

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2011 (with trends since FY 2008)
Prepared in March 2012

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 semi-annual budget status report is presented to the SBHE Budget, Audit and Finance Committee 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, 2011 and to identify trends that are occurring over a period of time (FY2008 thru FY2011). 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 (**page 13**) is included in this report. Nationally, ND ranks 23 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 FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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 2011	FY 2010	FY 2009	FY 2008
DSU	10.8	10.1	9.5	4.7
NDSCS	7.4	6.6	4.6	3.6
DCB	5.6	3.9	2.2	2.3
LRSC	3.0	2.6	2.1	1.9
MiSU	1.5	1.6	3.5	2.9
UND	1.1	.9	.9	.9
BSC	.9	.9	.8	.6
Total NDUS	.9	.8	.9	.9
VCSU	.7	1.2	1.0	1.0
NDSU	.5	.5	.6	.6
WSC	.4	1.4	1.6	2.0
MaSU	.2	.2	.4	.4

*Greater than
1.0 is good*

Five of the eleven institutions have a viability ratio of less than 1.0. The ratio increased for six of the institutions in FY2011 compared to FY2008 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 slightly 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:

<i>PRIMARY RESERVE RATIO</i>				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
MiSU	.5	.5	.6	.5
DSU	.4	.4	.4	.5
LRSC	.3	.3	.3	.3
NDSCS	.3	.4	.3	.3
UND	.3	.3	.3	.3
WSC	.3	.1	.1	.2
Total NDUS	.3	.3	.3	.3
BSC	.2	.2	.2	.2
DCB	.2	.2	.1	.2
MaSU	.2	.2	.2	.2
NDSU	.2	.2	.2	.3
VCSU	.2	.2	.2	.2

*Greater than
.1 is good*

The primary reserve ratio is good for all campuses and remained stable at most campuses 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 2011	FY 2010	FY 2009	FY 2008
DSU	7.8	7.8	4.5	8.0
NDSCS	4.9	5.5	4.0	4.5
DCB	4.8	3.7	2.6	3.5
MiSU	3.9	3.6	6.1	5.2
LRSC	3.4	3.4	3.7	3.5
WSC	2.7	1.5	1.9	2.3
BSC	2.5	2.7	2.3	2.2
Total NDUS	2.5	2.5	2.7	3.1
UND	2.2	2.3	2.2	2.8
VCSU	2.2	2.8	2.5	2.5
NDSU	2.0	2.0	2.9	3.1
MaSU	1.6	1.5	0.9	1.6

*Greater than
2.0 is good*

The current ratio for most of the institutions is good and increased at four of the eleven institutions since FY2008 (NDSCS, DCB, WSC, BSC).

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 2011	FY 2010	FY 2009	FY 2008
DSU	21.7	21.1	20.5	22.1
MiSU	20.3	22.7	25.7	24.6
NDSCS	15.3	15.7	13.2	12.3
LRSC	14.4	15.8	15.0	13.8
DCB	11.6	8.9	5.3	7.0
BSC	8.3	9.0	8.2	9.8
VCSU	8.1	9.1	9.3	9.3
WSC	7.8	3.2	5.4	7.2
Total NDUS	7.7	8.1	9.4	11.1
MaSU	5.8	4.5	0.0	4.2
UND	5.7	6.3	7.1	10.3
NDSU	5.1	5.6	8.9	9.6

4-6 weeks is
good

All of the institutions have good or very good working capital reserves. The working capital ratio increased at five campuses (NDSCS, LRSC, DCB, WSC and MaSU) over the past three years, and decreased at all other campuses (DSU, MiSU, BSC, VCSU, UND and NDSU).

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 2011	FY 2010	FY 2009	FY 2008
WSC	4.7%	11.5%	5.0%	1.1%
NDSU	2.5%	-0.2%	-0.9%	0.1%
DCB	2.4%	5.7%	-2.2%	-3.7%
MaSU	2.3%	-0.5%	-1.9%	0.3%
UND	2.0%	1.9%	-0.5%	-0.3%
Total NDUS	1.8%	1.5%	0.1%	0.5%
LRSC	0.0%	4.6%	0.0%	-3.7%
MiSU	-0.5%	1.6%	0.9%	3.8%
DSU	-1.4%	-2.2%	-0.2%	1.5%
BSC	-2.3%	1.3%	-0.4%	1.7%
VCSU	-3.5%	-2.1%	-3.8%	-6.3%
NDSCS	-5.6%	-0.7%	-3.4%	-3.1%

*Greater than 0
is good*

Five institutions (MiSU, DSU, BSC, VCSU and NDSCS) have an operating income margin below zero, which means they spent more to operate in FY2011 than they earned from operations in FY2011. 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 the last two consecutive years such as DSU, NDSCS 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.

Net Income Margin				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
WSC	22.0%	16%	9%	13%
MaSU	20.0%	13%	5%	7%
DCB	13.1%	9%	-1%	1%
NDSU	8.5%	5%	2%	2%
Total NDUS	6.9%	7%	3%	2%
UND	6.6%	3%	1%	2%
BSC	6.5%	5%	14%	1%
DSU	2.6%	26%	14%	9%
MiSU	2.2%	18%	7%	6%
VCSU	1.8%	7%	5%	4%
NDSCS	1.6%	12%	3%	2%
LRSC	.5%	5%	1%	-3%

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 FY2008, no institution has had a negative net income margin for more than one year.

Trend: Change in net liquid assets less current liabilities (FY2008 to FY2011)

This calculation measures the change in ability to meet current obligations over time. It is the percentage change from June 30, 2008 to June 30, 2011 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 FY2008 to FY2011 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 2008-2011	FY 2011	FY 2010	FY 2009	FY 2008
DCB	140%	\$1.6	\$1.1	\$0.5	\$0.6
MASU	106%	\$1.4	\$1.0	\$-0.8	\$0.8
NDSCS	35%	\$11.4	\$11.6	\$9.1	\$8.5
LRSC	31%	\$3.5	\$3.4	\$2.9	\$2.7
BSC	19%	\$5.9	\$5.4	\$4.4	\$5.0
DSU	18%	\$12.8	\$11.9	\$10.7	\$10.8
VCSU	12%	\$2.9	\$3.0	\$2.7	\$2.6
MiSU	3%	\$19.9	\$21.1	\$21.1	\$19.3
Total NDUS	-18%	\$136.2	\$137.0	\$149.1	\$166.2
NDSU	-39%	\$31.6	\$33.9	\$51.2	\$51.4
UND	-40%	\$37.1	\$40.0	\$44.9	\$61.6
WSC	-52%	\$1.6	\$0.5	\$0.9	\$1.0

*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 and UND had an increase in net liquid assets since FY2008.

Trend: Change in long-term liabilities (FY2008 to FY2011)

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 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 FY2008 to FY2011 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 2008-2011	FY 2011	FY 2010	FY 2009	FY 2008
DSU	-52%	\$1.3	\$1.3	\$1.2	\$2.6
NDSUS	-42%	\$1.8	\$2.0	\$2.6	\$3.2
BSC	-36%	\$8.0	\$7.8	\$8.2	\$12.6
DCB	-28%	\$0.3	\$0.3	\$0.4	\$0.5
LRSC	-21%	\$1.4	\$1.5	\$1.6	\$1.7
UND	6%	\$117.2	\$121.0	\$115.8	\$109.9
Total NDUS	23%	\$338.6	\$328.8	\$284.2	\$275.7
NDSU	34%	\$156.7	\$151.8	\$127.5	\$117.3
VCSU	66%	\$7.1	\$3.9	\$4.1	\$4.3
MISU	96%	\$16.2	\$16.6	\$7.0	\$8.3
MASU	191%	\$12.8	\$13.5	\$6.1	\$4.4
WSC	1,219%	\$9.8	\$0.7	\$0.8	\$0.7

*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, NDSU, VCSU and WSC. MaSU 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 FY2010, MiSU issued a \$10 million bond for the construction of the Wellness Center. NDSU issued a \$26 million bond in FY2010 for the construction of the Niskanen Apartments & Addition to West Dining Center. WSC long-term debt increased with the issuance of a \$9.75 million bond for the construction of a new residence hall. With viability ratios of less than 1.0, MaSU, NDSU, VCSU and WSC should remain cautious about adding new debt in the near future.

Trend: Change in Fall FTE enrollment (2008-2011)

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011, 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 2011 Enrollment Report (FY2012) to the Fall 2008 (FY2009) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2010 (FY2011) Enrollment Report to the Fall 2007 (FY2008) Enrollment Report.

Institution	Fall FTE Enrollment						2007
	Trend	Trend	Enrollment*				
	% Change Fall Enrollment Report FY 2008-2011	% Change Fall Enrollment Report FY 2007-2010	2011	2010	2009	2008	
DCB	19%	34%	524	540	490	440	402
LRSC	26%	21%	988	921	868	784	764
MASU	25%	20%	704	704	662	563	586
VCSU	23%	19%	1,012	957	833	823	807
UND	11%	10%	12,320	12,018	11,306	11,137	10,967
BSC	9%	15%	3,208	3,208	3,160	2,937	2,792
NDSU	7%	13%	12,606	12,708	12,577	11,794	11,221
Total NDUS	8%	11%	39,089	38,913	37,564	36,096	35,075
MISU	3%	10%	2,794	3,002	2,832	2,720	2,730
NDSCS	16%	6%	2,366	2,217	2,076	2,041	2,097
WSC	8%	3%	608	570	573	562	551
DSU	-15%	-4%	1,959	2,054	2,187	2,294	2,158

*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 2008 of 8 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 2008.

Percentage of Face-to-Face Enrollment to Total Unduplicated Enrollment

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to enrollment headcount that receives instruction in other than face-to-face on-campus instruction. Face-to-face on-campus enrollment may include students who are enrolled in both types of instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

	(A)	(B)	(C)	(D) (B+C)-A	(E) (D)/(A)	(F) (B)/(A)	(G) (C)/(A)
INSTITUTION	UNDUPLICATED CAMPUS ENROLLMENT TOTALS ¹	UNDUPLICATED FACE TO FACE ON CAMPUS ²	UNDUPLICATED WITHIN DISTANCE EDUCATION ³	# OF STUDENTS DUPLICATED BETWEEN FACE-TO-FACE ON CAMPUS AND DE ⁴	% OF TOTAL ENROLLED IN BOTH FACE-TO-FACE & DISTANCE EDUCATION ⁵	% OF TOTAL HEADCOUNT ENROLLMENT IN FACE TO-FACE ON-CAMPUS INSTRUCTION ⁶	% OF TOTAL HEADCOUNT ENROLLMENT IN DISTANCE EDUCATION ⁶
BSC	4,392	2,646	2,542	796	18.1%	60.2%	57.9%
DCB	812	384	536	136	16.7%	47.3%	66.0%
DSU	2,346	1,783	731	168	7.2%	76.0%	31.2%
LRSC	2,056	412	1,796	152	7.4%	20.0%	87.4%
MASU	970	583	451	64	6.6%	60.1%	46.5%
MISU	3,657	2,556	1,686	585	16.0%	69.9%	46.1%
NDSCS	3,127	1,731	1,769	373	11.9%	55.4%	56.6%
NDSU	14,399	13,653	3,613	2,867	19.9%	94.8%	25.1%
UND	14,697	11,975	4,152	1,430	9.7%	81.5%	28.3%
VCSU	1,384	800	1,101	517	37.4%	57.8%	79.6%
WSC	993	599	581	187	18.8%	60.3%	58.5%
NDUS Total	48,833	37,122	18,958	7,275	14.9%	76.0%	38.8%

¹ Source: Fall Enrollment Report: Table 1

² Source: 2011 Fall Enrollment Report: Table 9, column F. May also include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction.

³ Source: 2011 Fall Enrollment Report: Table 9, column E. Includes face-to-face off campus, correspondence and internet based instruction. May also include distance education students who are also enrolled in face-to-face instruction.

⁴ Source: 2011 Fall Enrollment Report: Table 9, column G (DE & On-Campus Duplicated Totals) less column H (Unduplicated DE & On-Campus Total).

⁵ Subtracting column D from the sum of columns E and F may not exactly equal 100% due to rounding.

⁶ Columns E & F total more than 100% because of students enrolled in both on-campus and distance education courses.

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:

Waivers as a Percentage of Tuition				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
BSC	1.1%	1.1%	1.1%	1.0%
DCB	3.6%	2.2%	2.8%	3.0%
LRSC	3.6%	3.9%	5.1%	5.2%
MASU	3.4%	3.1%	5.8%	4.0%
WSC	4.4%	5.3%	3.2%	4.2%
MISU	6.8%	5.8%	7.5%	7.4%
VCSU	6.9%	8.0%	8.0%	8.1%
UND	7.0%	7.0%	6.8%	6.7%
NDSCS	9.3%	8.8%	7.3%	5.7%
Total NDUS	9.3%	9.6%	9.5%	9.1%
NDSU	13.8%	14.4%	13.6%	13.2%
DSU	20.0%	21.7%	23.0%	21.1%

FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. While the dollar amount of waivers increased 26 percent, total waivers as a percentage of tuition increased by only less than .2 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.

Six of the institutions (BSC, DCB, NDSCS, NDSU, UND and WSC) had an increase in waivers as a percentage of tuition from FY2008 while five institutions (DSU, LRSC, MaSU, MiSU, and VCSU) had a decrease in the amount of waivers granted as a percent of tuition for the same period.

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

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.

Also, the SBHE has approved alternative tuition rates at select campuses. As a result, the difference between the historical rate and the approved alternative tuition rate is not reflected in the waiver figures above.

FUNDING ANALYSIS
National per FTE Funding Comparison

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

FY 2011 Total Educational Revenue per FTE - Public Institutions of Higher Ed				
Total Educational Revenues Per FTE*		Educational Appropriations (State/Local) Per FTE*		
1	Wyoming	17994	1 Wyoming	15943
2	Alaska	16273	2 Alaska	11866
3	Delaware	15241	3 North Carolina	9463
4	Connecticut	14606	4 Connecticut	8176
5	Rhode Island	14237	5 New York	8082
6	Maine	13910	6 New Mexico	7960
7	Maryland	13695	7 Texas	7904
8	New Jersey	13344	8 Oklahoma	7613
9	Michigan	13248	9 Illinois	7556
10	Vermont	13120	10 Nevada	7357
11	Pennsylvania	12993	11 Louisiana	7309
12	Alabama	12903	12 Kentucky	7206
13	Kentucky	12797	13 Georgia	7186
14	Texas	12657	14 Arkansas	7086
15	North Dakota	12416	15 Maryland	6913
16	North Carolina	12264	16 Hawaii	6911
17	Minnesota	12104	17 Nebraska	6896
18	New York	11976	18 Tennessee	6828
19	Oklahoma	11968	19 Mississippi	6820
20	Illinois	11771	20 California	6631
21	Mississippi	11730	21 Idaho	6545
22	Virginia	11597	22 New Jersey	6372
23	Arkansas	11253	23 North Dakota	6263
24	Tennessee	11050	24 Wisconsin	6243
25	Iowa	10877	25 Maine	6155
26	Massachusetts	10850	26 Alabama	5991
27	Missouri	10642	27 Florida	5810
28	Nevada	10588	28 Missouri	5701
29	West Virginia	10510	29 Washington	5606
30	South Carolina	10471	30 Massachusetts	5599
31	Nebraska	10448	31 West Virginia	5527
32	Wisconsin	10425	32 Arizona	5433
33	New Hampshire	10402	33 Virginia	5229
34	South Dakota	10400	34 Utah	5039
35	Hawaii	10228	35 Minnesota	4993
36	New Mexico	10189	36 Kansas	4959
37	Indiana	10026	37 South Carolina	4811
38	Louisiana	9992	38 Rhode Island	4674
39	Oregon	9990	39 Michigan	4663
40	Arizona	9869	40 South Dakota	4650
41	Georgia	9594	41 Pennsylvania	4602
42	Ohio	9545	42 Delaware	4569
43	Idaho	9537	43 Iowa	4481
44	Kansas	9376	44 Oregon	4359
45	California	9137	45 Indiana	4173
46	Utah	9127	46 Montana	4153
47	Colorado	8970	47 Ohio	4139
48	Montana	8795	48 Colorado	3136
49	Florida	8648	49 New Hampshire	2646
50	Washington	8557	50 Vermont	2599
US		11016	US	6290

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

SUMMARY BY INSTITUTION

BSC

BSC's overall financial position remains good. The primary reserve ratio and current ratio remained at about the same levels while the viability and the net income margin ratio increased since FY2008. The working capital ratio decreased slightly but is still well above the 4-6 weeks benchmark established as an acceptable level of working capital. Long-term debt decreased 36 percent, due to the \$3.889 million prepayment of the NECE capital lease in FY2009.

DCB

Prior to FY2008 DCB's financial position had progressively declined and was of concern. Steps taken by DCB in FY2007 helped to improve their financial position considerably. All of DCB's ratios are **good or very good**. DCB's viability ratio, current ratio, working capital ratio and operating income margin have improved since FY2008. Net liquid assets increased and long-term debt decreased in the same time period.

DSU

DSU's financial position remains good. The viability ratio and the net income margin ratio have increased since FY2008 while the primary ratio, current ratio and working capital ratio have remained at about the same levels. Long-term debt decreased 52 percent from FY2008. FTE enrollment decreased from FY2008. The operating income margin was negative for FY2011 and the previous three years. This along with enrollment declines is a concern.

LRSC

LRSC's overall financial position is good. The viability ratio, working capital ratio and net income margin improved from FY2008. Debt remains at a manageable level and FTE enrollment increased 26 percent from FY2008. Since FY2008, long-term debt decreased 21 percent and the viability ratio has steadily improved.

MaSU

At June 30, 2011 the financial condition of MaSU has improved since implementing a financial management plan in FY2006. Since FY2008, the working capital ratio and the net income margin have increased. The primary reserve ratio and the current ratio remained at the same levels from FY2008. The viability ratio decreased slightly from FY2008. Long-term debt increased for the construction of a Coal Heating Plant and the renovation of Agassiz Hall. Enrollment increased since FY2008 with increases in both distance learning enrollment and on campus enrollment.

MiSU

MiSU's financial position is good. Long-term debt increased due to the issuance of a \$10 million bond in FY2010 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 good. Reserves and liquidity are strong and long term debt decreased considerably since FY2008. Net liquid assets have increased significantly since FY2008. Total FTE enrollment increased from FY2008. 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 good. Although the viability ratio is a concern, liquidity and reserves are stable. Long term liabilities increased 34 percent since FY2008. NDSU received a Moody's rating of Aa3 (upper-medium-grade), with a stable outlook on February 8, 2012. According to Moody's, "The Aa3 rating reflects NDSU's established market position as the State's land grant research university with stable and growing state appropriations and good growth in grants and contracts." Furthermore, Moody's report indicates "We believe that the University's debt level is manageable at its current level".

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. FTE enrollment has steadily increased every year since FY2008.

VCSU

VCSU's liquidity is good. Long term debt increased 66 percent since FY2008. 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 FY2006. 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 increased 23 percent since FY2008.

WSC

WSC's financial position has improved with the primary ratio, current ratio, working capital ratio, the net income margin and the operating income margin increasing since FY2008. Long-term debt increased due to the issuance of a \$9.75 million bond for the construction of a new residence hall. FTE enrollment also increased since FY2008.

BSC Financial Review June 30, 2011

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 long-term 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, 2011 was .9. BSC's ratio is **good** at .9 and is up from .6 at June 30, 2008. While debt was repaid in FY2011, the ratio is flat due to the addition of \$700,000 in special assessments. We should continue to see improvement in this ratio as long-term debt is repaid.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 was .3. BSC's ratio was .2, which is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: BSC is 2.5

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 long-term 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, 2011 was 2.5. BSC's ratio was 2.5, which is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: BSC is 8.3

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. BSC has working capital to cover operating expenses for about 8 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 -2.3%

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, 2011 was 1.8 percent. BSC's operating margin took a downturn in FY2011 as a result of the addition of \$700,000 in special assessments. Because the assessments are for improvements to City property surrounding the campus, BSC does not capitalize them to the capital asset line. Rather, BSC is required to expense them in the year assessed. Without these special assessments, BSC's operating income margin would be -.7 percent.

Net Income Margin – Greater than 0 is good, less than 0 is concern: BSC is 6.5%

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 the institution experienced a net increase in fund balances. The NDUS ratio at June 30, 2011 was 6.9 percent. BSC's ratio of 6.5 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: BSC is 19%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 calculation to arrive at the percentage change. A positive percentage change is 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 net current assets decreased since FY2008 by 18 percent. BSC's net current assets increased 19 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 -36%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. BSC's decrease is the result of prepaying \$3.889 million of the NECE capital lease in FY2009. 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. With the addition in FY2011 of \$700,000 in special assessments mentioned above, long-term debt has increased again, but only slightly.

Change in FTE enrollment – Positive preferred, negative may be a concern: BSC is 9%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the

NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. BSC's enrollment continues to trend upward with record enrollments being achieved in the last several years.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – BSC face-to-face on-campus enrollment in FY11 is 60% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition and fee revenue – NDUS campus total is 9.3%: 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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 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.

Summary

BSC's overall financial position remains good. All ratios, with the exception of the operating income margin are good or very good, long-term debt decreased and tuition waivers as a percentage of tuition revenue remain the lowest in the system.

DCB Financial Review

June 30, 2011

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 5.6

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. DCB's ratio of 5.6 is **very good** and has increased every year since FY2009.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 was .3. DCB's ratio at .2 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: DCB is 4.8

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 long-term 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, 2011 was 2.5. DCB's ratio at 4.8 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: DCB is 11.6

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. DCB has working capital to cover operating expenses for about 11 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 2.4%

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, 2011 was 1.8 percent. DCB's margin was 2.4 percent which is **good** and has increased substantially from FY 2008 when it was -3.7 percent.

Net Income Margin – Greater than 0 is good, less than 0 is concern: DCB is 13.1%

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, 2011 was 6.9 percent. DCB's ratio of 13.1 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: DCB is 140%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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 net current assets decreased 18 percent since FY2008. DCB's increase of 140 percent since FY2008 is **very good**.

Change in long-term debt – Small increase ok, large increase is concern: DCB is -28%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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 FY2008. 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 FY2006, and all debt payments have been made as scheduled.

Change in FTE enrollment – DCB is 19%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. DCB's FTE enrollment has increased over the prior years from 440 in Fall 2008 to 524 in Fall 2011.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – DCB face-to-face on-campus enrollment in FY11 is 47% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.3%:
DCB is 3.6%

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. DCB's waivers as a percent of tuition have remained one of the lowest in the NDUS.

Summary

Prior to FY2007 DCB's financial position had progressively declined and was of concern. Steps taken by DCB in FY2007 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 FY2008. Net liquid assets have increased and long-term debt has decreased in the same time period.

DSU Financial Review

June 30, 2011

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 10.8

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. DSU's ratio of 10.8 is **very good**.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 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 long-term 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, 2011 was 2.5. DSU's ratio of 7.8 is **very good** and is the highest in the system.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: DSU is 21.7

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 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 -1.4%

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, 2011 was 1.8 percent. DSU's margin was -1.4 percent. DSU had a negative operating income margin in the last three 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 2.6%

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, 2011 was 7 percent. DSU's ratio of 2.6 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: DSU is 18%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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 decreased net liquid assets since FY2008 by 18 percent. DSU increased net liquid assets by 18 percent.

Change in long-term debt – Small increase ok, large increase is concern: DSU is -52%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008 while DSU's long-term debt decreased 52 percent since FY2008.

Change in FTE enrollment – DSU is -15%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. DSU's FTE enrollment decreased 15 percent since 2007 and has decreased for the last three out of four years.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – *DSU face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.*

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.3%:
DSU is 20.0%

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. DSU's waivers as a percent of tuition have decreased slightly from 21.1 percent in FY2008 to 20.0 percent in FY2011, but are still the highest in the system.

Summary

DSU's financial position remains good. The viability ratio increased while the primary reserve ratio, current ratio and working capital ratio remained at about the same levels as FY2008. Net liquid assets increased from FY2008 as long-term debt has decreased. Enrollment has been decreasing over the last four years and the operating income margin has been negative for three of the last four years.

LRSC Financial Review

June 30, 2011

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 3.0

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. LRSC's ratio of 3.0 is **good**, and has increased from 1.9 at June 30, 2008.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 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 long-term 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, 2011 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 14.4

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. LRSC has working capital to cover operating expenses for about 14 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 0.0%

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, 2011 was 1.8 percent. LRSC's margin was 0.0 percent and is up from -3.7 percent in FY2008.

Net Income Margin – Greater than 0 is good, less than 0 is concern: LRSC is 0.5%

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, 2011 was 6.9 percent. LRSC's ratio of 0.5 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: LRSC is 31%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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 net current assets decreased 18 percent since FY2008. LRSC's net liquid assets have increased since FY2008 by 31 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 -21%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. LRSC's long-term debt decreased 21 percent since FY2008.

Change in FTE enrollment – LRSC is 26%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS experienced an 8 percent increase in FTE enrollment since Fall 2008. LRSC's FTE enrollment increased 26 percent since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment –

LRSC face-to-face on-campus enrollment in FY11 is 20% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.3%:
LRSC is 3.6%

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. LRSC's waivers as a percent of tuition have decreased from 5.2 percent in FY2008 to 3.6 percent in FY2011 and is among the lowest in the system.

Summary

LRSC's overall financial position is good. Reserves are good, liquidity is strong, debt remains at a manageable level, and enrollment has steadily increased. Since FY2008, long-term debt decreased 21 percent and the viability ratio has improved.

MaSU Financial Review June 30, 2011

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 long-term 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. This ratio improved over the previous year when it was .1. Debt principal was reduced over the current year by approximately \$700,000 and unrestricted net assets increased by \$473,227. Long-term debt increased over the previous few years due to construction of a coal plant (\$4.3M) and a renovation of a residence hall (\$3.7M). As these debts are paid off, this ratio is expected to continue to improve. The NDUS ratio at June 30, 2011 was .9. MaSU's ratio was .2, which is a **concern**. This should continue to be closely monitored.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 was .3. MaSU's ratio of .2 **is good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: MaSU is 1.6

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 long-term 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, 2011 was 2.5. MaSU's ratio of 1.6 is **marginal**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: MaSU is 5.8

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. MaSU's ratio of 5.8 is **good**.

Operating Income Margin – Greater than 0 is good, less than 0 is concern: MaSU is 2.3

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, 2011 was 1.8 percent. MaSU's margin is **good** and has improved significantly from -0.3 percent in FY2008.

Net Income Margin – Greater than 0 is good, less than 0 is concern: MaSU is 20.0%

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, 2011 was 6.9 percent. MaSU's ratio of 20.0 percent is **very good** and among the highest in the system.

Change in net liquid assets – Positive % is good, negative % is concern: MaSU is 106%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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. MaSU's change in net liquid assets was 106 percent in FY2011 as a result of stronger cash flows associated with record or near record enrollments over the past couple of years. The NDUS net current assets decreased since FY2008 by 18 percent.

Change in long-term debt – Small increase is ok, large increase is concern: MaSU is 191%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. MaSU has increased its long-term debt since FY2008 by \$6.1 million for the construction of a Coal Heating Plant and by \$3.7 million for the renovation of Agassiz Hall.

Change in FTE enrollment – MaSU is 25%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS experienced an 8 percent increase in FTE enrollment since Fall 2008. Enrollment has increased at MaSU every year since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment –
MaSU face-to-face on-campus enrollment in FY11 is 60% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.3%:
MaSU is 3.4%

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. MaSU's waivers as a percent of tuition decreased from 5.2 percent in FY2008 to 3.4 percent in FY2011.

Summary

At June 30, 2011 the financial condition of MaSU has improved from prior years and enrollment has increased. MaSU's has made significant improvement in many of the ratios. MaSU's overall financial condition, however, should continue to be closely monitored.

MiSU Financial Review

June 30, 2011

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 1.5

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. MiSU's ratio of 1.5 is **good**.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 was .3. MiSU's ratio of .5 is **good** and is the highest in the system.

Current Ratio – Greater than 2 is good, less than 1 is concern: MiSU is 3.9

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 long-term 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, 2011 was 2.5. MiSU's ratio of 3.9 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: MiSU is 20.3

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. MiSU has working capital to cover operating expenses for about 20 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 -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, 2011 was 1.8 percent. MiSU's margin was -0.5 percent is **not a concern** at this time.

Net Income Margin – Greater than 0 is good, less than 0 is concern: MiSU is 2.2%

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, 2011 was 6.9 percent. MiSU's ratio of 2.2 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: MiSU 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, 2011, comparing it to the same calculation at June 30, 2008 and then dividing by the June 30, 2008 calculation to arrive at the percentage change. A positive percentage change is 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 net current assets decreased 18 percent since FY2008. MiSU's net liquid assets have increased since FY2008 by 3 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 96%*

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2008, to those at June 30, 2011 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. MiSU's long-term debt has increased 96 percent since FY2008 due to the issuance of a \$10 million bond for the construction of a Wellness Center.

Change in FTE enrollment – *MiSU is 3%*

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. MiSU's FTE enrollment increased 3 percent since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – *MiSU face-to-face on-campus enrollment in FY11 is 70% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.*

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – *NDUS campus total is 9.3%:
MiSU is 6.8%*

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. MiSU's waivers as a percent of tuition decreased from 7.4 percent to 6.8 percent since FY2008, and remain below the system average of 9.3 percent.

Summary

MiSU's financial position is good. 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, 2011

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 7.4

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, 2011 was .9. NDSCS's ratio of 7.4 is **very good**, and has increased from 3.6 in 2008.

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 .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, 2011 was .3. NDSCS's ratio was .3, which is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: NDSCS is 4.9

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, 2011 was 2.5. NDSCS's ratio of 4.9 is **very good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: NDSCS is 15.3

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. NDSCS has working capital to cover operating expenses for about 15 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 -5.6%

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, 2011 was 1.8 percent. NDSCS's margin was -5.6 percent, which means they spent more to operate in 2011 than they earned for operations in 2011. NDSCS's operating income margin has been negative the past three years.

Net Income Margin – Greater than 0 is good, less than 0 is concern: NDSCS is 1.6%

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, 2011 was 6.9 percent. NDSCS's ratio of 1.6 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: NDSCS is 35%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008, 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 net current assets decreased by 18 percent since 2008. NDSCS's net liquid assets have increased since 2008 by 35 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 -42%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since 2008. NDSCS's long-term debt decreased 42 percent since 2008, indicating no new debt has been added and current debt is being paid off.

Change in FTE enrollment – NDSCS is 16%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. NDSCS's FTE enrollment increased 16 percent since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment –

NDSCS face-to-face on-campus enrollment in FY11 is 55% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – *NDUS campus total is 9.3%:*

NDSCS is 9.3%

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 2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY 2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. NDSCS's waivers as a percent of tuition have increased from 5.7 percent in FY2008 to 9.3 percent in FY 2011.

Summary

NDSCS's financial position is good. 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, enrollment is increasing and reserves are stable.

NDSU Financial Review

June 30, 2011

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 long-term 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, 2011 was .9. NDSU's ratio is .5, which is **marginal**.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 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 long-term 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, 2011 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 5.1

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. NDSU has working capital to cover operating expenses for about five 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 2.5%

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, 2011 was 1.8 percent. NDSU's margin was 2.5 percent, which is **good**.

Net Income Margin – Greater than 0 is good, less than 0 is concern: NDSU is 8.5%

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, 2011 was 6.9 percent. NDSU's ratio of 8.5 percent is **good**.

Change in net liquid assets – Positive % is good, negative % is concern: NDSU is -39%

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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 net current assets decreased by 18 percent since FY2008. NDSU's net liquid assets have decreased since FY2008 by 39 percent, as a result of shifting investments from short-term to long-term in order to maximize the rate of return. 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 34%

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. NDSU's long-term debt increased 34 percent since FY2008. 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 7%

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. NDSU's FTE enrollment increased 7 percent since Fall 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment –
NDSU face-to-face on-campus enrollment in FY11 is 95% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – NDUS campus total is 9.3%: NDSU is 13.8%

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. NDSU's waivers as a percent of tuition have decreased slightly from 13.2 percent at FY2008 to 13.8 percent in FY2011.

Summary

NDSU's financial position is good. The viability ratio is marginal but the primary reserve, current ratio and working capital ratios are good. NDSU's most recent Moody's rating of Aa3 with a stable outlook is dated February 2012. According to Moody's, "The Aa3 rating reflects NDSU's established market position as the State's land grant research university with stable and growing state appropriations and good growth in grants and contracts." Furthermore, Moody's report indicates "We believe that the University's debt level is manageable at its current level".

UND Financial Review

June 30, 2011

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 1.1

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. UND's ratio of 1.1 is **good**.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 was .3. UND's ratio of .3 is **good**.

Current Ratio – Greater than 2 is good, less than 1 is concern: UND is 2.2

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 long-term 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, 2011 was 2.5. UND's ratio of 2.2 is **good**.

Working Capital Ratio – Greater than 4 is minimum, less than 4 is concern: UND is 5.7

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. UND has working capital to cover operating expenses for about 5 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 2.0 %

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, 2011 was 1.8 percent. UND's margin was 2.0 percent which is up from -0.3 percent in FY2008.

Net Income Margin – *Greater than 0 is good, less than 0 is concern: UND is 6.6%*

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, 2011 was 6.9 percent. UND's ratio of 6.6 percent is **good**.

Change in net liquid assets – *Positive % is good, negative % is concern: UND is -40%*

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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 net current assets decreased 18 percent since FY2008. UND's net liquid assets decreased 40 percent since FY2008 as a result of a shift from long-term investments to short-term investments. 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 7%*

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. UND's long-term debt increased 7 percent since FY2008. The impact of issuing long-term debt in the future should be carefully evaluated.

Change in FTE enrollment – *UND is 11%*

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. UND's FTE enrollment increased 11 percent since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – *UND face-to-face on-campus enrollment in FY11 is 82% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.*

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – *NDUS campus total is 9.3%:
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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. UND's waivers as a percent of tuition remained steady since FY2008.

Summary

UND's overall financial position is good. The viability ratio improved since FY2008. The primary ratio, current ratio and working capital ratio are good. The operating income margin increased from FY2011 and enrollment has increased every year since FY2008. The impact of issuing debt in the future should be carefully evaluated.

VCSU Financial Review

June 30, 2011

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 .7*

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. VCSU's ratio of .7 is **good**.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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, 2011 was .3. VCSU's ratio of .2 is **good**.

Current Ratio – *Greater than 2 is good, less than 1 is concern: VCSU is 2.2*

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 long-term 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, 2011 was 2.5. VCSU's ratio of 2.2 is **good**.

Working Capital Ratio – *Greater than 4 is minimum, less than 4 is concern: VCSU is 8.1*

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. VCSU has working capital to cover operating expenses for about 8 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 -3.5%*

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, 2011 was 1.8 percent. VCSU's margin was -3.5 percent, which means they spent more to operate in FY2011 than they earned for operations. 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 every year since FY2008. Therefore, this should be closely monitored.

Net Income Margin – *Greater than 0 is good, less than 0 is concern: VCSU is 1.8%*

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, 2011 was 6.9 percent. VCSU's ratio of 1.8 percent is **good**.

Change in net liquid assets – *Positive % is good, negative % is concern: VCSU is 12%*

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 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 net current assets decreased 18 percent since FY2008. VCSU's net current assets increased 12 percent for the same period. 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 66%*

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. VCSU's long-term debt increased 66 percent since FY2008. 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 percent. VCSU increased housing rates in FY2010 and FY2011 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 23%*

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. VCSU's FTE enrollment increased 23 percent since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – *VCSU face-to-face on-campus enrollment in FY11 is 58% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.*

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – *NDUS campus total is 9.3%: VCSU is 6.9%*

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. VCSU's waivers as a percent of tuition decreased from 8.1 percent in FY2008 to 6.9 percent in FY2011.

Summary

The majority of VCSU's ratios are good. Liquidity is strong and enrollment has increased every year since FY2008. 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 FY2006. The impact of issuing future long-term debt in the future should be carefully evaluated.

WSC Financial Review

June 30, 2011

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 .4*

This ratio measures the ability of a campus to retire long-term 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, 2011 was .9. WSC's ratio of .4 is **good**.

Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, 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 .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, 2011 was .3. WSC's ratio of .3 is **good**.

Current Ratio – *Greater than 2 is good, less than 1 is concern: WSC 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 long-term 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, 2011 was 2.5. WSC's ratio of 2.7, is **good**.

Working Capital Ratio – *Greater than 4 is minimum, less than 4 is concern: WSC is 7.8*

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, 2011 was 7.7 which means in the event of an emergency, the NDUS could cover expenses with reserves for about 7 weeks. WSC also has working capital to cover operating expenses for about 7 weeks if an emergency event should occur, which is **good**.

Operating Income Margin – *Greater than 0 is good, less than 0 is concern: WSC is 4.7%*

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, 2011 was 1.8 percent. WSC's operating income margin of 4.7 percent is **good** and has **improved** significantly every year since 2008.

Net Income Margin – *Greater than 0 is good, less than 0 is concern: WSC is 22%*

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, 2011 was 6.9 percent. WSC's ratio of 22 percent is **very good**.

Change in net liquid assets – *Positive % is good, negative % is concern: WSC is 52%*

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, 2011, comparing it to the same calculation at June 30, 2008, and then dividing by the June 30, 2008 calculation to arrive at the percentage change. A positive percentage change is desired because it indicates the campus ability to meet current obligations is improving over time. A negative change indicates the campus 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 net current assets decreased 18 percent since FY2008. WSC's net liquid assets increased by 52 percent from FY2008 which is **very good**.

Change in long-term debt – *Small increase is ok, large increase is concern: WSC is 1,219%*

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. It is calculated by comparing total long-term liabilities at June 30, 2011, to those at June 30, 2008 and dividing by the June 30, 2008 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. This calculation coupled with the viability ratio above gives an indication of the debt servicing ability of a campus over time. The NDUS increased long-term debt by 23 percent since FY2008. The increase at WSC is the result of the issuance of a \$9.75 million bond for the construction of a new residence hall.

Change in FTE enrollment – *WSC is 8%*

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011. It is calculated by comparing Fall 2011 enrollment to Fall 2008 enrollment and then dividing by Fall 2008 to arrive at the percentage change. Obviously, a positive change is preferred. Overall, the NDUS saw an 8 percent increase in FTE enrollment since Fall 2008. WSC's FTE enrollment increased 8 percent since 2008.

Percentage of Face-to-Face On-Campus Enrollment to Total Unduplicated Enrollment – *WSC face-to-face on-campus enrollment in FY11 is 60% of total headcount enrollment. Total NDUS face-to-face on-campus enrollment in FY11 is 76% of total headcount enrollment.*

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to total unduplicated enrollment that receives instruction in other than face-to-face on-campus instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

Tuition waivers as a percent of gross tuition revenue and fees – *NDUS campus total is 9.3%:
WSC is 4.4%*

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. FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. The increase is due to the increase in tuition rates, because waivers as a percent of tuition decreased slightly from 9.6 percent to 9.3 percent in that same time period. WSC's waivers are at about the same level as FY2008.

Summary

WSC's viability, primary reserve and liquidity ratios are good. Debt increased substantially since FY2008 due to bond issuance for the construction of a residence hall. The impact of issuing additional debt should be closely monitored.