louisiana	9644	39 Pennsylvania	5159
40 Ohio	9473	40 Virginia	5096
41 Kansas	9432	41 Michigan	4822
42 New Mexico	9338	42 Rhode Island	4817
43 Colorado	9314	43 South Dakota	4809
44 Georgia	9312	44 Oregon	4538
45 Oregon	9268	45 Indiana	4325
46 Utah	9007	46 Montana	4293
47 Montana	8719	47 Ohio	4293
48 Florida	8646	48 Colorado	3781
49 Washington	8134	49 New Hampshire	2884
50 California	7718	50 Vermont	2754
US	10734	U.S.	6454

*Excluding Ag research, extension and med school funding. 15
Source SHEEO Data

SUMMARY BY INSTITUTION

BSC

BSC's overall financial position remains good. The primary reserve ratio, current ratio and working capital ratio remained at about the same levels while the viability and net income margin ratios has increased since 2007. Long-term debt decreased 39 percent, due to the \$3.889 million prepayment of the NECE capital lease in 2009. Deferred maintenance as a percentage of plant value decreased and waivers as a percentage of tuition remain the lowest in the system.

DCB

Prior to FY 2007 DCB's financial position had progressively declined and was of concern. Steps taken by DCB in FY 2007 have helped to improve their financial position considerably. All of DCB's ratios are **good or very good.** DCB's viability ratio, working capital ratio and operating income margin have improved since FY2007. Net liquid assets have increased and long-term debt has decreased in the same time period.

Please note that on August 1, 2009, DCB changed its name from MiSU-Bottineau to Dakota College of Bottineau.

DSU

DSU's financial position remains very sound. The viability ratio, current ratio and working capital ratio all increased since 2007 and long-term debt decreased. Enrollments decreased slightly in FY2009. Distance learning enrollment increased from 2007 while on campus enrollment decreased slightly. Although the operating income margin was negative for two of the last four years, it has been positive the other two. Deferred maintenance continues to be a challenge.

LRSC

LRSC's overall financial position is sound. Reserves are good, liquidity is strong, debt remains at a manageable level and enrollment increased. On campus enrollment increased slightly in FY 2010 after experiencing declines in FY 2008 and FY 2009. Distance learning enrollment continues to increase. Since FY 2007, long-term debt decreased by 19 percent and the viability ratio has steadily improved.

MaSU

At June 30, 2010 the financial condition of MaSU has improved since implementing a financial management plan in FY 2006. Since FY 2007, the primary reserve ratio and liquidity have improved. Enrollment increased every year since 2007 with distance learning enrollment increasing 57 percent while on campus enrollment increased 14 percent. Deferred maintenance continues to be a concern and MaSU's overall financial condition should continue to be closely monitored.

MiSU

MiSU's financial position is sound.. Debt increased due to the issuance of a \$10 million bond for the construction of a Wellness Center but is not a concern given MiSU's strong reserves and liquidity. None of the ratios indicate any concerns at this point.

NDSCS

NDSCS's financial position is sound. Reserves and liquidity are strong and long term debt decreased considerably since FY 2007. Net liquid assets has increased significantly since 2007. Total FTE enrollment has increased every year since FY 2008. On campus enrollment continues to decline but distance learning enrollment has increased significantly. None of the ratios indicate any concerns at this point; however, it should be noted that NDSCS had negative operating income for the last three years and this should continue to be monitored.

NDSU

NDSU's financial position is sound. Although the viability ratio remains marginal, liquidity remains strong and reserves are stable. Enrollment continues to increase in both on campus and distance learning. NDSU received a recent (2009) Moody's rating of A1 (upper-medium-grade), with a stable outlook. Long term liabilities increased 41 percent since FY 2007 and the impact of issuing additional debt should be carefully evaluated.

UND

UND's overall financial position is good with adequate reserves and liquidity. The increase in long-term debt is not a concern given UND's reserves and liquidity levels. However, the impact of issuing long-term debt in the future should be carefully evaluated. Both on campus and distance learning enrollment has increased since FY 2007.

VCSU

VCSU's viability ratio improved since FY 2007 and liquidity is strong. Long term debt has also decreased. VCSU had net operating losses in the last three years due to the exclusion from the Operating Income Margin calculation of state appropriations for capital assets that were used for expenses that were not capitalized and due to the expenses associated with the Center of Excellence funding received in 2006. This influx of revenue is causing some distortion in the ratios due to the fact that the grant is being spent over four years with no new revenue coming in. Total FTE enrollment has increased since 2007 with increases experienced in both on campus and distance learning.

WSC

WSC's reserves are adequate however, liquidity should be closely monitored. Operating income margin has increased since 2007 while long-term debt has decreased. Enrollment has been stable. WSC's financial condition should continue to be closely monitored.

BSC Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: BSC is .9

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. BSC's ratio is **good** at .9 and is up from .5 at June 30, 2007. Lidstrom Hall has become operational and nearly \$4 million of debt has been prepaid on the NECE. Improvement in this ratio will continue as long-term debt is repaid.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: BSC is .2

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. BSC's ratio was .2, which is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: BSC is 2.7

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. BSC's ratio was 2.7, which is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: BSC is 9.0

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 9 weeks. BSC has working capital to cover operating expenses for about 9 weeks if an emergency event should occur, which is **good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: BSC is 1.3%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year.

Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS margin at June 30, 2010 was 1.5 percent. BSC's margin was 1.3 percent and is down slightly from FY07 due to the use of carryover funds in FY10 for one-time operating expenses.

Net Income Margin – Greater than 0 is good, less than 0 is concern: BSC is 4.7%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. BSC's ratio of 4.7 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: BSC is 22%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. BSC's net current assets increased 22 percent, which is also **very good**. Combined with the good current ratio and working capital ratio, BSC's liquidity remains strong.

Change in long-term liabilities – Small increase ok, large increase is concern: BSC is -39%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. BSC's decrease is the result of prepaying \$3.889 million of the NECE capital lease in 2009. This prepayment, along with scheduled bond payments, reduced long-term debt and improves BSC's ability to add debt in the future to meet capital needs.

Change in FTE enrollment – Positive preferred, negative may be a concern: BSC is 15%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw a 11 percent increase in FTE enrollment since Fall 2007. BSC's enrollment continues to trend upward with record enrollments being achieved in the last several years.

On-Campus enrollment vs Distance Ed enrollment – BSC on-campus enrollment is 66% and distance learning is 34%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained from the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 66 percent of total enrollment while distance ed enrollment comprised 34 percent of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. BSC's distance learning enrollment increased 21 percent since 2007 while on-campus enrollment increased 14 percent for the same time period. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition and fee revenue – NDUS campus total is 9.6%: BSC is 1.1%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. BSC's waivers as a percent of tuition were unchanged at 1.1 percent, remaining well below the other campuses.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: BSC is 3.4%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). BSC's deferred maintenance at 3.4 percent is below the system average, due to the younger age of their buildings and infrastructure. Aging facilities require ongoing repairs and improvements, which continue to deplete resources that could be available for other campus needs.

Summary

BSC's overall financial position remains good. Enrollment continues to rise, all ratios are good or very good, long-term debt has decreased and tuition waivers as a percentage of tuition revenue remain the lowest in the system.

DCB Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: DCB is 3.9

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. . A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. DCB's ratio of 3.9 is **good** and is up from 2.2 in FY 2007.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: DCB is .2

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. DCB's ratio at .2 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: DCB is 3.7

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. DCB's ratio at 3.7 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: DCB is 8.9

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. DCB has working capital to cover operating expenses for about 9 weeks if an emergency event should occur, which is **very good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: DCB is 5.7%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year.

Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS margin at June 30, 2010 was 1.5 percent. DCB's margin was 5.7 percent which is **good**. Prior to FY 2010, DCB's ratio was negative the previous six years.

Net Income Margin – Greater than 0 is good, less than 0 is concern: DCB is 9.1%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. DCB's ratio of 9.1 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: DCB is 33%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. DCB's increase of 33 percent since 2007 is **very good**.

Change in long-term debt – Small increase ok, large increase is concern: DCB is -26%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS has increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. No additional debt has been added since 2006, and all debt payments have been made as scheduled.

Change in FTE enrollment – DCB is 34%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. DCB's FTE enrollment has increased over the prior years from 402 in Fall 2007 to 540 in Fall 2010.

On-Campus enrollment vs Distance Ed enrollment – DCB on-campus enrollment is 44% and distance learning is 56%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment

report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 44% of total enrollment while distance ed enrollment comprised 56% of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. DCB's distance learning enrollment increased 55 percent since 2007 while on-campus enrollment increased 17 percent. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: DCB is 2.2%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. DCB's waivers as a percent of tuition have remained one of the lowest in the NDUS and have decreased from 3.5 percent in FY 2007.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: DCB is 3.3%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). DCB's deferred maintenance at 3.3 percent is below the system average, due to a recently completed renovation project. Aging facilities require ongoing repairs and improvements, which continually take a backseat to funding more pressing current operational needs, especially in times of dwindling resources. The estimated value of deferred maintenance for DCB has not been updated since FY2006. Additionally, the methodology used to calculate deferred maintenance varied among the NDUS campuses. It is believed by DCB that the value of deferred maintenance for the campus is grossly understated.

Summary

Prior to FY 2007 DCB's financial position had progressively declined and was of concern. Steps taken by DCB in FY 2007 have helped to improve their financial position considerably. All of DCB's ratios are **good or very good**. DCB's viability ratio, working capital ratio and operating income margin have improved since FY2007. Net liquid assets have increased and long-term debt has decreased in the same time period.

DSU Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: DSU is 10.1

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. DSU's ratio of 10.1 is **very good**.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: DSU is .4

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. DSU's ratio of .4 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: DSU is 7.8

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. DSU's ratio of 7.8 is **very good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: DSU is 21.1

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. DSU has working capital to cover operating expenses for about 21 weeks if an emergency event should occur, which is **very good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: DSU is -2.2%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS

margin at June 30, 2010 was 1.5 percent. DSU's margin was -2.2 percent. DSU had a negative operating income margin in the last two years, but the amounts have been minimal. Several years of a ratio of zero or less is of concern.

Net Income Margin – Greater than 0 is good, less than 0 is concern: DSU is 26.4%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 7 percent. DSU's ratio of 26 percent is **very good**.

Change in net liquid assets – Positive % is good, negative % is concern: DSU is 50%

This calculation measures the change in the ability of the campus to meet current obligations over time. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net liquid assets since 2007 by 1 percent. DSU increased net liquid assets by 50 percent.

Change in long-term debt – Small increase ok, large increase is concern: DSU is -57%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. DSU's long-term debt has decreased 57 percent since 2007.

Change in FTE enrollment – DSU is -4%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. DSU's FTE enrollment has decreased 4 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – DSU on-campus enrollment is 78% and distance learning is 22%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained from the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus

enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 78 percent of total enrollment while distance ed enrollment comprised 22 percent of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. DSU's distance learning enrollment increased 10 percent since 2007 while on-campus enrollment decreased 3 percent. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: DSU is 21.7%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. DSU's waivers as a percent of tuition have increased from 19.3 percent in 2007 to 21.7 percent in FY 2010, and are the highest in the system.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: DSU is 15.6%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). At 15.6 percent, DSU's deferred maintenance is above the system average but has decreased some over the previous period.

Summary

DSU's financial position remains sound. The viability ratio, the current ratio, and the working capital ratio have all increased from 2007 as long-term debt has decreased. Enrollment has been decreasing over the last three years, the operating income margin has been negative for two of the last four years and deferred maintenance is a continuing challenge.

LRSC Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: LRSC is 2.6

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. The NDUS ratio at June 30, 2010 was .8. LRSC's ratio of 2.6 is **good**, and up from 1.9 at June 30, 2007.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: LRSC is .3

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. LRSC's ratio of .3 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: LRSC is 3.4

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. LRSC's ratio of 3.4 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: LRSC is 15.8

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. LRSC has working capital to cover operating expenses for about 16 weeks if an emergency event should occur, which is **very good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: LRSC is 4.6%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS

margin at June 30, 2010 was 1.5 percent. LRSC's margin was 4.6 percent and is up from 0.4% in 2007.

Net Income Margin – Greater than 0 is good, less than 0 is concern: LRSC is 5.1%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. LRSC's ratio of 5.1 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: LRSC is 15%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. LRSC's net liquid assets have increased since 2007 by 15 percent. Given the good current ratio and working capital ratio, LRSC's liquidity is strong.

Change in long-term debt – Small increase ok, large increase is concern: LRSC is -19%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS has increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. LRSC's long-term debt has decreased 19 percent since 2007.

Change in FTE enrollment – LRSC is 21%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS experienced an 11 percent increase in FTE enrollment since Fall 2007. LRSC's FTE enrollment has increased 21 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – LRSC on-campus enrollment is 46% and distance learning is 54%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment

from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 46 percent of total enrollment while distance ed enrollment comprised 54 percent of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 79 percent and 21 percent, respectively of the NDUS total enrollment. LRSC's distance learning enrollment increased 93 percent since 2007 while on-campus enrollment decreased 10 percent. Overall, NDUS distance learning increased 36 percent while on-campus enrollment increased 11 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: LRSC is 3.9%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. LRSC's waivers as a percent of tuition have decreased from 4.3 percent in 2007 to 3.9 percent in FY 2010 and is still among the lowest in the system.

Deferred Maintenance as percent of plant value – NDUS average is 7.5%: LRSC is 2.4%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). LRSC's deferred maintenance, at 2.4 percent, is well below the system average.

Summary

LRSC's overall financial position is sound. Reserves are good, liquidity is strong, debt remains at a manageable level, and enrollment has steadily increased. Since FY 2007, long-term debt has decreased by 19% and the viability ratio has improved.

MaSU Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: MaSU is .2

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. Long-term debt increased \$4.3 million from FY 2009 as the Coal Plant was completed in the current year. Further, it was increased by \$3.7 million from FY 2009 for the Renovation of Agassiz Hall. The NDUS ratio at June 30, 2010 was .8. MaSU's ratio was .2, which is a **concern**. This should continue to be closely monitored.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: MaSU is .2

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. MaSU's ratio of .2 remains **marginal**.

Current Ratio – Greater than 2 is good, less than 1 is concern: MaSU is 1.5

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. MaSU's ratio of 1.5 is **marginal**. At June 30, 2010 there was an abnormal increase in accounts payable due to construction bills related to the Science/Library Renovation and Education Addition Project and for the Agassiz Hall Renovation. These accounts payable totaled \$345,000. Excluding these payables, the ratio would have been 1.7.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: MaSU is 4.5

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. MaSU's ratio of 4.5 is **good**. At June 30, 2010 there was an abnormal increase in accounts payable due to construction bills related to the Science/Library Renovation and Education Addition Project and for the Agassiz Hall Renovation. These accounts payable totaled \$345,000. Excluding these payables, the ratio would have been 5.7.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: MaSU is -0.5

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS margin at June 30, 2010 was 1.5 percent. MaSU's margin is **a concern** and was -.5 which improved from FY 2009 but still means they spent more to operate in 2010 than they earned for operations and this should continue to be closely monitored.

Net Income Margin – Greater than 0 is good, less than 0 is concern: MaSU is 12.9%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. MaSU's ratio of 12.9 percent is **very good**.

Change in net liquid assets – Positive % is good, negative % is concern: MaSU is 238%

This calculation measures the change in the ability of the campus to meet current obligations over time. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. A continued increase in tuition and fee revenue has led to an increase in this ratio and bolstered liquidity over the prior year.

Change in long-term debt – Small increase is ok, large increase is concern: MaSU is 197%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. MaSU has increased its long term debt in the past couple of years by \$6.1 million for the construction of a Coal Heating Plant and by \$3.7 million for the Renovation of Agassiz Hall. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time.

Change in FTE enrollment – MaSU is 20%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS experienced an 11 percent increase in FTE enrollment since Fall 2007. Enrollment has increased at MaSU every year since 2007.

On-Campus enrollment vs Distance Ed enrollment – MaSU on-campus enrollment is 60% and distance learning is 40%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained from the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 60 percent of total enrollment while distance ed enrollment comprised 40 percent of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. MaSU's distance learning enrollment increased 57 percent since 2007 while on-campus enrollment increased 14 percent. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: MaSU is 3.1%

This calculation measures the dollar amount of waivers granted in relation to overall gross tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. MaSU's waivers as a percent of tuition decreased from 5.0 percent in FY 2007 to 3.1 percent in FY 2010.

Deferred Maintenance as a percent of plant value – NDUS is 7.5%: MaSU is 22.1%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). Four campuses have deferred maintenance above the system average, but MaSU is at a **critical stage** with deferred maintenance at 22.1 percent of plant value. Areas of greatest concern are ADA (disability accommodations) and Health and Safety (fire sprinklers, etc.). Currently approximately one-half of MaSU's base capital improvement biennial appropriation is used for special assessments. A one-time deferred maintenance funding appropriation in the 09-11 biennium will help address this issue. A state funded capital project in the 09-11 biennium will eliminate over \$5,000,000 of deferred maintenance, which will help to reduce our deferred maintenance as a percent of plant value percentage significantly.

Summary

At June 30, 2010 the financial condition of MaSU has improved from prior years. MaSU's overall financial condition, however, should continue to be closely monitored.

MiSU Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: MiSU is 1.6

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. MiSU's ratio of 1.6 is **good**.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: MiSU is .5

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. MiSU's ratio of .5 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: MiSU is 3.6

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. MiSU's ratio of 3.6 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: MiSU is 22.7

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. MiSU has working capital to cover operating expenses for about 23 weeks if an emergency event should occur, which is **very good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: MiSU is 1.6%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year.

Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS margin at June 30, 2010 was 1.5 percent. MiSU's margin was 1.6 percent which is **good**.

Net Income Margin – Greater than 0 is good, less than 0 is concern: MiSU is 17.7%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. MiSU's ratio of 17.7 percent is **very good**.

Change in net liquid assets – Positive % is good, negative % is concern: MiSU is 28%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. MiSU's net liquid assets have increased since 2007 by 28 percent. Given the good current ratio and working capital ratio, MiSU's liquidity is **good**.

Change in long-term debt – Small increase ok, large increase is concern: MiSU is 87%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2007, to those at June 30, 2010 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS has increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. MiSU's long-term debt has increased 87 percent since 2007 due to the issuance of a \$10 million bond for the construction of a Wellness Center.

Change in FTE enrollment – MiSU is 10%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. MiSU's FTE enrollment has increased 10 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – MiSU on-campus enrollment is 73% and distance learning is 27%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment

report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 73 percent of total enrollment while distance ed enrollment comprised 27 percent of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. MiSU's distance learning enrollment increased 16 percent since 2007 while on-campus enrollment increased 12 percent. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: MiSU is 5.8%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in revenues. FY 2010 waivers for the NDUS totaled \$29.8 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. MiSU's waivers as a percent of tuition have decreased from 7.4 percent to 5.8 percent since 2007, and remain below the system average of 9.6 percent.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: MiSU is 2.6%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). MiSU's deferred maintenance, at 2.6 percent, has improved significantly during the last year due to renovations completed.

Summary

MiSU's financial position is sound. None of the ratios indicate any concerns at this point. Reserves are good, liquidity is strong, and debt remains at a manageable level.

NDSCS Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: NDSCS is 6.6

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. NDSCS's ratio of 6.6 is **very good**, and has increased from 2.9 in 2007.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: NDSCS is .4

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. NDSCS's ratio was .4, which is **very good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: NDSCS is 5.5

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. NDSCS's ratio of 5.5 is **very good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: NDSCS is 15.7

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. NDSCS has working capital to cover operating expenses for about 16 weeks if an emergency event should occur, which is **very good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: NDSCS is -0.7%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year.

Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS margin at June 30, 2010 was 1.5 percent. NDSCS's margin was -0.7 percent, which means they spent slightly more to operate in 2010 than they earned for operations in 2010.

Net Income Margin – Greater than 0 is good, less than 0 is concern: NDSCS is 12.1%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. NDSCS's ratio of 12.1 percent is **very good**.

Change in net liquid assets – Positive % is good, negative % is concern: NDSCS is 50%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007, calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. NDSCS's net liquid assets have increased since 2007 by 50 percent. Given the good current ratio and working capital ratio, NDSCS's **liquidity is strong**.

Change in long-term debt – Small increase ok, large increase is concern: NDSCS is -43%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. NDSCS's long-term debt has decreased 43 percent since 2007, indicating no new debt has been added and current debt is being paid off.

Change in FTE enrollment – NDSCS is 6%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. NDSCS's FTE enrollment increased 6 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – NDSCS on-campus enrollment is 60% and distance learning is 40%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus

enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 60 percent of total enrollment while distance ed enrollment comprised 40% of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. NDSCS's distance learning enrollment increased 76 percent since 2007 while on-campus enrollment decreased 4 percent. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%:
NDSCS is 8.8%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. NDSCS's waivers as a percent of tuition have increased from 7.0 percent in 2007 to 8.8 percent in FY 2010.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: NDSCS is 4.1%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). NDSCS's deferred maintenance, at 4.1 percent, is below the system average. NDSCS has placed a higher importance on maintenance of infrastructure than on adding new facilities.

Summary

NDSCS's financial position is sound. Most ratios have improved over the last several years. None of the ratios indicate any concerns at this point. Net liquid assets are increasing, debt is being reduced and reserves are stable.

NDSU Financial Review June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: NDSU is .5

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. NDSU's ratio is .5, which is **marginal**.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: NDSU is .2

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. NDSU's ratio is .2, which is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: NDSU is 2.0

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. NDSU's ratio of 2.0 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: NDSU is 5.6

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. NDSU has working capital to cover operating expenses for about six weeks if an emergency event should occur, which is **good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: NDSU is -0.2%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS

margin at June 30, 2010 was 1.5 percent. NDSU's margin was -0.2 percent, which means they spent more to operate in 2010 than they earned for operations.

Net Income Margin – Greater than 0 is good, less than 0 is concern: NDSU is 5.2%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. NDSU's ratio of 5.2 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: NDSU is -3%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. NDSU's net liquid assets have decreased since 2007 by 3 percent. Given the good current ratio and working capital ratio, NDSU's liquidity is **good but should be monitored closely**

Change in long-term debt – Small increase ok, large increase is concern: NDSU is 41%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. NDSU's long-term debt increased 41 percent since 2007. With a viability ratio of .5 and good liquidity, the increase is not a concern at this point; however, the addition of long-term debt should be carefully considered.

Change in FTE enrollment – NDSU is 13%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. NDSU's FTE enrollment increased 13 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – NDSU on-campus enrollment is 96% and distance learning is 4%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students

who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 96 percent of total enrollment while distance ed enrollment comprised 4 percent of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. NDSU's distance learning enrollment increased 102 percent since 2007 while on-campus enrollment increased 13 percent. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: NDSU is 14.4%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. NDSU's waivers as a percent of tuition have increased from 12.1 percent at FY 2007 to 14.4 percent in FY 2010.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: NDSU is 8.0%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). NDSU's deferred maintenance, at 8.0 percent, is at about the system average.

Summary

NDSU's financial position is sound. The viability ratio and current ratio are marginal but the primary reserve and working capital ratios are good. FTE enrollment continues to increase and is up 13 percent from 2007. NDSU's most recent Moody's rating of A1 (upper-medium-grade), with a stable outlook is dated June 2009. According to Moody's, "The stable outlook reflects Moody's expectation that University will continue to enjoy a healthy market position, balanced operating performance and adequate debt service coverage. While we feel the debt level is manageable at the current rating level, the University's ability to absorb additional borrowing beyond this issuance is largely dependent on the ability to sustain enrollment growth and revenues in support of new debt service." The impact of issuing additional debt should be carefully evaluated.

UND Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: UND is .9

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. UND's ratio of .9 is **good**.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: UND is .3

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. UND's ratio of .3 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: UND is 2.3

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. UND's ratio of 2.3 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: UND is 6.3

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. UND has working capital to cover operating expenses for about 6 weeks if an emergency event should occur, which is **good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: UND is 1.9 %

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS

margin at June 30, 2010 was 1.5 percent. UND's margin was 1.9 percent which is up from -0.5 percent in FY 2009.

Net Income Margin – Greater than 0 is good, less than 0 is concern: UND is 3%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. UND's ratio of 3.0 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: UND is -28%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. UND's net liquid assets decreased 28 percent since 2007. Given the good current and working capital ratios, UND's liquidity is not a concern.

Change in long-term debt – Small increase ok, large increase is concern: UND is 8%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. UND's long-term debt increased 8 percent since 2007. The impact of issuing long-term debt in the future should be carefully evaluated.

Change in FTE enrollment – UND is 10%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. UND's FTE enrollment increased 10 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – UND on campus is 84% and distance learning is 16%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment

report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, distance learning made up 16 percent of UND's unduplicated headcount enrollment while on-campus instruction made up 84 percent of unduplicated headcount enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. UND's distance learning enrollment increased 60 percent since 2007 while on-campus enrollment increased 7 percent for the same time period. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: UND is 7.0%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. UND's waivers as a percent of tuition have decreased from 8.0 percent in FY 2007 to 7.0 percent in FY 2010.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: UND is 7.0%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). UND's deferred maintenance at 7.0 percent of plant value is slightly below the system average.

Summary

UND's overall financial position is sound. The marginal viability ratio, a result of increased long-term debt, has been a concern but is expected to improve as debt service revenue is collected. The operating income margin increased from FY 2010 and enrollment has increased every year since FY 2007. The impact of issuing debt in the future should be carefully evaluated.

VCSU Financial Review

June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: VCSU is 1.2

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. VCSU's ratio of 1.2 is **good**.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: VCSU is .2

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. VCSU's ratio of .2 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: VCSU is 2.8

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. VCSU's ratio of 2.8 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: VCSU is 9.1

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. VCSU has working capital to cover operating expenses for about 9 weeks if an emergency event should occur, which is **good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: VCSU is -2.1%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS

margin at June 30, 2010 was 1.5 percent. VCSU's margin was -2.1 percent, which means they spent more to operate in 2010 than they earned for operations in 2010. A negative margin for one year is not normally a concern because it could be due to timing issues or a one-time event. However, if the appropriation for capital assets were added back, operating income margin would be 1.1. Although it is improving, VCSU's operating income margin has been negative for every year since 2007. Therefore, this should be closely monitored.

Net Income Margin – Greater than 0 is good, less than 0 is concern: VCSU is 6.7%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. VCSU's ratio of 6.7 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: VCSU is 2%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2009 by 1 percent. Given the good current ratio and working capital ratio, VCSU's liquidity is **good**.

Change in long-term debt – Small increase ok, large increase is concern: VCSU is -13%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. VCSU's long-term debt decreased 13 percent since 2007. In July 2010, revenue bonds in the amount of \$3.43 million were issued for renovation of a residence hall. The bonds carry a 45 percent federal interest subsidy through the Build America bonds program. The net interest rate is 3.891%. VCSU increased housing rates in FY 2010 and FY 2011 to generate additional revenue. The interest subsidy, the rental rate increase combined with increased utilization rates will provide sufficient income to service the debt.

Change in FTE enrollment – VCSU is 19%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. VCSU's FTE enrollment has increased 19 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – VCSU on-campus enrollment is 63% and distance learning is 37%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 63% of total enrollment while distance ed enrollment comprised 37% of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. VCSU's distance learning enrollment increased 85 percent since 2007 while on-campus enrollment increased 12 percent for the same time period. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: VCSU is 8.0%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. VCSU's waivers as a percent of tuition remained at about 8.0 percent since 2007.

Deferred Maintenance as a percent of plant value – NDUS average is 7.5%: VCSU is 14.8%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). VCSU's deferred maintenance, at 14.8 percent, is above the system average, which is of **concern**.

Summary

VCSU's financial position has improved since 2007 and the majority of their ratios are good. Enrollment has steadily increased every year since 2007. VCSU had net operating losses in the last four years due to exclusion of state appropriations for capital assets that were used for expenses that were not capitalized and due to the expenses associated with the Center of Excellence funding received in 2006. Deferred maintenance is above the system average, which is of concern.

WSC Financial Review June 30, 2010

The following financial results were based on information from audited financial statements. Other information was based on various NDUS reports and schedules.

Viability Ratio – Greater than 1 is good, less than .3 is concern: WSC is 1.4

This ratio measures the ability of a campus to retire L-T debt using current resources. It is calculated by comparing expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1 is good and a ratio of less than .3 is of concern. The NDUS ratio at June 30, 2010 was .8. WSC's ratio of 1.4 is **good**.

Please note that the formula was changed in FY 2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY 2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases).

Primary Reserve Ratio – Greater than .1 is good, less than .05 is concern: WSC is .1

This ratio measures the ability of the campus to operate at current levels without future revenues. It is calculated by comparing unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern. The NDUS ratio at June 30, 2010 was .3. WSC's ratio of .1 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: WSC is 1.5

This ratio measures the ability of the campus to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of L-T debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern. The NDUS ratio at June 30, 2010 was 2.5. WSC's ratio of 1.5, is **marginal**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: WSC is 3.2

This ratio measures the ability of the campus to sustain operations in a short-term emergency situation (4-6 weeks). The ratio is calculated by comparing working capital (current assets less current liabilities) to total operating expenses and then converting to weeks by multiplying by 52. While no specific industry standard is available, professional judgment would indicate an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency. The NDUS ratio at June 30, 2010 was 8.1 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 8 weeks. WSC has working capital to cover operating expenses for about 3 weeks if an emergency event should occur, which is **a concern** and has decreased from 7.9 in FY 2007.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: WSC is 11.5%

This ratio measures the current year financial results. The ratio is calculated by comparing operating and nonoperating net income (before capital gifts and grants) to total operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired because that means the campus is not spending more than it is taking in during the year.

Additionally, a ratio of greater than zero indicates the campus is adding to reserves. The NDUS margin at June 30, 2010 was 1.5 percent. WSC's operating income margin of 11.5% is **very good** and has **improved** significantly every year since 2007.

Net Income Margin – Greater than 0 is good, less than 0 is concern: WSC is 16%

This ratio measures the institution's financial status in terms of current year operations. It is calculated by comparing the current year's increase in net assets from the previous year divided by current year total revenues. A negative net income margin results when an institution's increase current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or create deficit spending. A positive net income margin indicates that the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2010 was 6.9 percent. WSC's ratio of 16 percent is **very good**.

Change in net liquid assets – Positive % is good, negative % is concern: WSC is -54%

This calculation measures the change in the ability of the campus to meet current obligations from one fiscal year to another. It is calculated by subtracting current liabilities from liquid assets (cash, current investments and current receivables) at June 30, 2010, comparing it to the same calculation at June 30, 2007, and then dividing by the June 30, 2007 calculation to arrive at the percentage change. A positive percentage change would be desired because it indicates the campus's ability to meet current obligations is improving over time. A negative change indicates the campus's ability to meet current obligations is eroding over time. This calculation coupled with the current ratio above gives an indication of change in financial liquidity over time. The NDUS increased net current assets since 2007 by 1 percent. WSC's net liquid assets decreased by 54% from 2007.

Change in long-term debt – Small increase is ok, large increase is concern: WSC is -20%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2007 to June 30, 2010 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2010, to those at June 30, 2007 and dividing by the June 30, 2007 amount to arrive at the percentage change. A negative change indicates the campus is retiring more debt than it is adding. A positive change indicates the campus is adding more debt than it is retiring. The NDUS increased long-term debt by 23 percent since 2007. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. WSC has not added additional long-term debt in several years.

Change in FTE enrollment – WSC is 3%

This calculation shows the percentage change in FTE enrollment from Fall 2007 to Fall 2010. It is calculated by comparing Fall 2010 enrollment to Fall 2007 enrollment and then dividing by Fall 2007 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 11 percent increase in FTE enrollment since Fall 2007. WSC's FTE enrollment increased 3 percent since 2007.

On-Campus enrollment vs Distance Ed enrollment – WSC on-campus enrollment is 61% and distance learning is 39%.

This calculation measures the percentage of on-campus enrollment compared to enrollment headcount that receives instruction solely through distance learning methods such as face-to-face off campus, e-learning and correspondence courses. On-campus enrollment may include students who are enrolled in both face-to-face on campus courses and distance learning. The on-campus enrollment is obtained the face-to-face on campus enrollment in table 9 of the Fall 2010 enrollment report. The distance ed enrollment is obtained by subtracting the face-to-face on campus enrollment

from the total campus enrollment reported in table 9 of the Fall 2010 enrollment report. In 2010, on-campus enrollment made up 61 percent of total enrollment while distance ed enrollment comprised 39% of total enrollment. Overall, NDUS on-campus enrollment and distance ed enrollment made up 78 percent and 22 percent, respectively of the NDUS total enrollment. WSC's distance learning increased 18 percent and on-campus learning increased 35 percent since 2007. Overall, NDUS distance learning increased 47 percent while on-campus enrollment increased 8 percent.

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.6%: WSC is 5.3%

This calculation measures the dollar amount of waivers granted in relation to overall tuition and fee revenue. It is calculated by dividing the dollar value of waivers by gross tuition and fee revenue. The higher the percentage, the more the campus is giving up in tuition revenues. FY 2010 waivers for the NDUS totaled \$29.9 million, an increase of 26 percent over FY 2007. The increase is due to the increase in tuition rates, because waivers as a percent of tuition increased only slightly from 9.3 percent to 9.6 percent in that same time period. WSC's waivers increased from 3.9 percent in FY 2007 to 5.3 percent in FY 2010.

Deferred Maintenance as a percent of plant value – NDUS is 7.5%: WSC is 8.2%

This calculation measures deferred maintenance of state buildings compared to the buildings' respective plant value. It is calculated by dividing estimated deferred maintenance (from biennial budget schedules) by the replacement value of the buildings and infrastructure (as calculated for OMB during the biennial budget process). Auxiliary buildings/infrastructure are not included in the calculation. Deferred maintenance for the 2009-11 biennium totals \$109.3 million dollars for the system (7.5 percent of the plant value). WSC's deferred maintenance at 8.2 percent is above the systems average.

Summary

WSC's viability and primary reserve ratios are good and their debt has decreased since 2007. However, their liquidity remains marginal and enrollment, although up slightly, continues to be a concern. The impact of issuing additional debt should be closely monitored.