The purpose of this report is to provide a financial analysis of each institution for fiscal year 2018. In addition to this report, a separate semi-annual budget status report is presented to the SBHE Budget and Finance Committee that discloses significant revenue and expenditure variances, deficits, and pending lawsuits.

This financial review is presented to provide an understanding of the financial health of each institution, as of June 30, 2018 and to identify trends over a period of time. 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 where applicable. With the exception of the Composite Financial Index (CFI), these are general industry standards and not specific to higher education. However, they do provide a good benchmark to measure financial performance. In addition, individual ratio results do not stand on their own; rather, the results of all ratios and trends over time should be viewed together when considering the financial health of each institution.

A Funding Analysis section (pages 6-7) is also included in this report. Nationally, in fiscal year 2018 North Dakota ranked thirteenth in state/local appropriations funding per FTE student, compared to a ranking of eighth in fiscal year 2017. North Dakota ranked eleventh in total educational revenues, per FTE compared to a ranking of sixth in fiscal year 2017.
Formulas for CFI and Ratios Used In This Report

Composite Financial Index (CFI) Calculation

The CFI creates one overall measurement of financial health based on four core ratios: primary reserve ratio, net income ratio, viability ratio and return on net assets ratio. It is calculated by:

1. Determining the value of each ratio;
2. Converting the value of each ratio to strength factors along a common scale;
3. Multiplying the strength factors by specific weighting factors;
4. Totaling the resulting four numbers to reach the single CFI score.

When calculating these ratios for the CFI, the Higher Learning Commission (HLC) requires the following balances for the component units’ accounts also be included:

1. Unrestricted, temporarily restricted net assets;
2. Total net assets;
3. Change in net assets;
4. Net investment in plant;
5. Total expenses;
6. Change in unrestricted net assets;
7. Total unrestricted revenues;
8. Long-term project related debt.

The component units (CU) included in these calculations are:

- Bismarck State College Foundation
- DCB Foundation
- Dickinson State University Heritage Foundation
- Lake Region Community College Foundation
- Mayville State University Foundation
- Minot State University Development Foundation
- North Dakota State College of Science Foundation
- NDSU Foundation and Alumni Association, NDSU Research & Technology Park, Inc.
- VCSU Foundation
- Williston State College Foundation

Component unit balances are not included in other calculations in this report.

The CFI is presented for each institution and their component unit(s) listed above, as follows:

- CFI, including CU and excluding GASB 68 pension and GASB 75 OPEB liability and expense.
- CFI, excluding CU and excluding GASB 68 pension and GASB 75 OPEB liability and expense.

HLC uses the first measurement as its official CFI score. The second measurement is presented here for informational purposes only.
HLC uses the zones listed below to evaluate institutions:

<table>
<thead>
<tr>
<th>CFI Zones</th>
<th>Public Institutions Composite Index</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above</td>
<td>1.10 to 10</td>
<td>No Review</td>
</tr>
<tr>
<td>In</td>
<td>0 to 1.0</td>
<td>Financial Panel Review if “in” for two or more consecutive years</td>
</tr>
<tr>
<td>Below</td>
<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

**Viability Ratio**

**Formula:**

\[
\frac{\text{Expendable Net Position}}{\text{Long-Term Debt}}
\]

Measures ability to retire long-term debt using current resources. Expendable net position includes unrestricted net position and all expendable restricted net position, excluding net investment in plant. A ratio of greater than 1.0 is good and a ratio of less than .3 is of concern.

**Primary Reserve Ratio**

**Formula:**

\[
\frac{\text{Unrestricted Net Position and Expendable Net Position}}{\text{Annual Operating Expenses}}
\]

Measures ability to operate at current levels without future revenues. A ratio of greater than .1 is good while a ratio of less than .05 is of concern.

**Current Ratio**

**Formula:**

\[
\frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

Measures ability to meet current obligations. A ratio of greater than two is good, while a ratio of less than 1.0 is of concern.

**Working Capital Ratio**

**Formula:**

\[
\frac{\text{Current Assets}}{\text{Current Liabilities}} \times 52 \text{ weeks}
\]

Measures ability to sustain operations in a short-term emergency (4-6 weeks). While no industry standard is available, professional judgment suggests an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency.
Operating Income Margin

<table>
<thead>
<tr>
<th>Formula:</th>
<th>Income (loss) before state appropriations-capital assets and capital grants and gifts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Revenue (operating and non-operating)</td>
</tr>
</tbody>
</table>

Measures current year financial results. A ratio of greater than zero is desired and indicates an institution is not spending more than it is taking in during the year. A ratio of greater than zero indicates an institution is adding to reserves.

The calculation includes state appropriations and other non-operating revenue as these revenues are used to fund operations. It excludes state appropriations for capital assets and capital grants and gifts.

Negative operating margins may occur when non-capitalized repairs are paid from appropriated repair and maintenance funds, a department is spending revenue earned in a prior year, or a department is spending more than earned in the current year.

Net Income Margin

<table>
<thead>
<tr>
<th>Formula:</th>
<th>Increase (decrease) in net position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Revenue (operating and non-operating)</td>
</tr>
</tbody>
</table>

Measures an institution’s financial status in terms of current year operations. A positive margin indicates a net increase in current year fund balances. A negative margin results when current year expenditures exceed current year revenues, requiring institutions to draw on reserves or creating deficit spending.

Net Tuition and Fees, per FTE Enrollment

<table>
<thead>
<tr>
<th>Formula:</th>
<th>Net Tuition and Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FTE Enrollment</td>
</tr>
</tbody>
</table>

Compares net tuition and fees to FTE enrollment. As with the previous ratio, factors such as programs offered, number of in-state versus out-of-state students, state appropriations and other funding sources may affect this ratio. In addition, the ratio is affected by undergraduate, graduate and professional career enrollment.

No standard benchmarks exist to measure this ratio against because costs and other factors across the nation can vary significantly. Therefore, the information is provided here for informational purposes only.

Net Tuition and Fees Dependency

<table>
<thead>
<tr>
<th>Formula:</th>
<th>Net Tuition and Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Revenues</td>
</tr>
</tbody>
</table>

Compares net tuition and fees to total operating and non-operating revenues. Factors such as programs offered, number of in-state versus out-of-state students, state funding levels and other funding sources may affect this ratio. Examples of other funding sources are gifts, auxiliary revenue and federal, state and private grants.

No standard benchmarks exist to measure this ratio against, because costs and other factors across the nation can vary significantly. Therefore, the information is provided here for informational purposes only.
Net liquid assets less current liabilities (FY2013 to FY2016)

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2014 Liquid Assets</td>
</tr>
</tbody>
</table>

Measures the change in ability to meet current obligations over time. Liquid assets includes cash, current investments and current receivables less current liabilities. A positive percentage change is desirable as it indicates improvement over time in the ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The change in net liquid assets coupled with the current ratio indicates the change in financial liquidity from one year to another. The change in net liquid assets can fluctuate from year-to-year due to the liquid nature of current assets and current liabilities.

Long-term liabilities, excluding pension liability, OPEB liability and compensated absences

<table>
<thead>
<tr>
<th>Formula:</th>
<th>FY2018 LT Liabilities – FY2014 LT Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2014 LT Liabilities</td>
</tr>
</tbody>
</table>

Includes long-term liabilities, excluding pension liability, OPEB liability and compensated absences. A negative change indicates more debt was retired added over the three-year period. A positive change indicates more debt was added than retired.
FUNDING ANALYSIS – FY 2018 National per FTE Funding

State funding per FTE for the public institutions of higher education in North Dakota are above the national average, as are educational revenues (tuition and fees) per student.

<table>
<thead>
<tr>
<th>Total Educational Revenues Per FTE*</th>
<th>Educational Appropriations (State/Local) Per FTE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan $22,508</td>
<td>Wyoming $18,001</td>
</tr>
<tr>
<td>Illinois $21,979</td>
<td>Alaska $15,151</td>
</tr>
<tr>
<td>Wyoming $21,762</td>
<td>Illinois $14,605</td>
</tr>
<tr>
<td>Alaska $20,988</td>
<td>Hawaii $12,560</td>
</tr>
<tr>
<td>Delaware $19,193</td>
<td>New Mexico $10,816</td>
</tr>
<tr>
<td>Alabama $18,812</td>
<td>North Carolina $10,429</td>
</tr>
<tr>
<td>Connecticut $18,539</td>
<td>Idaho $9,857</td>
</tr>
<tr>
<td>Maine $17,468</td>
<td>Nebraska $9,699</td>
</tr>
<tr>
<td>Indiana $17,328</td>
<td>Georgia $9,166</td>
</tr>
<tr>
<td>Hawaii $17,313</td>
<td></td>
</tr>
<tr>
<td>North Dakota $17,271</td>
<td></td>
</tr>
<tr>
<td>Vermont $17,142</td>
<td></td>
</tr>
<tr>
<td>Minnesota $17,105</td>
<td>North Dakota $8,273</td>
</tr>
<tr>
<td>Nebraska $16,652</td>
<td></td>
</tr>
<tr>
<td>South Carolina $16,318</td>
<td></td>
</tr>
<tr>
<td>Iowa $16,154</td>
<td></td>
</tr>
<tr>
<td>North Carolina $15,944</td>
<td></td>
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<tr>
<td>New Jersey $15,808</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania $15,728</td>
<td></td>
</tr>
<tr>
<td>Tennessee $15,635</td>
<td></td>
</tr>
<tr>
<td>Rhode Island $15,619</td>
<td></td>
</tr>
<tr>
<td>Ohio $15,473</td>
<td></td>
</tr>
<tr>
<td>South Dakota $15,359</td>
<td></td>
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<tr>
<td>Kentucky $14,995</td>
<td></td>
</tr>
<tr>
<td>New Mexico $14,678</td>
<td></td>
</tr>
<tr>
<td>Maryland $14,672</td>
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<tr>
<td>Oregon $14,612</td>
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<td>Virginia $14,577</td>
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<tr>
<td>Mississippi $14,546</td>
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</tr>
<tr>
<td>Colorado $14,422</td>
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<tr>
<td>Kansas $14,407</td>
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<td>Georgia $14,336</td>
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<td>Idaho $14,320</td>
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</tr>
<tr>
<td>Massachusetts $14,114</td>
<td></td>
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<tr>
<td>Oklahoma $13,938</td>
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<td>Arkansas $13,712</td>
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</tr>
<tr>
<td>Montana $13,669</td>
<td></td>
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<tr>
<td>New York $13,531</td>
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<tr>
<td>Utah $13,486</td>
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<tr>
<td>Missouri $13,481</td>
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</tr>
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<td>Texas $13,187</td>
<td></td>
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<td>New Hampshire $13,074</td>
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<tr>
<td>Wisconsin $12,993</td>
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<tr>
<td>Nevada $12,738</td>
<td></td>
</tr>
<tr>
<td>Arizona $12,483</td>
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<tr>
<td>Washington $12,403</td>
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<td>West Virginia $11,449</td>
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<tr>
<td>Louisiana $11,216</td>
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</tr>
<tr>
<td>California $10,748</td>
<td></td>
</tr>
<tr>
<td>Florida $9,901</td>
<td></td>
</tr>
</tbody>
</table>

US $14,566 US $7,853

*Excluding Ag research, extension and med school funding.

Source: FY2017 SHEEO State Higher Education Finance Report
North Dakota’s educational revenues per FTE has increased 18.0 percent since FY2014 while the US average increased 18.8 percent. North Dakota’s educational appropriations per FTE increased 4.9 percent while the US average increased 19.9 percent for the same period.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ND Total Educational Revenues per FTE</strong></td>
<td>$17,271</td>
<td>$18,326</td>
<td>$13,813</td>
<td>$14,454</td>
<td>$14,640</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18.0%</td>
</tr>
<tr>
<td><strong>US Average</strong></td>
<td>$14,566</td>
<td>$14,151</td>
<td>$13,192</td>
<td>$12,907</td>
<td>$12,266</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18.8%</td>
</tr>
<tr>
<td><strong>ND Ranking</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11-6-12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational Appropriations (State/Local) Per FTE</td>
<td>$8,273</td>
<td>$9,552</td>
<td>$7,189</td>
<td>$7,766</td>
<td>$7,888</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td>4.9%</td>
<td></td>
<td></td>
<td></td>
<td>19.9%</td>
</tr>
<tr>
<td><strong>US Average</strong></td>
<td>$7,853</td>
<td>$7,642</td>
<td>$7,116</td>
<td>$6,966</td>
<td>$6,552</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td>19.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ND Ranking</strong></td>
<td>13-8-10-12-8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CFI Zones** | **Public Institutions Composite Index** | **Outcomes**
---|---|---
Above | 1.10 to 10 | No Review
In | 0 to 1.0 | Financial Panel Review if “in” for two or more consecutive years
Below | -4.0 to -0.1 | Financial Panel Review if “below” in any given year
**Appropriated Reserves**
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information is presented on a cash basis.

**Other Ratios:**
No industry standard exists for the following ratios. They are presented here for informational purposes only.
**BSC Summary:**
- CFI improved in FY2017 and FY2018 and is now in the “Above” zone.
- The viability ratio, while still below 1.0, has increased each year since FY2015.
- Operating income margin has been below zero for the last five fiscal years however it has improved every year since FY2016.
- Net income margin has decreased each year since FY2015.
- All other ratios are good or very good.
- Fall enrollment decreased 344 (11.6%) from Fall 2013.
- FY2018 Net tuition and fee, per Enrollment FTE increased $881, or 20.9%, from FY2014.
- Net tuition and fees dependency increased due to reduced State appropriations.
Dakota College at Bottineau (DCB)

<table>
<thead>
<tr>
<th>CFI Zones</th>
<th>Public Institutions Composite Index</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above</td>
<td>1.10 to 10</td>
<td>No Review</td>
</tr>
<tr>
<td>In</td>
<td>0 to 1.0</td>
<td>Financial Panel Review if “in” for two or more consecutive years</td>
</tr>
<tr>
<td>Below</td>
<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

**DCB Viability Ratio**
> 1 = good, < 0.3 = is of concern

**DCB Primary Reserve Ratio**
> .1 = good, < .05 is of concern

**DCB Current Ratio**
> 2.0 = good, < 1.0 is of concern

**DCB Working Capital Ratio**
Minimum of 4 weeks = good

**DCB Operating Income Margin**
> zero = good, May fluctuate significantly from year-to-year

**DCB Net Income Margin**
Several years of negative income margin is of concern
**Appropriated Reserves**

Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years’ actual general fund and net tuition revenue.

The information is presented on a cash basis.

*Note: The FY2016 undesignated appropriated reserve amounts have been revised from $0.376 after a calculation error was discovered in FY2017.*

**Other Ratios:**
No industry standard exists for the following ratios. They are presented here for informational purposes only.
**DCB Summary:**

- CFI scores are solid.
- All other ratios are good or very good.
- Fall 2018 enrollment increased by 88 (17.5%) from Fall 2013.
- FY2018 Net tuition and fee, per Enrollment FTE increased $852 or 33.6% from FY2014.
- FY2018 net tuition and fees dependency increased in FY2016 through FY2018 as a result of decreased State appropriations.
Note: FY2017 CFI with CU includes the DSU Heritage Foundation. The foundation was created in November 2015. FY2016 CFI with CU includes the financial information for the DSU Foundation. This foundation went into receivership in 2014. Therefore, DSU Foundation’s net asset balances as of December 31, 2013 were used for FY2016 CFI calculations. This is the most recent financial information available for the foundation. The foundation is expected to be fully dissolved in FY2019.

<table>
<thead>
<tr>
<th>CFI Zones</th>
<th>Public Institutions Composite Index</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above</td>
<td>1.10 to 10</td>
<td>No Review</td>
</tr>
<tr>
<td>In</td>
<td>0 to 1.0</td>
<td>Financial Panel Review if “in” for two or more consecutive years</td>
</tr>
<tr>
<td>Below</td>
<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

![DSU CFI Graph](image)

![DSU Viability Ratio Graph](image)

![DSU Primary Reserve Ratio Graph](image)

![DSU Current Ratio Graph](image)

![DSU Working Capital Ratio Graph](image)

![DSU Operating Income Margin Graph](image)

![DSU Net Income Margin Graph](image)
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). *Undesignated Reserve* states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information is presented on a cash basis.

**Other Ratios:**
No industry standard exists for the following ratios. They are presented here for informational purposes only.
DSU Summary:

- CFI scores are solid.
- The viability ratio decreased in FY2018 with the addition of long-term liabilities consisting of a note payable of $7.6 million.
- All ratios are good or very good with the exception of the operating income margin and net income margin.
- Long-term liabilities increased in FY2018 as a result of a notes payable for capital projects related to safety improvements.
- FY2017 Fall enrollment decreased 111 (9.2%) from Fall 2014.

In June 2014, DSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends for operating income margin and enrollment. The plan outlined several steps taken by DSU since FY2012 that included reducing operating expenses, reducing FTE through retirements, reorganizations and attrition and enhanced marketing and recruitment efforts to increase enrollment.

Plan Status Update: During FY2018 the DSU enrollment and retention rates continue to reflect modest increases; actual tuition and fee revenues have also increased. Fall 2019 enrollment numbers were flat but the retention percentage increased from 64% to 71%. The partnership with an external enrollment management partner is in the second full year. DSU implemented a tool to enhance student retention in FY2018. DSU is also working on residence life facilities improvements and food services enhancements, both initiatives should improve student recruitment and retention. DSU continues to carefully monitor expenses. This will continue, along with re-allocation of existing funds, to maintain the expense budget at current levels or slightly lower when possible. As internal funds are re-allocated, the emphasis is placed upon maintaining current budget levels in academic areas and student centered services. The DSU Four-Year Financial Plan is in its very early stages, but early indications are positive and the projections are on track.
Lake Region State College (LRSC)

<table>
<thead>
<tr>
<th>CFI Zones</th>
<th>Public Institutions Composite Index</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above</td>
<td>1.10 to 10</td>
<td>No Review</td>
</tr>
<tr>
<td>In</td>
<td>0 to 1.0</td>
<td>Financial Panel Review if “in” for two or more consecutive years</td>
</tr>
<tr>
<td>Below</td>
<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

**LRSC CFI (excl. pension liability and expense)**

- CFI includes CU
- CFI excludes CU

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.30</td>
<td>2.67</td>
<td>2.73</td>
</tr>
<tr>
<td>2017</td>
<td>4.11</td>
<td>2.73</td>
<td>2.79</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CFI Zones Definitions**
- **Above**: 1.10 to 10
  - No Review
- **In**: 0 to 1.0
  - Financial Panel Review if “in” for two or more consecutive years
- **Below**: -4.0 to -0.1
  - Financial Panel Review if “below” in any given year

**LRSC Viability Ratio**
- > 1 = good.  < 0.3 = of concern.

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.6</td>
<td>0.5</td>
<td>0.7</td>
<td>0.9</td>
<td>1.1</td>
<td></td>
</tr>
</tbody>
</table>

**LRSC Primary Reserve Ratio**
- > .1 = good.  < .05 is of concern.

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.2</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
</tbody>
</table>

**LRSC Current Ratio**
- > 2.0 = good.  < 1.0 is of concern.

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7</td>
<td>2.6</td>
<td>3.1</td>
<td>2.4</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

**LRSC Working Capital Ratio**
- Minimum of 4 weeks = good.

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.4</td>
<td>9.4</td>
<td>14.0</td>
<td>13.3</td>
<td>16.3</td>
<td></td>
</tr>
</tbody>
</table>

**LRSC Operating Income Margin**
- > zero = good. May fluctuate significantly from year-to-year.

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.23%</td>
<td>0.9%</td>
<td>0.2%</td>
<td>-1.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LRSC Net Income Margin**
- Several years of negative income margin is of concern.

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.7%</td>
<td>11.8%</td>
<td>6.0%</td>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Appropriated Reserves**

Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information is presented on a cash basis.

**Other Ratios:**

No industry standard exists for the following ratios. They are presented here for informational purposes only.
LRSC Summary:

- CFO scores are solid.
- All ratios are good or very good, with the exception of the operating income margin. However, the negative margin is not a concern at this time given the strength of the other ratios.
- Enrollment has increased every year, with the exception of Fall 2014 and Fall 2016.
Mayville State University (MaSU)

CFI Zones | Public Institutions Composite Index | Outcomes
--- | --- | ---
Above | 1.10 to 10 | No Review
In | 0 to 1.0 | Financial Panel Review if “in” for two or more consecutive years
Below | -4.0 to -0.1 | Financial Panel Review if “below” in any given year

MaSU Viability Ratio

MaSU Current Ratio

MaSU Operating Income Margin

MaSU Net income Margin

MaSU Primary Reserve Ratio

MaSU Working Capital Ratio

Minimum of 4 weeks = good.
Appropriated Reserves
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years’ actual general fund and net tuition revenue.

The information is presented on a cash basis.

Other Ratios:
No industry standard exists for the following ratios. They are presented here for informational purposes only.
MaSU Summary:

- CFI scores are solid.

- The viability ratio has been below zero for FY2014 through FY2018 and should be monitored closely going forward.

- Although the operating income margin can fluctuate from year to year, it has been negative for four out of the five years and should be monitored closely going forward.

- One year of a negative net income margin is not a concern. Several years of a negative margin could be a concern.

- Long-term liabilities continued to decrease from FY2014. However, with a viability ratio of 0.3, MaSU should be cautious about adding new debt in the future.

- Enrollment increased since FY2016.
**Minot State University (MiSU)**

<table>
<thead>
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</thead>
<tbody>
<tr>
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<td>No Review</td>
</tr>
<tr>
<td>In</td>
<td>0 to 1.0</td>
<td>Financial Panel Review if “in” for two or more consecutive years</td>
</tr>
<tr>
<td>Below</td>
<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

**MISU CFI** (excl. pension liability and expense)

**CFI Zones**
- **Above**: 1.10 to 10
  - No Review
- **In**: 0 to 1.0
  - Financial Panel Review if “in” for two or more consecutive years
- **Below**: -4.0 to -0.1
  - Financial Panel Review if “below” in any given year

**MISU Viability Ratio**
- > 1 = good
- < 0.3 = is of concern

**MISU Primary Reserve Ratio**
- > .1 = good
- < .05 = of concern

**MISU Current Ratio**
- > 2.0 = good
- < 1.0 = of concern

**MISU Working Capital Ratio**
- Minimum of 4 weeks = good

**MISU Operating Income Margin**
- > zero = good
- May fluctuate significantly from year-to-year

**MISU Net Income Margin**
- Several years of negative income margin is of concern
**Appropriated Reserves**
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information is presented on a cash basis.

**Other Ratios:**
No industry standard exists for the following ratios. They are presented here for informational purposes only.
MiSU Summary:

- CFI scores are solid.

- All other ratios are good or very good, with the exception of the operating income margin and net income margin.

- Even though the operating income margin and net income margin are negative, both margins improved since FY2017, 0.3 percent for the operating income margin and 3.2 percent for the net income margin. Despite the negative margins, MiSU increased its appropriated reserves by approximately $893,000 in FY2018. MiSU was also able to reduce its operating expenses by $1.1 million and its total expenses by $3.6 million, however, its operating revenue also decreased by $580,000 and its total revenue decreased by $3.2 million (approximately $2 million in state appropriation and $1 million in local appropriations). Any further reduction of operating expenses may result in a loss of services to our students. Finally, if depreciation expense is eliminated from the calculation, both ratios would be positive—1.7 percent and 5.6 percent for the operating income and net income ratios, respectively.

- Enrollment decreased 4.5 percent from FY2014.

- Net tuition and fees, per enrollment FTE increased 10.6 percent from FY2014 while state appropriations decreased 8.9 percent.
North Dakota State College of Science (NDSCS)

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**NDSCS Viability Ratio**

- > 1 = good
- < 0.3 = is of concern

**NDSCS Primary Reserve Ratio**

- > .1 = good
- < .05 is of concern

**NDSCS Current Ratio**

- > 2.0 = good
- < 1.0 is of concern

**NDSCS Working Capital Ratio**

Minimum of 4 weeks = good

**NDSCS Operating Income Margin**

> zero = good. May fluctuate significantly from year-to-year

**NDSCS Net Income Margin**

Several years of negative income margin is of concern
**Appropriated Reserves**

Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years’ actual general fund and net tuition revenue.

The information is presented on a cash basis.

**Other Ratios:**

No industry standard exists for the following ratios. They are presented here for informational purposes only.
NDSCS Summary:

- CFI scores are solid.
- All other ratios are good or very good, with the exception of the operating income margin. The operating income margin can fluctuate from year-to-year and is not a concern given the strength of the other ratios.
- Enrollment has declined 6.5 percent since FY2014.
- Net tuition and fees, per enrollment FTE increased 13.0 percent while state appropriations decreased 11.1 percent since FY2014.
### CFI Zones

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<td>0 to 1.0</td>
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<tr>
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<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
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</table>

#### Graphs and Ratios

**NDSU Viability Ratio**
- > 1 = good
- < 0.3 = is of concern

**NDSU Primary Reserve Ratio**
- > 1 = good
- < 0.3 = is of concern

**NDSU Current Ratio**
- > 2.0 = good
- < 1.0 = is of concern

**NDSU Working Capital Ratio**
- Minimum of 4 weeks = good

**NDSU Operating Income Margin**
- > 0 = good
- May fluctuate significantly from year-to-year

**NDSU Net Income Margin**
- Several years of negative income margin is of concern
**Appropriated Reserves**
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information is presented on a cash basis.

**Other Ratios:**
No industry standard exists for the following ratios. They are presented here for informational purposes only.
NDSU Summary:

- CFI scores are solid.

- The primary reserve, current and working capital ratios, operating income margin and net income margin are all good or very good.

- The viability ratio of 0.7 is not a concern at this time due to the strength of the other ratios.

- The net income margin of 1.5 percent, while still positive, has decreased each year since FY2016.

- Net tuition and fees, per FTE enrollment 17.7 percent since FY2014

- During the same period, state appropriations decreased 8.6 percent since FY2014.

- Long-term liabilities, excluding pension and compensated absences, increased $45.4 million from FY2017 and $38.8 million since FY2015. In FY18, NDSU issued Housing and Auxiliary Facilities Bonds of $74.5 million.

- Standard & Poor’s reaffirmed its ‘AA-‘ rating with a stable outlook in a report dated June 30, 2017. According to S&P, “We assessed NDSU’s enterprise profile as very strong, characterized by stable enrollment, solid matriculation rates, and good geographic diversity, which has helped offset local demographic pressures. We assessed the university’s financial profile as very strong, characterized by healthy available resources, good financial policies, and a low debt burden.”

- Moody’s reaffirmed its ‘Aa3’ rating with a stable outlook in a report dated June 29, 2017. According to Moody’s, “NDSU’s Aa3 rating reflects the university’s strong growth of flexible reserves providing sound coverage of debt and sound flexibility to absorb declines in state operating support. The Aa3 is further supported by NDSU’s recognition as top research institution within its 5 state region with growing STEM programming and projections for continued solid student demand due to favorable demographics in the Fargo area.”
University of North Dakota (UND)

### CFI Zones | Public Institutions Composite Index | Outcomes
--- | --- | ---
Above | 1.10 to 10 | No Review
In | 0 to 1.0 | Financial Panel Review if “in” for two or more consecutive years
Below | -4.0 to -0.1 | Financial Panel Review if “below” in any given year

---

### UND Viability Ratio

- > 1 = good
- < 0.3 = of concern

### UND Primary Reserve Ratio

- > 0.1 = good
- < 0.05 = of concern

### UND Current Ratio

- > 2.0 = good
- < 1.0 = of concern

### UND Working Capital Ratio

- Minimum of 4 weeks = good

### UND Operating Income Margin

- > zero = good
- May fluctuate significantly from year-to-year

### UND Net Income Margin

- Several years of negative income margin is of concern
Appropriated Reserves
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years’ actual general fund and net tuition revenue.

The information is presented on a cash basis.

Other Ratios:
No industry standard exists for the following ratios. They are presented here for informational purposes only.
**UND Summary:**

- CFI scores are solid.

- All other ratios are good or very good.

- Undesignated appropriated reserves are significantly below the 5-7 percent threshold established in SBHE policy, however a plan is in place to reach threshold by June 30, 2020.

- Fall enrollment has decreased every year, except in Fall 2015. Fall 2018 enrollment decreased 8.6 percent compared to Fall 2013.

- Net tuition and fees, per FTE enrollment increased 20.5 percent since FY2014. State appropriations increased slightly from FY2014 but decreased since FY2016.

- Although still below required levels, undesignated appropriated reserves increased $3.0 million from FY2017.

In July 2017, UND prepared a plan to address undesignated appropriated reserves levels. A minimum of one third of the total will be set aside in FY2018, FY2019 and FY2020. The FY2018 plan remains the same as the FY2017 plan with both UND and the School of Medicine and Health Sciences using a period not to exceed 3 years to achieve the required undesignated appropriated reserve total. Under this plan, a minimum of one third of the total will be set aside each year (June 30, 2018; June 30, 2019; June 30, 2020). This will enable the institution to balance the need to establish the reserves with the need to fund institutional priorities including identifying required match to enable use of maintenance and repairs funding provided by the state.
Valley City State University (VCSU)

<table>
<thead>
<tr>
<th>CFI Zones</th>
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<th>Outcomes</th>
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</thead>
<tbody>
<tr>
<td>Above</td>
<td>1.10 to 10</td>
<td>No Review</td>
</tr>
<tr>
<td>In</td>
<td>0 to 1.0</td>
<td>Financial Panel Review if “in” for two or more consecutive years</td>
</tr>
<tr>
<td>Below</td>
<td>-4.0 to -0.1</td>
<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

### VCSU Viability Ratio
- > 1 = good.
- < 0.3 = is of concern.

### VCSU Primary Reserve Ratio
- > .1 = good.
- < .05 is of concern.

### VCSU Current Ratio
- > 2.0 = good.
- < 1.0 is of concern.

### VCSU Working Capital Ratio
- Minimum of 4 weeks = good.

### VCSU Operating Income Margin
- > zero = good. May fluctuate significantly from year-to-year

### VCSU Net Income Margin
- Several years of negative income margin is of concern.

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Valley City State University (VCSU)
Appropriated Reserves

Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years’ actual general fund and net tuition revenue.

The information is presented on a cash basis.

Other Ratios:

No industry standard exists for the following ratios. They are presented here for informational purposes only.
**VCSU Summary:**

- CFI scores are solid.
- All other ratios are good or very good, with the exception of the operating income margin, is not a concern at this time.
- Operating income margin has continued to improve in FY2017 and FY2018.
- FTE Fall enrollment increased each year since FY2013.
- FY2018 Net tuition and fees, per FTE increased 10.3 percent compared to FY2014.
- State appropriations decreased 1.9 percent from FY2014 and 24.1 percent compared to FY2015.

In June 2014, VCSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends. The plan called for careful monitoring of long-term debt and operating income margin, excluding depreciation.

**Plan Status Update:** VCSU provided an update to the SBHE Budget and Finance Committee in July 2017 where three strategies were enumerated. Strategy 1 – Activated Carbons project has potential for positive income generation and will help towards correcting our negative operating income margin. Strategy 2 – Increased enrollment, retention, and persistence will lead to greater income that will also help the imbalance. Strategy 3 – VCSU plans to put 20% of new revenues towards correcting this operating income imbalance and reinvest 80% back into the University. VCSU continues to carefully monitor the operating income margin. There were no changes to the plan in FY2018.
CFI Zones | Public Institutions Composite Index | Outcomes
---|---|---
Above | 1.10 to 10 | No Review
In | 0 to 1.0 | Financial Panel Review if “in” for two or more consecutive years
Below | -4.0 to -0.1 | Financial Panel Review if “below” in any given year
Appropriated Reserves
Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information is presented on a cash basis.

Other Ratios:
No industry standard exists for the following ratios. They are presented here for informational purposes only.
**WSC Summary:**

- CFI scores with the foundation balances are solid. However, CFI scores, excluding the foundation, are in the “In” zone for FY2016, FY2017 and FY2018.

- Viability ratio has been below 1.0 since FY2014 but the primary reserve, current ratio and working capital ratio are strong.

- Operating income margin has been negative for three out of the last four years.

- Net tuition and fees dependency increased since FY2016 as a result of:
  - An increase in tuition rates,
  - A decrease in state appropriations of 36 percent and
  - A decrease in scholarship payments received from the WSC Foundation. The decrease in WSC Foundation Scholarship is related to the order of application of Financial Aid payments to student accounts. Effective in FY2017, Pell, SEOG and North Dakota State Grants began applying first to student accounts before WSC Williams County or WSC Regional Scholarships. WSC Williams County and WSC Regional scholarships are not refundable to students. Note: The WSC Foundation Scholarships are recognized as gift revenue rather than tuition revenue, in accordance with accounting standards.

- FTE Fall enrollment has increased every year since FY2013, with the exception of a small decline in FY2014. The increase is the primarily attributed the Williams County Graduate Scholarship that provides free tuition, fees and books (book scholarship ended after FY2017) for full-time students who graduated from a high school in Williams County and nine other nearby counties in North Dakota and Montana.

In June 2014, WSC prepared a plan for the SBHE Budget and Finance Committee to address the negative trends in the viability ratio, working capital ratio, operating income margin and increase in long-term debt. The plan includes incurring no additional debt service in the short-term, exploring options to reduce debt service for Frontier Hall and the TrainND building, implementing significant budget cuts and reducing staff turnover.

**Plan Status Update:** The WSC Foundation is conducting a $2 million fundraising campaign to buy down the principal on the debt of Frontier Hall and will be completed by 2020.
Increased hiring activity in the region has put a demand on TrainND to provide additional training and course offerings. Increasing courses will allow for TrainND to make additional payments on the principal of the long term debt at TrainND.

WSC Operating income ratio saw another decline but has stabilized the first 6 months of FY2019 and WSC was able to respond to the drastic reduction in appropriated funding that was received in the 2017-2019 Biennium. WSC has continued to keep positions unfilled while responding to double digit enrollment growth.