

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2017
April 3, 2018

The purpose of this report is to provide a financial analysis of each institution for fiscal year 2017. 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, 2017 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 2017 North Dakota ranked eighth in state/local appropriations funding per FTE student, compared to a ranking of ten in fiscal year 2016. North Dakota ranked sixth in total educational revenues, per FTE compared to a ranking of twelve in fiscal year 2016.

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.
- UND Aerospace Foundation, The UND Alumni Association and Foundation, REA Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, Inc. and Arena Holdings Charitable LLC.
- 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. The CFI is presented as follows:

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

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

Viability Ratio

Formula:	$\frac{\text{Expendable Net Position}}{\text{Long-Term Debt}}$
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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:	$\frac{\text{Unrestricted Net Position and Expendable Net Position}}{\text{Annual Operating Expenses}}$
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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:	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
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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:	$\frac{\text{Current Assets}}{\text{Current Liabilities} - \text{Operating Expenses}} \times 52 \text{ weeks}$
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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:	$\frac{\text{Income (loss) before state appropriations-capital assets and capital grants and gifts}}{\text{Total Revenue (operating and non-operating)}}$
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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:	$\frac{\text{Increase (decrease) in net position}}{\text{Total Revenue (operating and non-operating)}}$
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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:	$\frac{\text{Net Tuition and Fees}}{\text{FTE Enrollment}}$
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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

Formula:	$\frac{\text{Net Tuition and Fees}}{\text{Total Revenues}}$
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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)

Formula:	$\frac{\text{FY2016 Net Liquid Assets} - \text{FY2013 Liquid Assets}}{\text{FY2013 Liquid Assets}}$
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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 and compensated absences

Formula:	$\frac{\text{FY2016 LT Liabilities} - \text{FY2013 LT Liabilities}}{\text{FY2013 LT Liabilities}}$
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Includes long-term liabilities, excluding pension 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 2016 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.

FY 2017 Total Educational Revenue per FTE - Public Institutions of Higher Ed			
Total Educational Revenues Per FTE*		Educational Appropriations (State/Local) Per FTE*	
1	Illinois \$ 23,228	1	Wyoming \$ 18,237
2	Michigan 21,507	2	Illinois 16,055
3	Wyoming 21,331	3	Alaska 13,612
4	Alaska 19,676	4	Hawaii 10,810
5	Delaware 18,408	5	North Carolina 9,959
6	North Dakota 18,326	6	Nebraska 9,801
7	Alabama 18,007	7	Idaho 9,793
8	Indiana 17,468	8	North Dakota 9,552
9	Connecticut 17,278	9	New Mexico 9,348
10	Vermont 17,019	10	New York 8,640
11	Maine 16,553	11	Georgia 8,550
12	Nebraska 16,553	12	California 8,447
13	Minnesota 16,324	13	Tennessee 8,242
14	New Jersey 15,963	14	Connecticut 8,103
15	Iowa 15,630	15	Arkansas 7,885
16	Hawaii 15,381	16	Texas 7,846
17	Kentucky 15,353	17	Maryland 7,729
18	South Dakota 15,279	18	Kentucky 7,634
19	North Carolina 15,265	19	Maine 7,559
20	Pennsylvania 15,135	20	Nevada 7,496
21	Maryland 15,101	21	Mississippi 7,357
22	Tennessee 15,045	22	Massachusetts 7,230
23	Mississippi 14,860	23	Minnesota 7,182
24	South Carolina 14,693	24	Washington 6,982
25	Ohio 14,688	25	Indiana 6,899
26	Idaho 14,567	26	Alabama 6,666
27	Virginia 14,309	27	Oklahoma 6,585
28	Colorado 13,942	28	Utah 6,543
29	Rhode Island 13,919	29	Missouri 6,534
30	Oregon 13,846	30	Michigan 6,508
31	Georgia 13,721	31	South Dakota 6,488
32	Oklahoma 13,644	32	Florida 6,456
33	New York 13,617	33	New Jersey 6,362
34	Arkansas 13,581	34	Montana 6,190
35	Montana 13,283	35	Wisconsin 6,156
36	Texas 13,225	36	Kansas 6,112
37	New Mexico 13,118	37	Ohio 6,061
38	Kansas 13,091	38	Iowa 5,997
39	Massachusetts 12,815	39	Oregon 5,959
40	New Hampshire 12,759	40	South Carolina 5,716
41	Wisconsin 12,547	41	Rhode Island 5,606
42	Arizona 12,519	42	Virginia 5,533
43	Missouri 12,474	43	Louisiana 5,373
44	Washington 12,249	44	Arizona 4,920
45	Utah 12,158	45	Delaware 4,880
46	Nevada 12,113	46	West Virginia 4,781
47	West Virginia 11,256	47	Colorado 4,194
48	Louisiana 11,033	48	Pennsylvania 4,122
49	California 10,556	49	New Hampshire 2,701
50	Florida 9,712	50	Vermont 2,695
US \$ 14,151		US \$ 7,642	

*Excluding Ag research, extension and med school funding.

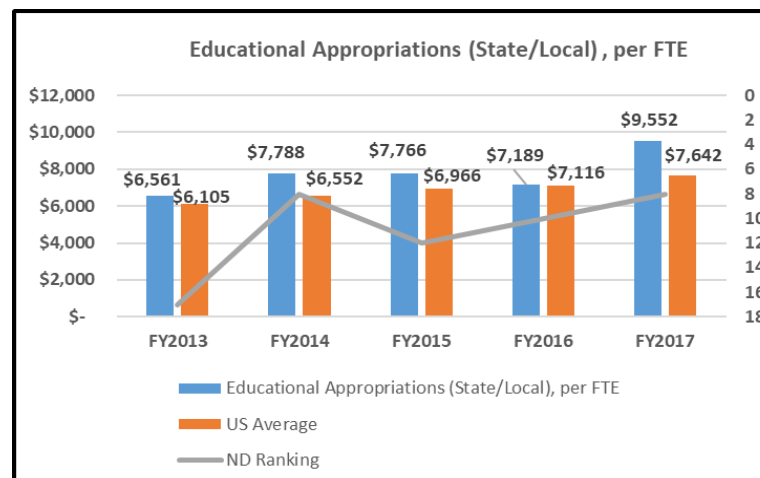
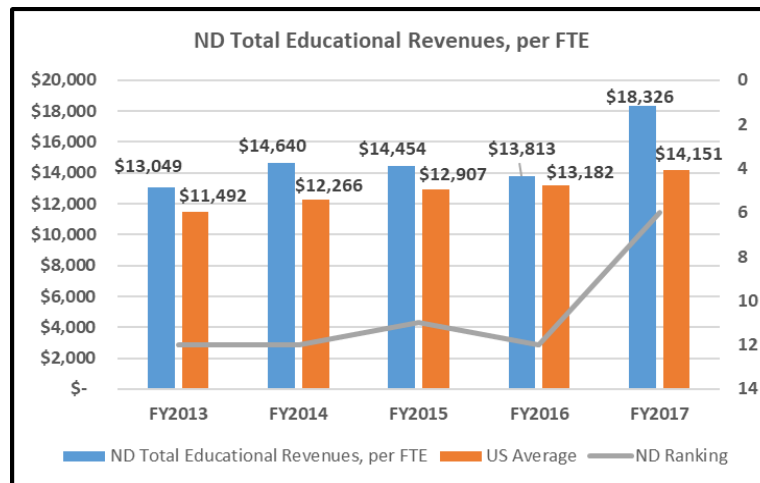
Source: FY2017 SHEEO State Higher Education Finance Report

North Dakota's educational revenues per FTE has increased 36.0 percent since FY2013 while the US average increased 21.7 percent. North Dakota's educational appropriations per FTE increased 37.9 percent while the US average increased 23.5 percent for the same period.

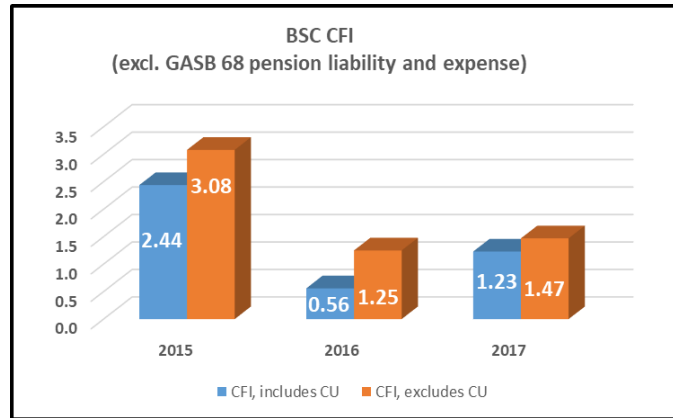
	FY2017	FY2016	FY2015	FY2014	FY2013
ND Total Educational Revenues per FTE	\$ 18,326	\$ 13,813	\$ 14,454	\$ 14,640	\$ 13,049
% increase (decrease)	36.0%				
US Average	\$ 14,151	\$ 13,192	\$ 12,907	\$ 12,266	\$ 11,492
% increase (decrease)	21.7%				
ND Ranking	6	12	11	12	12

	2017	FY2016	FY2015	FY2014	FY2013
Educational Appropriations (State/Local) Per FTE	\$ 9,552	\$ 7,189	\$ 7,766	\$ 7,888	\$ 6,561
% increase (decrease)	37.9%				
US Average	\$ 7,642	\$ 7,116	\$ 6,966	\$ 6,552	\$ 6,105
% increase (decrease)	23.5%				
ND Ranking	8	10	12	8	17

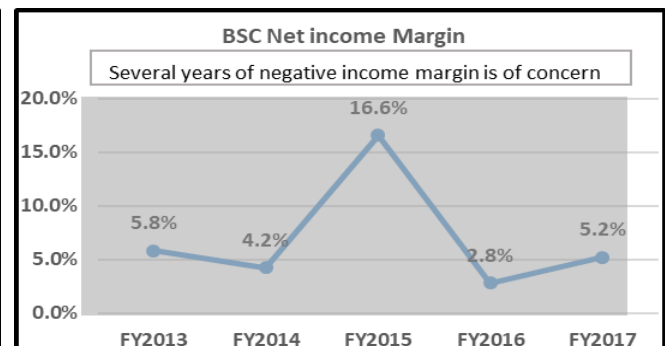
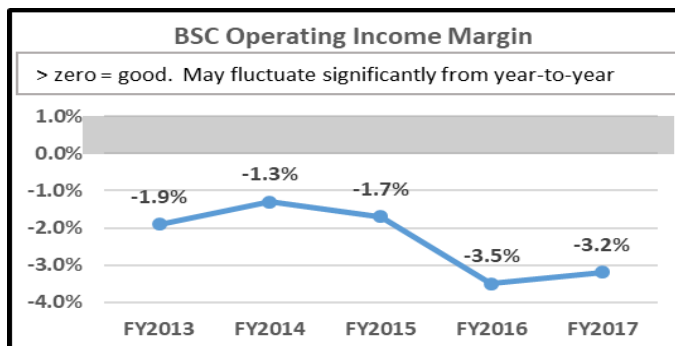
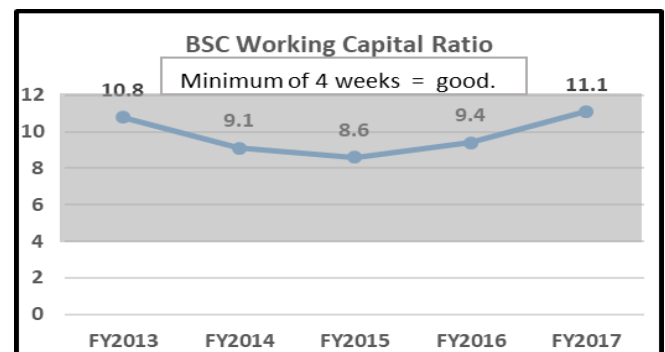
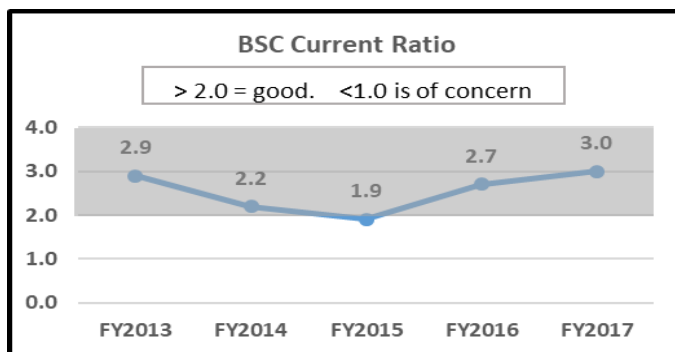
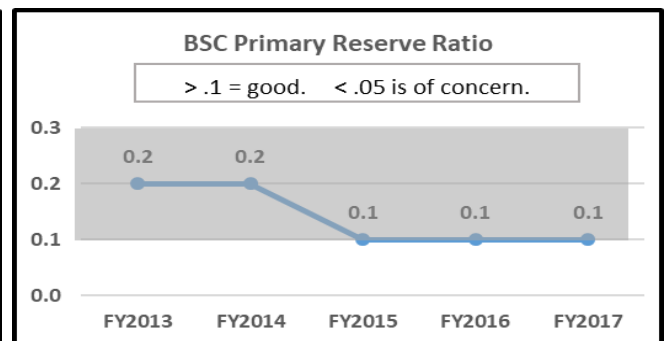
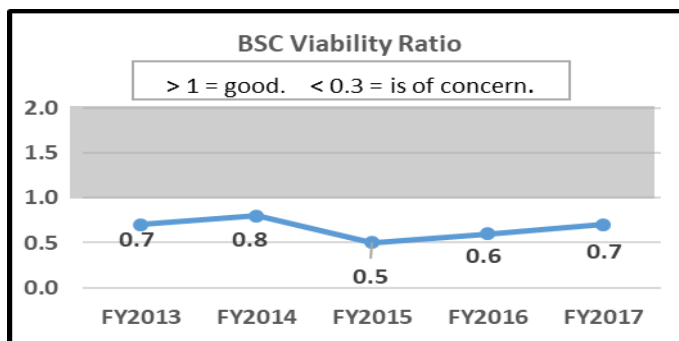
Source: FY2017 SHEEO State Higher Education Finance Report.



Bismarck State College (BSC)



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

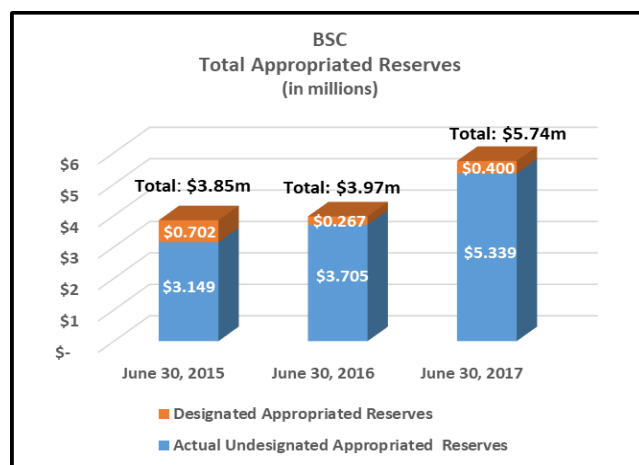
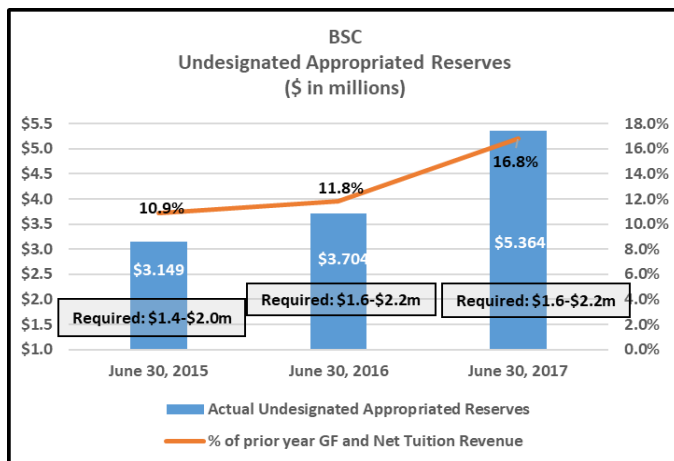


Appropriated Reserves

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.

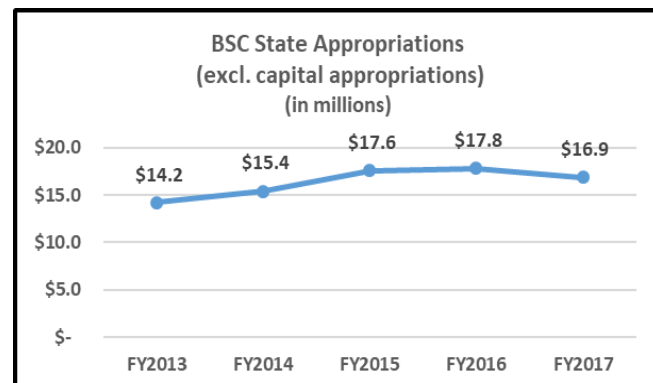
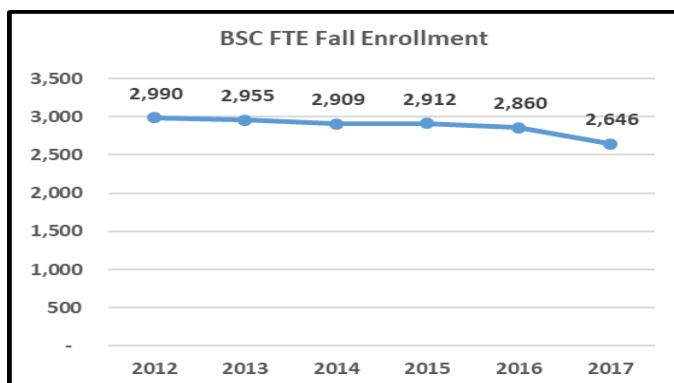
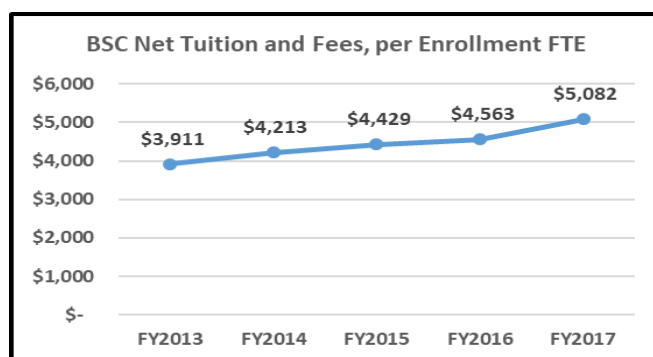
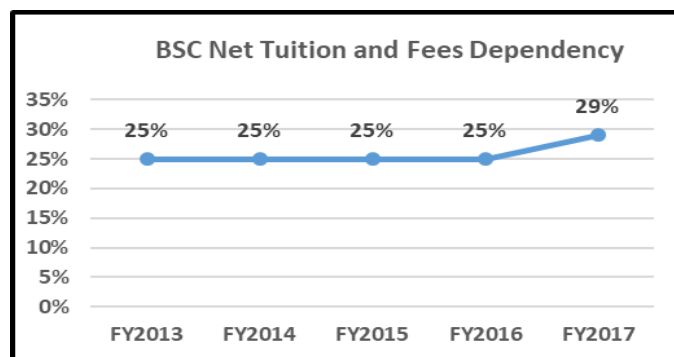
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

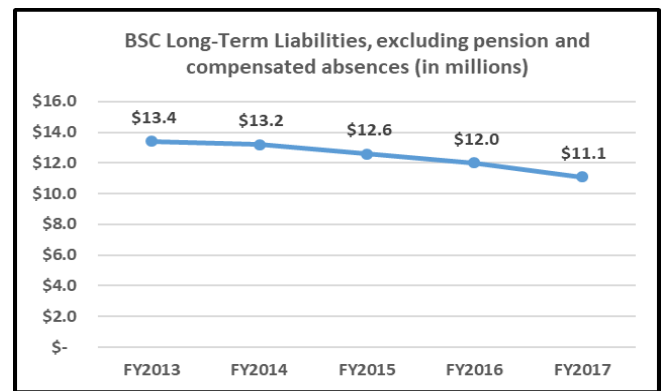
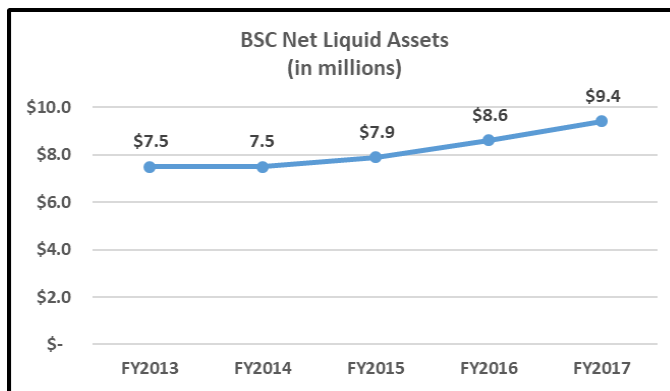
The information is presented on a cash basis.



Other Ratios:

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

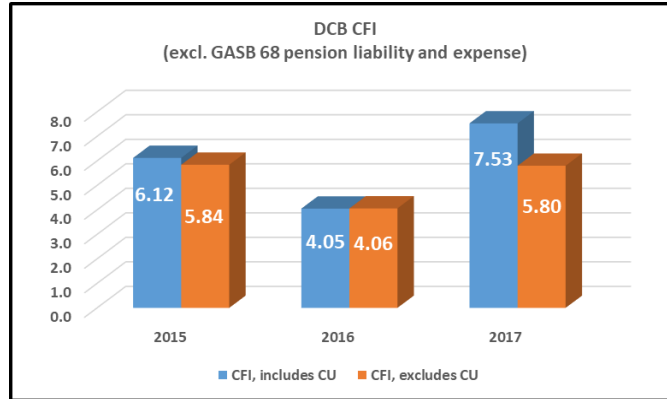




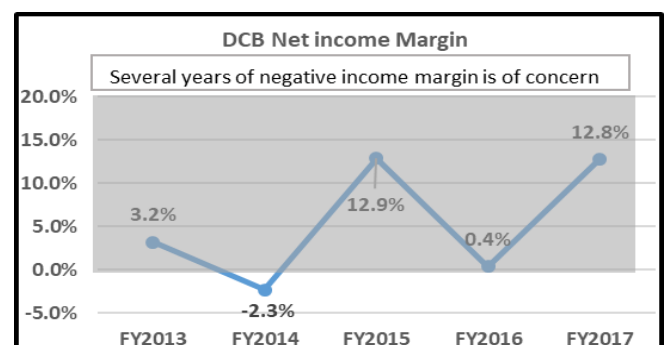
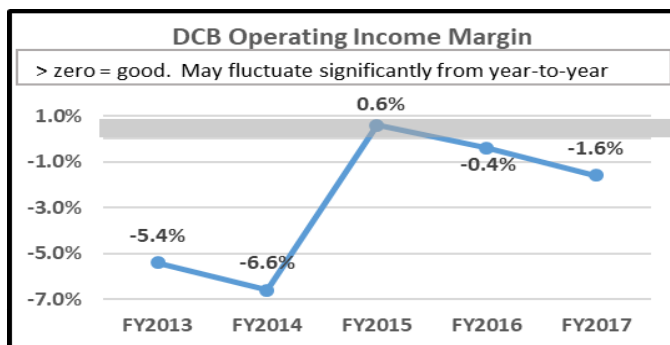
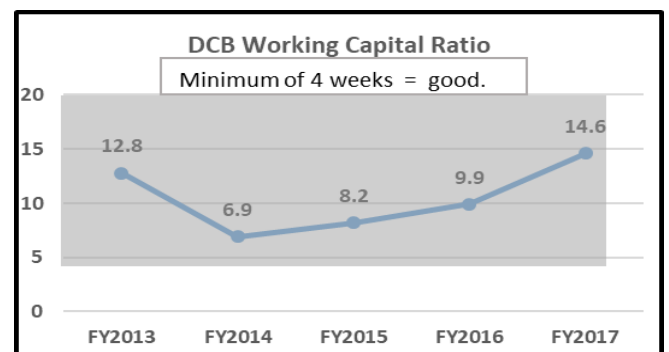
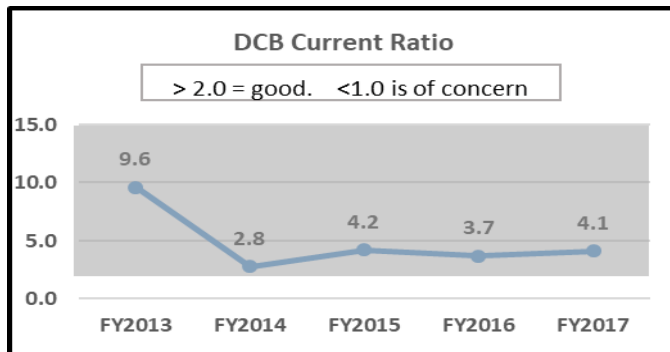
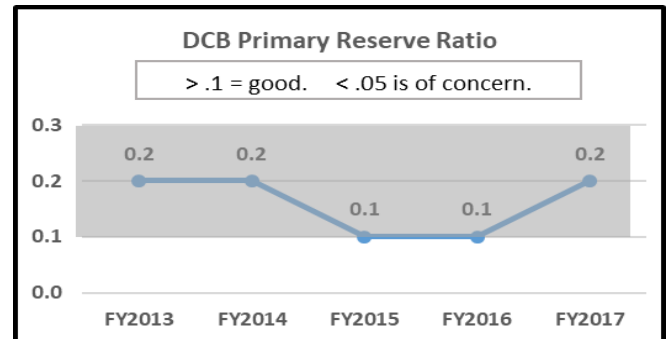
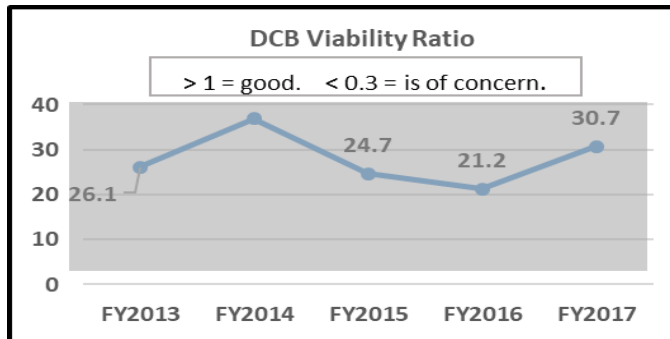
BSC Summary:

- CFI, excluding GASB 68 pension liability and expense, improved slightly from FY2016 and is now in the “Above” zone.
- Fall enrollment decreased 254 (8.5%) from Fall 2012.
- FY2017 Net tuition and fee, per Enrollment FTE increased \$1,171, or 29.9%, from FY2013.
- Net tuition and fees dependency increased due to reduced State appropriations.
- 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 the net income margin has been positive for those same five fiscal years.
- Undesignated appropriated reserves exceed the 5-7 percent threshold established in SBHE policy.

Dakota College at Bottineau (DCB)



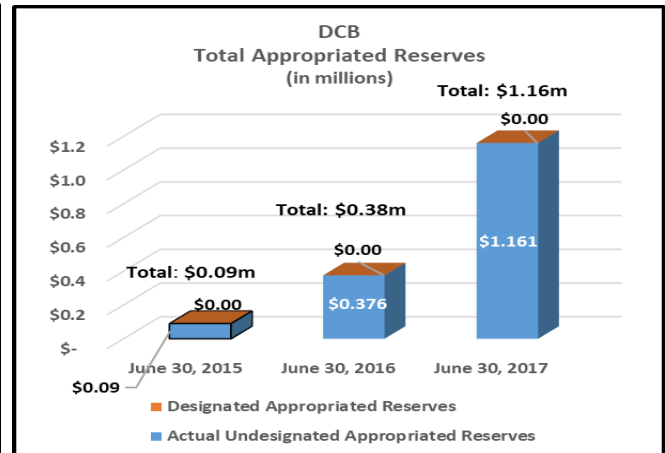
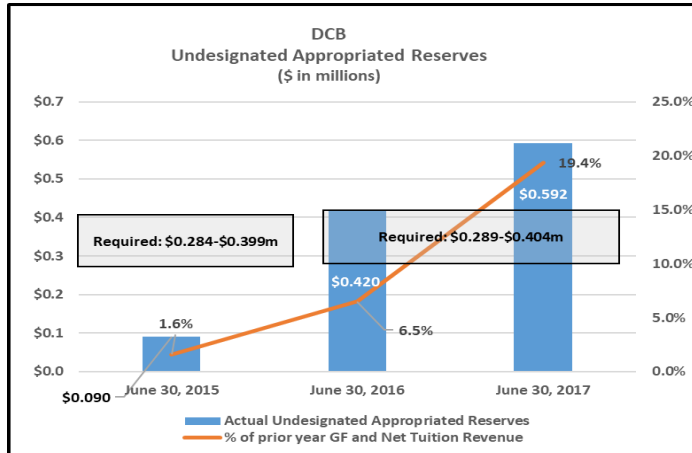
CFI Zones	Public Institutions Composite Index	Outcomes
Above	1.10 to 10	No Review
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Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves 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.

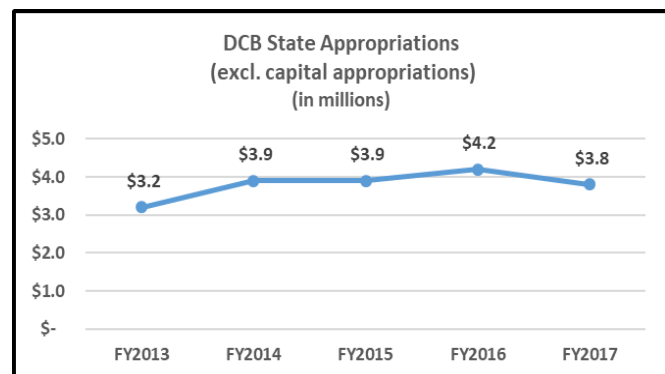
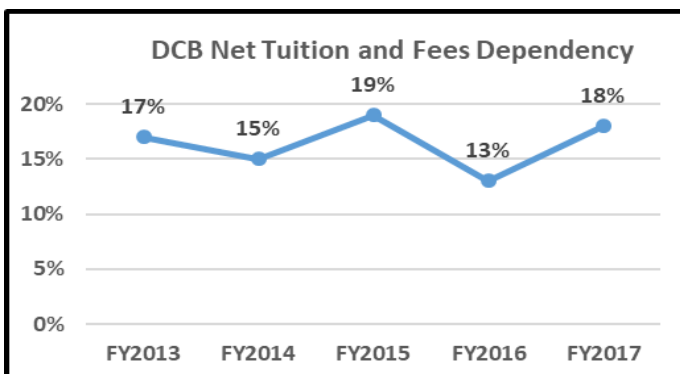
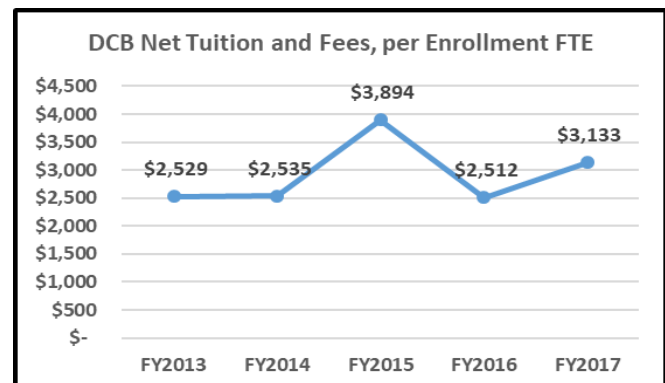
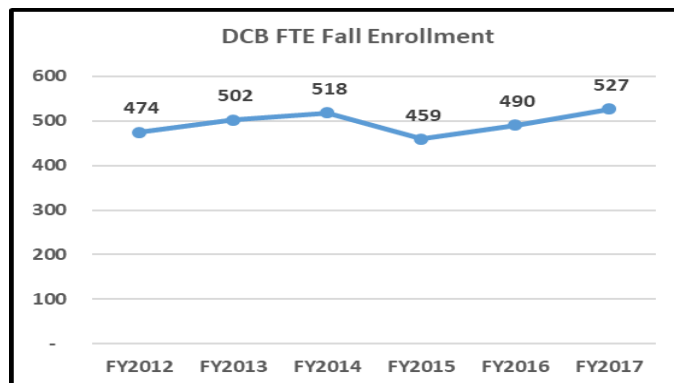
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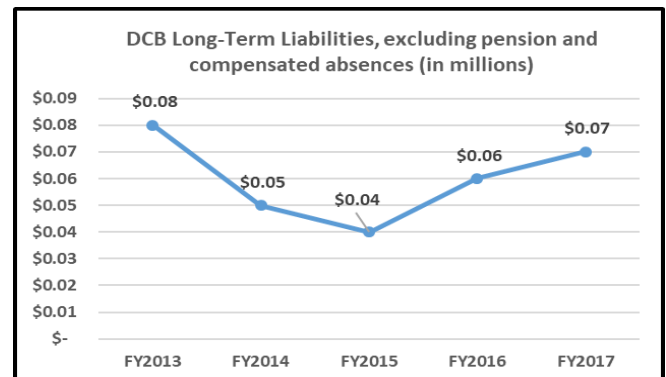
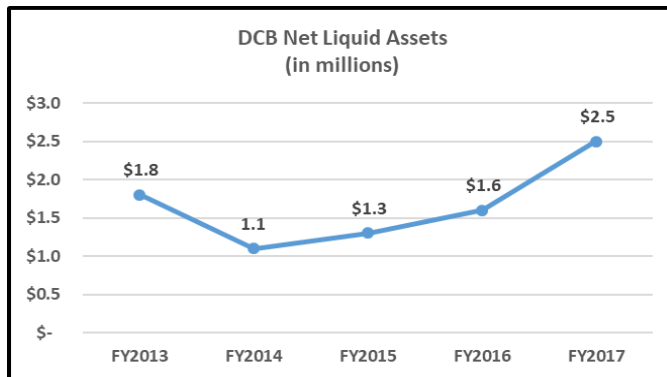


Note: The FY2016 undesignated appropriated reserve amounts have been revised from \$0.376 after a calculation error was discovered in FY2017.

Other Ratios:

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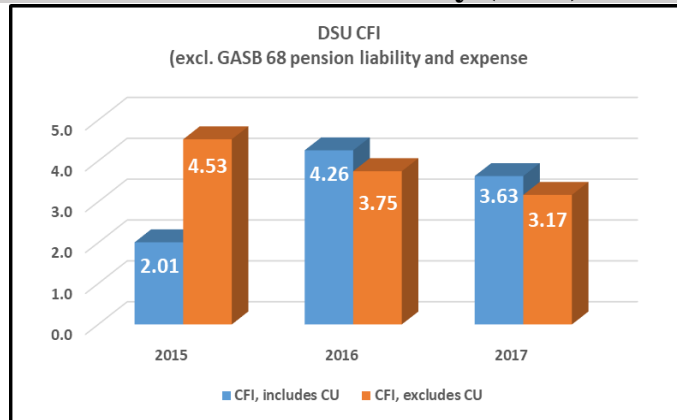




DCB Summary:

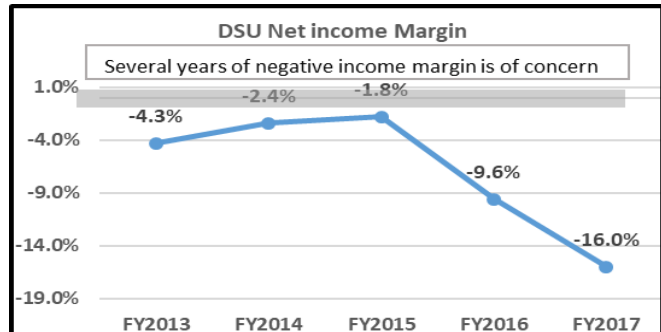
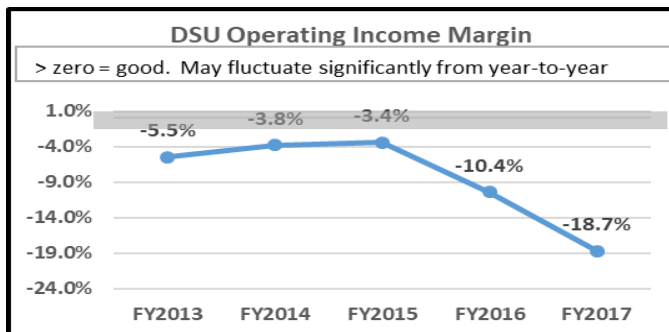
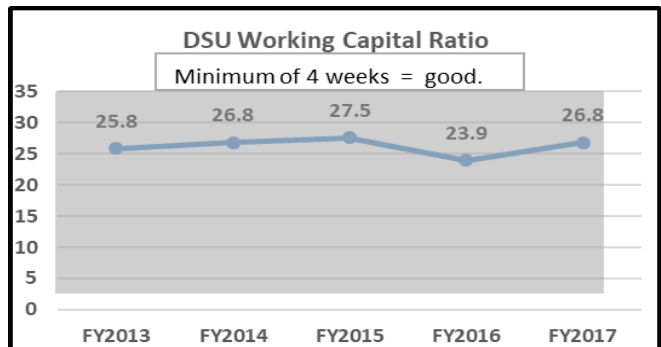
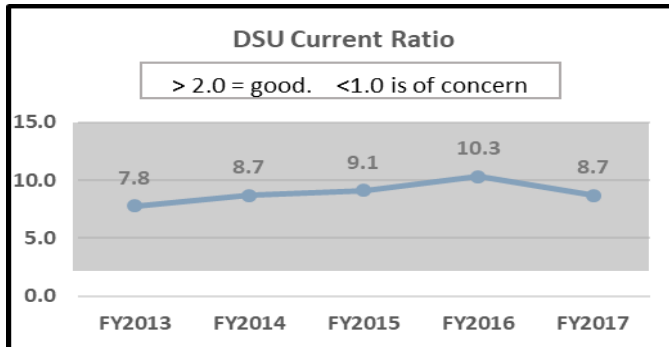
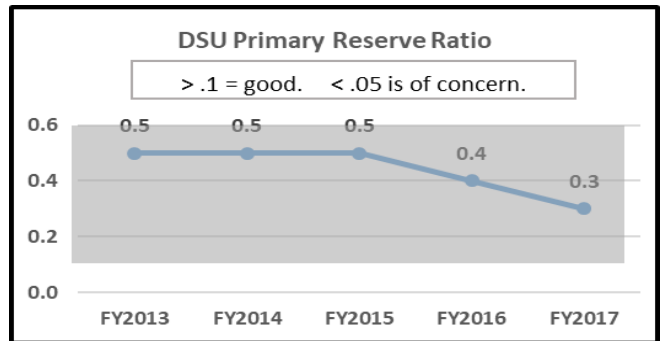
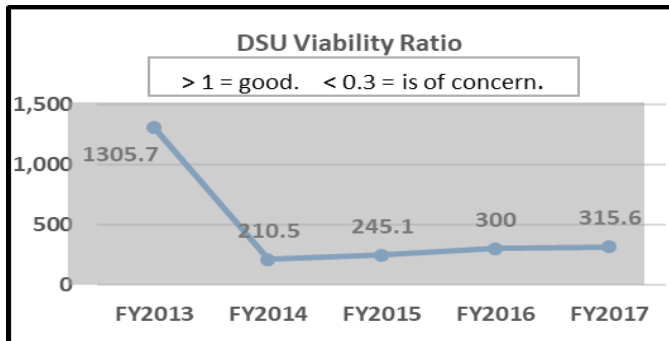
- DCB has very healthy CFI scores.
- All other ratios, with the exception of the operating income margin are good or very good.
- Net income margin decreased in FY2014 mainly as a result of a decrease in state appropriations for capital assets. FY2014 appropriations were \$359,486 compared to \$682,412 in FY2013 and \$1.3 million in FY2015.
- Undesignated appropriated reserves exceed the 5-7 percent threshold established in SBHE policy. The increase in reserves from the FY2015 and FY2016 levels is the result of reducing costs by approximately \$225,000 from FY2015 levels. In addition, the performance funding increased revenue by \$400,000 of which \$258,077 was recognized in FY2017.
- Fall 2017 enrollment increased 53 (11%) from Fall 2012.
- FY2017 Net tuition and fee, per Enrollment FTE increased \$604 or 23.9% from FY2013.
- FY2017 net tuition and fees dependency increased significantly from FY2016 as a result of decreased State appropriations but are flat compared to FY2013.

Dickinson State University (DSU)



Note: FY2017 CFI with CU includes the DSU Heritage Foundation. The foundation was created in November 2015. FY2016 and 2015 CFI with CU includes the financial information for the DSU Foundation. The foundation went into receivership in 2014. Therefore, DSU Foundation's net asset balances as of December 31, 2013 were used. This is the most recent financial information available for the foundation.

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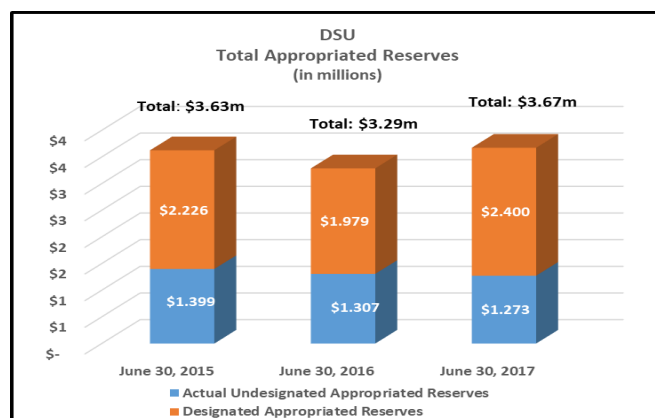
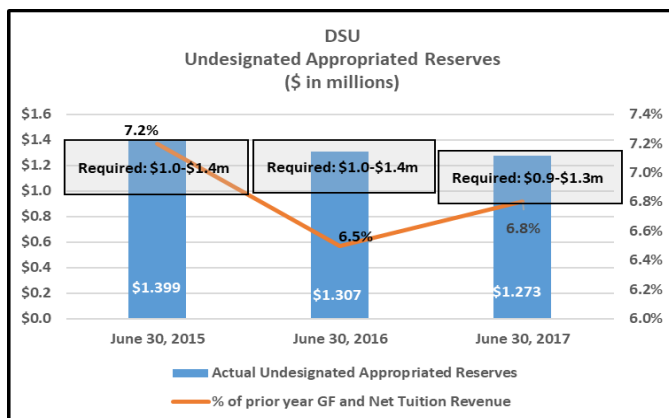


Appropriated Reserves

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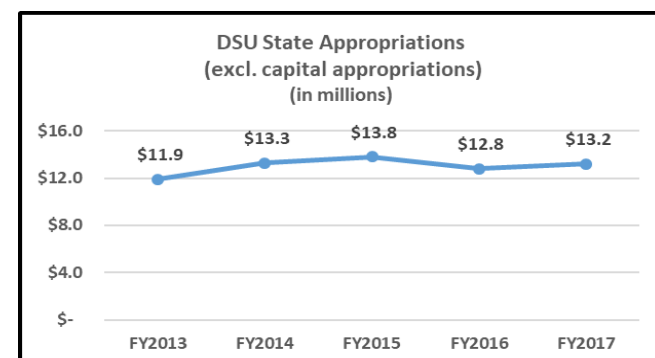
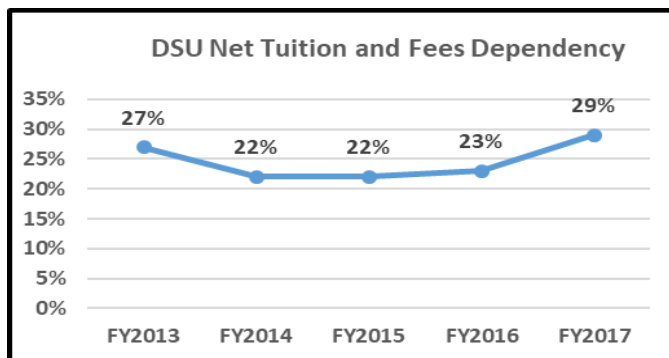
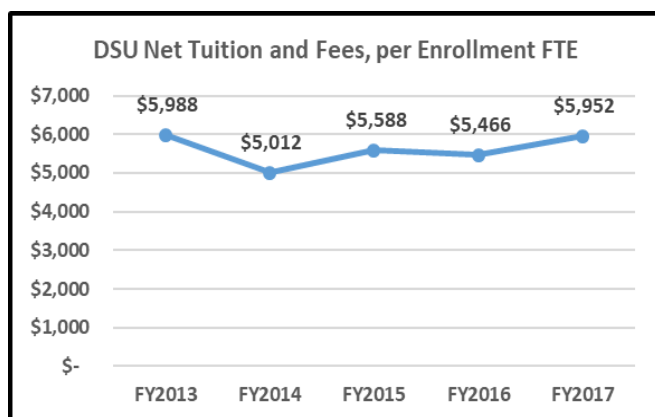
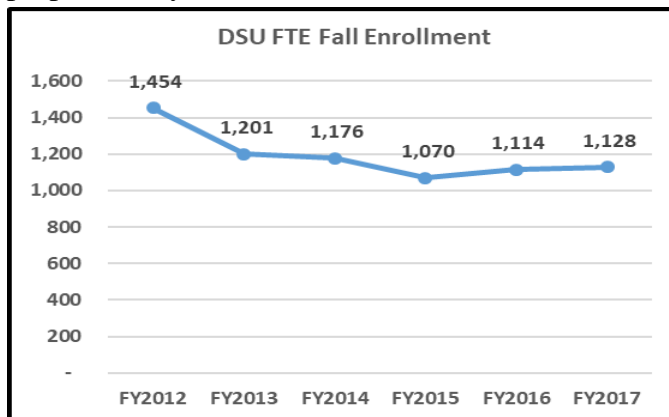
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

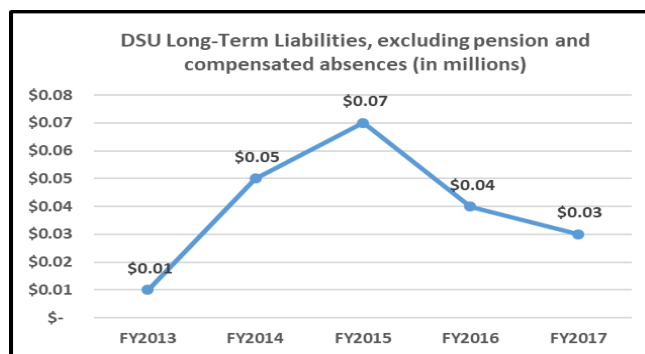
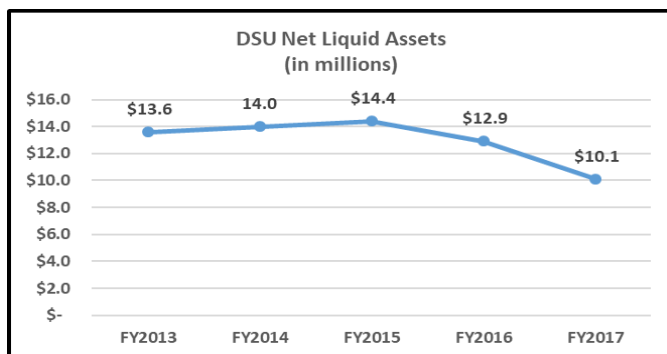
The information is presented on a cash basis.



Other Ratios:

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





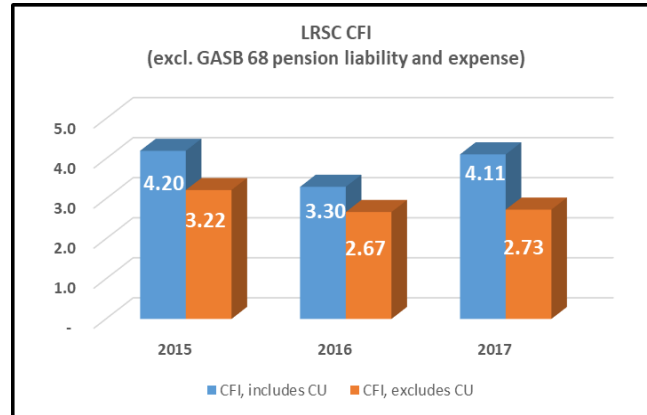
DSU Summary:

- All ratios are good or very good with the exception of the operating income margin and net income margin.
- Although the primary reserve ratio is above .1, it declined in each of the fiscal years since FY2015.
- FY2017 Fall enrollment decreased 326 (22.4%) from Fall 2012 but increased slightly each year since FY2015.

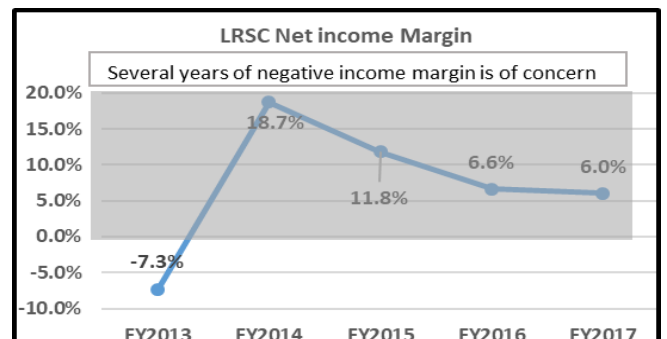
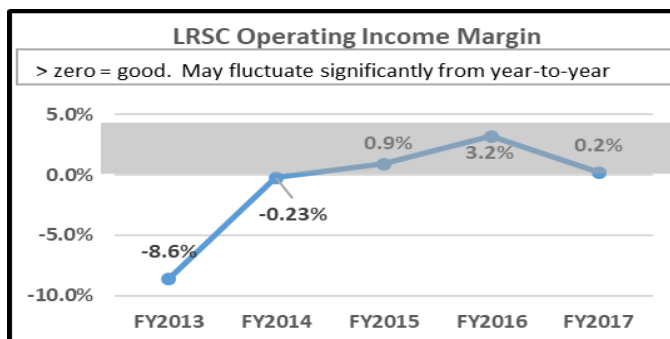
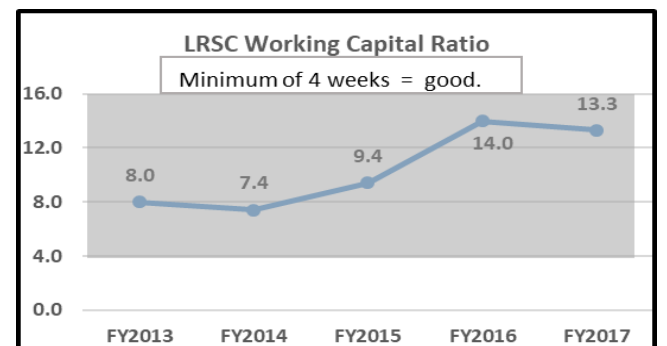
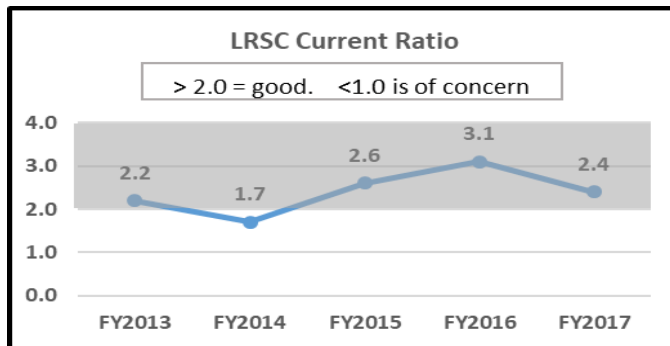
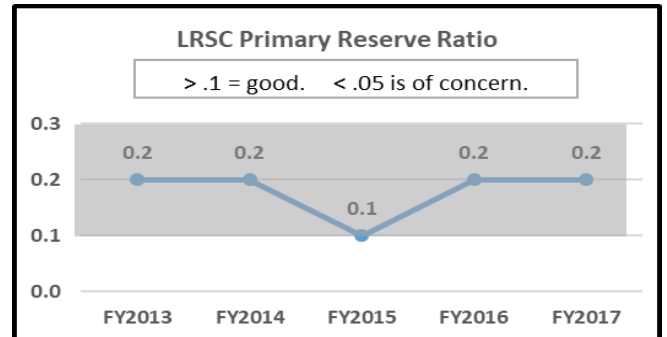
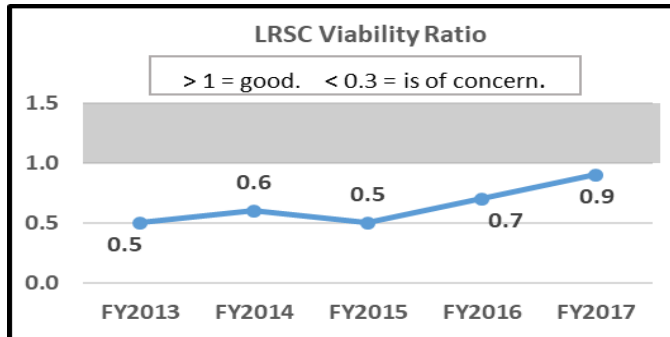
In June 2014, DSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends for operating income margin and enrollment. The plan outlined several steps taken by DSU since FY2012 that included reducing operating expenses, reducing FTE through retirements, reorganizations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

Plan Status Update: During FY2017 the DSU enrollment and retention rates continue to reflect modest increases; actual tuition and fee revenues have also increased. Fall 2018 enrollment numbers will be the point in time when DSU will be able to more accurately evaluate the increased emphasis on long-term enrollment management and retention. The partnership with an external enrollment management partner is just now entering its first full year, and Fall 2018 should provide that accurate measure of effectiveness. A new tool to enhance student retention is close to implementation. 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)



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

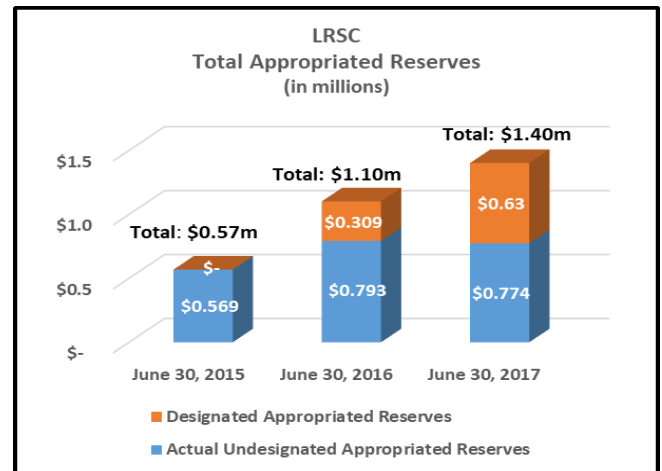
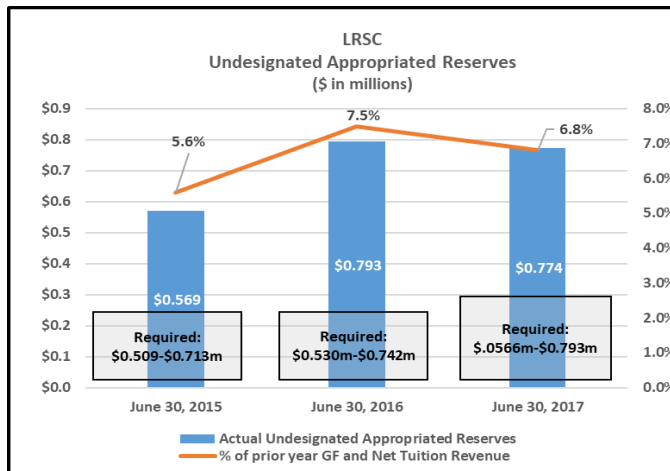


Appropriated Reserves

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.

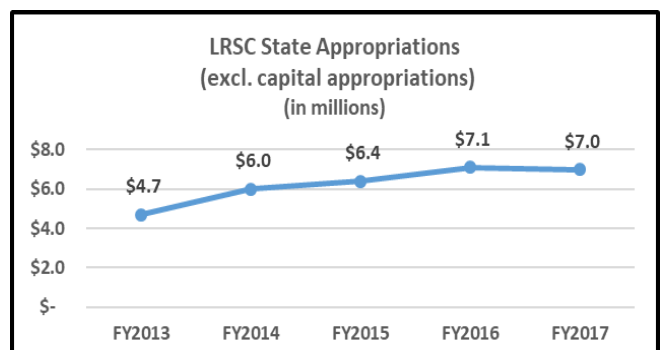
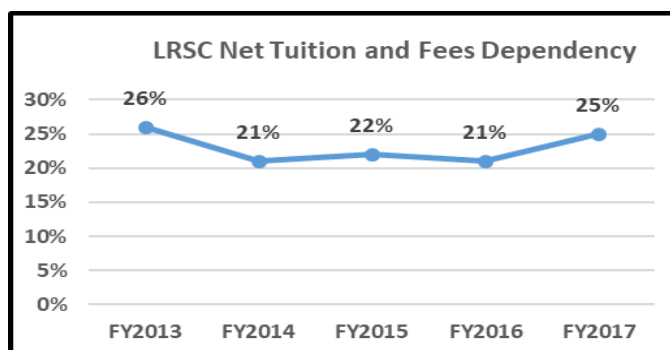
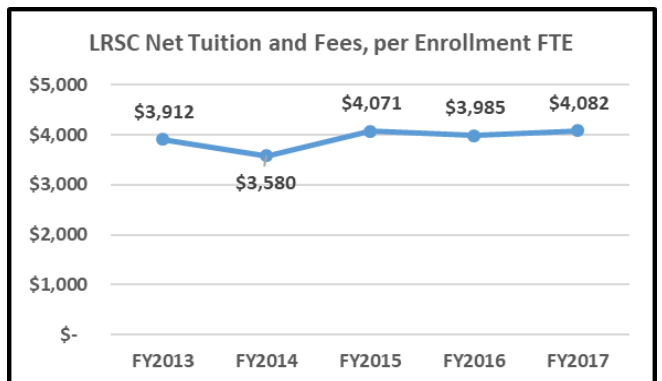
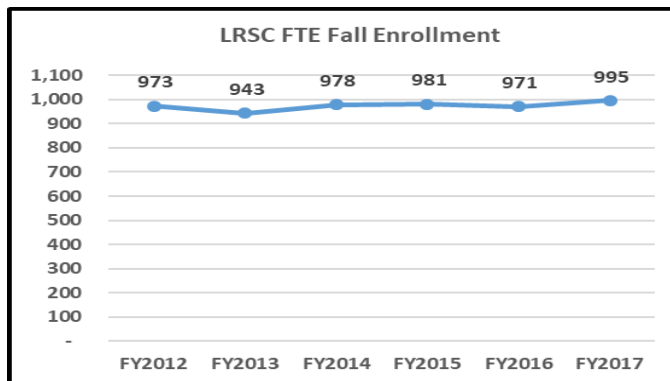
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

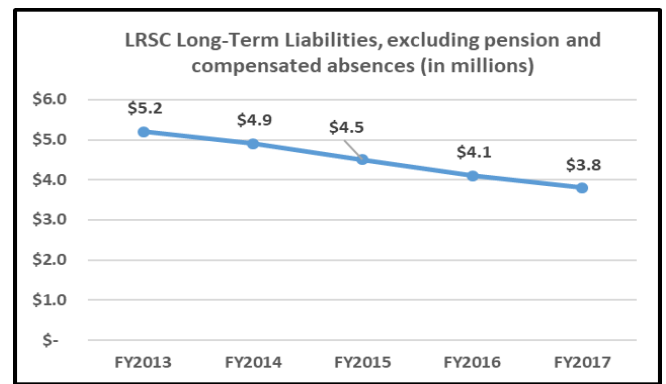
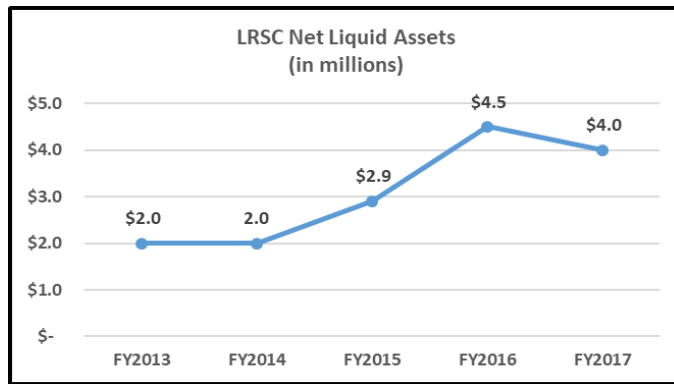
The information is presented on a cash basis.



Other Ratios:

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

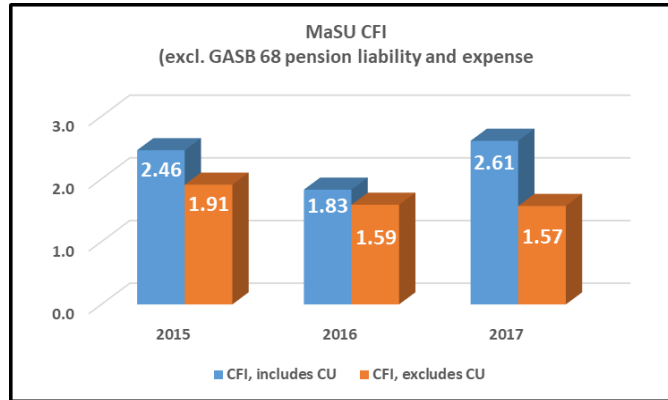




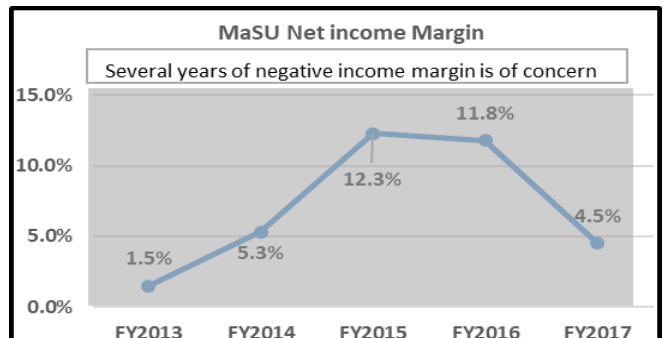
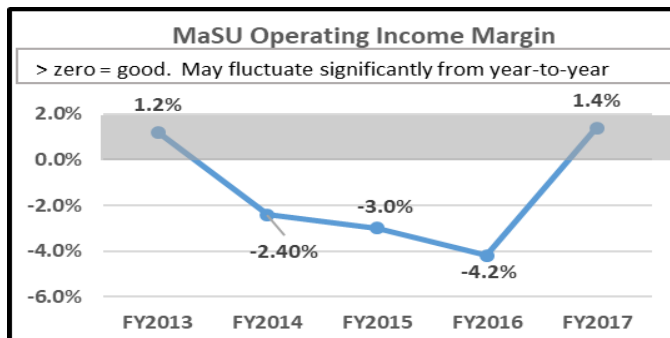
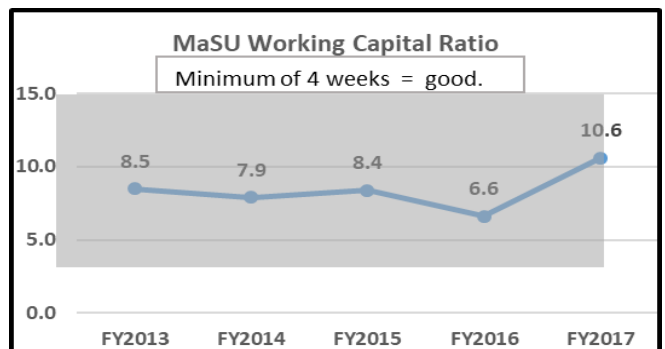
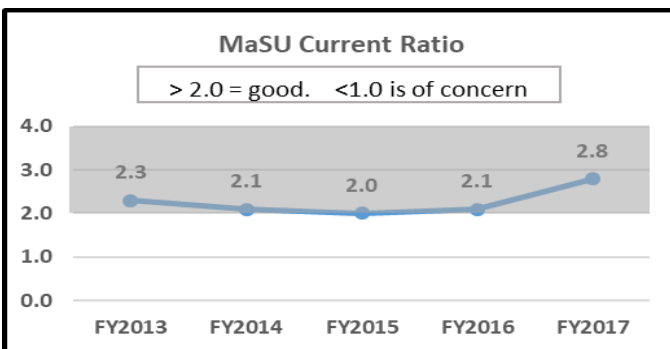
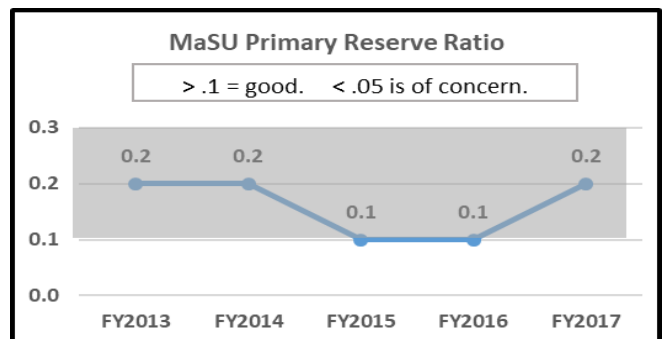
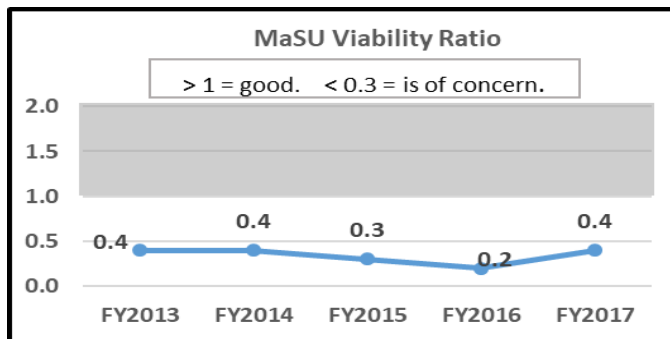
LRSC Summary:

- LRSC has very healthy CFI scores.
- All ratios are good or very good.
- Although the viability ratio of 0.9 is below 1.0, it is not a concern given the strength of the other ratios.

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

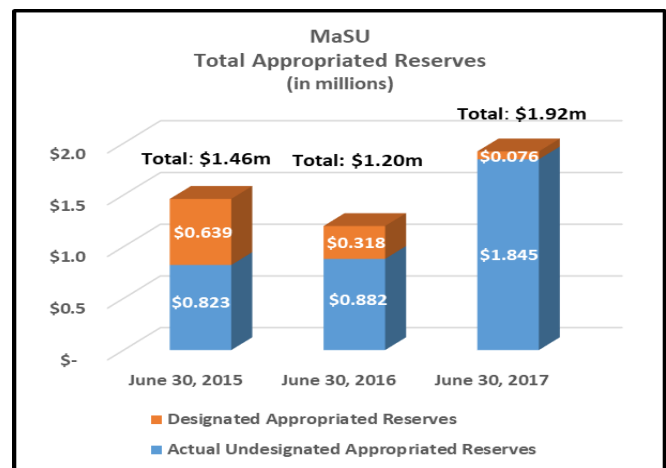
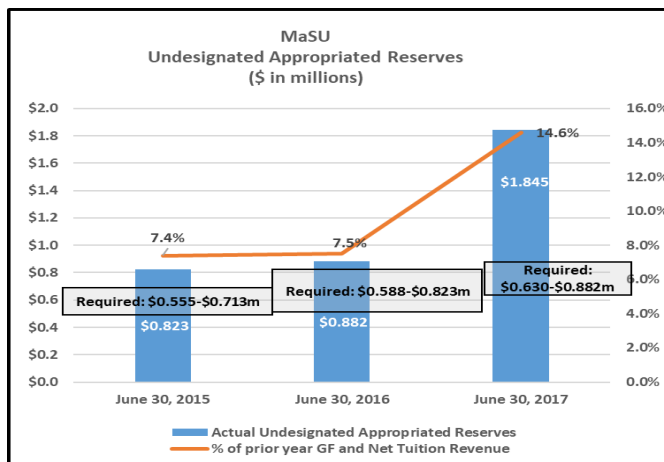


Appropriated Reserves

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.

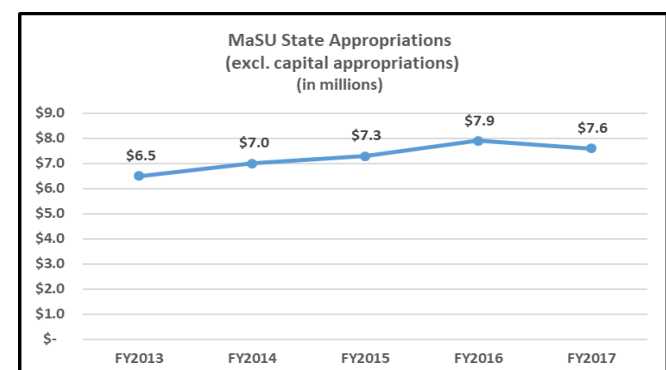
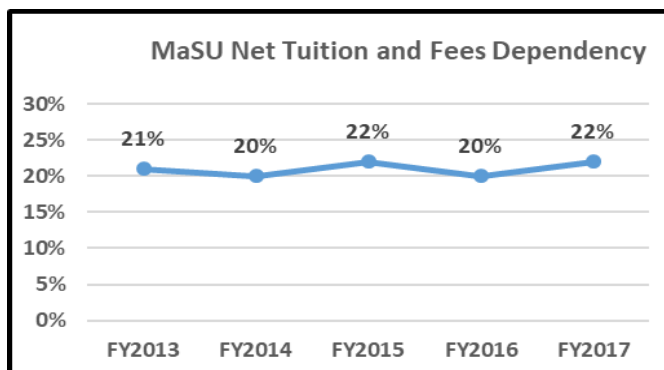
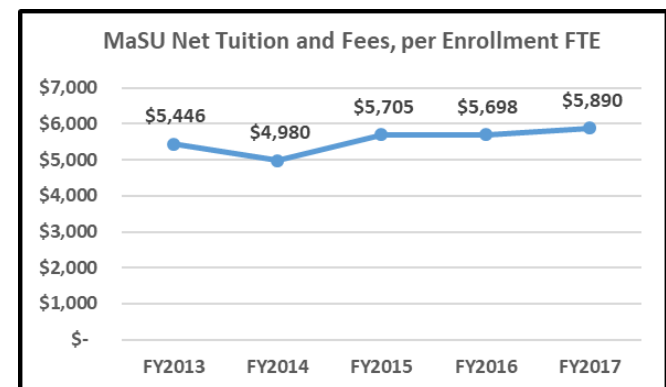
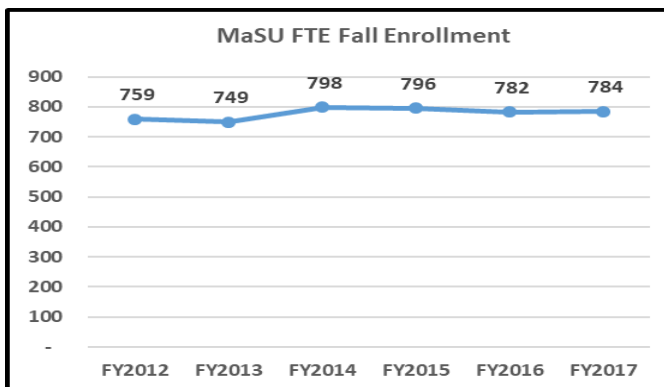
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

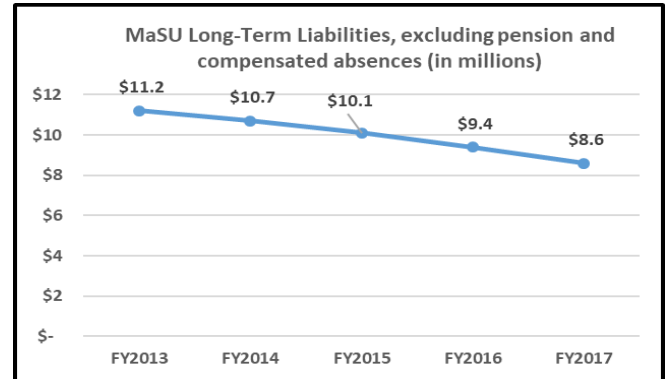
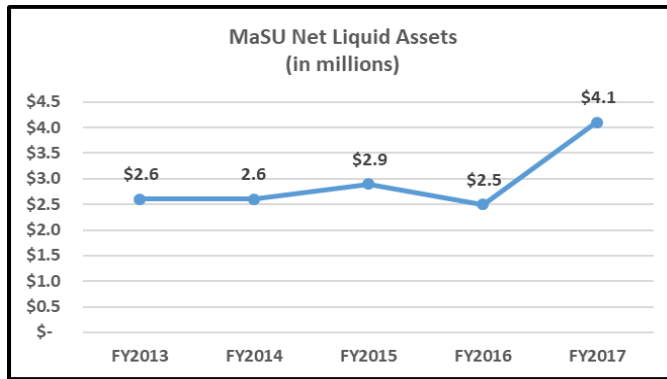
The information is presented on a cash basis.



Other Ratios:

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

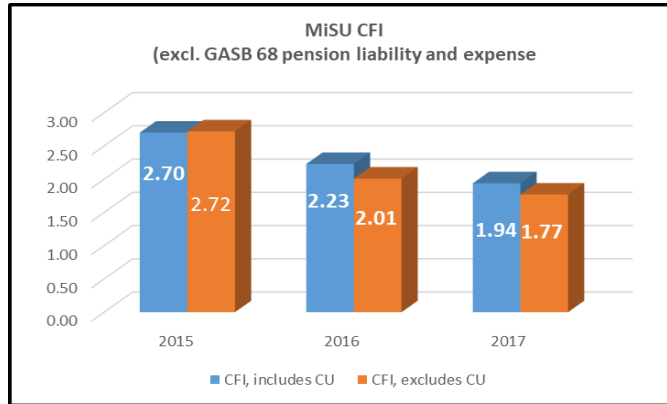




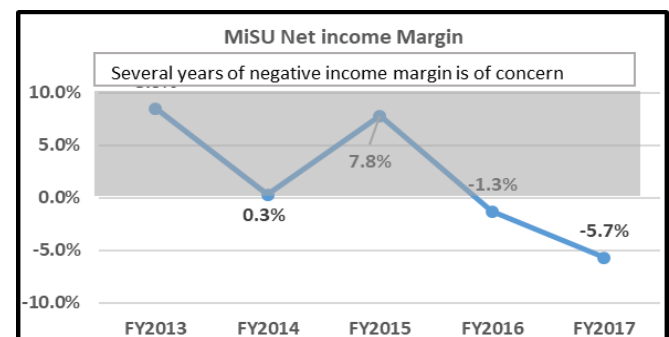
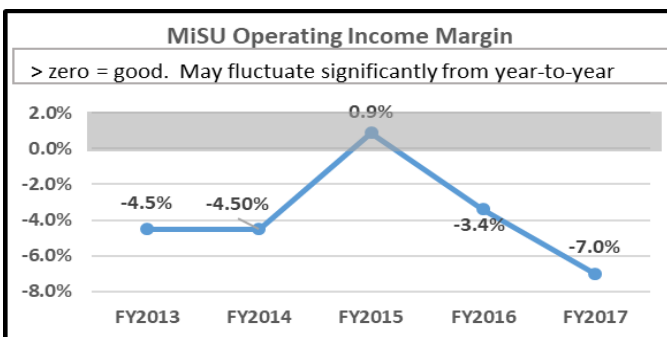
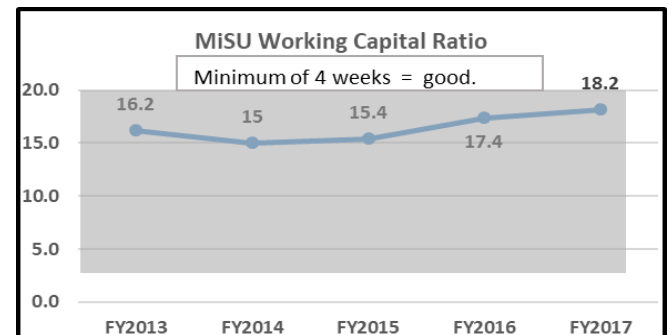
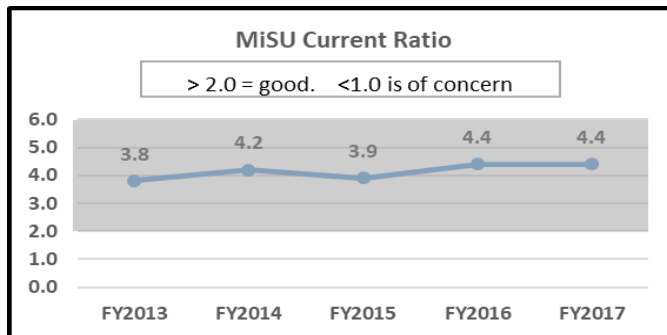
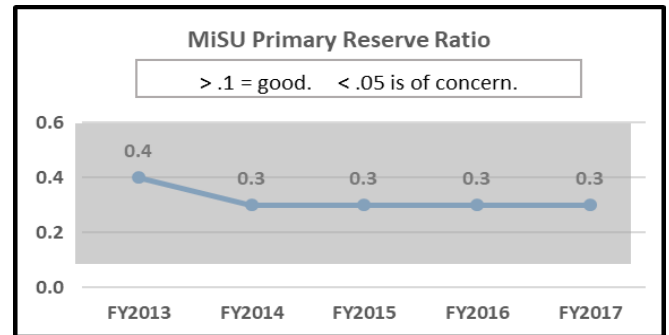
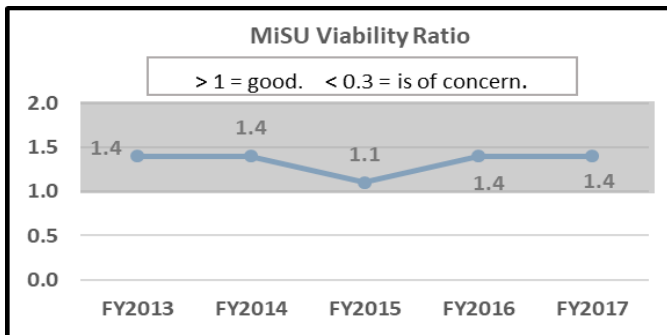
MaSU Summary:

- CFI scores are in the “Above” zone.
- Although the viability ratio is below zero, is not a concern due to the strength of the other ratios.
- Undesignated appropriated reserves exceed the 5-7 percent threshold established in SBHE policy.
- Long-term liabilities decreased \$2.6 million from FY2013. However, with a viability ratio of 0.2, MaSU should be cautious about adding new debt in the future.

Minot State University (MiSU)



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

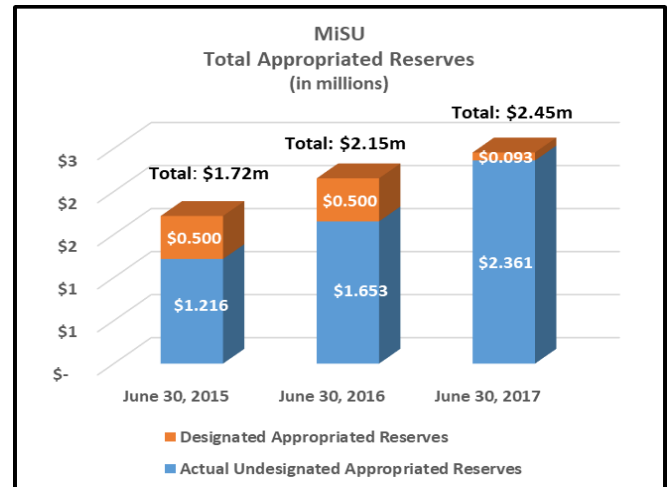
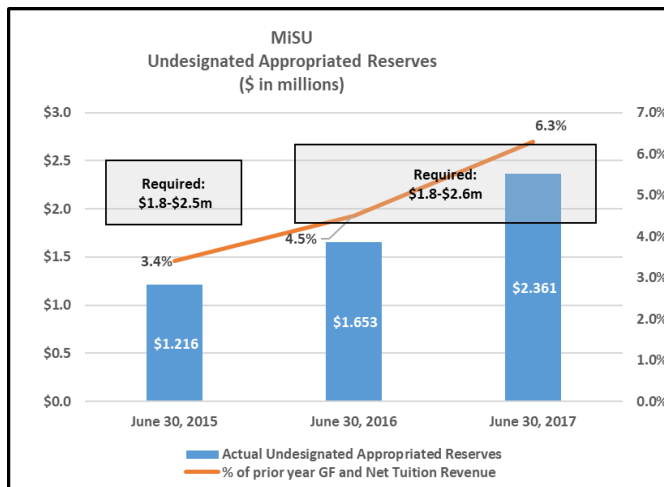


Appropriated Reserves

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.

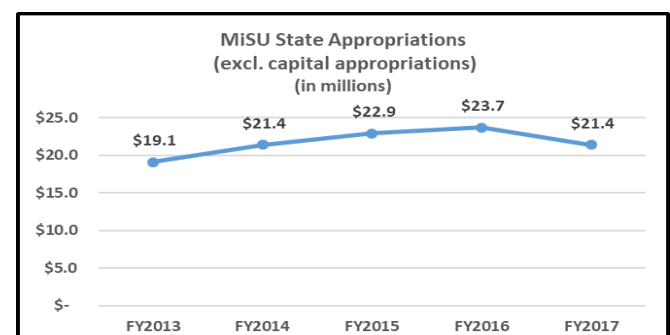
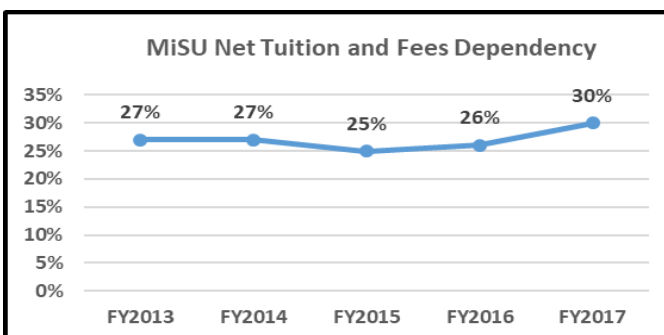
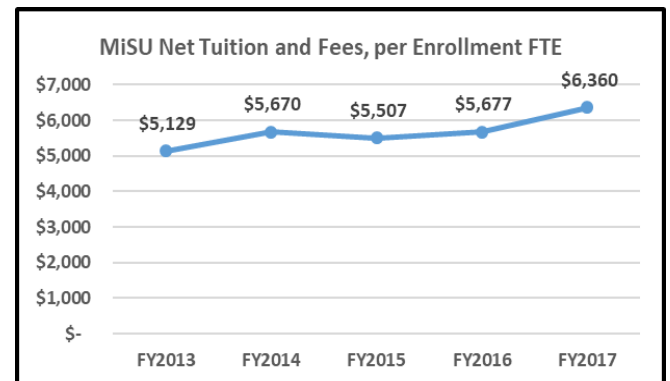
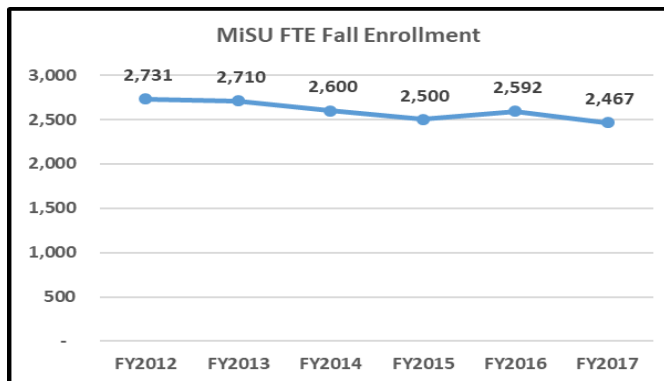
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

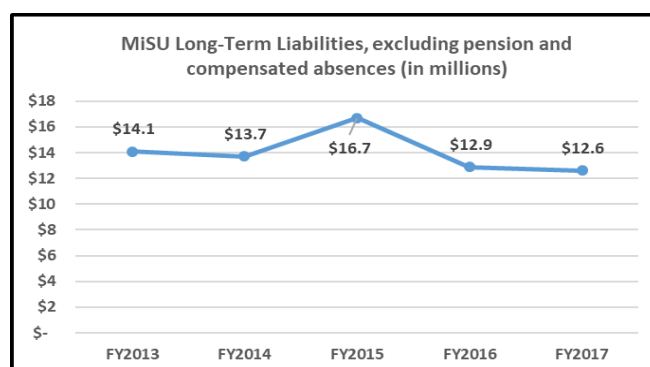
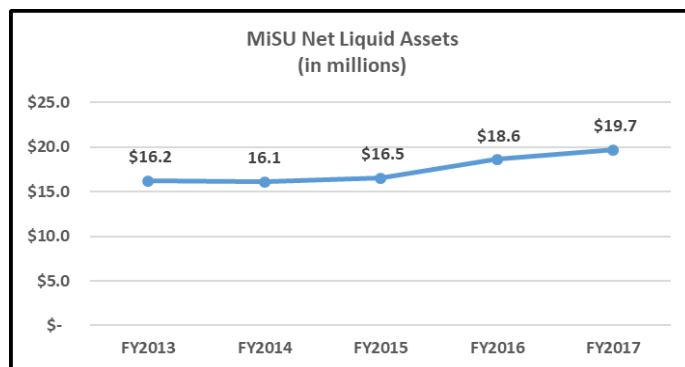
The information is presented on a cash basis.



Other Ratios:

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





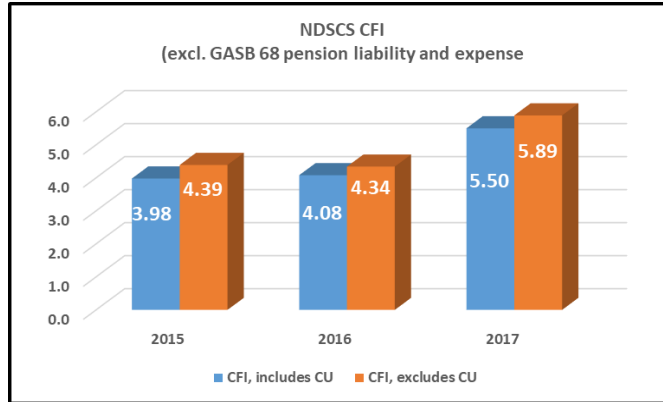
MiSU Summary:

- CFI scores are solid.
- All other ratios are good or very good, with the exception of the operating income margin and net income margin.
- Enrollment decreased 9.7 percent from FY2015.
- Net tuition and fees, per enrollment FTE increased 12 percent.
- Net tuition and fees dependency increased from 27 percent in FY2015 to 30 percent in FY2017, as a result of a decrease in state appropriations.

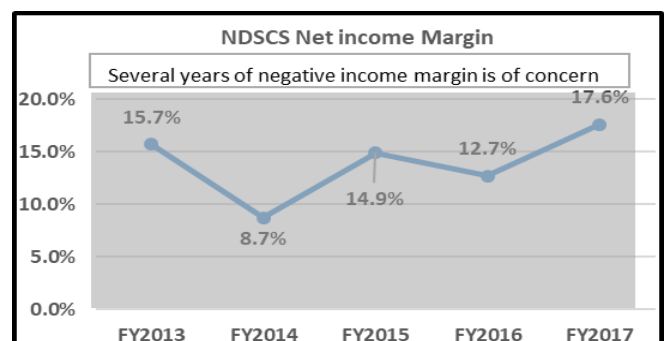
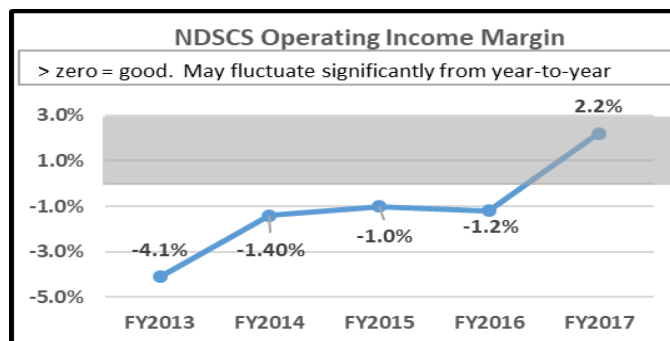
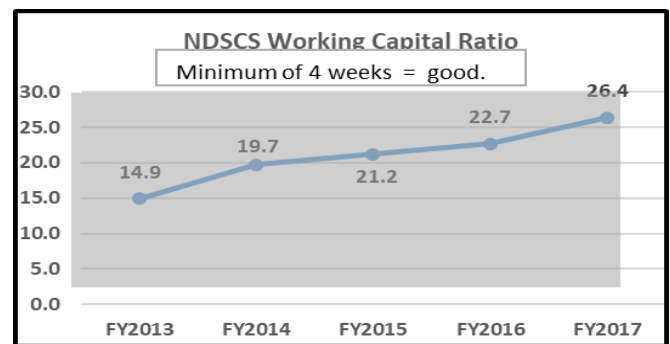
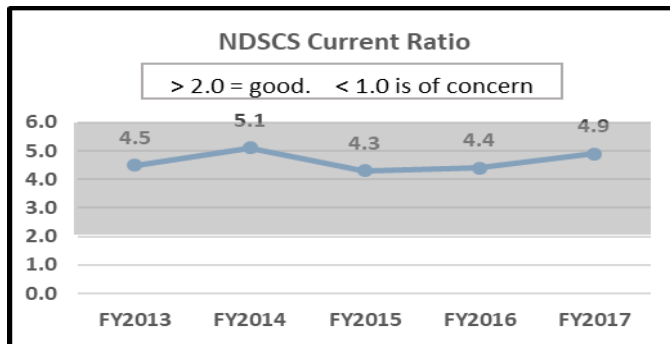
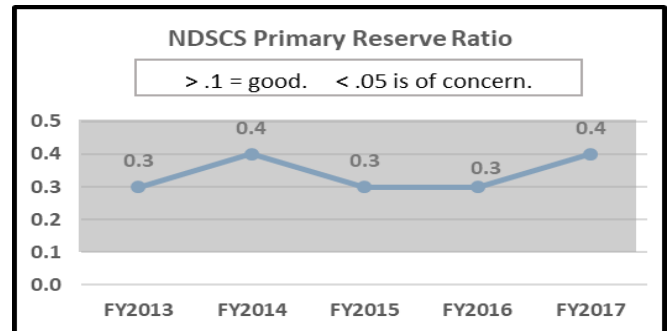
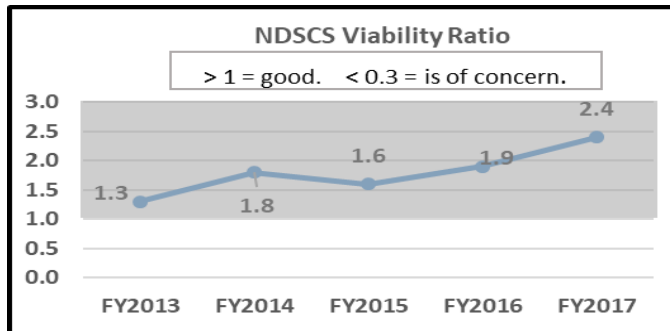
In July 2017, MiSU submitted a plan to the SBHE BFC to increase undesignated appropriated reserves by not filling or eliminating several vacation positions during FY2017.

Plan Status Update: MiSU's undesignated appropriated reserves increased significantly in FY2017 and is now within the five to seven percent threshold established by SBHE policy. Going forward, MiSU will implement a new financial aid scholarship program in Fall 2018 to better leverage existing funds. In addition, MiSU is changing its recruitment strategy and has hired a company to develop a new branding for the university. To improve campus life for its students, MiSU has issued a RFP to find a food service provider. These are a few of the initiatives currently underway to maintain and, in some cases, improve MiSU's financial profile. Finally, MiSU's Operating Income Margin and Net Income Margin were adversely affected by a one-time write-off of the remaining undepreciated Beaver Lodge Residence Hall value of approximately \$2.5 million.

North Dakota State College of Science (NDSCS)



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

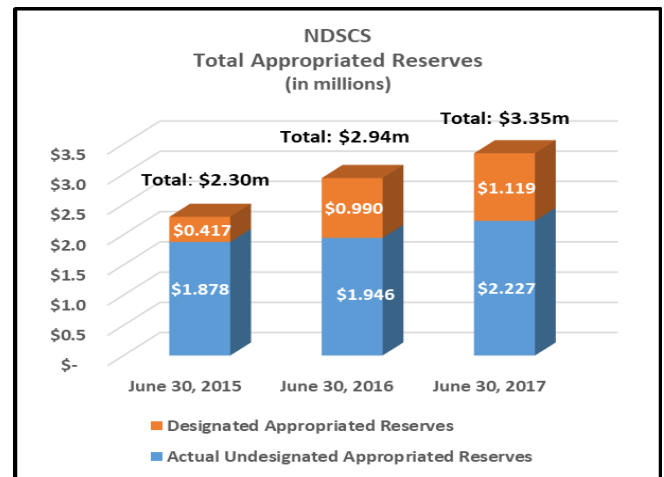
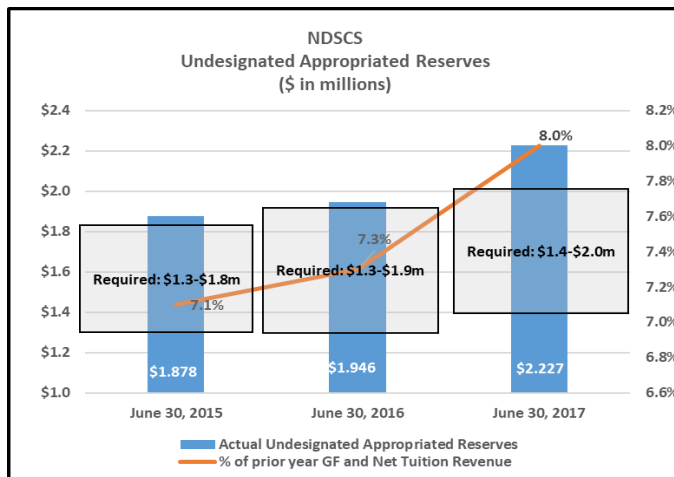


Appropriated Reserves

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.

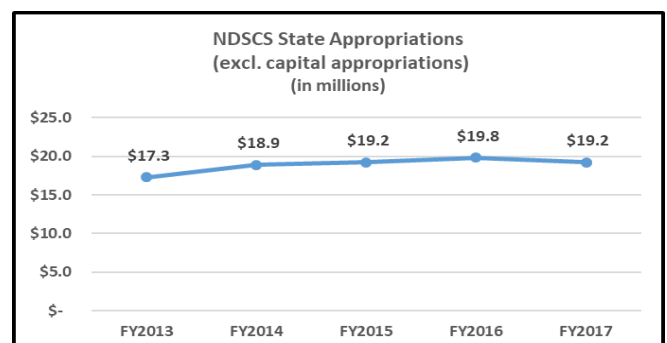
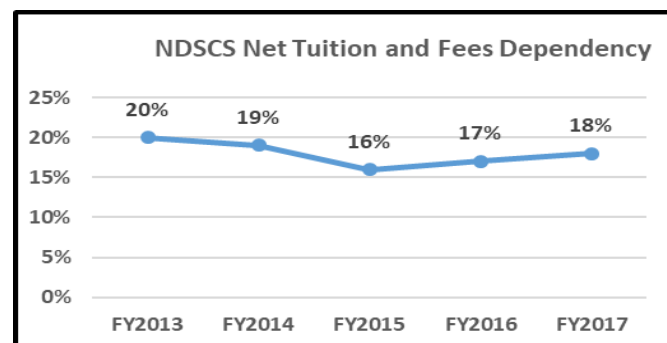
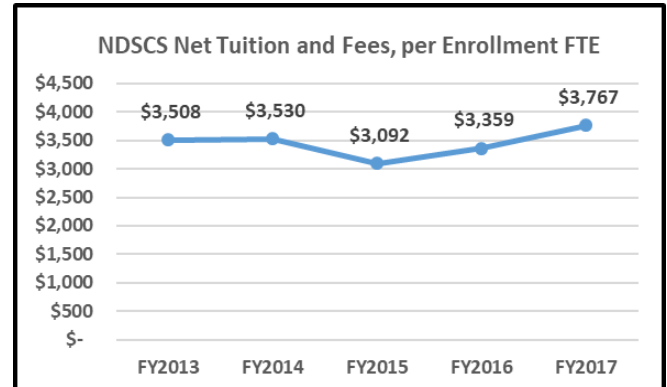
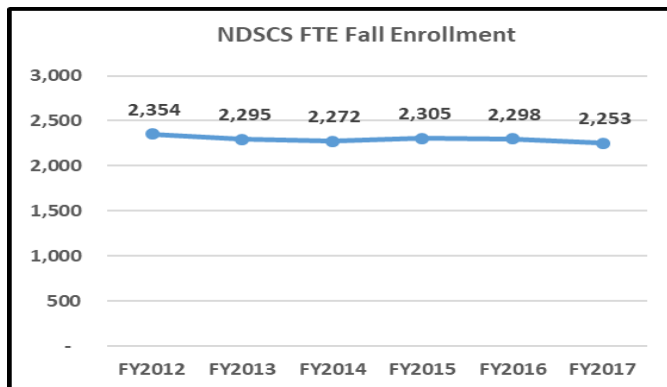
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

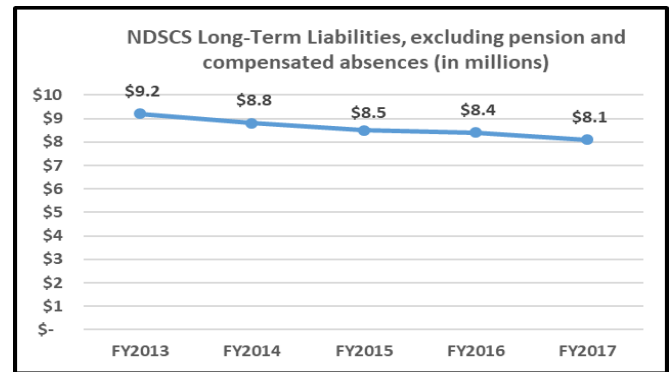
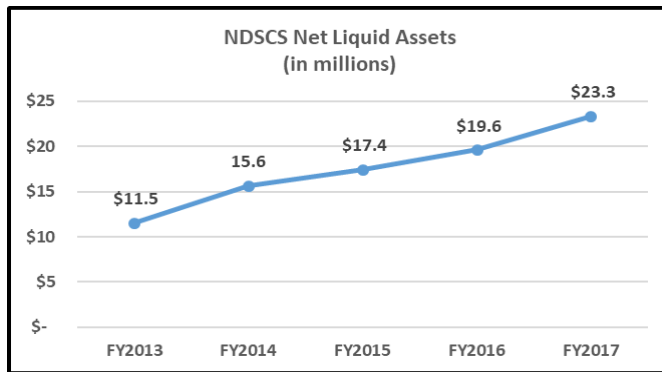
The information is presented on a cash basis.



Other Ratios:

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



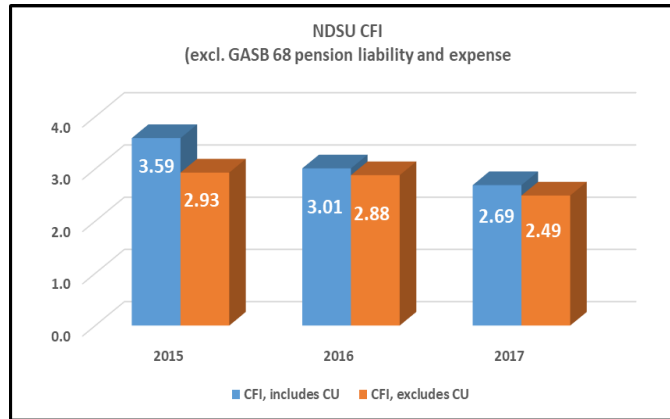


NDSCS Summary:

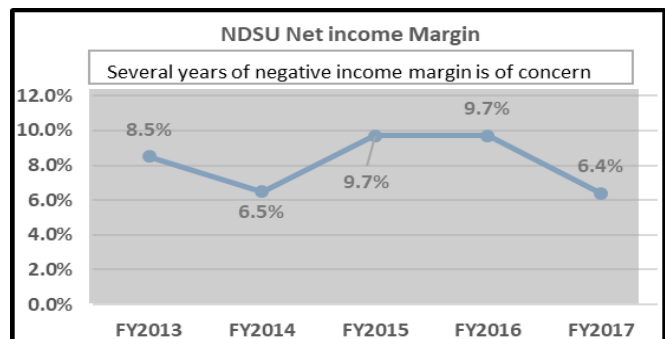
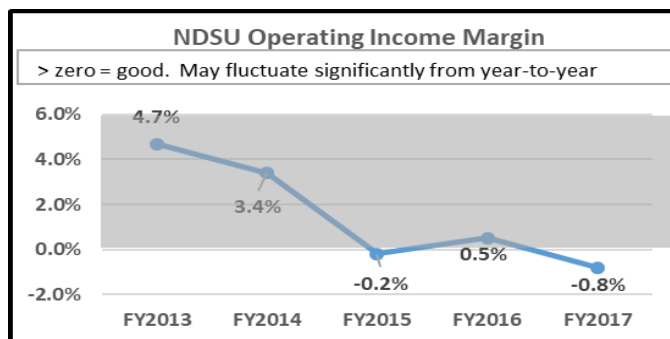
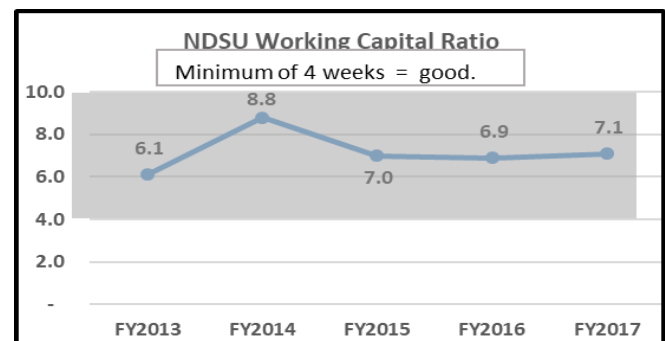
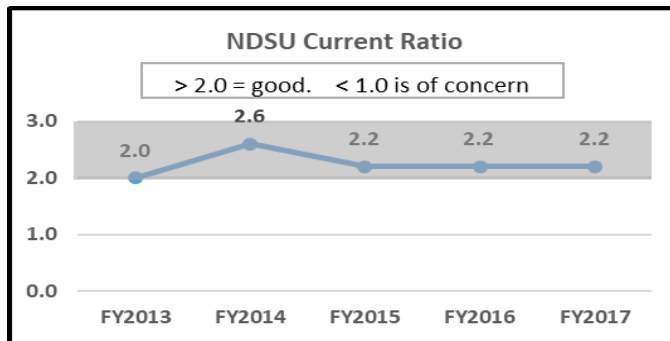
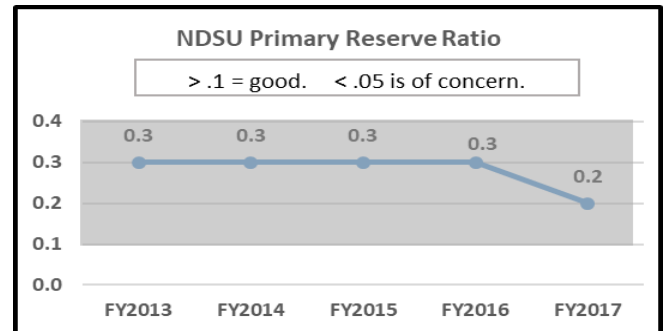
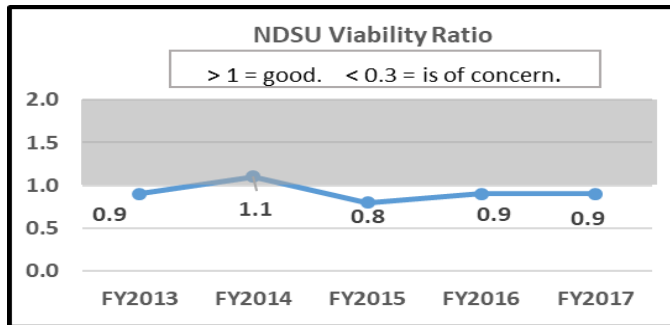
- CFI scores are very strong.
- All other ratios are good or very good.
- Undesignated appropriated reserves exceed the 5-7 percent threshold established in SBHE policy.
- Enrollment has declined slightly each year since Fall 2012 enrollment, with the exception of FY2015.
- Net tuition and fees, per enrollment FTE increased slightly in FY2014 and decreased in FY2015. It has increased each year since FY2015.
- Net tuition and fees dependency increased from 16 percent in FY2015 to 18 percent in FY2017 due to decreased state appropriations. This measurement decreased from FY2012 to FY2015.

Plan Status Update: 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. NDSCS achieved its target of reversing the negative trend in operating income margin for FY17 with a net positive change of 3.4%, achieving a positive 2.2% margin. This was a result of relatively stable enrollment and strategic budgeting efforts to align cash and non-cash operating expenses in relation to revenues.

North Dakota State University (NDSU)



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

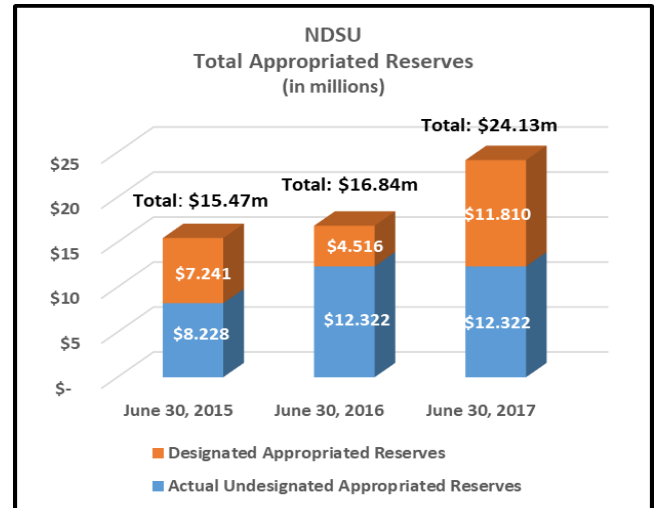
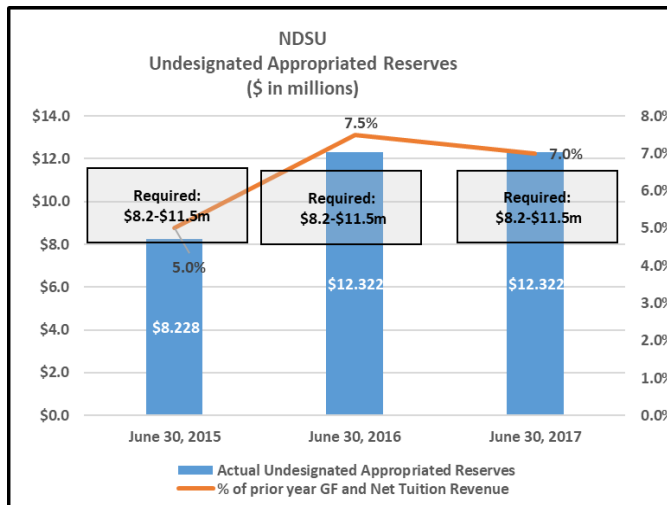


Appropriated Reserves

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.

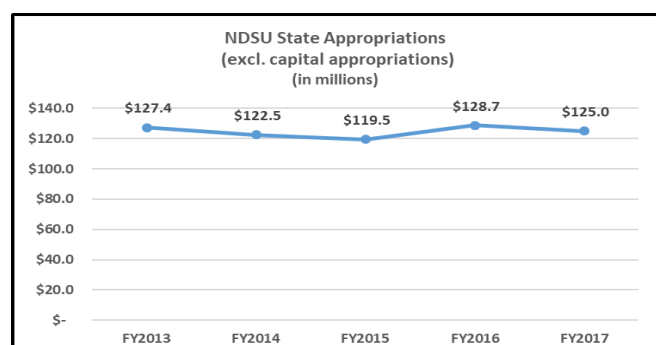
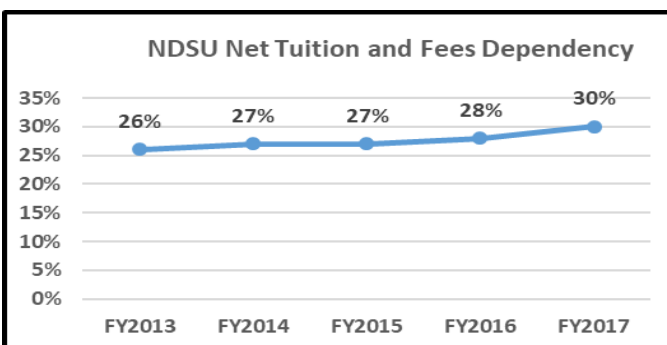
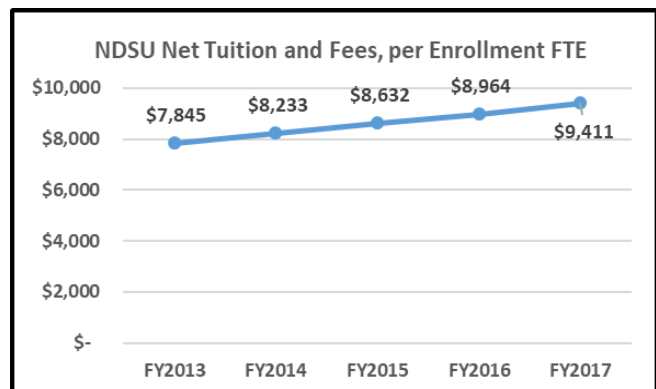
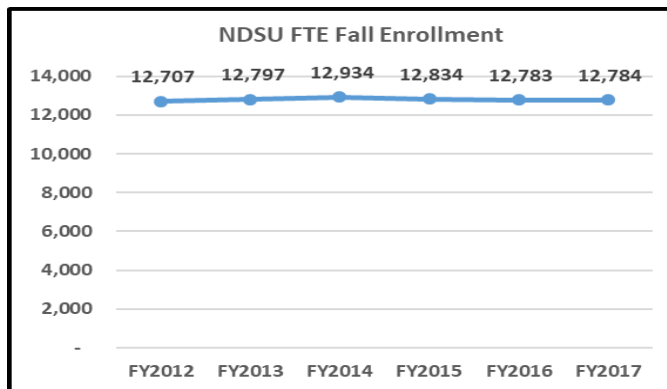
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

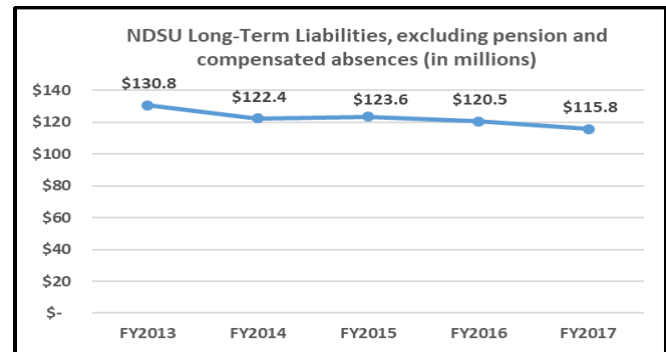
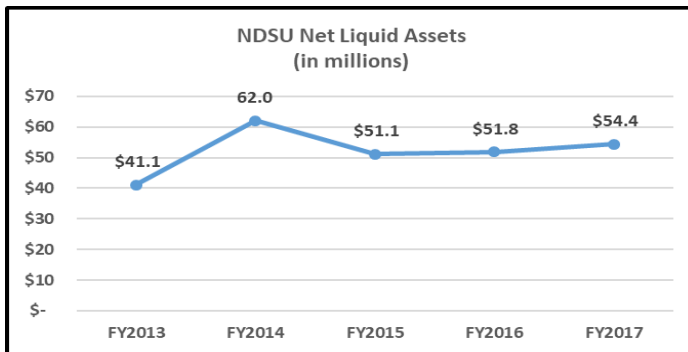
The information is presented on a cash basis.



Other Ratios:

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

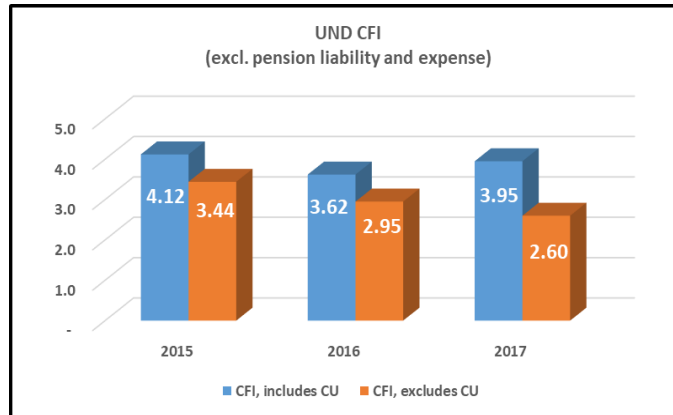




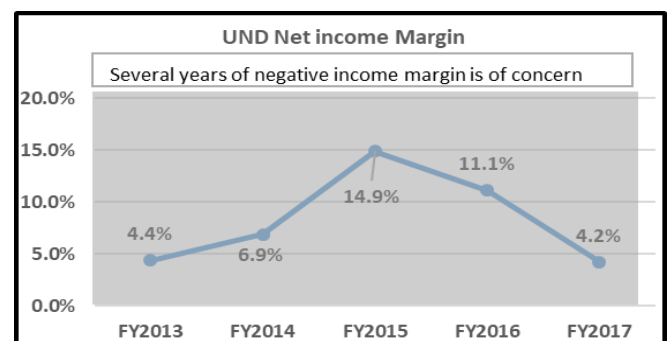
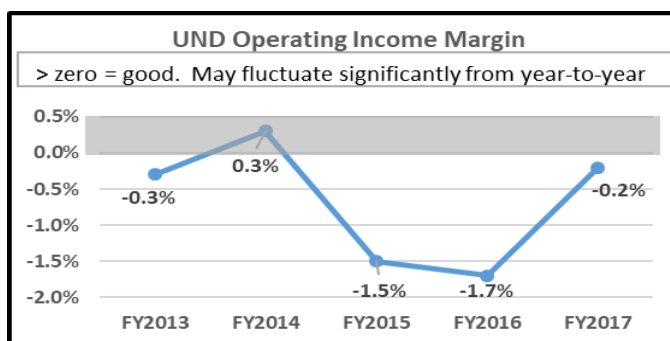
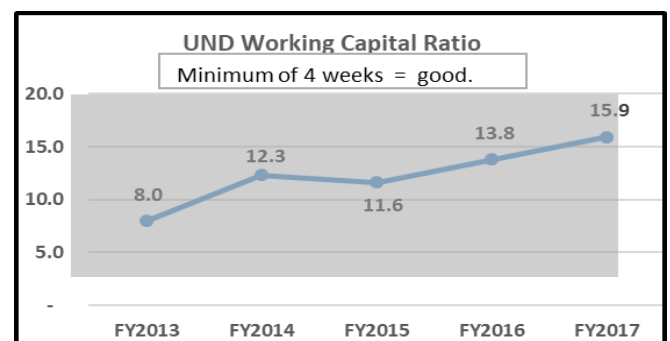
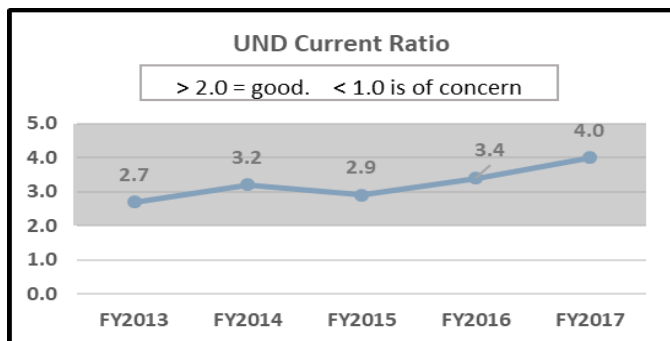
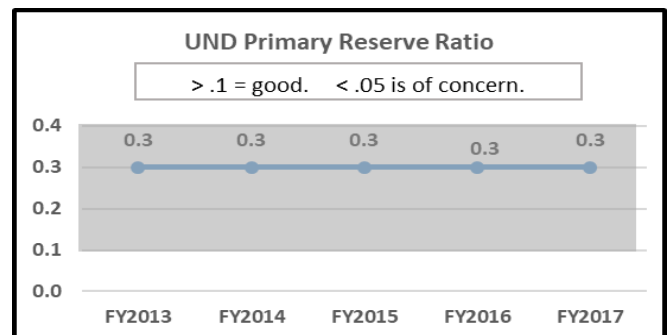
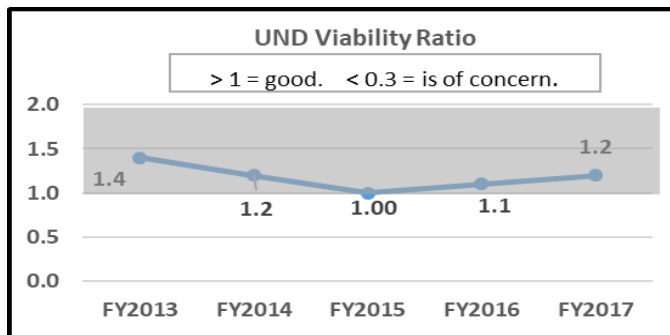
NDSU Summary:

- CFI scores are solid.
- The viability, primary reserve, current, working capital ratios and net income margin are all good or very good.
- Operating income margin is negative in FY2017 but it is not a concern.
- Net tuition and fees, per enrollment FTE increased each year since FY2015 with percentage increases ranging from 3.8 percent in FY2016 to 5.0 percent in FY2017.
- Net tuition and fees, per FTE enrollment increased each year since FY2015. Total increase from FY2015 is \$1,630 or 16.2 percent.
- During the same period, state appropriations decreased each year, with the exception of FY2015.
- Long-term liabilities, excluding pension and compensated absences, has decreased each year since FY2015.
- 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

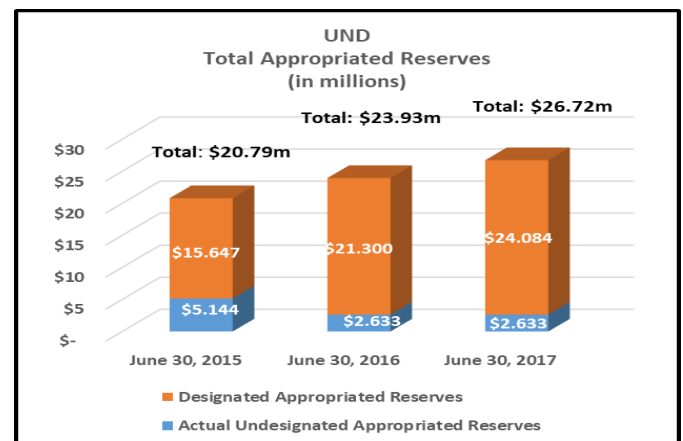
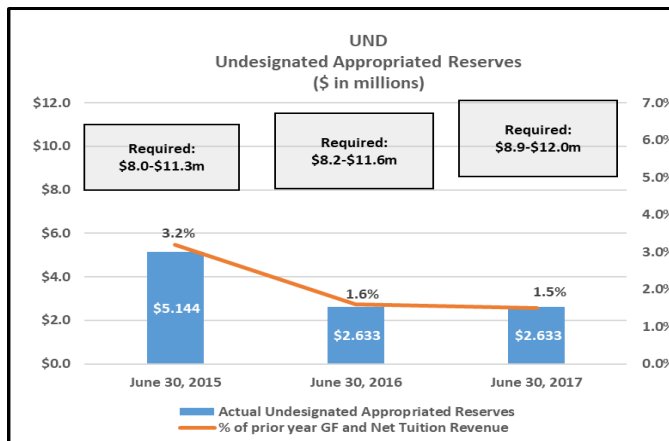


Appropriated Reserves

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.

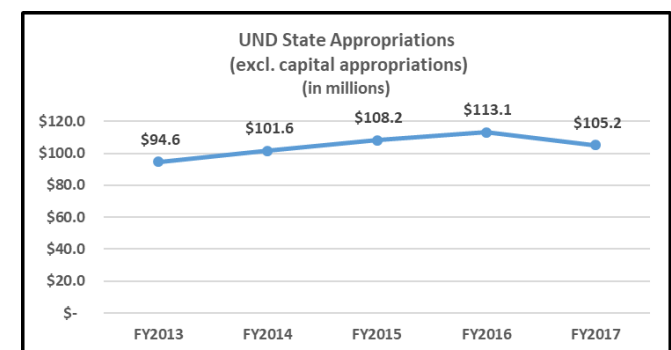
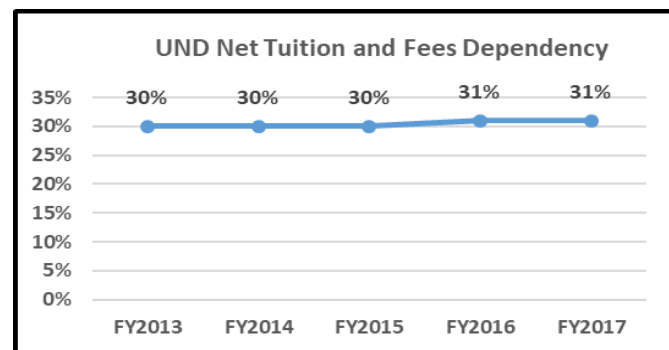
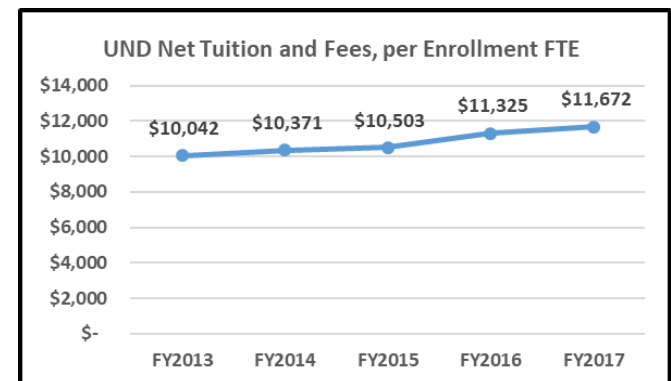
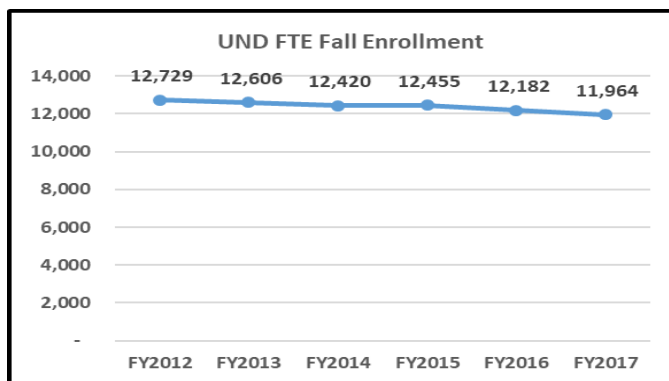
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

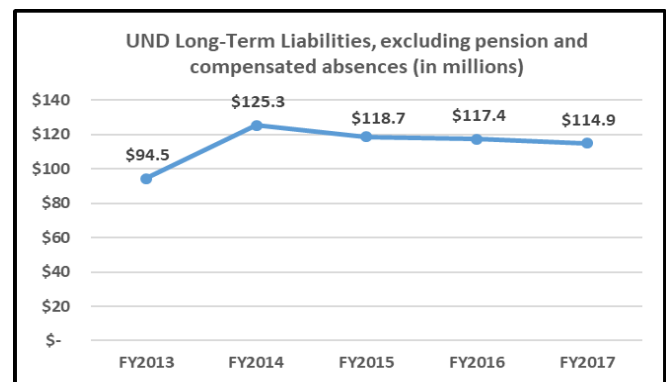
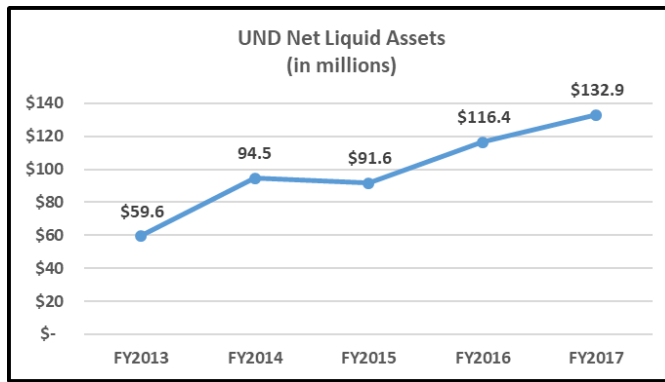
The information is presented on a cash basis.



Other Ratios:

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



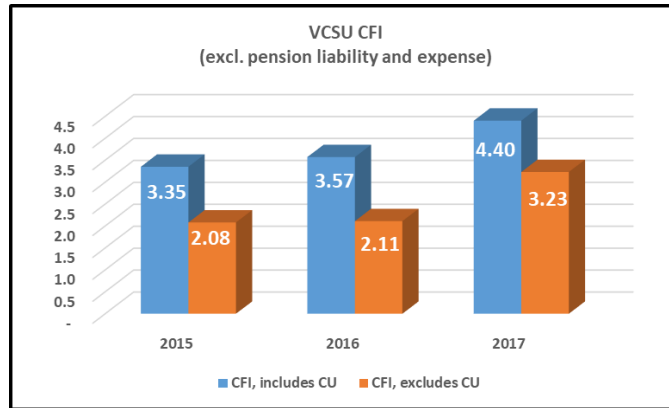


UND Summary:

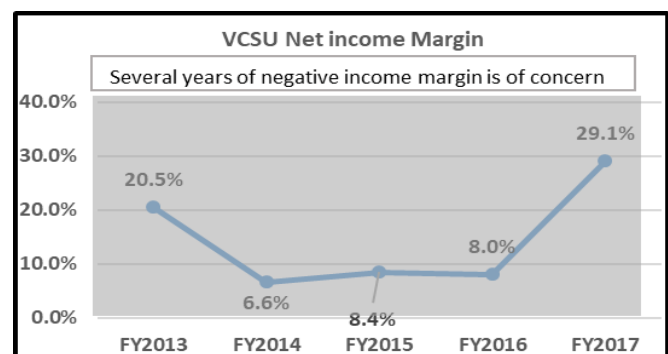
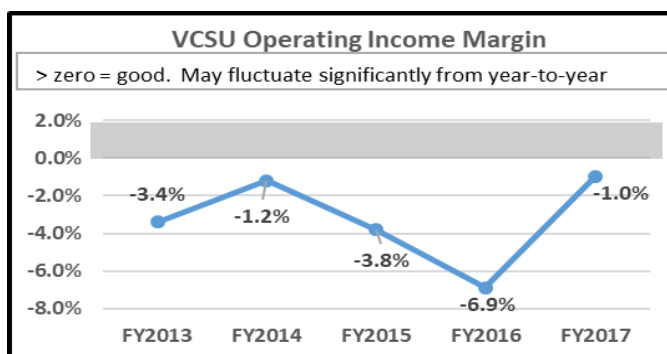
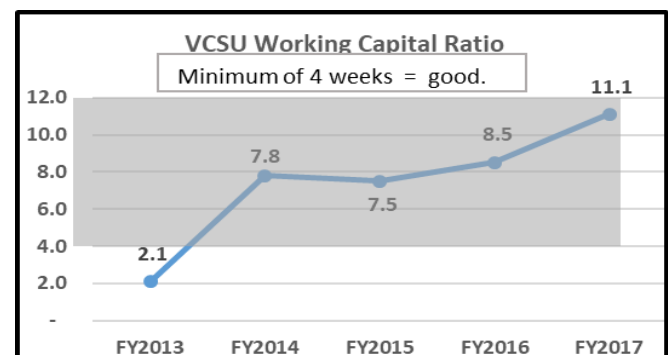
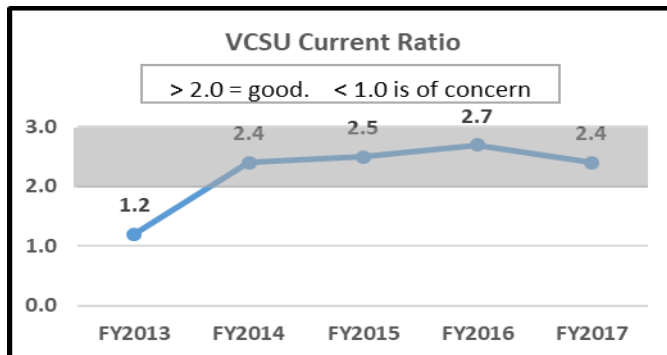
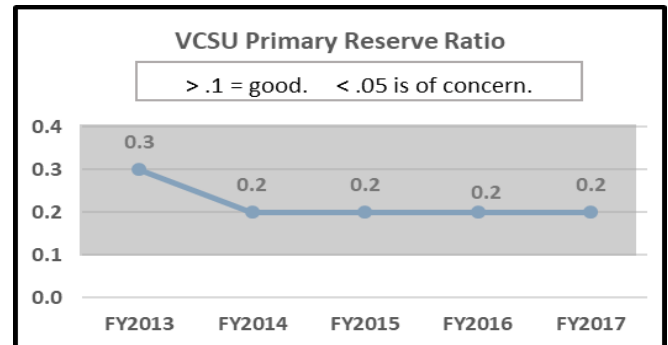
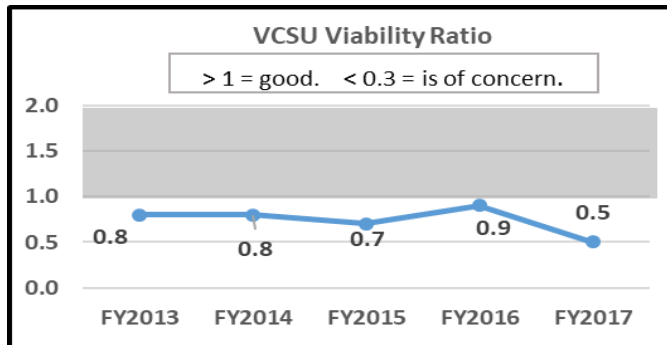
- CFI scores are solid.
- All other ratios are good or very good, with the exception of the operating income margin, which is not a concern at this time.
- Negative operating margins may occur when:
 - Non-capitalized repairs are paid from appropriated repair and maintenance funds,
 - A department is spending revenue earned in a prior year, or
 - A department is spending more funds than available in the current year. When this occurs, the deficit is monitored monthly by campus department financial leads via a dashboard and by central finance staff.
- Undesignated appropriated reserves are significantly below the 5-7 percent threshold established in SBHE policy.
- Fall enrollment has decreased every year, except in Fall 2015. Fall 2017 enrollment decreased 6 percent compared to Fall 2015.
- Net tuition and fees, per FTE enrollment increased each year since FY2015. The total increase from FY2015 is \$1,566 or 20.0 percent.

In July 2017, UND prepared a plan to address negative operating income margin and appropriated reserves levels. The plan called for careful monitoring of financial activity across departments to address negative operating income margin. To address reserves level, 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)



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

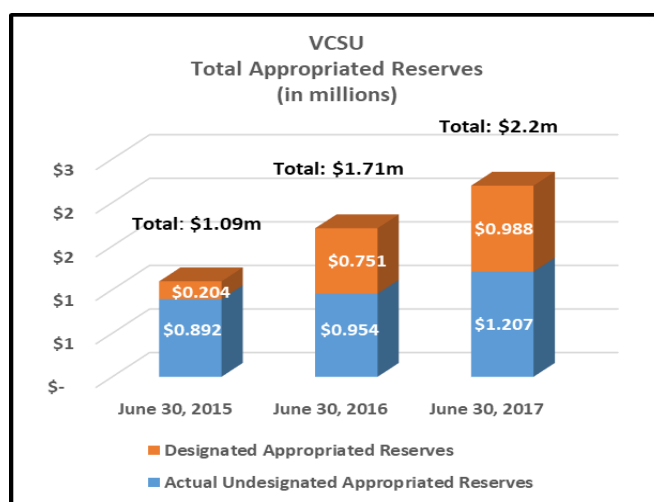
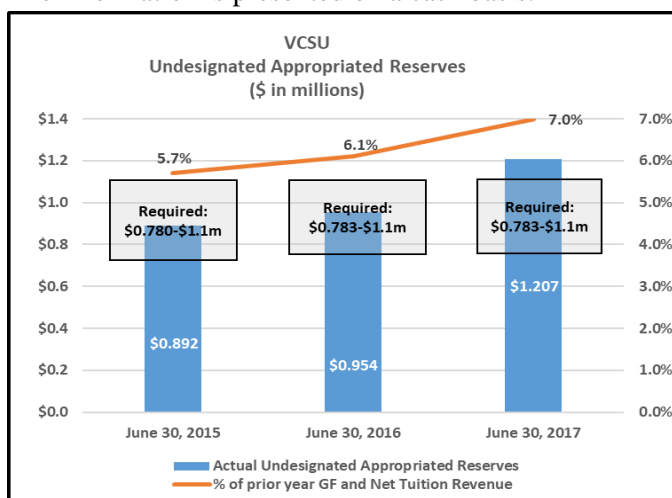


Appropriated Reserves

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.

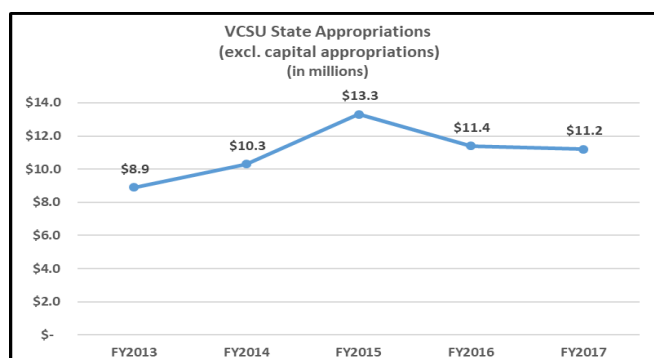
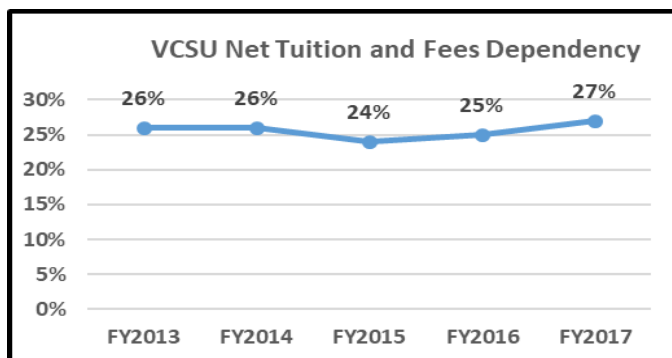
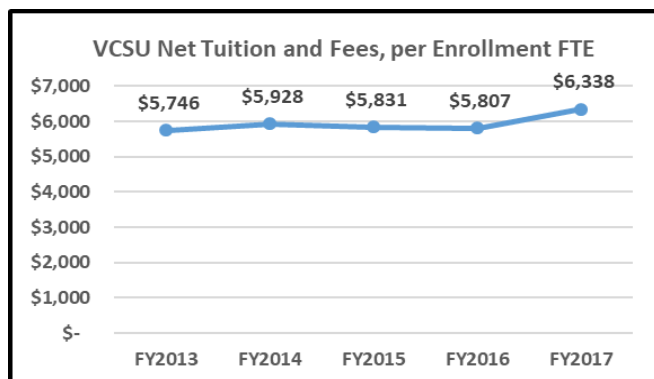
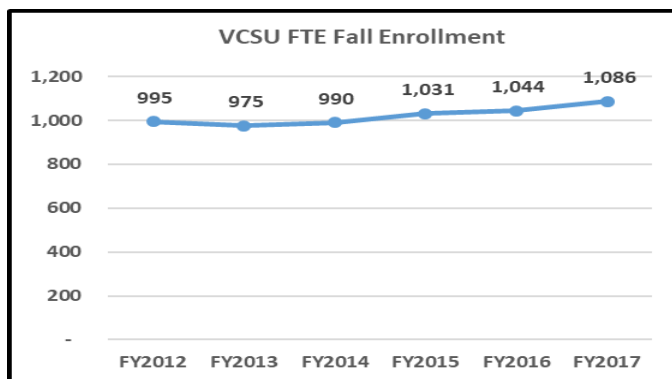
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

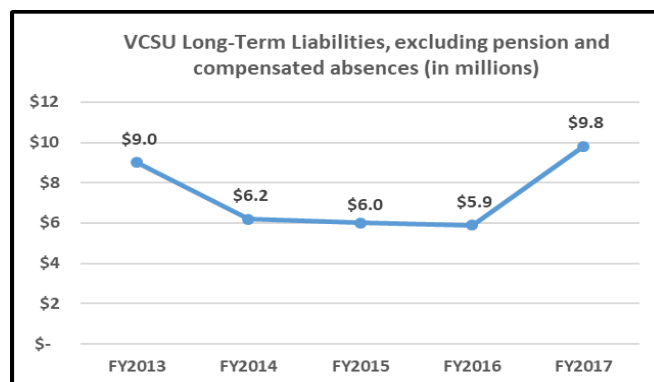
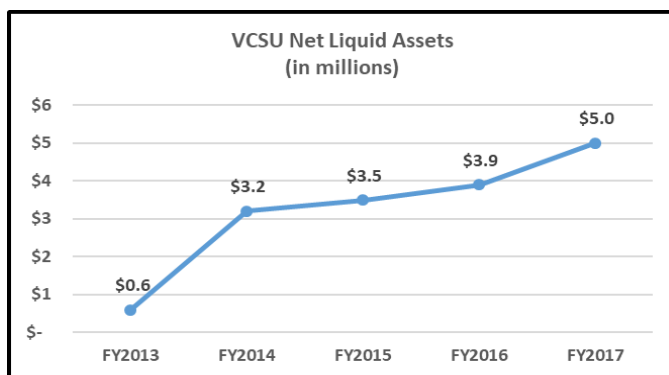
The information is presented on a cash basis.



Other Ratios:

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





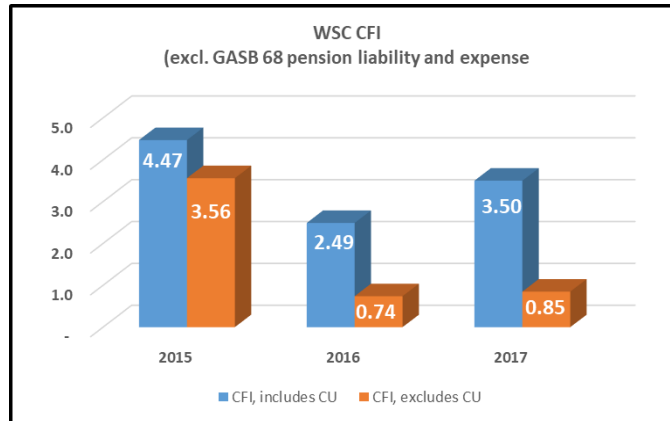
VCSU Summary:

- CFI scores are solid.
- All other ratios are good or very good, with the exception of the operating income margin, which has been negative since FY2007.
- Operating income margin improved significantly from FY2016 to FY2017. Operating income margin has been negative since FY2007 and the decrease in FY2016 is due to an increase in depreciation expense related to the write-off of printed periodicals that were transferred to electronic delivery. In addition, a correction of parking lot depreciation discovered during the conversion of fixed assets tracking from Excel to PeopleSoft contributed to the decrease. Excluding depreciation, operating income margin is positive.
- FTE Fall enrollment has increased each year since FY2012, with the exception of a small decrease in FY2013. Fall 2017 FTE Fall enrollment increased 9.1 percent compared to FY2012.
- FY2017 Net tuition and fees, per FTE increased 10.3 percent compared to FY2015.

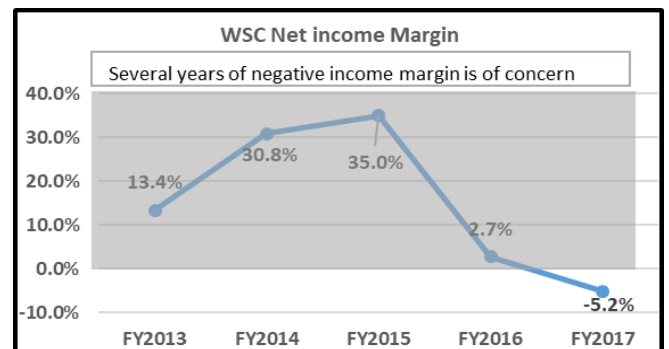
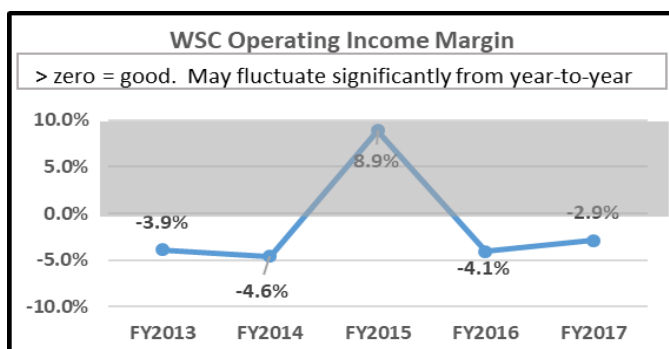
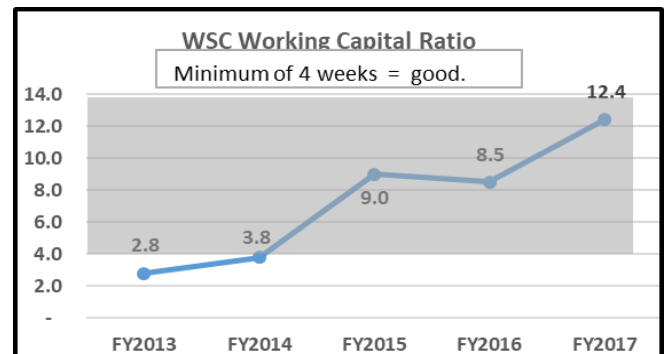
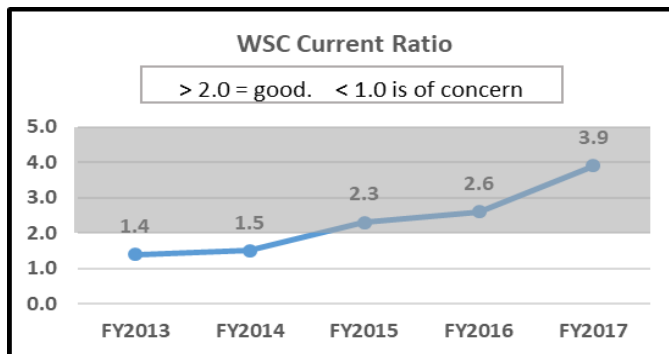
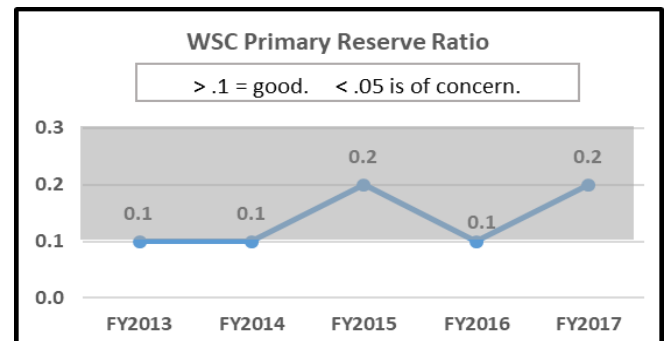
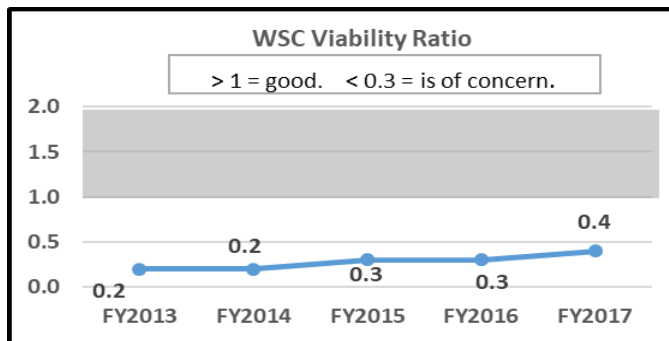
In June 2014, VCSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends. The plan called for careful monitoring of long-term debt and operating income margin, excluding depreciation.

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.

Willison State College (WSC)



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

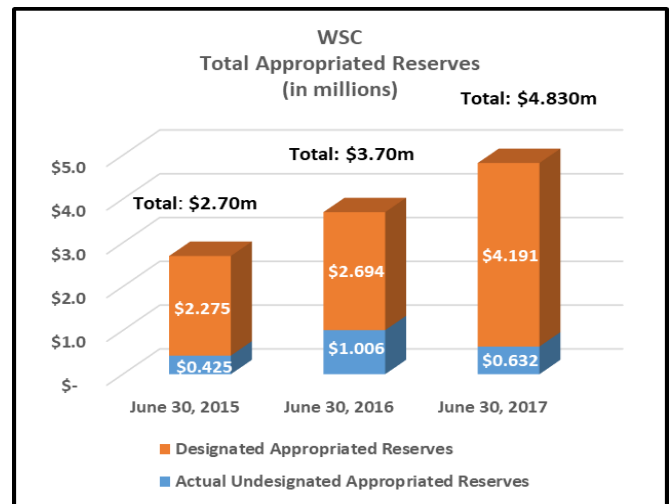
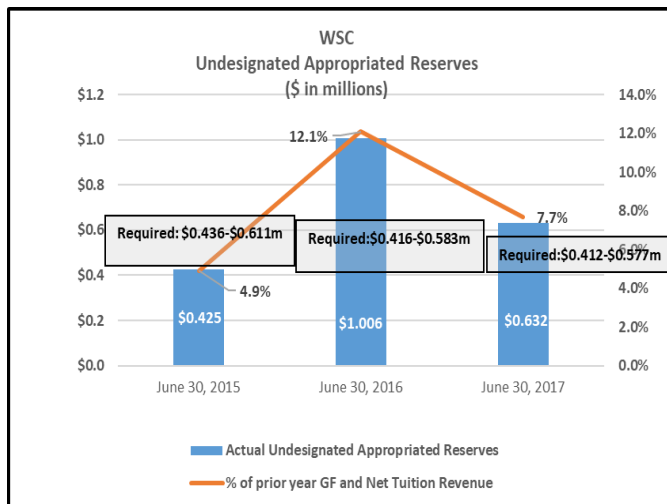


Appropriated Reserves

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.

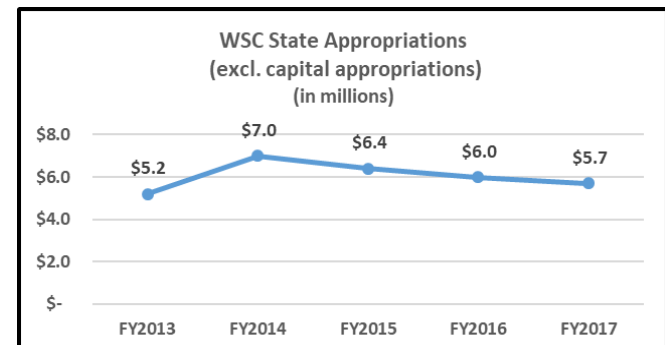
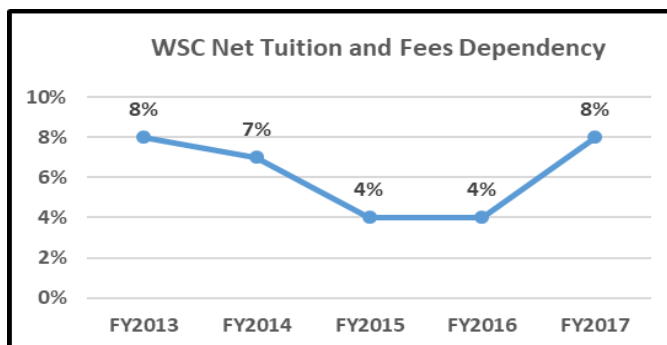
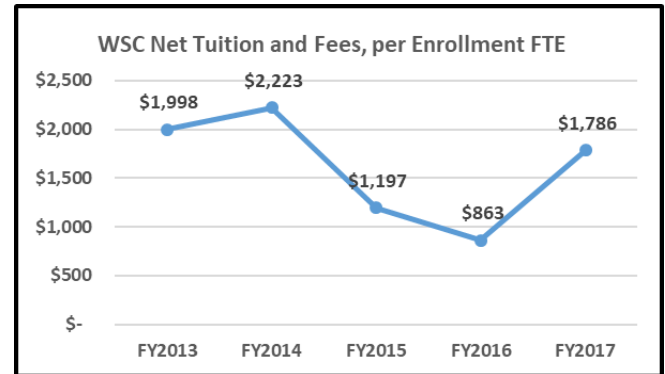
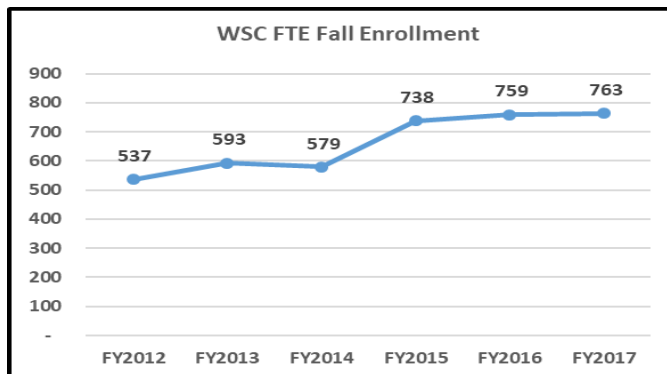
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

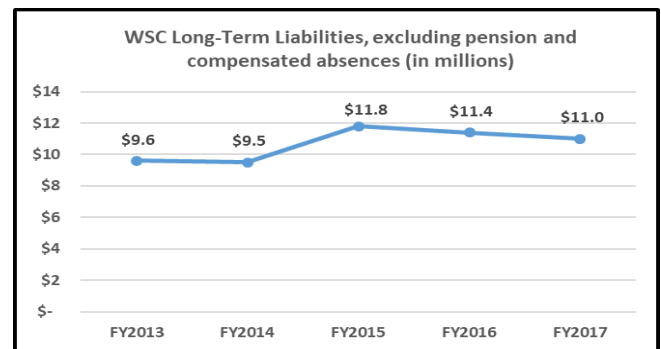
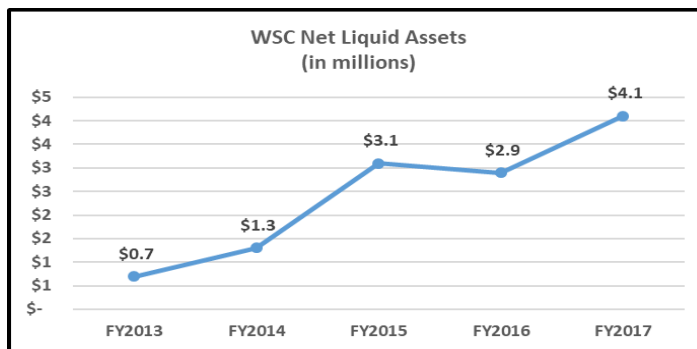
The information is presented on a cash basis.



Other Ratios:

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





WSC Summary:

- CFI scores including the foundation are solid. However, CFI scores, excluding the foundation are in the “In” zone for FY2016 and FY2017.
- Viability ratio has been below 1.0 since FY2011.
- Operating income margin has been negative for four out of the five years since FY2013. However, the margin improved in FY2017 compared to FY2016.
- Net income margin decreased from 35.0 percent in FY2015 to -5.2 percent in FY2017. The decline is mainly attributed to a decrease in state appropriations for capital assets.
- FTE Fall enrollment has increased every year since FY2012, with the exception of a small decline in FY2015. The increase is primarily attributed to the Williams County Graduate Scholarship that provides free tuition, fees and books for full-time students who graduated from a high school in Williams County and nine other nearby counties in North Dakota and Montana.
- Net tuition and fees, per enrollment FTE and net tuition and fees dependency increased in FY2017 compared to FY2016 primarily due to:
 - A reduction in the scholarship allowance and bad debt expenses and
 - A decrease in the amount of WSC Foundation Scholarships awarded in FY2017.
- State appropriations have decreased each year since FY2014.

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: WSC plans to keep unfilled positions as such, in addition we have no plans for new construction. However, we are working with a vendor toward taking care of some of our deferred maintenance needs by way of a performance contract, which will not impact our current spending level. In addition, the terms of Frontier Hall’s bonded indebtedness include a proviso wherein the Foundation will contribute up to \$100,000 in the event of a shortfall, which has never transpired. Our President, Dr. Miller and our Foundation are working on a fundraising campaign to retire a large portion of WSC’s long-term debt in early 2021.