North Dakota University System

Annual Financial Review Report

For Fiscal Year Ended June 30, 2020
Updated July 12, 2021 for SHEEO data
The purpose of this report is to provide a financial analysis of each institution for fiscal year 2020. It is presented to provide an understanding of the financial health of each institution, as of June 30, 2020 and to identify trends over a period of time. It is not the intent 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.

Pages 6 -7 contain a national funding analysis with data provided by SHEEO. Nationally, in fiscal year 2020 North Dakota ranked tenth in total educational revenues per FTE, compared to a ranking of ninth in fiscal year 2019. North Dakota ranked ninth in state/local appropriations funding per FTE student, compared to a ranking of fourteenth in fiscal year 2019.
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. Long-term debt excludes compensated absences. 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

**Formula:** \[
\frac{\text{Income (loss) before state appropriations-capital assets and capital grants and gifts}}{\text{Total Revenue (operating and non-operating)}}
\]

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

**Formula:** \[
\frac{\text{Increase (decrease) in net position}}{\text{Total Revenue (operating and non-operating)}}
\]

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

**Formula:** \[
\frac{\text{Net Tuition and Fees}}{\text{FTE Enrollment}}
\]

Compares net tuition and fees to FTE enrollment. Table 4 in the fall enrollment report for the start of the fiscal year is used. For example, the Fall 2018 report is used for fiscal year 2019. 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

**Formula:** \[
\frac{\text{Net Tuition and Fees}}{\text{Total Revenues}}
\]

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 (FY2016 to FY2020)

**Formula:**

\[
\text{FY2020 Net Liquid Assets} - \text{FY2016 Liquid Assets} \\
\text{FY2016 Liquid Assets}
\]

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**

**Formula:**

\[
\text{FY2020 LT Liabilities} - \text{FY2016 LT Liabilities} \\
\text{FY2016 LT Liabilities}
\]

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 2020 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.

*Excluding Ag research, extension and med school funding.

Source: FY2020 SHEEO State Higher Education Finance Report

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Educational Revenues Per FTE</th>
<th>Educational Appropriations (State/Local) Per FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Illinois</td>
<td>25,476</td>
<td>21,802</td>
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<td>2</td>
<td>Wyoming</td>
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<td>3</td>
<td>Delaware</td>
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<td>4</td>
<td>Connecticut</td>
<td>23,963</td>
<td>14,735</td>
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<tr>
<td>5</td>
<td>Michigan</td>
<td>22,796</td>
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<td>Alabama</td>
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<td>Alaska</td>
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<td>New York</td>
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<td>10</td>
<td>North Dakota</td>
<td>18,309</td>
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<td>25</td>
<td>South Dakota</td>
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<tr>
<td>26</td>
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<td>Utah</td>
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<td>New Hampshire</td>
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<td>Oregon</td>
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<td>38</td>
<td>Massachusetts</td>
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<td>Kansas</td>
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<td>41</td>
<td>Montana</td>
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<td>Idaho</td>
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<td>Texas</td>
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<td>Arizona</td>
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<td>49</td>
<td>Louisiana</td>
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<td>50</td>
<td>Florida</td>
<td>10,074</td>
<td>7,141</td>
</tr>
</tbody>
</table>

*US $ 15,276 US $ 8,636

*Excluding Ag research, extension and med school funding.

Source: FY2020 SHEEO State Higher Education Finance Report
North Dakota’s educational revenues per FTE has increased 32.5 percent since FY2016 while the US average increased 15.8 percent. North Dakota’s educational appropriations per FTE increased 23.4 percent while the US average increased 21.4 percent for the same period.

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<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>ND Total Educational Revenues per FTE</td>
<td>$18,309</td>
<td>$18,084</td>
<td>$17,271</td>
<td>$18,326</td>
<td>$13,813</td>
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<tr>
<td>% increase (decrease)</td>
<td>32.5%</td>
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<tr>
<td>US Average</td>
<td>$15,276</td>
<td>$15,018</td>
<td>$14,566</td>
<td>$14,151</td>
<td>$13,192</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td>15.8%</td>
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<td></td>
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<td></td>
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<tr>
<td>ND Ranking</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>6</td>
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</tbody>
</table>

<table>
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<tr>
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<th>FY2020</th>
<th>FY2019</th>
<th>FY2018</th>
<th>FY2018</th>
<th>FY2018</th>
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</thead>
<tbody>
<tr>
<td>Educational Appropriations (State/Local) per FTE</td>
<td>$8,874</td>
<td>$8,679</td>
<td>$8,273</td>
<td>$9,552</td>
<td>$7,189</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td>23.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Average</td>
<td>$8,636</td>
<td>$8,196</td>
<td>$7,853</td>
<td>$7,642</td>
<td>$7,116</td>
</tr>
<tr>
<td>% increase (decrease)</td>
<td>21.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ND Ranking</td>
<td>15</td>
<td>14</td>
<td>13</td>
<td>8</td>
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</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

BSC Viability Ratio

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

BSC Primary Reserve Ratio

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

BSC Current Ratio

> 2.0 = good. < 1.0 is of concern

BSC Operating Income Margin

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

BSC 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. (1a). **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.

![Graph of BSC Undesignated Appropriated Reserves (in millions)]

**Other Ratios:**

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

![Graph of BSC Net Tuition and Fees Dependency](35% 30% 25% 20% 15% 10% 5% 0%)

![Graph of BSC State Appropriations (excl. capital appropriations) (in millions)]

![Graph of BSC Net Tuition and Fees, per Enrollment FTE](4,600 5,000 5,400 5,800 6,200)

![Graph of BSC FTE Fall Enrollment](3,300 3,500 3,700 3,900 4,100)
**BSC Summary:**

- CFI scores decreased in FY2020. The COVID-19 pandemic caused lost auxiliary revenue, unexpected additional refunds in tuition and decreased enrollments. Additionally, BSC paid employees bonuses out of energy local funds totaling approximately $300,000 in January 2020 before the effects of COVID-19 were known.

- The ratios remained stable compared to FY2019.

- Operating income margin has been below zero for the last five fiscal years but increased slightly in FY2020.

- Net income margin increased significantly in FY2019 mainly as a result of an increase in state appropriation - capital assets of $8.0 million. It decreased in FY2020 to -2.8 percent.

- Fall enrollment has decreased each year since Fall 2015. It decreased 354 FTE (12.2 percent) from Fall 2015.

- Net tuition and fees, per Enrollment FTE has increased for each of the fiscal years 2016 through 2020. The FY2021 ratio increased 17.0 percent compared to FY2020.

- State appropriations decreased $2.3 million or 12.9 percent from FY2016.
Dakota College of Bottineau (DCB)

<table>
<thead>
<tr>
<th>CFI Zones</th>
<th>Public Institutions Composite Index</th>
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</tr>
</thead>
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</tr>
<tr>
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<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. (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.
DCB Summary:

- CFI scores are solid, although the scores declined for the last two fiscal years.

- All other ratios are good or very good.

- While still in the acceptable range, the viability ratio decreased significantly as a result of an increase in capital leases of $1.3 million for energy savings projects. The energy cost savings are expected to offset the lease payments.

- DCB’s operating income margin decreased each fiscal year for the last two fiscal years. The net income margin as decreased for the last three fiscal years. Both margins are negative in FY2019 and FY2020.

- Net tuition and fees, per Enrollment FTE has increased 45.7 percent compared to FY2016 while state appropriations decreased 10 percent for the same period.
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.
**DSU Summary:**

- CFI, including CU, increased slightly in FY2020 while the CFI, excluding CU fell below 1.0 in FY2020.

- Although the viability ratio, primary reserve ratio, current ratio and working capital ratio all are in the "good" range in FY2020, they have been trending downward since FY2016 and should be closely monitored going forward.

- The operating income margin has been negative since FY2013. The net income margin has been negative for the previous five years, with the exception of FY2018. Both margins should be closely monitored going forward.

- Net liquid assets decreased $5.4 million or 41.9 percent compared to FY2016 due largely to reductions in state appropriation revenue and auxiliary revenues, resulting in DSU having to use reserves to cover operating expenditures.

- Long-term liabilities increased in FY2018 as a result of a notes payable for capital projects related to safety improvements and has decreased since then as debt payments are made.

- Net tuition and fees, per Enrollment FTE has increased 16.0 percent compared to FY2016 while state appropriations have decreased 23.4 percent for the same period.

- Fall enrollment increased each year in FY2016 through FY2020. It increased by 77 or 7.2 percent compared to Fall 2015 and by 54 or 4.9 percent compared to FY2019.

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 FY2020 the DSU enrollment and retention rates decreased from FY2019, however, actual tuition and fees revenue increased due to an increased tuition rate. Fall 2020 enrollment headcount numbers increased significantly going from 1,350 in Fall 2019 to 1,441 in Fall 2020. DSU also expects to receive a benefit from the new tuition model which was implemented in Fall 2020. DSU continues to work 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.

For the 2019 -2021 biennium DSU faced a budget shortfall of more than $7.0 million, DSU reduced total budgeted expenses by $5.3 million, $1.2 million in operations and $4.1 million in salaries and benefits. DSU will continue to carefully monitor expenses and reallocate expenses as needed. The four-year projection is showing a balanced budget in the 2021-2023 biennium.
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>
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<td>Below</td>
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<td>Financial Panel Review if “below” in any given year</td>
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</tbody>
</table>

- **LRSC CFI** (excl. pension and OPEB liability and expense)
  - CFI, includes CU
  - CFI, excludes CU

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

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

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

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

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

- **LRSC Net Income Margin**
  - Several years of negative income margins 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.
LRSC Summary:

- CFO scores are solid and increased from FY2019 to FY2020.

- All ratios are good or very good, with the exception of the operating income margin and net income margin. However, the negative margins are not a concern at this time given the strength of the other ratios.

- Net tuition and fees, per Enrollment FTE increased 28.1 percent compared to FY2016 while state appropriations decreased 11.3 percent for the same period.

- FTE Fall Enrollment has decreased since FY2018 and has decreased by 114 FTE or 11.6 percent since Fall2015.
### CFI Zones

<table>
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### Viability Ratio

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

### Primary Reserve Ratio

- **MaSU Primary Reserve Ratio**
  - > 0.1 = good.
  - < 0.05 is of concern.

### Current Ratio

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

### Working Capital Ratio

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

### Operating Income Margin

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

### Net Income Margin

- **MaSU 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.
MaSU Summary:

- CFI score, including CU, is in the “In” zone for two consecutive years. The CFI, excluding CU, is negative in FY2020. The CFI should be carefully monitored going forward.

- All of the ratios are below the financial performance industry standards.

- The operating income margin and the net income margin have been in the negative range for the prior three fiscal years. The operating income margin has been in the negative range for four out of the last five years.

- The ratios and margins discussed above should be carefully monitored going forward.

- Long-term liabilities have decreased 34 percent since FY2016. However, with a viability ratio below zero, MaSU should be cautious about adding new debt in the future.

- Net tuition and fees, per Enrollment FTE increased 26.0 percent compared to FY2016 while state appropriations decreased 2.5 percent for the same period.

- Fall FTE Enrollment is relatively flat for Fall 2015 through 2020.

- MaSU is closely monitoring their financial situation and will be providing a financial plan update to the SBHE Budget and Finance Committee in the April 2021 meeting.
Minot State University (MiSU)

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**CFI Zones**

- **Above**: 1.10 to 10
- **In**: 0 to 1.0
- **Below**: -4.0 to -0.1

**Public Institutions Composite Index Outcomes**

- **Above**: No Review
- **In**: Financial Panel Review if “in” for two or more consecutive years
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**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. Given the strength of the other ratios, the negative operating income margin and net income margin are not a concern at this time.

- Net tuition and fees, per enrollment FTE increased 22.3 percent compared to FY2016, while state appropriations decreased 18.6 percent for the same period.

- Fall FTE Enrollment decreased 11.6 percent from Fall 2015 and has decreased in each of the prior three years.
North Dakota State College of Science (NDSCS)

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### CFI Zones

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</tbody>
</table>

### Viability Ratio

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Viability Ratio</th>
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<tbody>
<tr>
<td>FY2016</td>
<td>1.9</td>
</tr>
<tr>
<td>FY2017</td>
<td>2.4</td>
</tr>
<tr>
<td>FY2018</td>
<td>2.8</td>
</tr>
<tr>
<td>FY2019</td>
<td>2.7</td>
</tr>
<tr>
<td>FY2020</td>
<td>2.8</td>
</tr>
</tbody>
</table>

### Primary Reserve Ratio

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Reserve Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>0.3</td>
</tr>
<tr>
<td>FY2017</td>
<td>0.4</td>
</tr>
<tr>
<td>FY2018</td>
<td>0.5</td>
</tr>
<tr>
<td>FY2019</td>
<td>0.4</td>
</tr>
<tr>
<td>FY2020</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### Current Ratio

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>4.4</td>
</tr>
<tr>
<td>FY2017</td>
<td>4.9</td>
</tr>
<tr>
<td>FY2018</td>
<td>6.8</td>
</tr>
<tr>
<td>FY2019</td>
<td>6.9</td>
</tr>
<tr>
<td>FY2020</td>
<td>7.9</td>
</tr>
</tbody>
</table>

### Working Capital Ratio

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Working Capital Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>22.7</td>
</tr>
<tr>
<td>FY2017</td>
<td>26.4</td>
</tr>
<tr>
<td>FY2018</td>
<td>31.4</td>
</tr>
<tr>
<td>FY2019</td>
<td>29.5</td>
</tr>
<tr>
<td>FY2020</td>
<td>32.8</td>
</tr>
</tbody>
</table>

### Operating Income Margin

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Operating Income Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>-1.2%</td>
</tr>
<tr>
<td>FY2017</td>
<td>2.2%</td>
</tr>
<tr>
<td>FY2018</td>
<td>-1.6%</td>
</tr>
<tr>
<td>FY2019</td>
<td>-8.9%</td>
</tr>
<tr>
<td>FY2020</td>
<td>-5.5%</td>
</tr>
</tbody>
</table>

### Net Income Margin

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Income Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>12.7%</td>
</tr>
<tr>
<td>FY2017</td>
<td>17.6%</td>
</tr>
<tr>
<td>FY2018</td>
<td>0.6%</td>
</tr>
<tr>
<td>FY2019</td>
<td>-8.1%</td>
</tr>
<tr>
<td>FY2020</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>
**Appropriated Reserves**

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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 continue to be good or very good, with the exception of the operating income margin and net income margin. These margins can fluctuate from year-to-year and are not a concern given the strength of the other ratios.

- Net tuition and fees, per enrollment FTE increased 22.9 percent compared to FY2016, while state appropriations decreased 12.1 percent for the same period.

- Starting in Fall 2016, enrollment has declined each year. Compared to Fall 2015, enrollment decreased by 285 or 12.4 percent in Fall 2020.
<table>
<thead>
<tr>
<th>CFI Zones</th>
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<td>Below</td>
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<td>Financial Panel Review if “below” in any given year</td>
</tr>
</tbody>
</table>

### NDSU Viability Ratio

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>0.9</td>
<td>0.9</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

### NDSU Primary Reserve Ratio

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### NDSU Current Ratio

> 2.0 = good.  < 1.0 is of concern

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>2.2</td>
<td>2.2</td>
<td>2.3</td>
<td>2.6</td>
<td>2.4</td>
</tr>
</tbody>
</table>

### NDSU Working Capital Ratio

Minimum of 4 weeks = good.

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>6.9</td>
<td>7.1</td>
<td>7.4</td>
<td>10.4</td>
<td>8.3</td>
</tr>
</tbody>
</table>

### NDSU Operating Income Margin

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>0.5%</td>
<td>-0.8%</td>
<td>-1.0%</td>
<td>-3.2%</td>
<td></td>
</tr>
</tbody>
</table>

### NDSU Net Income Margin

Several years of negative income margin is of concern

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>9.7%</td>
<td>6.4%</td>
<td>1.5%</td>
<td>3.7%</td>
<td>0.0%</td>
</tr>
</tbody>
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**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.

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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 are 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 operating income margin has been negative for three out of the previous five fiscal years, but it is not a concern at this time due to the strength of the other ratios.
- Net tuition and fees, per FTE enrollment increased 15.2 percent since FY2016 while state appropriations decreased 10.1 percent for the same period.
- Fall 2020 FTE Enrollment declined by 1,582 or 12.3 percent compared to Fall 2015. Enrollment has declined each year since Fall 2015, with the exception of Fall 2017.
- Standard & Poor’s reaffirmed its ‘AA-‘ rating with a stable outlook in a report dated June 4, 2019. According to S&P, “We assessed NDSU's enterprise profile as very strong, characterized by a modest decline in 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 solid available resources, good financial policies, and a low debt burden”.

![Graphs showing NDSU Net Liquid Assets and Long-Term Liabilities](attachment:image.png)
University of North Dakota (UND)

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**UND Viability Ratio**

\[ > 1 = \text{good.} \quad < 0.3 = \text{is of concern.} \]

**UND Primary Reserve Ratio**

\[ > .1 = \text{good.} \quad < .05 = \text{is of concern.} \]

**UND Current Ratio**

\[ > 2.0 = \text{good.} \quad < 1.0 = \text{is of concern} \]

**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.

![Graphs showing undesignated and total appropriated reserves from June 30, 2018 to June 30, 2020.](image)

**Other Ratios:**

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

![Graphs showing undesignated appropriated reserves dependency from FY2016 to FY2020.](image)

![Graphs showing undated state appropriations from FY2016 to FY2020.](image)

![Graphs showing undated tuition and fees per enrollment FTE from FY2016 to FY2020.](image)

![Graphs showing undated FTE fall enrollment from 2015 to FY2020.](image)
**UND Summary:**

- CFI scores are solid.

- All other ratios are good or very good, with the exception of the viability ratio and operating income margin. However, they are not a concern at this time due to the strengths of the other ratios.

- Long-term liabilities have increased $174.4 million or 148.6 percent since FY2018 as a result of the issuance of certificates of participation in FY2019 of $96.8 million and housing and auxiliary facilities bonds in FY2020 of $80.9 million. The certificates of participation were issued to fund the construction and operation of a new steam plant and make other energy conservation improvements.

- Net tuition and fees, per FTE enrollment increased 26.3 percent since FY2016 while state appropriations decreased 7.5 percent for the same period.

- Fall enrollment has decreased every year since Fall 2015. Fall 2019 enrollment decreased 1,522 or 12.2 percent compared to Fall 2015.
## Valley City State University (VCSU)

### 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

### Graphs

#### VCSU CFI

- **VCSU CFI (excl. pension and OPEB liability and expense)**
- **2018**: 3.93
- **2019**: 2.47
- **2019**: 2.93
- **2020**: 1.64
- **2020**: 2.55
- **2020**: 2.12

#### VCSU Viability Ratio

- **> 1 = good. < 0.3 = is of concern.**
- **FY2016**: 0.9
- **FY2017**: 0.5
- **FY2018**: 0.8
- **FY2019**: 0.8
- **FY2020**: 0.9

#### VCSU Primary Reserve Ratio

- **>.1 = good. < .05 is of concern.**
- **FY2016**: 0.2
- **FY2017**: 0.2
- **FY2018**: 0.3
- **FY2019**: 0.3
- **FY2020**: 0.4

#### VCSU Current Ratio

- **> 2.0 = good. < 1.0 is of concern.**
- **FY2016**: 2.7
- **FY2017**: 2.4
- **FY2018**: 4.1
- **FY2019**: 4.2
- **FY2020**: 1.8

#### VCSU Working Capital Ratio

- **Minimum of 4 weeks = good.**
- **FY2016**: 8.5
- **FY2017**: 11.1
- **FY2018**: 15.9
- **FY2019**: 17.4
- **FY2020**: 10.0

#### VCSU Operating Income Margin

- **> zero = good. May fluctuate significantly from year-to-year.**
- **FY2016**: -6.9%
- **FY2017**: -1.0%
- **FY2018**: -0.9%
- **FY2019**: -6.5%
- **FY2020**: -12.2%

#### VCSU Net income Margin

- **Several years of negative income margin is of concern.**
- **FY2016**: 8.0%
- **FY2017**: 29.2%
- **FY2018**: 7.6%
- **FY2019**: 0.9%
- **FY2020**: 4.5%
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.

- The primary reserve and working capital ratios are good. The viability and current ratios decreased in FY2020 and are below general industry standards.

- Operating income margin continues to trend negative, while the net income margin trends positive. The operating income margin has decreased since FY2018.

- Net tuition and fees, per FTE enrollment increased 3.3 percent since FY2016 while state appropriations decreased 4.4 percent for the same period.

- Fall 2020 FTE Enrollment increased 12.5 percent compared to Fall 2015 FTE enrollment.

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.

Plan Status Update: VCSU provided an update to the SBHE Budget and Finance Committee in July 2017 and enumerated three strategies. Strategy 1–Activated Carbons project has potential for positive income generation and will help towards correcting the negative operating income margin. Strategy 2–Increased enrollment, retention, and persistence will lead to greater income. Strategy 3–VCSU plans to put 20 percent of new revenues towards correcting the operating income imbalance and reinvest 80% back into the institution. VCSU continues to carefully monitor the operating income margin. Strategy 1 and 3 is in process. Strategy 2 has been successful as VCSU had record enrollment in Fall2019. Fall2020 enrollment was slightly less than Fall2019. Additionally, the COVID-19 expenses and timing of revenues has caused challenges with this ratio.

In FY2020, a timing difference occurred related to the refinancing of the 2010 Snoeynbos Bonds of $3.2 million. The refinance was substantially completed by June 30, 2020, but the refinance final payments occurred on July 1, 2020. As a result of this timing difference, GASB accounting standards required both the original debt and the new debt to be reflected in VCSU’s general ledger at June 30, 2020. The table below illustrates the impact of this timing difference on the applicable ratios and balances. The pro-forma column excludes the impact of this timing difference.

<table>
<thead>
<tr>
<th>Ratio</th>
<th>FY2020 Actual Ratio</th>
<th>FY2020 Proforma Ratio - Adjusted for bond refinance timing difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viability</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Primary Reserve</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Current</td>
<td>1.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Working Capital</td>
<td>10.0</td>
<td>15.8</td>
</tr>
<tr>
<td>Operating Income Margin</td>
<td>-12.20%</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>4.50%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Net Liquid Assets</td>
<td>$5.2 million</td>
<td>$8.3 million</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>$12.9 million</td>
<td>$9.8 million</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.
WSC Summary

- CFI scores with the foundation balances are solid. However, CFI scores, excluding the foundation, have been in the “In” zone since FY2016.

- Viability ratio has been below 1.0 since FY2015 but based on the strong primary reserve, current ratio and working capital ratio it is not a concern at this time.

- Operating income margin has been negative since FY2016 and net income margin has been negative since FY2017. However, both margins have improved since FY2018.

- Net tuition and fees, per FTE enrollment increased 110.5 percent since FY2016 while state appropriations decreased 11.7 percent for the same period.
  Note: The WSC Foundation Scholarships are recognized as gift revenue rather than tuition revenue, in accordance with GASB accounting standards.

- Fall 2020 FTE Enrollment increased every year from Fall 2015 through Fall 2018 and decreased in Fall 2019 and Fall 2020.