

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL REVIEW**  
**Fiscal Year Ending 2014 (with trends since FY2011)**  
**March 2015**

The central purpose and use of the information in this report is to provide the board with a financial analysis of each institution that is needed to assist the board in fulfilling its fiduciary responsibilities. In addition to this report a separate semi-annual budget status report is presented to the SBHE Budget and Finance Committee that discloses significant revenue and expenditure variances, deficits, and pending lawsuits.

The purpose of this financial review is to gain an understanding of the financial health of each institution, based on year-end financial statements as of June 30, 2014 and to identify trends that are occurring over a period of time (FY2011 thru FY2014). 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. With the exception of the Composite Financial Index (CFI), these are general industry standards and not specific to just higher education. However, they do provide a good benchmark to measure financial performance. **In addition, it is important to note that individual ratio results do not stand on their own; rather, the results of all the ratios and trends over time should be viewed together when considering the financial health of the institution.**

In order to distinguish between financial statement position and funding adequacy, a Funding Analysis section (pages 12-13) is included in this report. Nationally, in FY2013 ND ranks 17 out of 50 in state/local appropriations funding per FTE student, as compared to a ranking of 22 out of 50 in FY2010. State appropriations in North Dakota have increased over that period of time, while most other states have been making spending cuts, resulting in a rapid change in relative state position.

**Note: FY2013 data is presented on pages 12 - 13, pending the release of the FY2014 SHEEO State Higher Education Finance Report. Upon release of the FY2014 SHEEO report, an updated Annual Financial Review Report will be distributed.**

## **Composite Financial Index (CFI)**

The CFI creates one overall financial measurement of an institution's health based on four core ratios: primary reserve ratio, net income ratio, viability ratio and the return on net assets ratio.

The CFI 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 balances for the following discretely presented component units' accounts also be included: unrestricted, temporarily restricted net assets and total net assets;

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

The CFI is presented below for each college/university and their discretely presented component unit(s) for FY2014 and FY2013. In addition, the last two columns of the table provide the CFI for each college/university excluding their discretely present component unit(s) for the same period. Component unit balances are not included in other calculations in this report.

		<b>FY2014</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2013</b>
<b>Institution</b>	<b>Component units(s) included</b>	<b>CFI, including component units</b>	<b>CFI, including component units</b>	<b>CFI, excluding component units</b>	<b>CFI, excluding component units</b>
<b>BSC</b>	BSC Foundation	<b>2.18</b>	<b>1.89</b>	<b>1.71</b>	<b>1.80</b>
<b>DCB</b>	DCB Foundation	<b>3.53</b>	<b>1.75</b>	<b>3.42</b>	<b>0.43</b>
<b>DSU</b>	DSU Foundation	<b>0.79</b>	<b>1.18</b>	<b>4.45</b>	<b>4.19</b>
<b>LRSC</b>	LRSC Foundation	<b>3.69</b>	<b>0.91</b>	<b>2.75</b>	<b>(0.29)</b>
<b>MASU</b>	MaSU Alumni Foundation	<b>1.78</b>	<b>1.78</b>	<b>1.26</b>	<b>1.18</b>
<b>MISU</b>	MiSU Development Foundation	<b>2.19</b>	<b>2.37</b>	<b>2.26</b>	<b>2.37</b>
<b>NDSCS</b>	NDSCS Foundation	<b>3.72</b>	<b>3.36</b>	<b>3.43</b>	<b>3.56</b>
<b>NDSU</b>	NDSU Development Foundation NDSU Research & Technology	<b>4.25</b>	<b>3.9</b>	<b>2.87</b>	<b>3.11</b>

	Park NDSU Research Foundation NDSU Team Makers Club					
<b>UND</b>	UND Alumni Assoc. & Foundation RE Arena, Inc. UND Center for Innovation UND Research Foundation	<b>4.57</b>		<b>3.9</b>	<b>3.01</b>	<b>2.20</b>
<b>VCSU</b>	VCSU Foundation	<b>4.57</b>		<b>3.98</b>	<b>2.04</b>	<b>3.60</b>
<b>WSC</b>	WSC Foundation	<b>4.01</b>		<b>2.39</b>	<b>2.15</b>	<b>0.56</b>

*In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30<sup>th</sup> but the repayment from the refinance occurred on July 1, 2013. GASB accounting standards required both the original debt and the new debt to be reflected in VCSU's general ledger at June 30, 2013. Excluding the impact of the timing difference, the FY2013 CFI would have been 3.87.*

HLC uses the following standards when evaluating the CFI for accreditation review purposes:

<b>Zones</b>	<b>Public Institutions Composite Index</b>	<b>Outcomes</b>
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

At FY2014, none of the institutions had a CFI in the "Below" range or in the "In" range for two consecutive years.

DSU's CFI, including the component unit, was 0.79 in FY14 due to financial issues at the DSU Foundation that resulted in the appointment of a receiver for the DSU Foundation by the state district court at the request of the NDUS Chancellor and North Dakota Attorney General. Additional information can be found in footnote 15 of the FY2014 North Dakota University System Annual Financial Report at <https://www.ndus.edu/uploads/reports/133/ndus-annual-financial-report---fiscal-year-2014.pdf>.

### **Viability Ratio**

This ratio measures the ability to retire long-term debt using current resources. It is calculated by comparing combined expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets include all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1.0 is good and a ratio of less than .3 is of concern. Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service

to total long-term debt (bonds, notes and capital leases). Historical figures have been restated consistent with the new reporting approach.

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

VIABILITY RATIO				
Institution	FY 2014	FY 2013	FY 2012	FY 2011
DSU	21.2	23.7	13.0	10.8
DCB	8.6	6.8	7.8	5.6
NDSCS	1.6	1.1	1.5	7.4
MiSU	1.3	1.3	1.2	1.4
UND	1.1	1.3	1.1	1.0
<b>Total NDUS</b>	<b>1.0</b>	<b>1.0</b>	<b>.9</b>	<b>.8</b>
NDSU	.9	.8	.6	.5
VCSU	.8	.7	.7	.6
BSC	.7	.7	.6	.9
LRSC	.5	.5	.6	3.0
MaSU	.4	.3	.3	.2
WSC	.2	.2	.2	.4

*Greater than  
1.0 is good,  
less than .3  
concern*

Six of the eleven institutions have a viability ratio of less than 1.0. The ratio decreased for BSC, NDSCS and LRSC in FY2014 compared to FY2011 as a result of increases in long-term debt. The ratio decreased for MiSU and WSC decreased for the same period due to a reduction in expendable net assets.

### **Primary Reserve Ratio**

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

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

PRIMARY RESERVE RATIO				
Institution	FY 2014	FY 2013	FY 2012	FY 2011
DSU	.5	.5	.5	.4
MiSU	.3	.4	.3	.5
NDSCS	.4	.3	.4	.3
NDSU	.3	.3	.3	.2
UND	.3	.3	.3	.3
VCSU <sup>1</sup>	.2	.3	.2	.2
<b>Total NDUS</b>	<b>.3</b>	<b>.3</b>	<b>.3</b>	<b>.3</b>
BSC	.2	.2	.2	.2
DCB	.2	.2	.3	.2
LRSC	.2	.2	.2	.3

Greater than  
.1 is good, less  
than .05 is a  
concern

MaSU	.2	.2	.2	.2
WSC	.1	.1	.2	.3

The primary reserve ratio is good for all campuses and NDUS. The ratio has not changed significantly at campuses and the NDUS over the last several years.

<sup>1</sup>Excluding the impact of the timing difference discussed in the CFI section, the FY2013 the primary reserve ratio would have been .2.

### **Current Ratio**

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

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

CURRENT RATIO				
Institution	FY 2014	FY 2013	FY 2012	FY 2011
DSU	8.7	7.8	5.3	7.8
NDSCS	5.1	4.5	5.4	4.9
MiSU	4.2	3.8	3.4	3.9
UND	3.2	2.7	2.0	2.2
<b>Total NDUS</b>	<b>2.9</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
DCB	2.8	9.6	8.3	4.8
NDSU	2.6	2.0	2.2	2.0
WSC	1.5	1.4	1.9	2.7
BSC	2.2	2.9	2.7	2.5
MaSU	2.1	2.3	2.1	1.6
LRSC	1.7	2.2	2.8	3.4
VCSU <sup>1</sup>	2.4	1.2	2.3	2.2

Greater than  
2.0 is good,  
less than 1  
concern

The current ratio for the institutions is good and increased at seven of the institutions since FY 2011 (DSU, MaSU, MiSU, NDSCS, NDSU, UND and VCSU). The current ratio can fluctuate from year-to-year due to the liquid nature of current assets and current liabilities.

<sup>1</sup>Excluding the impact of the timing difference discussed in the CFI section, the FY2013 current ratio would have been 3.1.

### **Working Capital Ratio**

This ratio measures the ability to sustain operations in a short-term emergency situation (4-6 weeks). The ratio compares working capital (current assets less current liabilities) to total

operating expenses, converted into weeks. While no industry standard is available, professional judgment suggests that an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency.

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

WORKING CAPITAL RATIO				
Institution	FY 2014	FY 2013	FY 2012	FY 2011
DSU	26.8	25.8	23.5	21.7
NDSCS	19.7	14.9	16.5	15.3
MiSU	15.0	16.2	18.7	20.3
UND	12.3	8.0	5.1	5.7
<b>Total NDUS</b>	<b>10.7</b>	<b>8.2</b>	<b>7.8</b>	<b>7.7</b>
BSC	9.1	10.8	9.6	8.3
NDSU	8.8	6.1	6.1	5.1
MaSU	7.9	8.5	7.9	5.8
VCSU <sup>1</sup>	7.8	2.1	8.4	8.1
LRSC	7.4	8.0	11.0	14.4
DCB	6.9	12.8	14.4	11.6
WSC	3.8	2.8	6.1	7.8

4-6 weeks  
is good

The working capital ratio is generally good or very good for all institutions.

<sup>1</sup>Excluding the impact of the timing difference discussed in the CFI section, the FY2013 working capital ratio would have been 8.8.

### **Operating Income Margin**

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

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

Operating Income Margin				
Institution	FY 2014	FY 2013	FY 2012	FY 2011
NDSU	3.4%	4.7%	1.2%	2.4%
<b>Total NDUS</b>	<b>1.4%</b>	<b>1.5%</b>	<b>0.9%</b>	<b>1.8%</b>
UND	0.3%	-0.3%	0.6%	2.0%
MaSU	-2.4%	1.2%	1.1%	2.3%
VCSU	-1.2%	-3.4%	-3.7%	-3.5%

Greater than 0  
is good

BSC	-1.3%	-1.9%	0.3%	-2.3%
NDSCS	-1.4%	-4.1%	-3.0%	-5.6%
LRSC	-2.3%	-8.6%	-7.9%	0.0%
DSU	-3.8%	-5.5%	-1.2%	-1.4%
MiSU	-4.5%	-4.5%	-2.0%	-0.5%
WSC	-4.6%	-3.9%	6.6%	4.7%
DCB	-6.6%	-5.4%	2.2%	2.4%

All institutions, except NDSU and UND have an operating income margins below zero, which means they spent more to operate than they earned from operations in FY2014. A negative margin for one year could be due to timing issues or one-time events. Several years of a ratio of zero or less is of concern. Four institutions, VCSU, NDSCS, DSU and MiSU have had a negative operating income margin for four straight years. Further, BSC, LRSC, WSC and DCB have had a ratio of zero or less for the last two consecutive years and should be closely monitored.

### **Net Income Margin**

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

<b>Net Income Margin</b>				
<b>Institution</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
WSC	30.8%	13.4%	22.9%	22.0%
LRSC	18.7%	-7.3%	13.4%	.5%
NDSCS	8.7%	15.7%	1.4%	1.6%
UND	6.9%	4.4%	3.5%	6.6%
VCSU <sup>1</sup>	6.6%	20.5%	10.9%	1.8%
NDSU	6.5%	8.5%	6.5%	8.5%
<b>Total NDUS</b>	<b>6.5%</b>	<b>6.9%</b>	<b>5.5%</b>	<b>6.9%</b>
<b>MaSU</b>	<b>5.3%</b>	<b>1.5%</b>	<b>7.3%</b>	<b>20.0%</b>
BSC	4.2%	5.8%	5.9%	6.5%
MiSU	0.3%	8.5%	10.4%	2.2%
DCB	-2.3%	3.2%	3.3%	13.1%
DSU	-2.4%	-4.3%	1.8%	2.6%

*Positive  
margin good*

All institutions, with the exception of DCB and DSU, had a positive net income margin. A negative margin for one year could be due to timing issues or one-time events. Several years of a negative margin is of a concern. Since FY 2011, DSU has had a negative net income margin for two consecutive years and should be closely monitored .

<sup>1</sup>Excluding the impact of the timing difference discussed in the CFI section, the FY2013 net income margin would have been 8.0.

**Trend: Change in net liquid assets less current liabilities (FY2011 to FY2014)**

This calculation measures the change in ability to meet current obligations over time. It is the percentage change from June 30, 2011 to June 30, 2014 between liquid assets (cash, current investments and current receivables) and current liabilities. A positive percentage change is desirable as it indicates improvement over time in an institution's ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The following table shows the percentage change in net liquid assets for each institution from FY2011 to FY2014 and the dollar amount of net liquid assets for the current fiscal year and three previous fiscal years:

Net Liquid Assets					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2011-2014	FY 2014	FY 2013	FY 2012	FY 2011
UND	154%	\$94.5	\$59.6	\$34.9	\$37.1
NDSU	96%	62.0	\$41.1	\$37.9	\$31.6
MaSU	67%	\$2.6	\$2.6	\$2.3	\$1.4
<b>Total NDUS</b>	<b>59%</b>	<b>\$215.1</b>	<b>\$181.2</b>	<b>\$139.8</b>	<b>\$136.2</b>
NDSCS	36%	\$15.6	\$11.5	\$12.8	\$11.4
BSC	27%	\$7.5	\$7.5	\$7.0	\$5.9
DSU	10%	\$14.0	\$13.6	\$13.4	\$12.8
VCSU <sup>1</sup>	8%	\$3.2	\$0.6	\$3.3	\$2.9
MiSU	-19%	\$16.1	\$16.2	\$14.8	\$19.9
WSC	-19%	\$1.3	\$0.7	\$1.6	\$1.6
DCB	-32%	\$1.1	\$1.8	\$2.0	\$1.6
LRSC	-42%	\$2.0	\$2.0	\$3.0	\$3.5

Positive  
change good

The change in net liquid assets coupled with the current ratio gives an indication of change in financial liquidity from one year to another. The change in net liquid assets can fluctuate from year-to-year due to the liquid nature of current assets and current liabilities. All institutions, with the exception of MiSU, DCB, LRSC and WSC, had an increase in net liquid assets since FY2011. DCB is the result of a decrease in cash and accounts receivable and an increase in accrued payroll liabilities and deposits. LRSC is the result of an increase in current liabilities mostly due to an increase in accounts payable and deferred revenue. WSC is the result of increases in accounts payable and accrued payroll liabilities, partially offset by an increase in cash. MiSU is the result of a decrease in cash and investments used to fund various local projects, mostly in FY2012 and FY2013.

<sup>1</sup>Excluding the impact of the timing difference discussed in the CFI section, the FY2013 Net Liquid Assets would have been 15%.



**Trend: Change in long-term liabilities (FY2011 to FY2014)**

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2011 to June 30, 2014 in total long-term liabilities. A negative change indicates the institution retired more debt than it added over the three-year period. A positive change indicates the institution added more debt than it retired.

The following table shows the percentage change in long-term liabilities for each institution from FY2011 to FY2014 and the dollar amount of long-term liabilities at year end and for the three previous fiscal years:

Long-term Liabilities					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2011-2014	FY 2014	FY 2013	FY 2012	FY 2011
DSU	-44%	\$0.7	\$0.6	\$1.1	\$1.3
DCB	-35%	\$0.2	\$0.3	\$0.3	\$0.3
MASU	-13%	\$11.1	\$11.6	\$12.1	\$12.8
NDSU	-13%	\$136.1	\$145.3	\$148.8	\$156.7
MISU	-8%	\$14.9	\$15.2	\$15.7	\$16.2
VCSU <sup>1</sup>	-6%	\$6.7	\$9.5	\$7.0	\$7.1
WSC	0%	\$9.9	\$9.9	\$10.1	\$9.8
<b>Total NDUS</b>	<b>2%</b>	<b>\$346.5</b>	<b>\$330.9</b>	<b>\$343.3</b>	<b>\$338.6</b>
UND	16%	\$135.6	\$104.7	\$112.4	\$117.2
BSC	77%	\$14.2	\$14.3	\$14.6	\$8.0
LRSC	285%	\$5.3	\$5.7	\$5.8	\$1.4
NDSCS	450%	\$10.1	\$10.5	\$10.5	\$1.8

Negative  
change  
good

This calculation, coupled with the viability ratio indicates an institution's ability to service debt over time. Institutions with a viability ratio of less than 1.0, coupled with a large increase in long-term debt are BSC and LRSC.

- BSC's long-term debt increased 77 percent from FY2011, due to new bonds of \$7.0 million issued in FY2012 for the renovation and expansion of the Student Union Building.
- LRSC increased its long term debt in FY2012 by \$4.5 million for a note payable obtained in FY2012 for installation of a wind turbine, replacement of a gas fired boiler and an upgrade to the central pumping station .

With viability ratios of less than 1.0, BSC and LRSC should remain cautious about adding new debt in the near future.

NDSCS increase is due to the issuance of \$9.0 million in revenue bonds in FY2012 for the renovation of two dormitories, Forkner Hall and Riley Hall.

UND's long-term liabilities increased as a result of the issuance of revenue bonds in FY2014 for the Wilkerson Hall.

<sup>1</sup>In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30<sup>th</sup> but the repayment from the refinance occurred on July 1, 2013. GASB

accounting standards required both the original debt and the new debt to be reflected in VCSU's general ledger at June 30, 2013.

### **Trend: Change in Fall FTE enrollment (2011-2014)**

This calculation shows the percentage change in FTE enrollment from Fall 2011 to Fall 2014, including all credit on-campus and distance ed students.

The second column in the table shows the percentage change for each institution in Fall FTE enrollment from the Fall 2014 Enrollment Report (FY2015) to the Fall 2011 (FY2012) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2013 (FY2014) Enrollment Report to the Fall 2010 (FY2011) Enrollment Report.

Institution	Fall FTE Enrollment						
	Trend	Trend	Enrollment*				
	% Change Fall Enrollment Report FY 2011-2014	% Change Fall Enrollment Report FY 2010-2013	2014	2013	2012	2011	2010
MASU	13%	6%	798	749	759	704	704
NDSU	3%	1%	12,934	12,797	12,707	12,606	12,708
UND	1%	5%	12,420	12,606	12,729	12,319	12,018
DCB	-1%	-7%	518	502	474	524	540
LRSC	-1%	2%	978	943	973	988	921
VCSU	-2%	2%	990	975	995	1,011	957
<b>Total NDUS</b>	<b>-2%</b>	<b>-1%</b>	<b>38,174</b>	<b>38,326</b>	<b>38,703</b>	<b>39,089</b>	<b>38,913</b>
NDSCS	-4%	4%	2,272	2,295	2,354	2,366	2,217
WSC	-5%	4%	579	593	537	608	570
MISU	-7%	-10%	2,600	2,710	2,731	2,794	3,002
BSC	-9%	-8%	2,909	2,955	2,990	3,209	3,208
DSU	-40%	-42%	1,176	1,201	1,454	1,959	2,054

\*From the Fall Enrollment Report Table 5 and as re-defined, Aug. 2006 based on 15 credit hours.

Positive growth good

Overall, the NDUS saw a two percent reduction in FTE enrollment since Fall 2011. Three institutions (MaSU, NDSU and UND) experienced increased FTE enrollment. Five institutions (UND, BSC, DSU, MiSU and NDSCS) experienced declines in each of the last three consecutive years. The strong North Dakota economy and lack of affordable housing in the western part of the state are two factors that have contributed to the declines in enrollment. (Occasional declines in enrollment are not unusual, but several consecutive years of declining enrollment are noteworthy).

### **Percentage of Headcount Face-to-Face Enrollment to Total Unduplicated Enrollment**

The table below shows the degree credit headcount by instructional mode, per table 6 of the 2014 Fall Enrollment Report.1/, 2/

<b>Institution</b>	<b>Students with an On-Campus presence 3/</b>	<b>Student without an On-Campus presence 4/</b>	<b>Unduplicated Headcount</b>	<b>Students enrolled in at least one Distance Ed Course</b>
BSC	2,304	1,698	4,002	2,359
DCB	443	310	753	483
LRSC	440	1,548	1,988	1,808
NDSCS	1,609	1,424	3,033	1,856
WSC	470	413	883	699
<b>Subtotal</b>	<b>5,266</b>	<b>5,393</b>	<b>10,659</b>	<b>7,205</b>
DSU	1,155	324	1,479	650
MaSU	626	455	1,081	645
MiSU	2,298	1,112	3,410	1,768
VCSU	808	570	1,378	1,116
<b>Subtotal</b>	<b>4,887</b>	<b>2,461</b>	<b>7,348</b>	<b>4,179</b>
NDSU	13,708	1,039	14,747	5,928
UND	11,733	3,173	14,906	5,289
<b>Subtotal</b>	<b>25,441</b>	<b>4,212</b>	<b>29,653</b>	<b>11,217</b>
<b>NDUS Total</b>	<b>35,594</b>	<b>12,066</b>	<b>47,660</b>	<b>22,601</b>
<b>Percent</b>	<b>74.7%</b>	<b>25.3%</b>	<b>100.0%</b>	<b>47.4%</b>

#### Data Definitions:

<sup>1/</sup>**Degree Credit** - Instructional activities associated with the amount of instructor/student contact time that could be applied toward a college degree or developmental/remedial courses taken by a degree-seeking student as reported to IPEDS.

<sup>2/</sup>**Headcount** – Total enrolled students. SBHE Policy 440 defines enrolled students as “students who are registered for classes as of the 20<sup>th</sup> day of the term.”

3/ *Total number of students taking at least one course on their home campus.*

4/ *Total number of students taking all coursework in non-traditional mode.*

#### Sources:

Campus Solutions> NDUH2SRO>Degree Credit Headcount by Category. Note: the Report O CSV file was used in calculating totals. On campus presences includes total count of students enrolled in courses with “TC” instruction mode. All other codes count as Distance Education instruction mode. As of 09.24.2014

NOTE: Report NDUH2SRO is used in reporting as it includes ONLY degree credit coursework. Report NDUH2SRZ includes non-credit coursework, and thus is not used in this reporting.

## FUNDING ANALYSIS – National per FTE Funding Comparison

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.

FY 2013 Total Educational Revenue per FTE - Public Institutions of Higher Ed					
Total Educational Revenues Per FTE*		Educational Appropriations (State/Local) Per FTE*			
1	Wyoming	18908	1	Wyoming	16474
2	Delaware	18217	2	Alaska	12932
3	Alaska	17859	3	Illinois	9439
4	Rhode Island	15268	4	North Carolina	8687
5	Vermont	15049	5	New Mexico	8580
6	Michigan	14812	6	New York	7843
7	Illinois	14496	7	Nebraska	7357
8	Maine	14204	8	Texas	7259
9	Maryland	14179	9	Hawaii	7173
10	Alabama	13959	10	California	7096
11	Connecticut	13824	11	Connecticut	7028
12	North Dakota	13049	12	Oklahoma	6955
13	New Jersey	12826	13	Maryland	6756
14	Kentucky	12815	14	Kentucky	6750
15	North Carolina	12673	15	Georgia	6703
16	Iowa	12651	16	Nevada	6693
17	Nebraska	12447	17	North Dakota	6561
18	Texas	12205	18	Idaho	6546
19	South Carolina	12190	19	Arkansas	6173
20	New York	12176	20	Mississippi	6162
21	Minnesota	12146	21	Tennessee	6022
22	Pennsylvania	12017	22	Maine	5978
23	Oklahoma	12001	23	Wisconsin	5837
24	Virginia	12000	24	West Virginia	5773
25	Ohio	11965	25	Massachusetts	5672
26	South Dakota	11918	26	Kansas	5634
27	New Mexico	11914	27	New Jersey	5545
28	Tennessee	11364	28	Louisiana	5515
29	New Hampshire	11284	29	Alabama	5507
30	Georgia	11171	30	Missouri	5310
31	West Virginia	11170	31	Iowa	5013
32	Kansas	11162	32	Utah	5007
33	Wisconsin	10959	33	Arizona	4958
34	Hawaii	10904	34	Delaware	4858
35	Indiana	10889	35	Washington	4849
36	Missouri	10728	36	South Carolina	4797
37	Arizona	10583	37	Florida	4784
38	Nevada	10551	38	South Dakota	4778
39	Massachusetts	10537	39	Minnesota	4614
40	Idaho	10477	40	Virginia	4545
41	Oregon	10262	41	Ohio	4523
42	Mississippi	10231	42	Michigan	4469
43	Colorado	9988	43	Rhode Island	4459
44	Louisiana	9726	44	Indiana	4442
45	Montana	9669	45	Montana	4294
46	Utah	9552	46	Pennsylvania	3959
47	California	9236	47	Oregon	3875
48	Arkansas	9063	48	Colorado	2779
49	Washington	8714	49	Vermont	2655
50	Florida	7881	50	New Hampshire	1708
US		11492	US		6105

\*Excluding Ag research, extension and med school funding.

Source: FY2013 SHEEO State Higher Education Finance Report.

As the chart below illustrates, North Dakota's educational revenues per FTE has increased since FY2010 and are above the national average. North Dakota's educational appropriations per FTE remained flat while the US average declined 5.4%, as many states reduced appropriations due to budget constraints. North Dakota's net tuition revenue increased 4.3% since FY2010 which is below the US average of increase of 19.7% for the same period.

	<b>FY2013</b>	<b>FY2012</b>	<b>FY2011</b>	<b>FY2010</b>
<b>ND Total Educational Revenues per FTE</b>	\$ 13,049	\$ 13,585	\$ 12,416	\$ 12,741
<i>% increase (decrease)</i>	2.4%			
US Average	\$ 11,492	\$ 11,034	\$ 11,016	\$ 10,734
<i>% increase (decrease)</i>	7.1%			
ND Ranking	12	10	15	15

	<b>FY2013</b>	<b>FY2012</b>	<b>FY2011</b>	<b>FY2010</b>
<b>Educational Appropriations (State/Local) Per FTE</b>	\$ 6,561	\$ 6,938	\$ 6,263	\$ 6,520
<i>% increase (decrease)</i>	0.6%			
US Average	\$ 6,105	\$ 5,896	\$ 6,290	\$ 6,454
<i>% increase (decrease)</i>	-5.4%			
ND Ranking	17	11	23	22

	<b>FY2013</b>	<b>FY2012</b>	<b>FY2011</b>	<b>FY2010</b>
<b>ND Net Tuition Revenue, per FTE</b>	\$ 6,489	\$ 6,647	\$ 6,153	\$ 6,221
<i>% increase (decrease)</i>	4.3%			
US Average	\$ 5,445	\$ 5,189	\$ 4,793	\$ 4,549
<i>% increase (decrease)</i>	19.7%			
ND Ranking	19	17	17	13

Source: FY2013 SHEEO State Higher Education Finance Report.

## SUMMARY BY INSTITUTION

### **BSC**

BSC's overall financial position remains good. The CFI and working capital ratio increased from FY2011 while the primary reserve ratio remained at the same level. The viability, primary reserve, current and working capital ratios are fairly consistent. Long-term debt increased 77 percent from FY2011, due to new bonds of \$7.0 million issued in FY2012 for the renovation and expansion of the Student Union Building, which will be supported by a student fee increase in the Fall 2013. The oil/energy related activities in the western part of the state and the overall strong North Dakota economy as well as a shortage of affordable housing contributed to a decline in FTE enrollment of 9 percent since FY2011. Issuance of additional long-term debt should be carefully evaluated.

### **DCB**

DCB's CFI is good and the viability ratio has improved since FY2011. However, the current ratio, working capital, the operating income margin, net income margin have declined since FY2011. The primary reserve ratio remained the same from FY2011. Long-term liabilities have decreased 35 percent from FY2011. FTE enrollment declined one percent from FY2011 to FY2014. DCB operating income margin will need to be carefully monitored to ensure an improvement in the operating income margin in FY15.

### **DSU**

DSU's financial position remains good. DSU's viability ratio, current ratio and working capital ratio are **very good**. Long-term liabilities decreased 44 percent from FY2011. However, the operating income margin was negative the past four years and FTE enrollment decreased 40 percent since FY2011 from 1,959 to 1,176 FTE. In addition, the financial situation of the DSU Foundation is a concern, and the related impact it has on DSU's CFI.

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: From fall 2011 to fall 2014, DSU reduced the number of FTE employees by 54 (approximately 20% of the workforce), reduced biennial operating costs by \$1.1M and cut equipment expenditures in half. To contain costs in auxiliaries, DSU vacated one residence hall. The operating income margin did improve from FY 2013 to FY 2014 and the remaining negative amount is largely due to depreciation, a non-cash expense. DSU has an aggressive student recruitment plan and did increase headcount enrollment from fall 2013 to fall 2014. Projections for fall 2015 appear to be ahead of enrollment goals at this time.

### **LRSC**

LRSC's overall financial position is generally good. The CFI increased significantly from FY2013 due to the Bergstrom Technical Center building addition project because it added nearly \$4.0 million to net position in FY2014. LRSC expects the CFI to be lower in FY2015 than it was in FY2014 but higher than the FY2013 CFI. In FY2015, the Bergstrom Technical Center project is expected to increase net position by a smaller amount. Long-term debt is slowly decreasing as

payments continue on the wind turbine and the revenue bonds. The primary reserve ratio, current ratio and working capital ratio have been relatively stable. Operating income margin has been negative for the past three years. Long term debt increased 285 percent or \$3.9 million from FY2011 as a result of a note payable in FY2012 for the installation of a wind turbine, replacement of a gas fired boiler and an upgrade to the central pumping station. FTE enrollment remained stable with a slight increase from FY2010. Issuance of additional long-term debt should be carefully evaluated. In June 2014, LRSC prepared a plan for the SBHE Budget and Finance Committee to address the negative trends for operating income margin and the increase in long-term liabilities. The plan included reducing large one-time purchases in the short-term and incorporating student retention effort budgets into the appropriated budget rather than rely on local fund reserves.

Plan Status Update: In FY2015, the cost for more of the total student retention services was included in the appropriated budget. Additionally, large one-time purchases have been reduced.

### **MaSU**

MaSU financial condition has improved substantially in recent years after implementation of a financial management plan in FY2006. The CFI, primary reserve ratio, current ratio, working capital ratio and net income margin are good. Meanwhile, long-term liabilities decreased 13 percent from FY2011 and enrollment increased 13 percent from FY2011. The viability ratio has remained below 1.0 each year since FY2010 but is not a concern at this time.

### **MiSU**

MiSU's financial position is good. The working capital ratio is very strong. The CFI, viability, primary reserve, current ratio and working capital ratio are good. Operating income margin has been negative the past four years. Net liquid assets is negative in FY2014. Long-term liabilities have decreased since FY2014. The 2011 Souris River flood and the tight housing market in Minot have negatively impacted enrollment in each of the last four years. A plan should be considered to address the negative operating income margin trend.

### **NDSCS**

NDSCS's financial position is strong. The CFI, viability ratio, primary ratio and current ratio are good. The working capital ratio and net income margin are very good. Operating income margin, although still negative, has improved substantially from FY2011. Long term debt increased 450 percent from FY2011 with the issuance of revenue bonds of \$9.0 million for the renovation of Forkner and Riley Residential Halls. Total FTE enrollment decreased 4 percent from FY2011. None of the ratios indicate any concerns at this point, as long as continued positive progress is made on improving the operating income margin. In June 2014, NDSCS prepared a plan for the SBHE Budget and Finance Committee to address the negative trends in operating income margin. The plan included increasing student enrollment and centralizing certain services to better serve and support students.

Plan Status Update: Included in the proposed plan was a retention goal of Fall to Fall of 62 percent to 82 percent. Fall to Spring retention rate for NDSCS was 84 percent. The focus of our plan was to restructure and bolster our Student Success initiative to better service and support the students. At this point in the plan, this goal appears to be tracking. NDSCS will continually measure and monitor this data and the success of this initiative which will be an ongoing effort.

### **NDSU**

NDSU's overall financial position is good. The CFI, primary reserve ratio, current ratio, working capital ratio, operating income margin and net income margin are solid. The viability ratio is slightly below 1.0 at .9 but has improved since FY2011 and is not a concern at this time. Long term liabilities decreased 13 percent and enrollment increased 3 percent from FY2011.

Standard & Poor's affirmed its 'AA-' rating with a stable outlook in a report dated December 17, 2014. According to S&P, "The rating reflects our view of NDSU's strong enterprise and financial profile, specifically its position as the designated land-grant and flagship institution and leading research university in North Dakota, growing and geographically diverse enrollment base, good operating performance and adequate financial resource ratios for the rating category.

Moody's affirmed its 'Aa3' rating with a stable outlook in a report dated December 22, 2014. According to Moody's, "The Aa3 rating on the university's housing and auxiliary facilities revenue bonds is based on NDSU's status as the state's land grant university with growing research activity combined with strong state support, and favorable enrollment growth. The stable outlook reflects our expectation of continued enrollment growth, positive operating performance and modest financial resource growth with no material increase in debt." "As a designated elite research university, NDSU should stand well in at least maintaining its research profile in an intensely competitive research environment."

### **UND**

UND's overall financial position is good with adequate reserves and liquidity. The CFI is good and increased in FY2014 compared to FY2013. The viability ratio, current ratio, working capital ratio, net income margin and net liquid assets have increased since FY2011. Long-term liabilities increased 16 percent since FY2011 but are not of a concern. FTE enrollment increased slightly at 1 percent from FY2011.

UND received a Moody's rating of Aa3 with a stable outlook in April 2014. The rating reflects significant research contributions in aerospace and energy which serve an important role for the state of North Dakota and established market as a flagship university in the state. The report also notes UND's completion of a successful \$300 million capital campaign in 2013 and its significant non-resident draw that enable it to maintain a larger enrollment base and broader program array. The rating also takes into account lower occupancy rates in student housing, and uncertainty around federal research funding. UND received a Standard & Poor's report dated April 16, 2013 affirming an A+/Positive rating. The outlook reflects their view of the university's flagship position, history of increasing state support, stable financial operations and strong debt service coverage

### **VCSU**

VCSU's viability ratio and net income margin increased from FY2011. The CFI score is solid. The primary reserve ratio, change in net liquid assets and change in long-term liabilities have remained relatively constant and are not of concern. The current ratio and working capital ratios have decreased slightly since FY2011, but are not a concern at this time. The improvement in operating income margin is positive; however, the trend over the past four years has been a negative margin. This is due to depreciation expense, which will likely continue as VCSU does not budget for this non-cash expense. FTE enrollment decreased 2 percent from the peak enrollment in FY2011, but has remained relatively constant for the past three years. Although



long term debt decreased slightly since FY2011, issuance of additional long-term debt should be carefully evaluated.

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 has improved both its viability ratio by refinancing long-term debt and fulfilling required bond covenants. Additionally, VCSU has significantly improved its operating income margin compared with the previous year; however, it will be a challenge to get into the positive when including the non-cash depreciation expense. It will continue to be VCSU's intent to utilize appropriations and tuition revenue to support students and will budget so that operating income margin, excluding depreciation, will be positive. VCSU takes bond covenants seriously and will not enter into additional long-term debt commitments in the foreseeable future.

In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30<sup>th</sup> but the repayment from the refinance occurred on July 1, 2013. 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, 2013. The second column of the table below represents the actual ratio, as reported. The third column lists the pro-forma ratio which excludes the impact of the timing difference.

<b>Ratio</b>	<b>FY13 Actual Ratio</b>	<b>FY13 Proforma Ratio - Adjusted Due to Bond Refinance (timing)</b>
Viability	.7	.7
Primary Reserve	.3	.2
Current	1.2	3.1
Working Capital	2.1	8.8
Operating Income Margin	-3.4%	-3.4%
Net Income Margin	20.5%	8.0%
Net Liquid Assets	-78%	15%
Change in Long-term Liabilities	146%	74%

### **WSC**

WSC's primary reserve ratio, viability ratio, current ratio, working capital ratio and operating income margin have decreased from FY2011. While the operating income margin can fluctuate from year-to-year, the decrease in the other ratios is a concern. Net income margin has been very good for the last consecutive four years and the CFI is good; however, WSC's overall financial

status is of concern and should be carefully monitored. Long-term debt has remained at about the same level in FY2011. FTE enrollment decreased 5 percent from FY2011. Issuance of additional long-term debt should be carefully evaluated. 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: Refinancing the 2010 housing bonds was discussed with bond counsel and was determined to not be a cost-saving opportunity at this time. Additional debt for the building of an expanded TrainND facility will be taken on in fiscal year 2015. Thanks to a partnership between the Alva J Field Trust, WSC Foundation and the ND Higher Education Challenge Fund, graduates of Williams County high schools, who attend WSC, are eligible for free tuition, fees and books for two years. This generous scholarship will have a very positive effect on enrollment and operating income.

Several vacant positions were not filled and the position of Vice-President of Business Services was eliminated in September. In June, the Director of Financial Aid resigned after just one year in the position and the Financial Aid assistant resigned in August. This left WSC with no employees in the Financial Aid area with the fall term about to start. An agreement was reached with UND to administer Financial Aid at WSC. Recently MOUs were signed with UND to continue the administration of Financial Aid and to provide cash reconciliation services to the Finance area. These arrangements with UND will provide critical services and support for WSC, but they do have a significant cost associated with them.

The employee turnover rate at WSC was 41 percent in calendar year 2014. A total of 50 employees left WSC in 2014. From January 2015 through mid-February 2015, only two employees left WSC. There has been an increase in the number of qualified applicants for vacant positions. Although finding highly skilled workers remains a challenge, it appears the turnover rate is decreasing and employee retention is increasing.