

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2018
April 1, 2019

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

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

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

Formulas for CFI and Ratios Used In This Report

Composite Financial Index (CFI) Calculation

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

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

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

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

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

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

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

HLC uses the first measurement as its official CFI score. The second measurement is presented here for informational purposes only.

HLC uses the zones listed below to evaluate institutions:

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:	Income (loss) before state appropriations-capital assets and capital grants and gifts
	<hr/>
	Total Revenue (operating and non-operating)

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

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

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

Net Income Margin

Formula:	Increase (decrease) in net position
	<hr/>
	Total Revenue (operating and non-operating)

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

Net Tuition and Fees, per FTE Enrollment

Formula:	Net Tuition and Fees
	<hr/>
	FTE Enrollment

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:	Net Tuition and Fees
	<hr/>
	Total Revenues

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

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

Net liquid assets less current liabilities (FY2013 to FY2016)

Formula:	$\frac{\text{FY2018 Net Liquid Assets} - \text{FY2014 Liquid Assets}}{\text{FY2014 Liquid Assets}}$
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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, OPEB liability and compensated absences

Formula:	$\frac{\text{FY2018 LT Liabilities} - \text{FY2014 LT Liabilities}}{\text{FY2014 LT Liabilities}}$
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Includes long-term liabilities, excluding pension liability, OPEB liability and compensated absences. A negative change indicates more debt was retired added over the three-year period. A positive change indicates more debt was added than retired.

FUNDING ANALYSIS – FY 2018 National per FTE Funding

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

FY 2018 Total Educational Revenue per FTE - Public Institutions of Higher Ed			
Total Educational Revenues Per FTE*		Educational Appropriations (State/Local) Per FTE*	
1	Michigan \$ 22,508	1	Wyoming \$ 18,001
2	Illinois 21,979	2	Alaska 15,151
3	Wyoming 21,762	3	Illinois 14,605
4	Alaska 20,988	4	Hawaii 12,560
5	Delaware 19,193	5	New Mexico 10,816
6	Alabama 18,812	6	North Carolina 10,429
7	Connecticut 18,539	7	Idaho 9,857
8	Maine 17,468	8	Nebraska 9,699
9	Indiana 17,328	9	Georgia 9,166
10	Hawaii 17,313	10	Tennessee 8,774
11	North Dakota 17,271	11	New York 8,697
12	Vermont 17,142	12	California 8,553
13	Minnesota 17,105	13	North Dakota 8,273
14	Nebraska 16,652	14	Connecticut 8,123
15	South Carolina 16,318	15	Nevada 8,094
16	Iowa 16,154	16	Arkansas 7,873
17	North Carolina 15,944	17	Minnesota 7,758
18	New Jersey 15,808	18	Maine 7,750
19	Pennsylvania 15,728	19	Texas 7,707
20	Tennessee 15,635	20	Massachusetts 7,556
21	Rhode Island 15,619	21	Kentucky 7,514
22	Ohio 15,473	22	Maryland 7,426
23	South Dakota 15,359	23	Utah 7,250
24	Kentucky 14,995	24	Florida 7,109
25	New Mexico 14,678	25	Washington 6,966
26	Maryland 14,672	26	Missouri 6,958
27	Oregon 14,612	27	Kansas 6,885
28	Virginia 14,577	28	Alabama 6,788
29	Mississippi 14,546	29	Indiana 6,785
30	Colorado 14,422	30	Michigan 6,773
31	Kansas 14,407	31	Mississippi 6,655
32	Georgia 14,336	32	Wisconsin 6,435
33	Idaho 14,320	33	Oklahoma 6,407
34	Massachusetts 14,114	34	South Dakota 6,378
35	Oklahoma 13,938	35	Ohio 6,361
36	Arkansas 13,712	36	New Jersey 6,339
37	Montana 13,669	37	Montana 6,321
38	New York 13,531	38	Oregon 6,237
39	Utah 13,486	39	Rhode Island 6,061
40	Missouri 13,481	40	South Carolina 6,053
41	Texas 13,187	41	Iowa 5,992
42	New Hampshire 13,074	42	Louisiana 5,876
43	Wisconsin 12,993	43	Virginia 5,420
44	Nevada 12,738	44	Arizona 5,025
45	Arizona 12,483	45	Delaware 4,841
46	Washington 12,403	46	West Virginia 4,723
47	West Virginia 11,449	47	Pennsylvania 4,296
48	Louisiana 11,216	48	Colorado 4,198
49	California 10,748	49	Vermont 2,846
50	Florida 9,901	50	New Hampshire 2,806
US \$ 14,566		US \$ 7,853	

*Excluding Ag research, extension and med school funding.

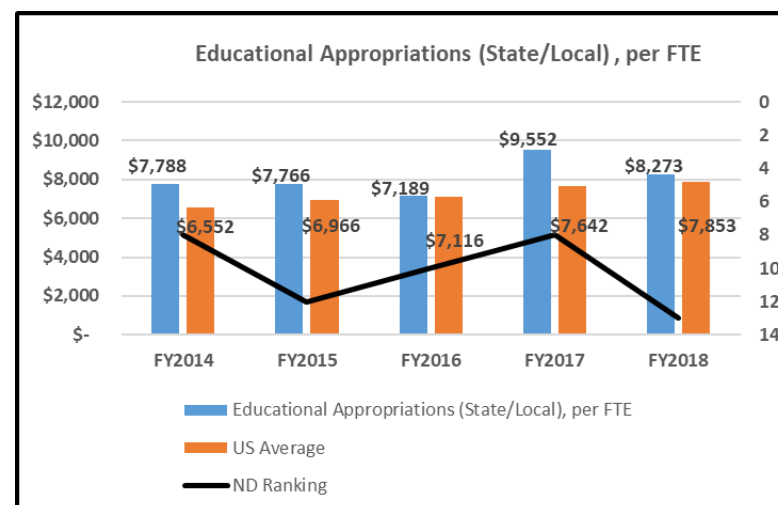
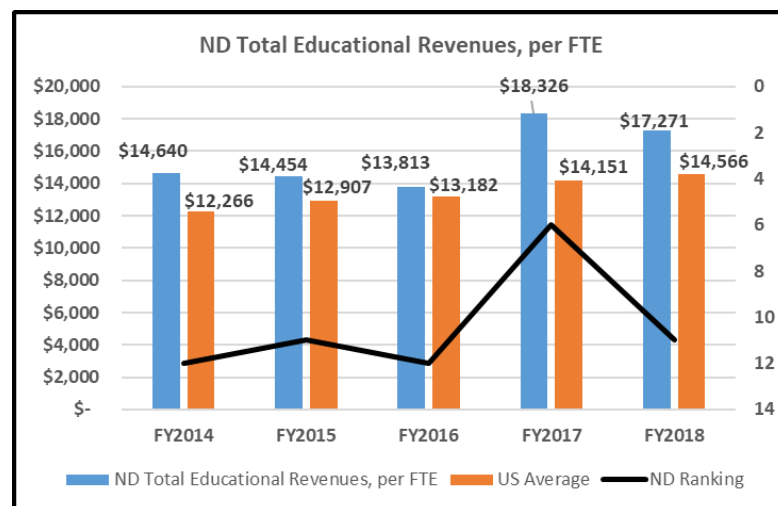
Source: FY2017 SHEEO State Higher Education Finance Report

North Dakota's educational revenues per FTE has increased 18.0 percent since FY2014 while the US average increased 18.8 percent. North Dakota's educational appropriations per FTE increased 4.9 percent while the US average increased 19.9 percent for the same period.

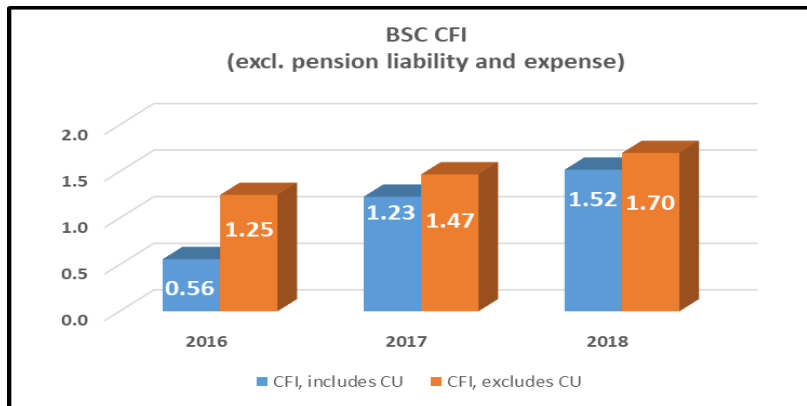
	FY2018	FY2017	FY2016	FY2015	FY2014
ND Total Educational Revenues per FTE	\$ 17,271	\$ 18,326	\$ 13,813	\$ 14,454	\$ 14,640
% increase (decrease)	18.0%				
US Average	\$ 14,566	\$ 14,151	\$ 13,192	\$ 12,907	\$ 12,266
% increase (decrease)	18.8%				
ND Ranking	11	6	12	11	12

	FY2018	FY2017	FY2016	FY2015	FY2014
Educational Appropriations (State/Local) Per FTE	\$ 8,273	\$ 9,552	\$ 7,189	\$ 7,766	\$ 7,888
% increase (decrease)	4.9%				
US Average	\$ 7,853	\$ 7,642	\$ 7,116	\$ 6,966	\$ 6,552
% increase (decrease)	19.9%				
ND Ranking	13	8	10	12	8

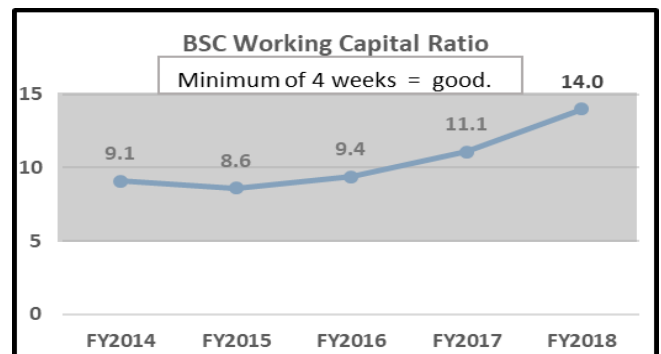
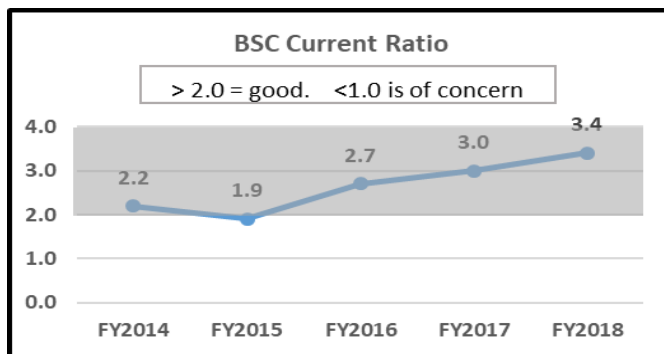
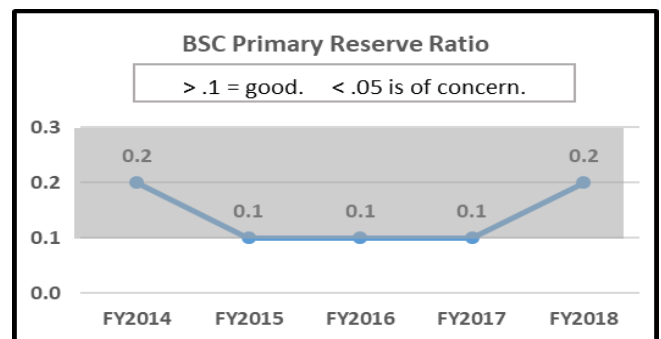
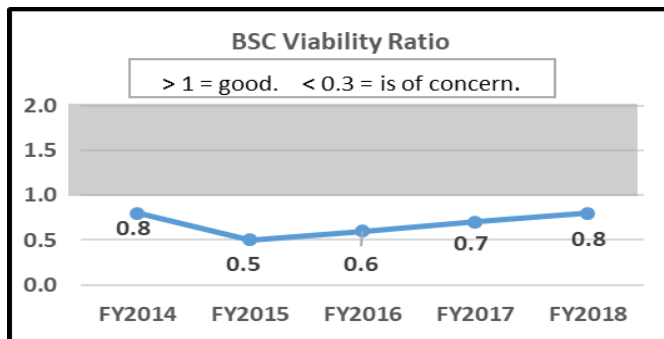
Source: FY2018 SHEEO State Higher Education Finance Report.

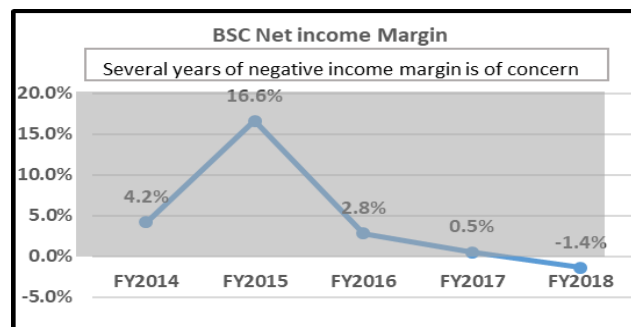
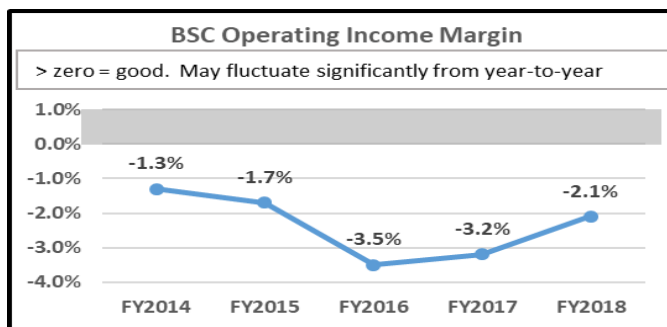


Bismarck State College (BSC)



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



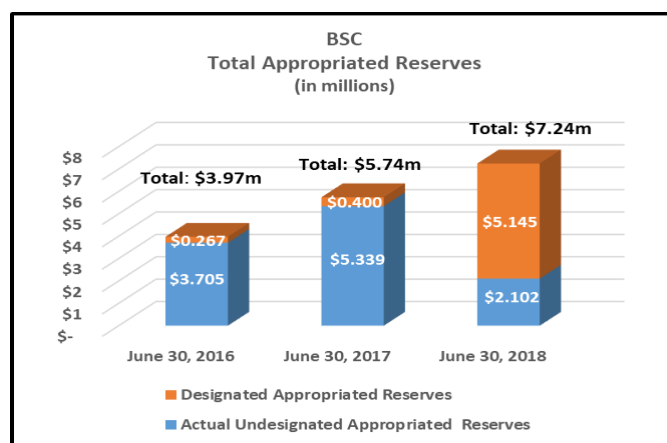
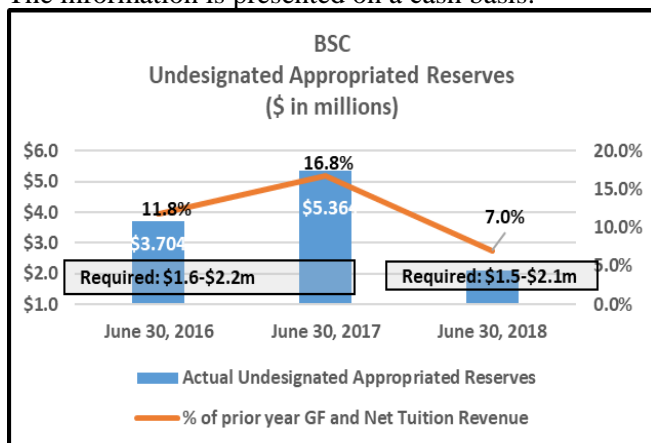


Appropriated Reserves

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

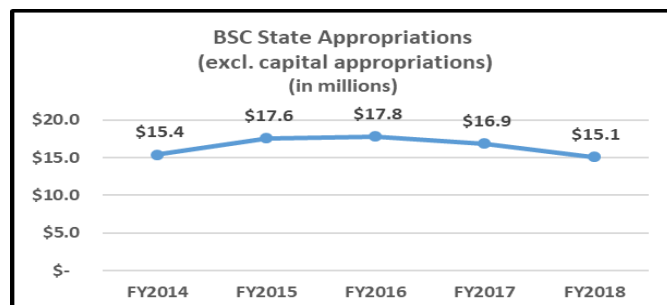
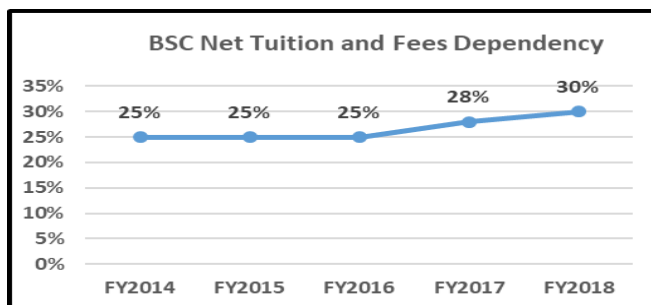
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

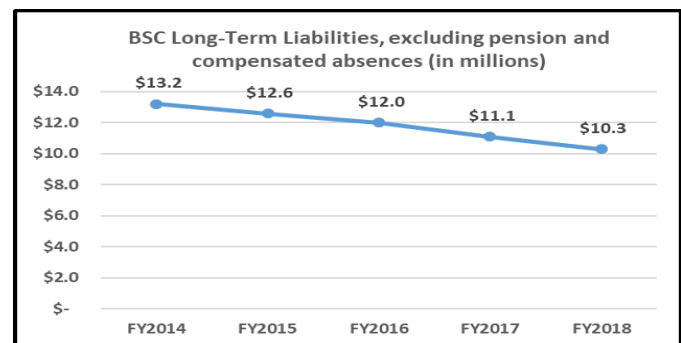
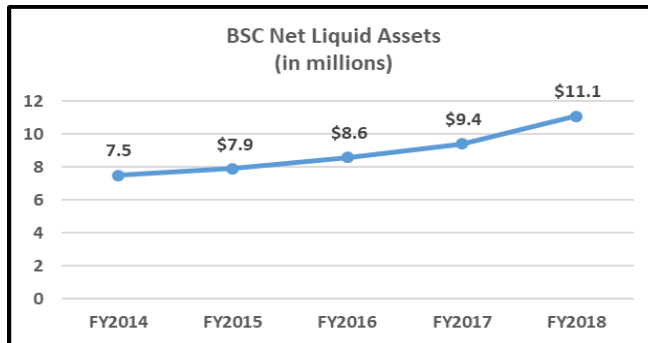
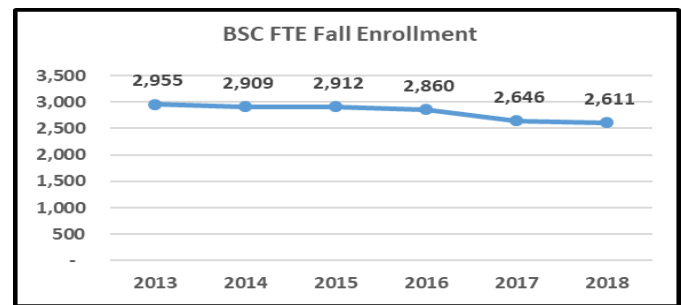
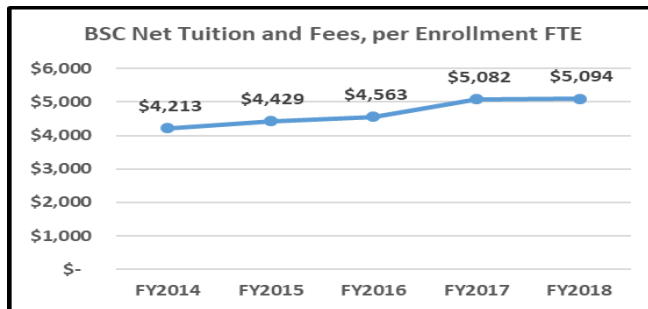
The information is presented on a cash basis.



Other Ratios:

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

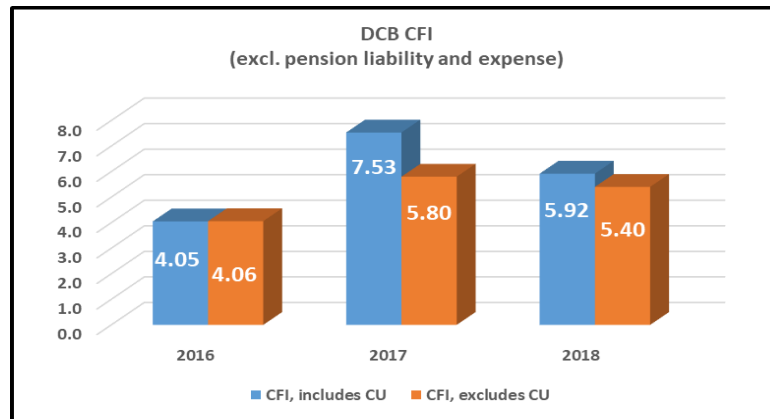




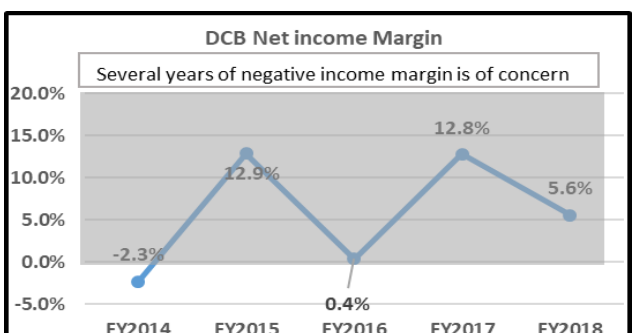
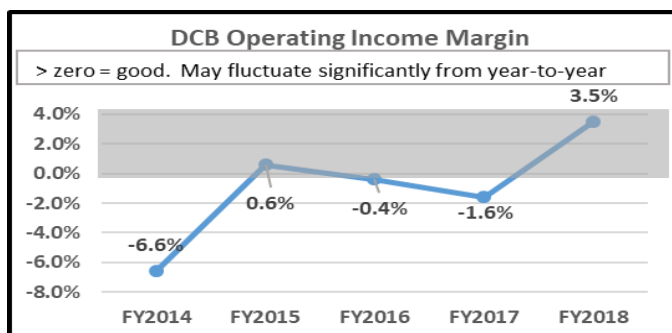
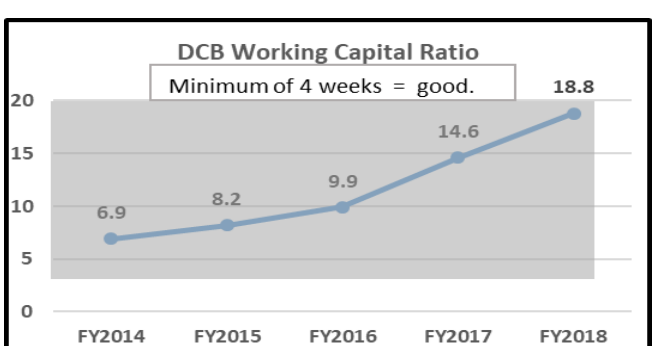
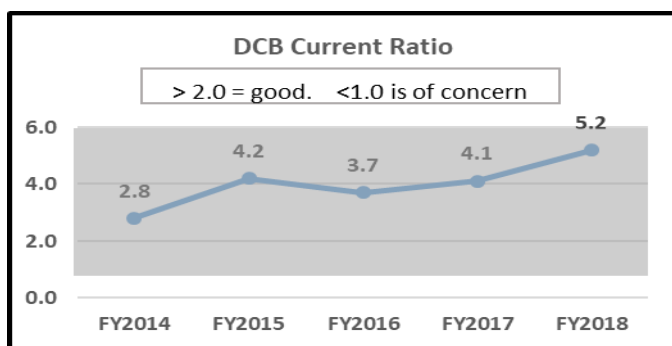
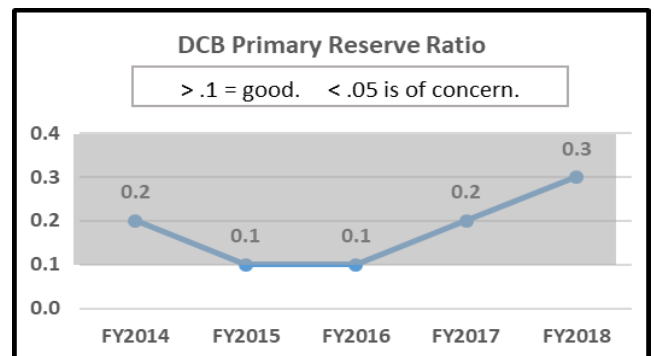
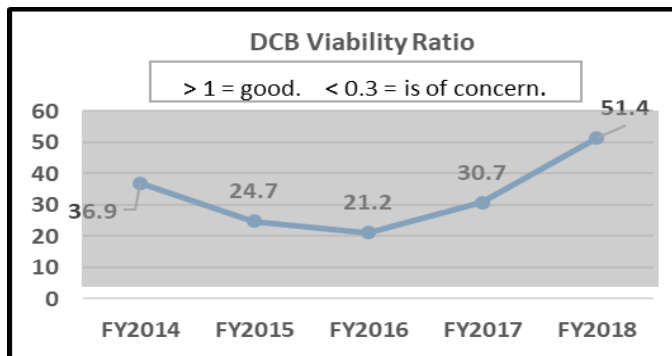
BSC Summary:

- CFI improved in FY2017 and FY2018 and is now in the “Above” zone.
- The viability ratio, while still below 1.0, has increased each year since FY2015.
- Operating income margin has been below zero for the last five fiscal years however it has improved every year since FY2016.
- Net income margin has decreased each year since FY2015.
- All other ratios are good or very good.
- Fall enrollment decreased 344 (11.6%) from Fall 2013.
- FY2018 Net tuition and fee, per Enrollment FTE increased \$881, or 20.9%, from FY2014.
- Net tuition and fees dependency increased due to reduced State appropriations.

Dakota College at Bottineau (DCB)



<i>CFI Zones</i>	<i>Public Institutions Composite Index</i>	<i>Outcomes</i>
<i>Above</i>	<i>1.10 to 10</i>	<i>No Review</i>
<i>In</i>	<i>0 to 1.0</i>	<i>Financial Panel Review if "in" for two or more consecutive years</i>
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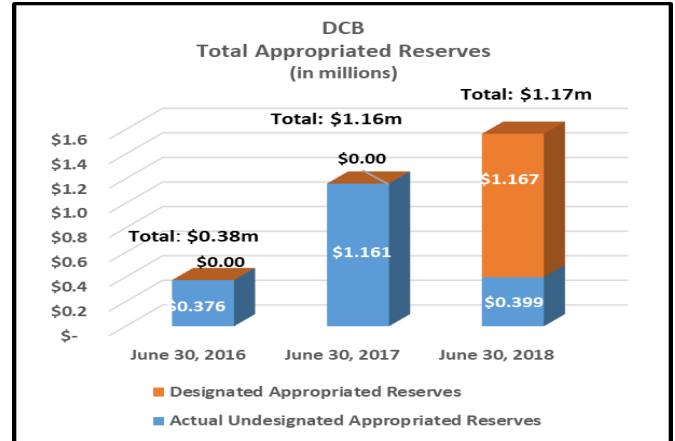
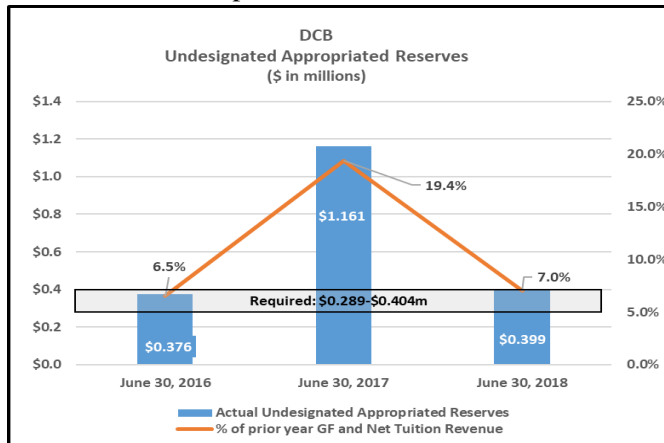


Appropriated Reserves

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

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

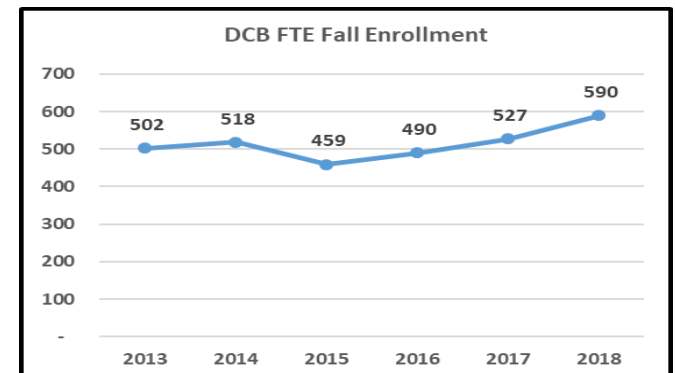
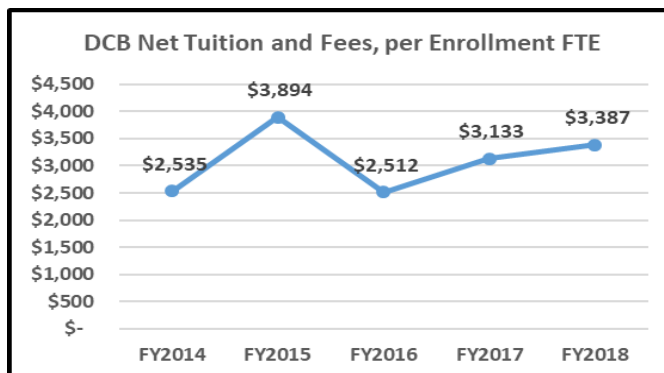
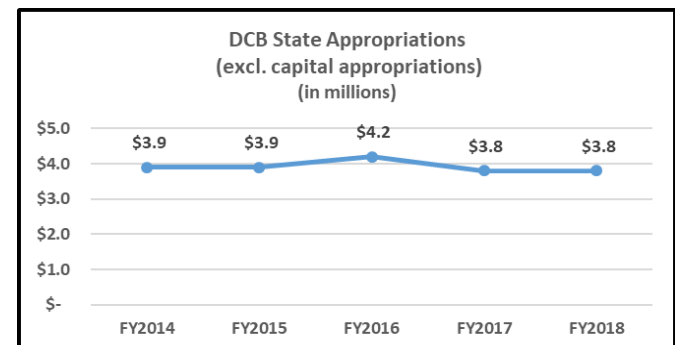
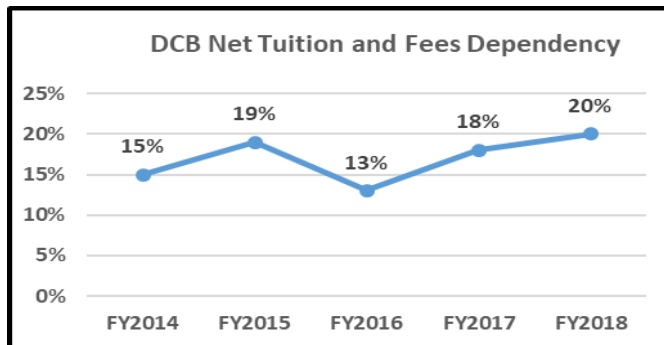
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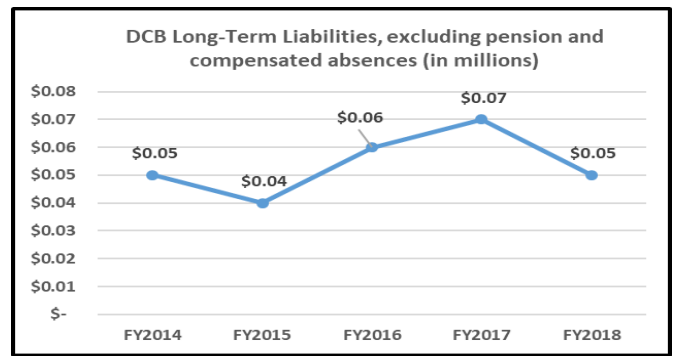
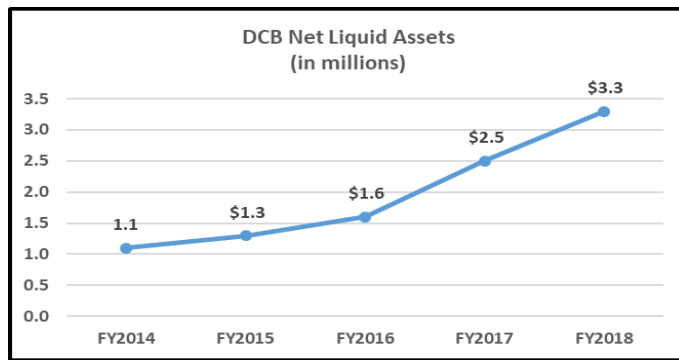


Note: The FY2016 undesignated appropriated reserve amounts have been revised from \$0.376 after a calculation error was discovered in FY2017.

Other Ratios:

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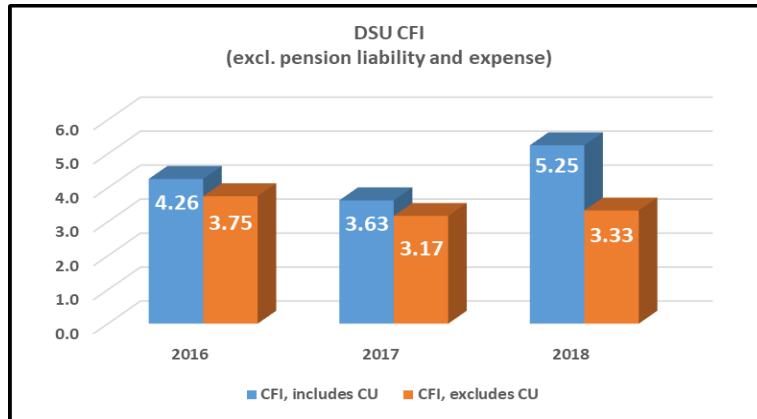




DCB Summary:

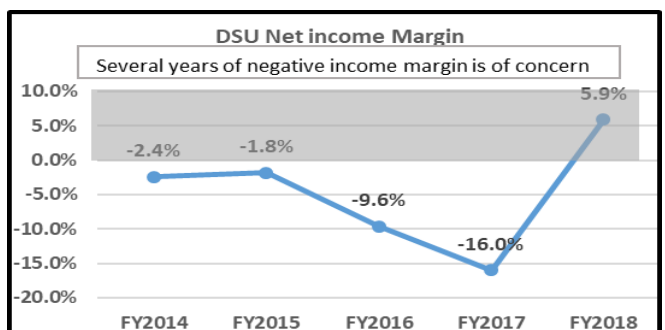
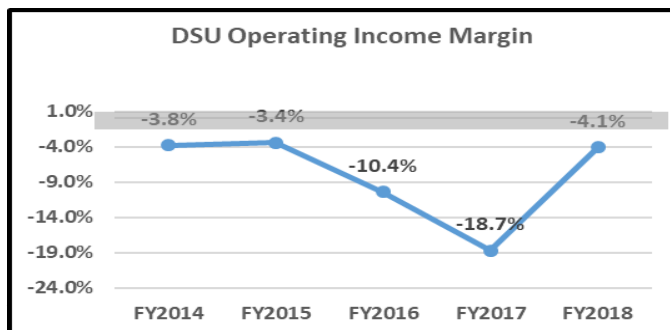
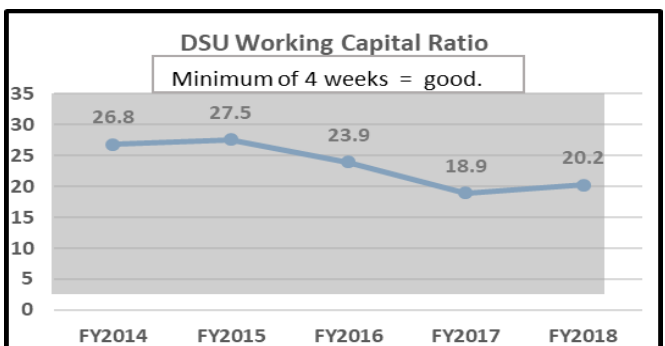
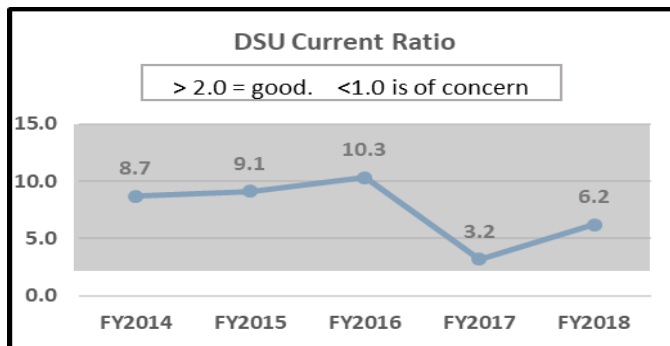
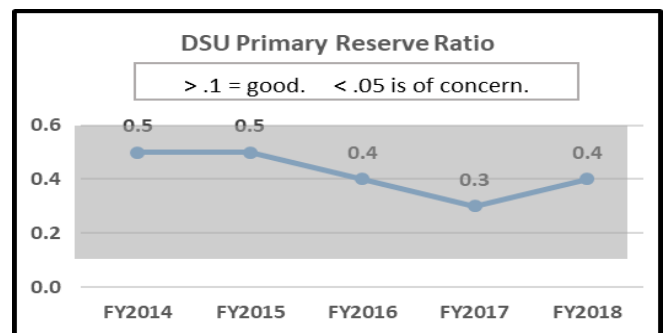
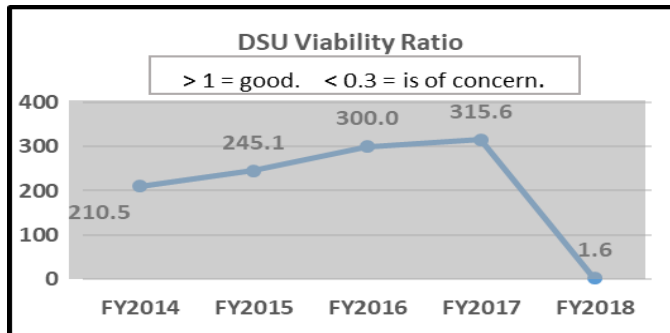
- CFI scores are solid.
- All other ratios are good or very good.
- Fall 2018 enrollment increased by 88 (17.5%) from Fall 2013.
- FY2018 Net tuition and fee, per Enrollment FTE increased \$852 or 33.6% from FY2014.
- FY2018 net tuition and fees dependency increased in FY2016 through FY2018 as a result of decreased State appropriations.

Dickinson State University (DSU)



Note: FY2017 CFI with CU includes the DSU Heritage Foundation. The foundation was created in November 2015. FY2016 CFI with CU includes the financial information for the DSU Foundation. This foundation went into receivership in 2014. Therefore, DSU Foundation's net asset balances as of December 31, 2013 were used for FY2016 CFI calculations. This is the most recent financial information available for the foundation. The foundation is expected to be fully dissolved in FY2019.

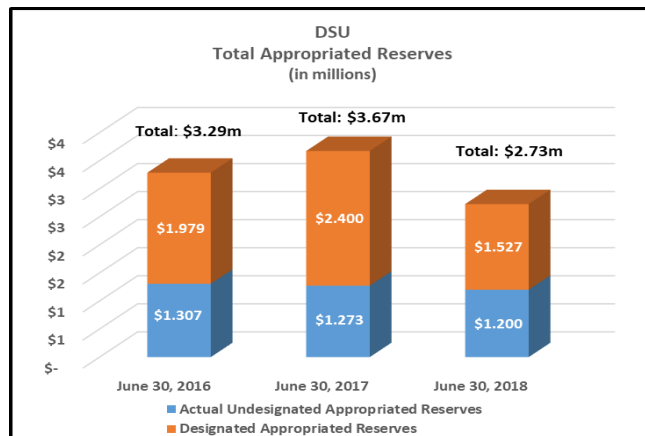
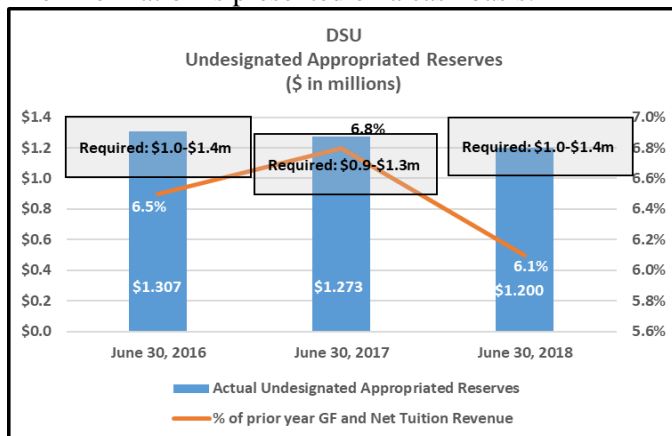
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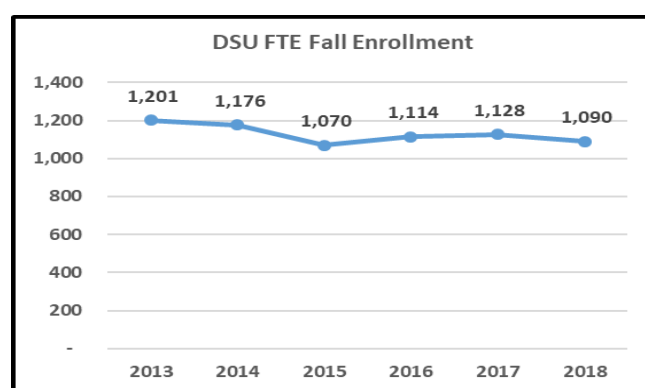
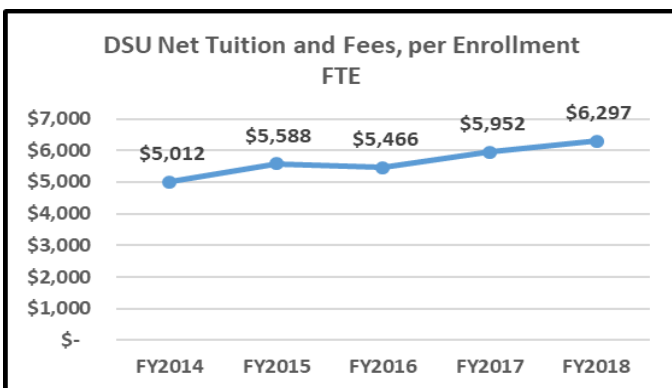
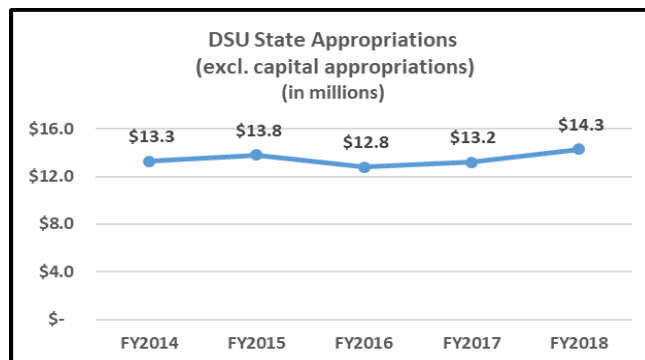
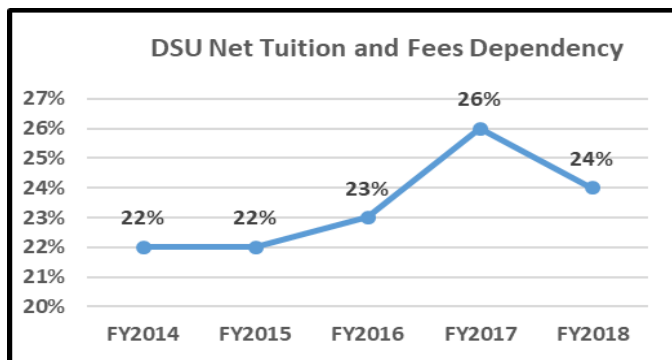
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

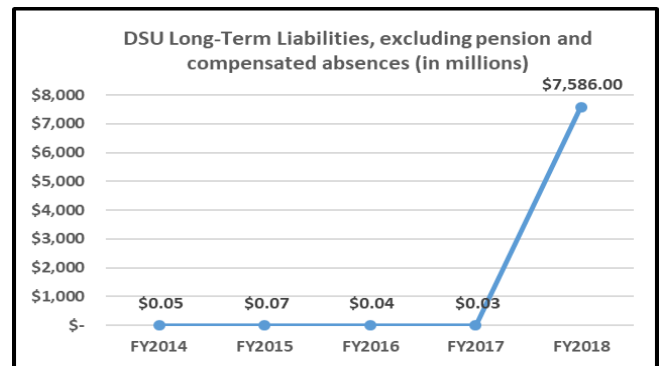
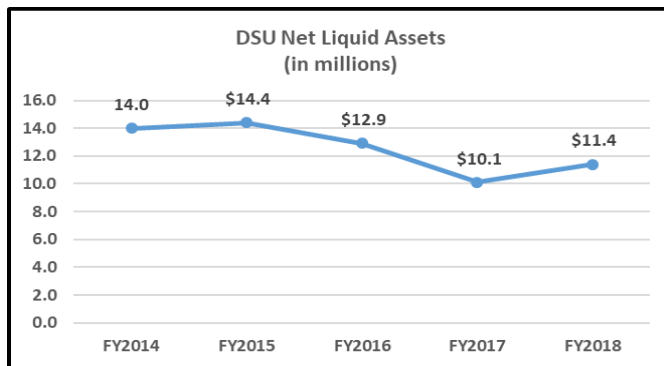
The information is presented on a cash basis.



Other Ratios:

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





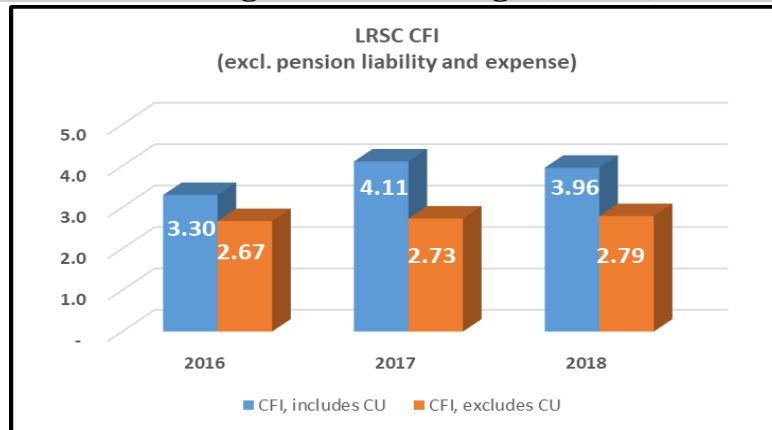
DSU Summary:

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

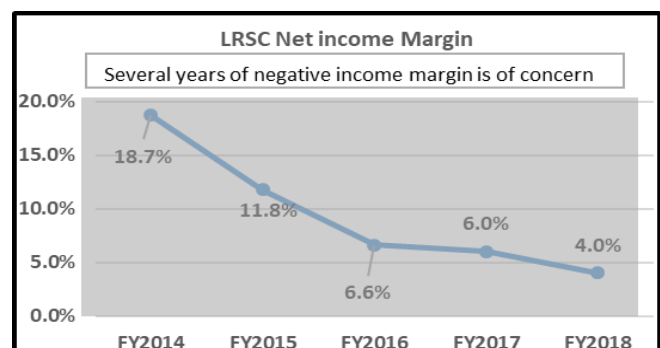
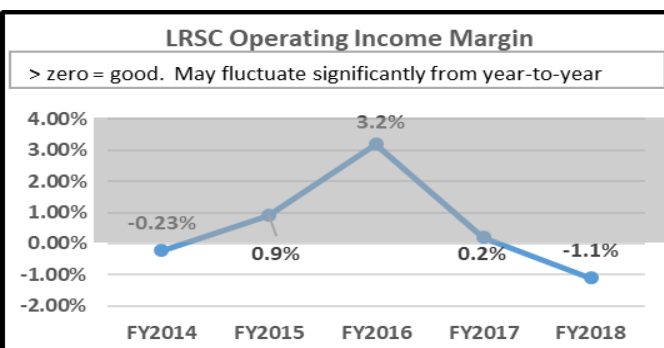
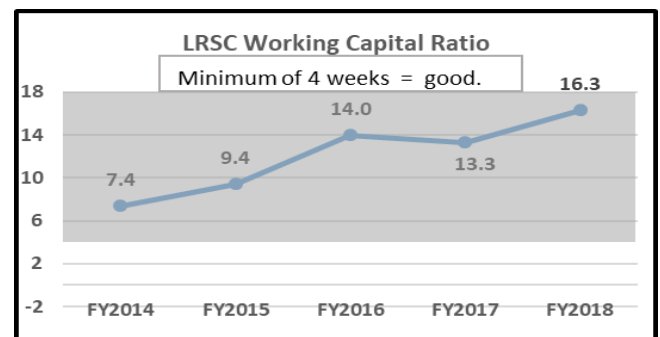
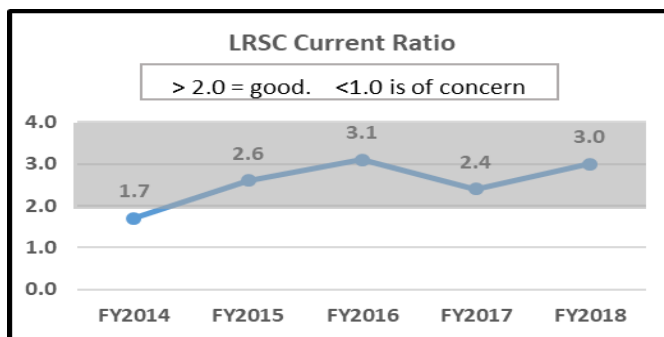
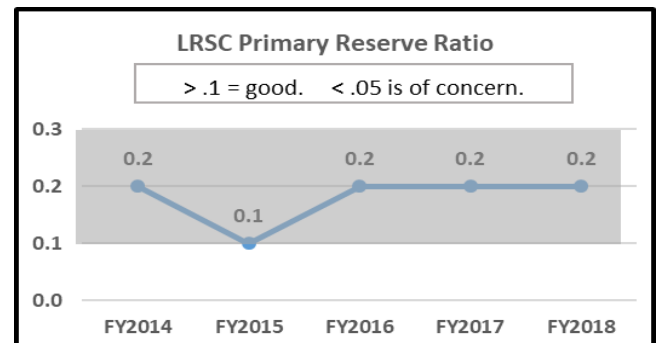
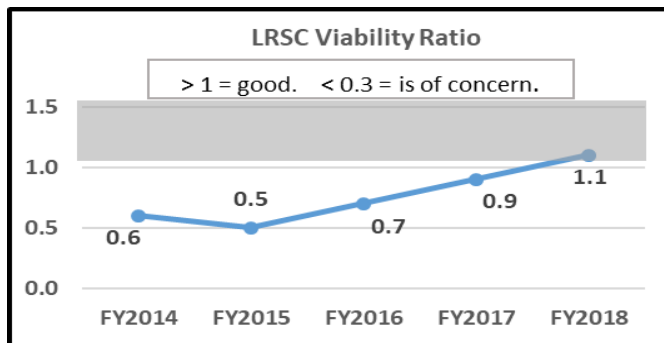
In June 2014, DSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends for operating income margin and enrollment. The plan outlined several steps taken by DSU since FY2012 that included reducing operating expenses, reducing FTE through retirements, reorganizations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

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

Lake Region State College (LRSC)



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

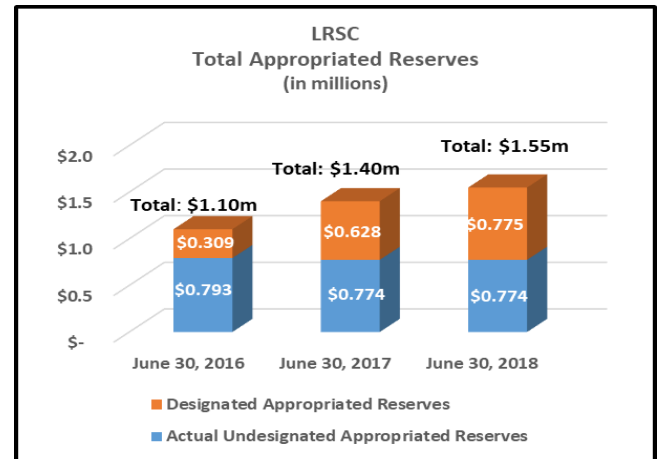
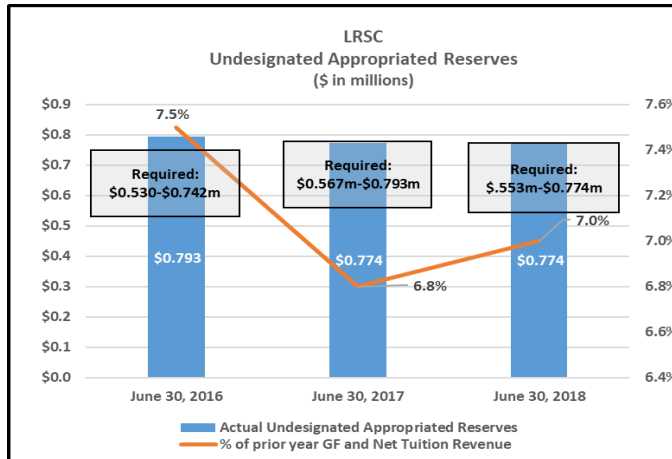


Appropriated Reserves

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

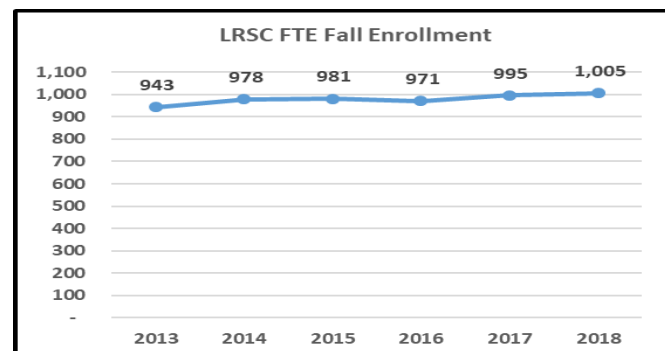
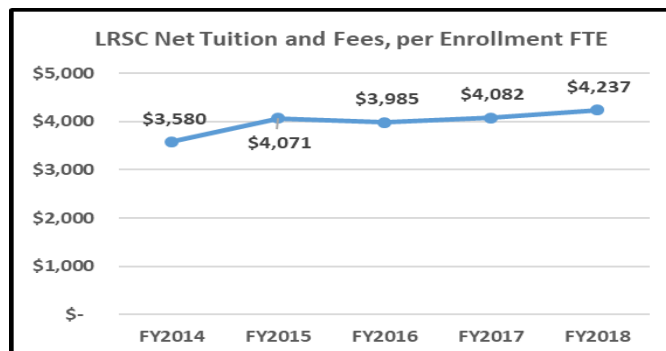
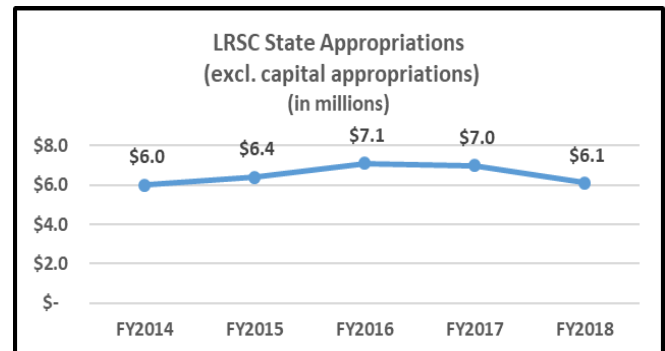
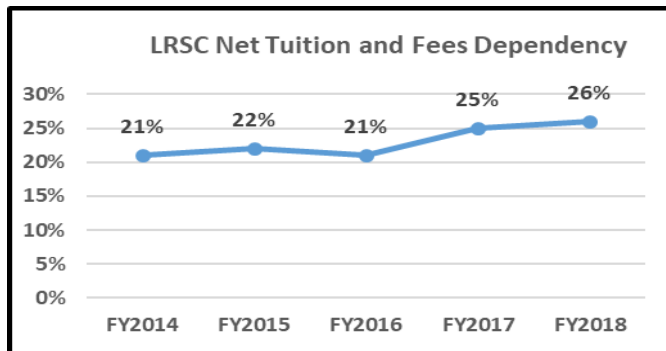
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

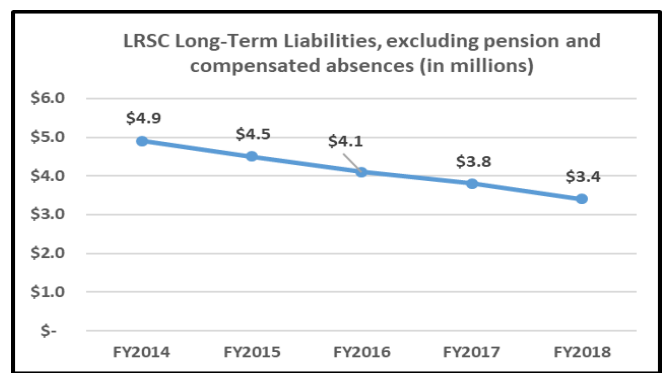
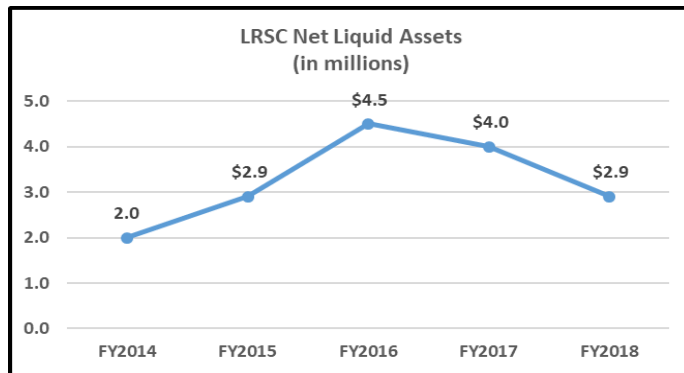
The information is presented on a cash basis.



Other Ratios:

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

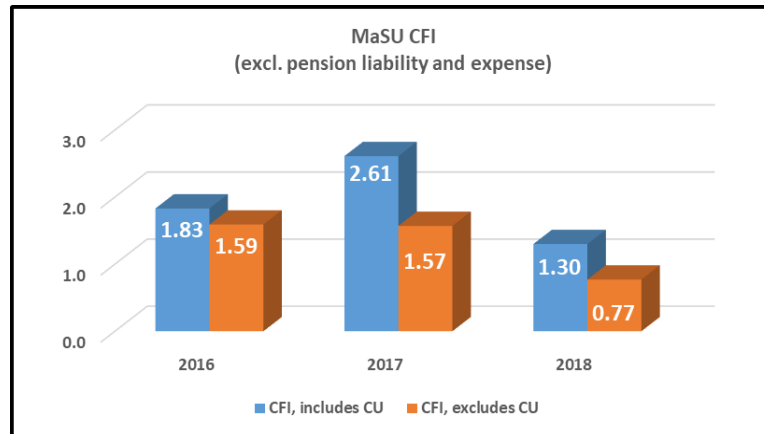




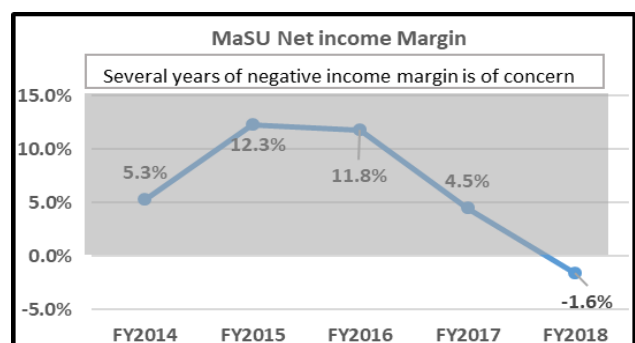
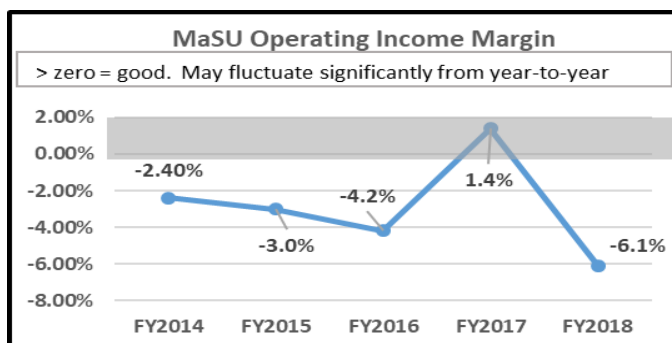
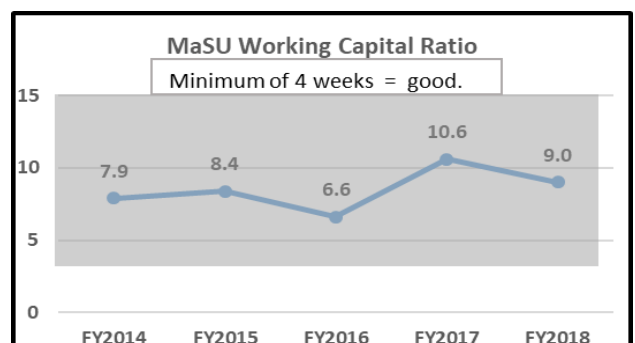
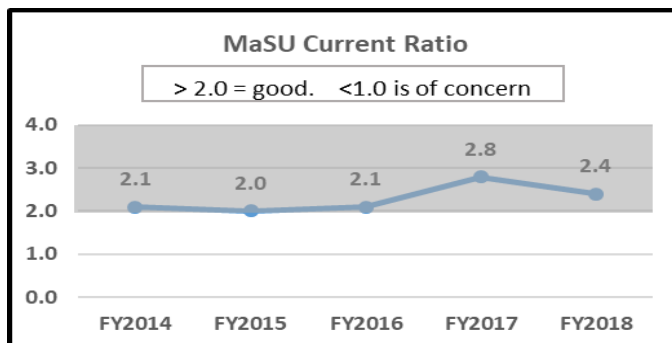
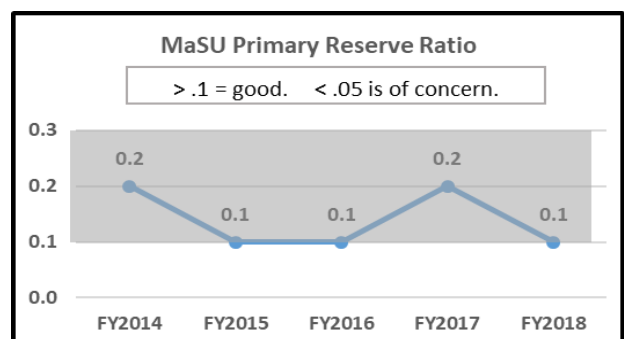
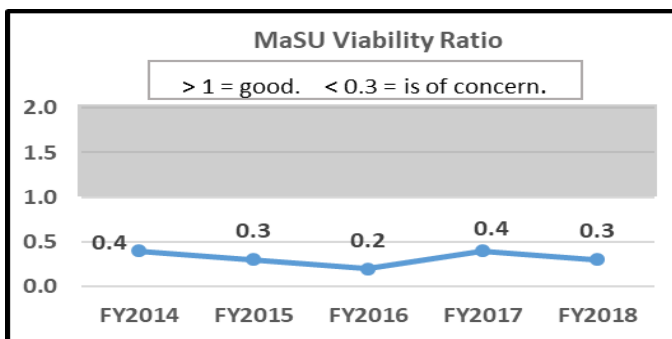
LRSC Summary:

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

Mayville State University (MaSU)



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

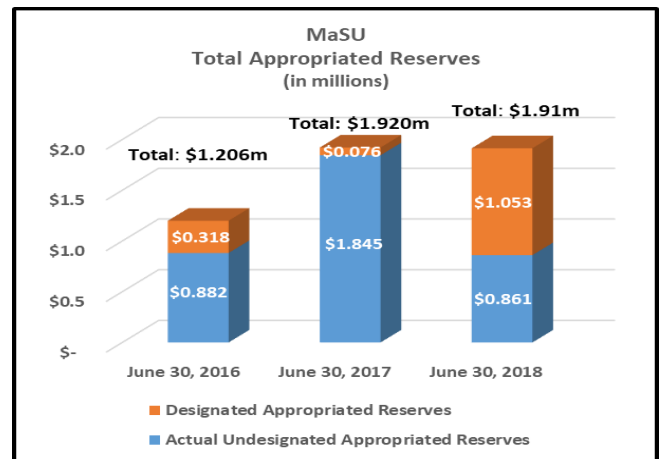
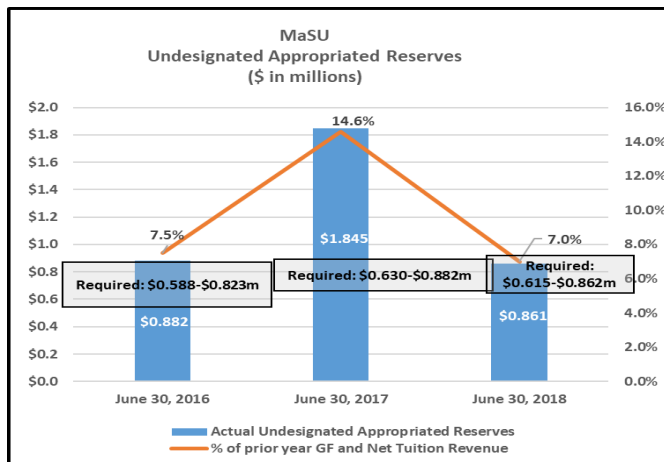


Appropriated Reserves

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

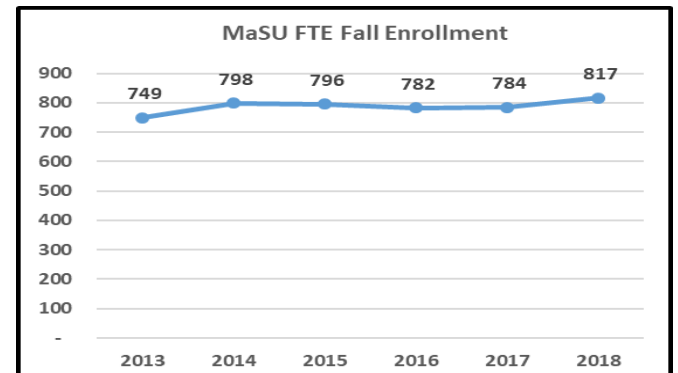
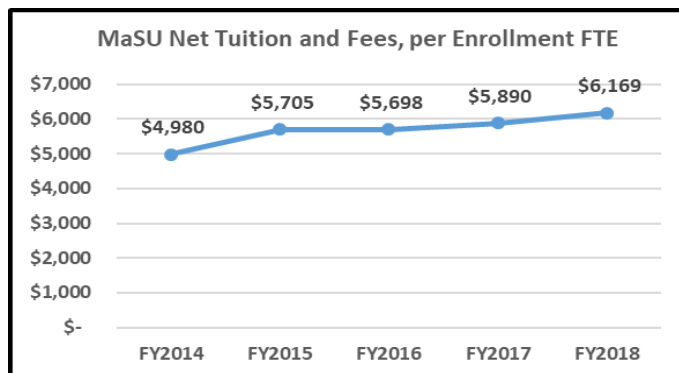
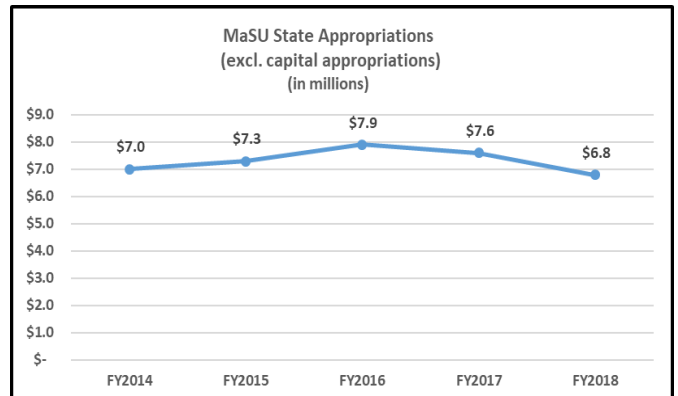
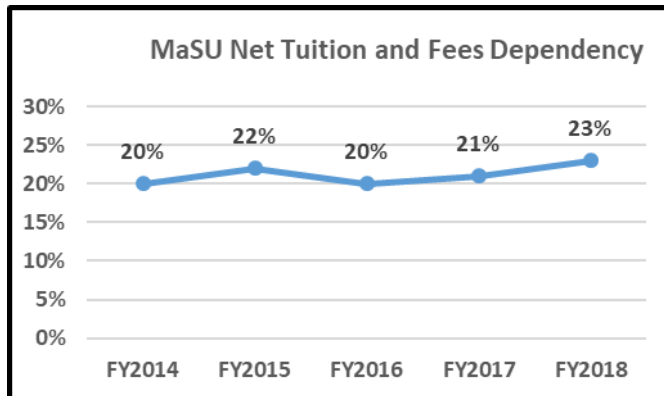
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

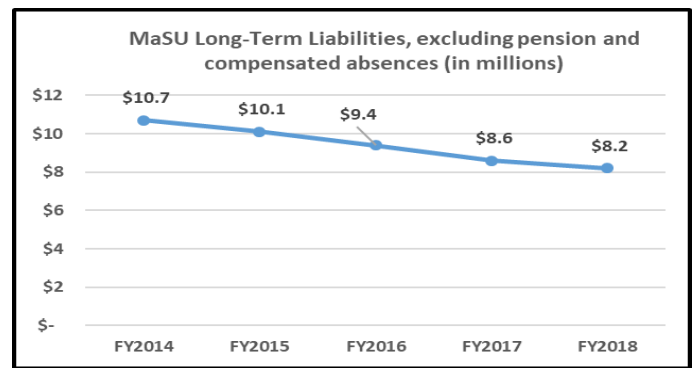
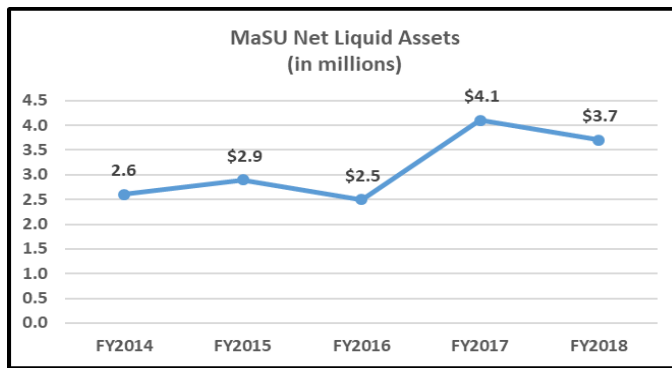
The information is presented on a cash basis.



Other Ratios:

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

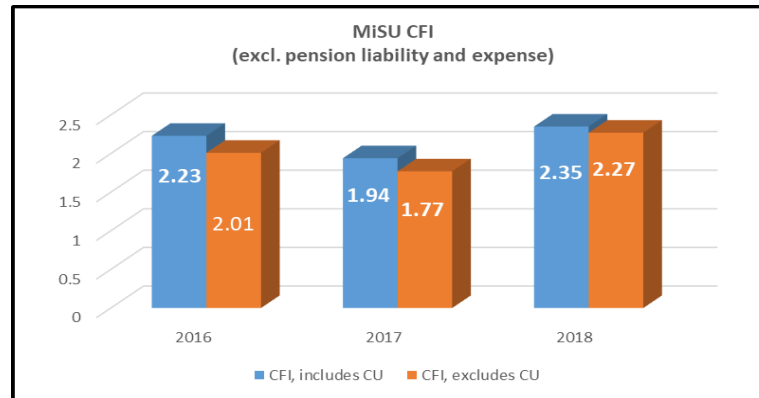




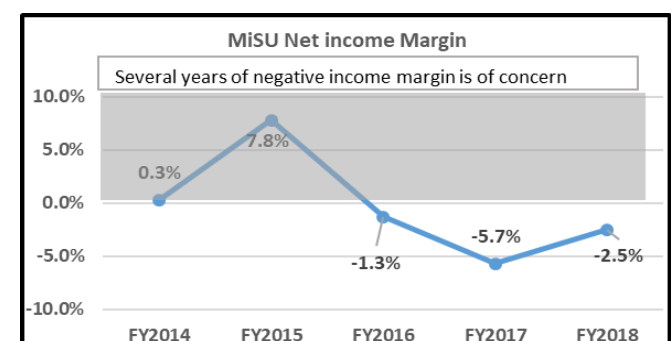
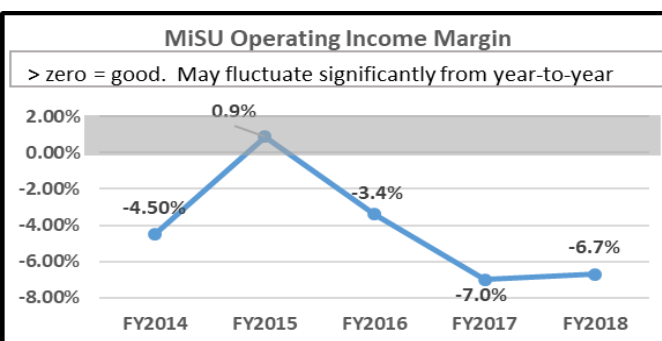
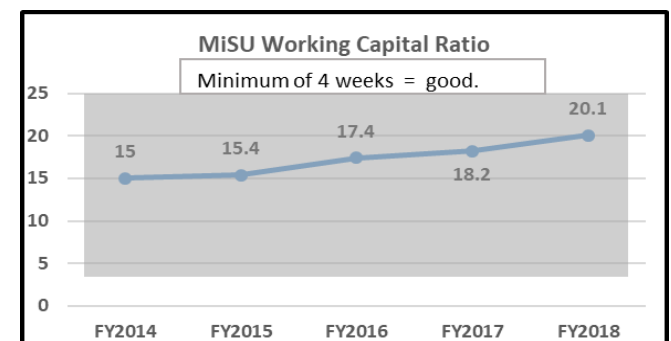
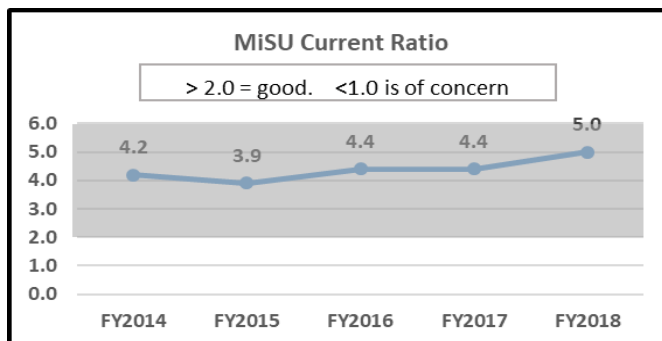
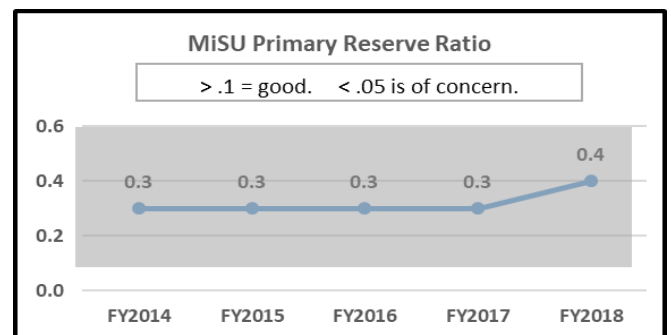
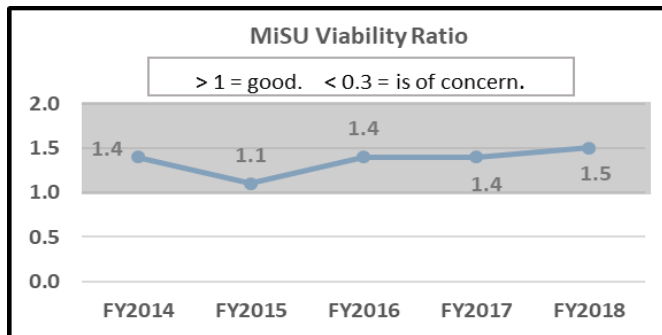
MaSU Summary:

- CFI scores are solid.
- The viability ratio has been below zero for FY2014 through FY2018 and should be monitored closely going forward.
- Although the operating income margin can fluctuate from year to year, it has been negative for four out of the five years and should be monitored closely going forward.
- One year of a negative net income margin is not a concern. Several years of a negative margin could be a concern.
- Long-term liabilities continued to decrease from FY2014. However, with a viability ratio of 0.3, MaSU should be cautious about adding new debt in the future.
- Enrollment increased since FY2016.

Minot State University (MiSU)



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

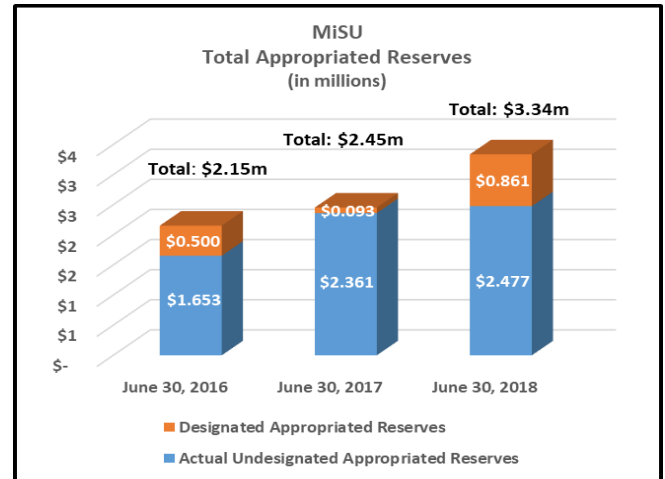
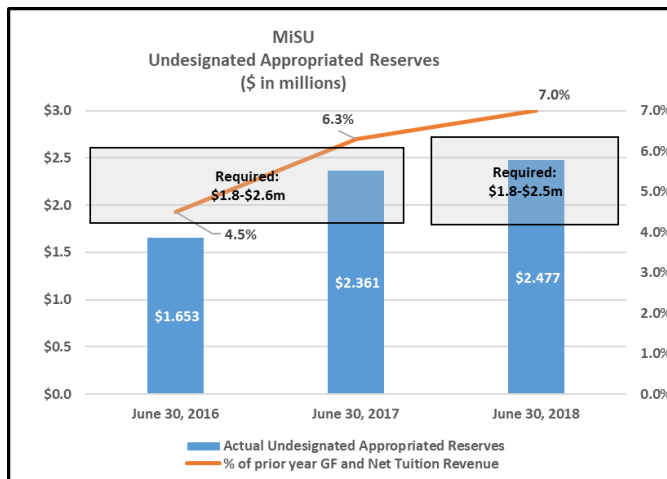


Appropriated Reserves

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

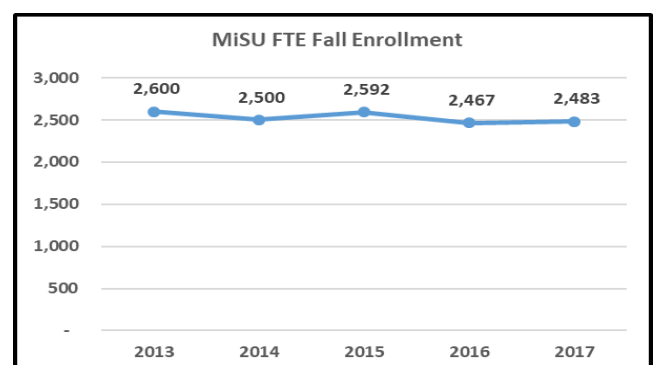
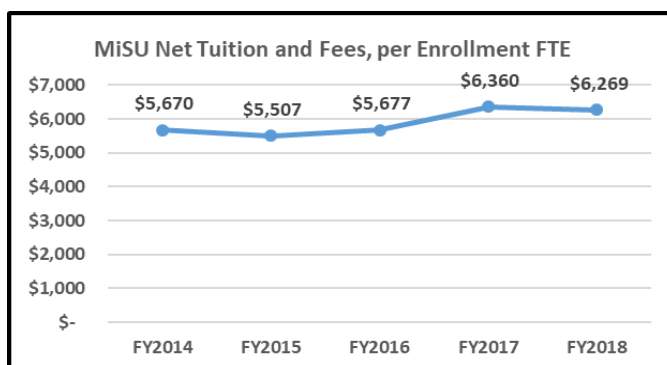
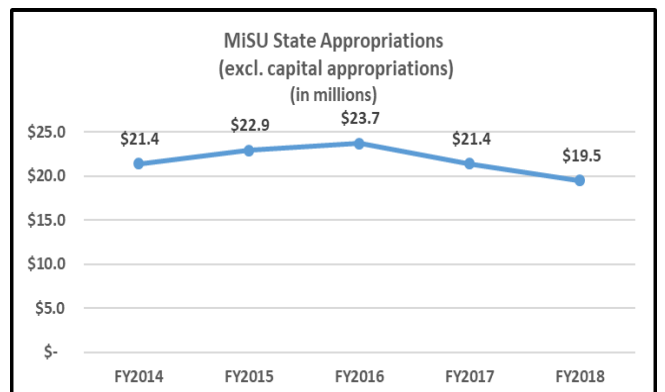
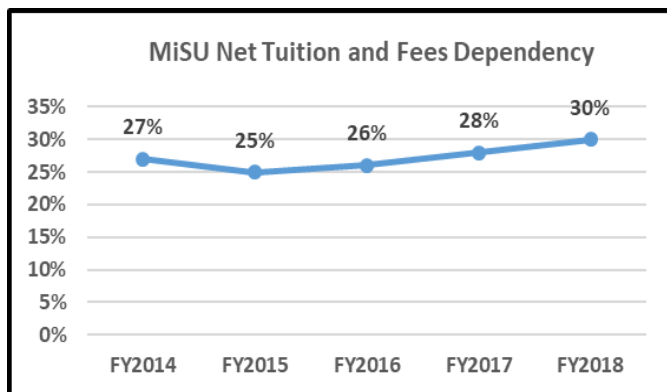
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

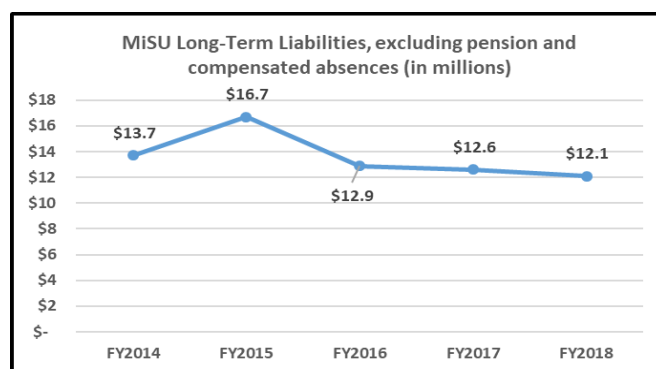
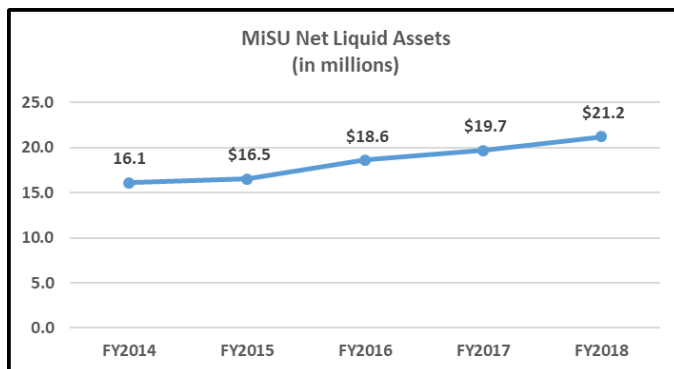
The information is presented on a cash basis.



Other Ratios:

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

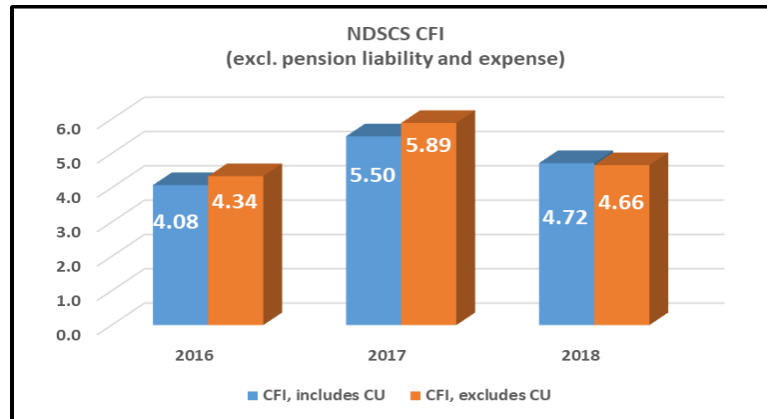




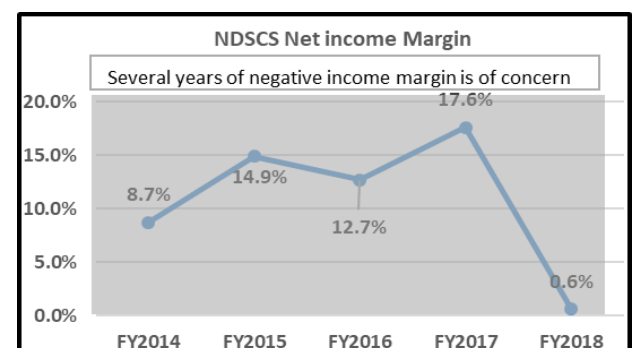
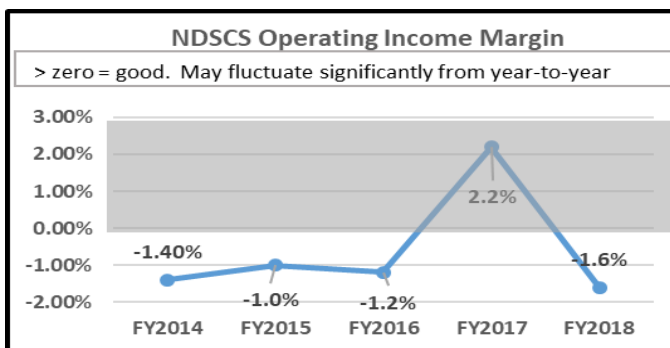
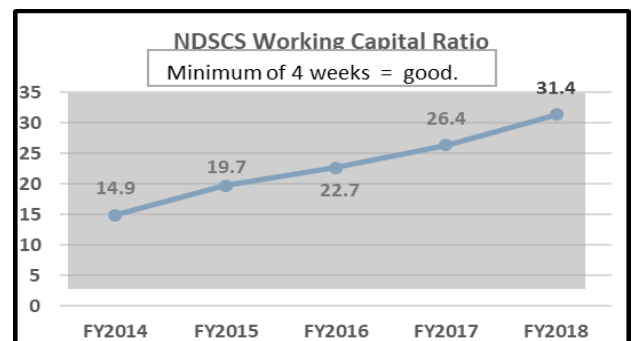
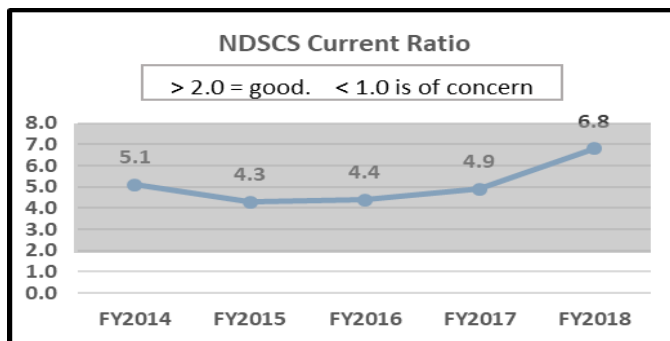
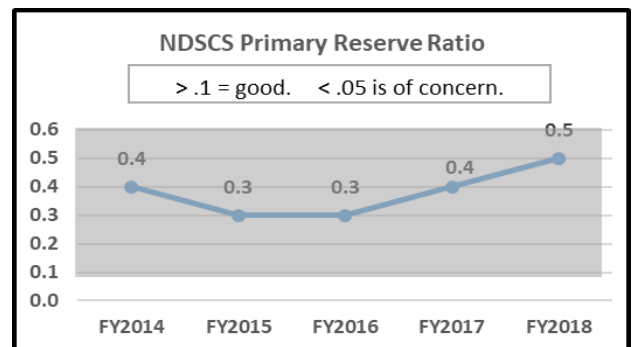
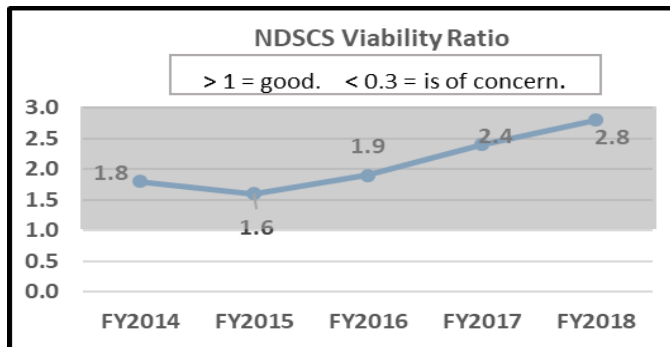
MiSU Summary:

- CFI scores are solid.
- All other ratios are good or very good, with the exception of the operating income margin and net income margin.
- Even though the operating income margin and net income margin are negative, both margins improved since FY2017, 0.3 percent for the operating income margin and 3.2 percent for the net income margin. Despite the negative margins, MiSU increased its appropriated reserves by approximately \$893,000 in FY2018. MiSU was also able to reduce its operating expenses by \$1.1 million and its total expenses by \$3.6 million, however, its operating revenue also decreased by \$580,000 and its total revenue decreased by \$3.2 million (approximately \$2million in state appropriation and \$1 million in local appropriations). Any further reduction of operating expenses may result in a loss of services to our students. Finally, if depreciation expense is eliminated from the calculation, both ratios would be positive—1.7 percent and 5.6 percent for the operating income and net income ratios, respectively.
- Enrollment decreased 4.5 percent from FY2014.
- Net tuition and fees, per enrollment FTE increased 10.6 percent from FY2014 while state appropriations decreased 8.9 percent.

North Dakota State College of Science (NDSCS)



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

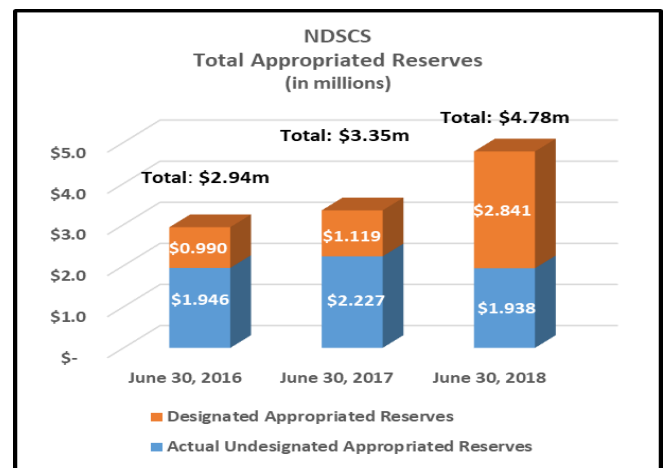
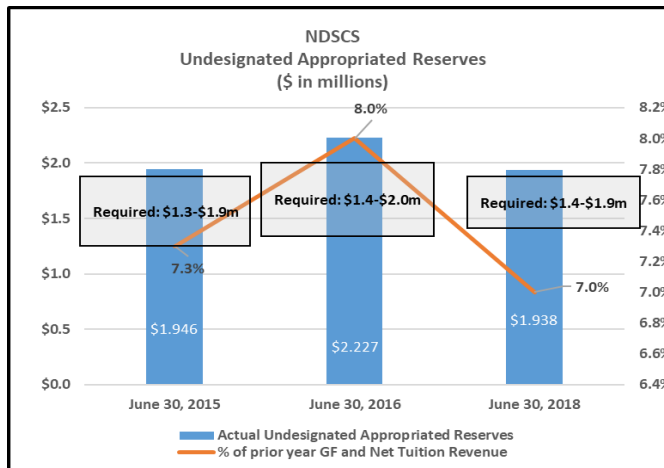


Appropriated Reserves

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

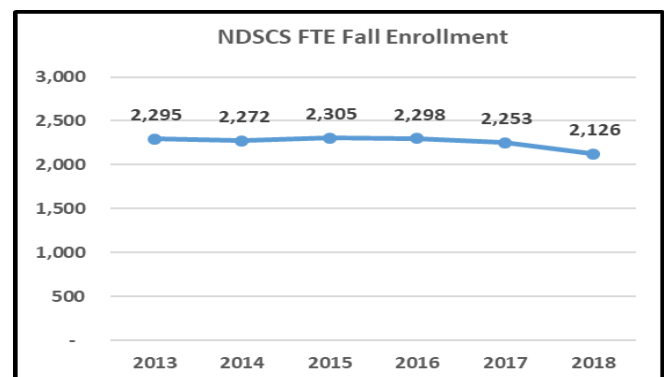
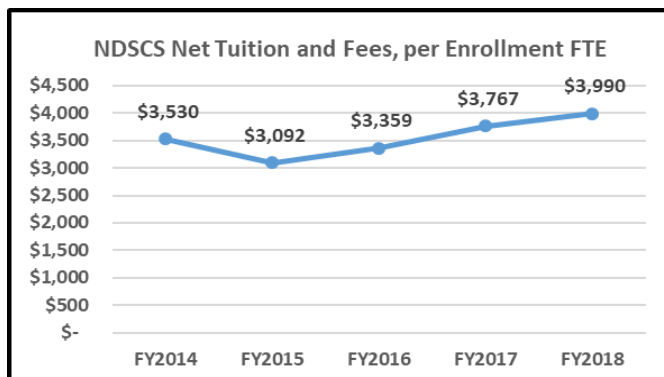
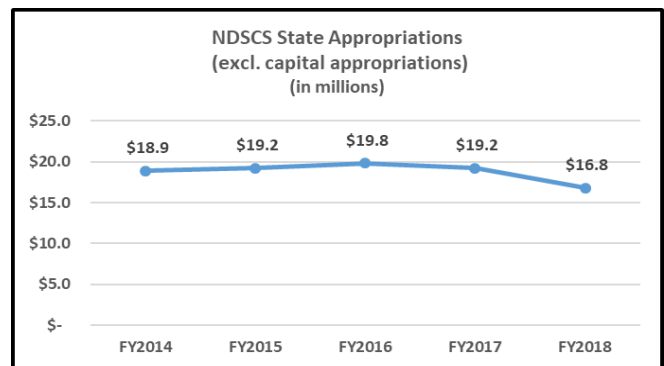
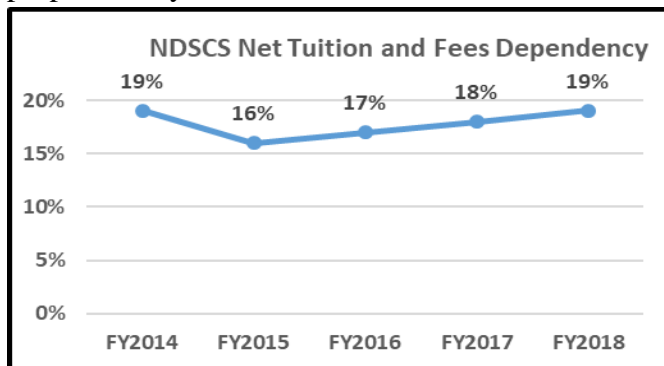
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

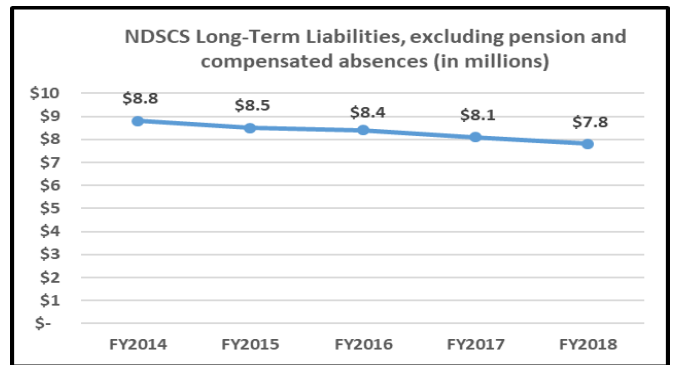
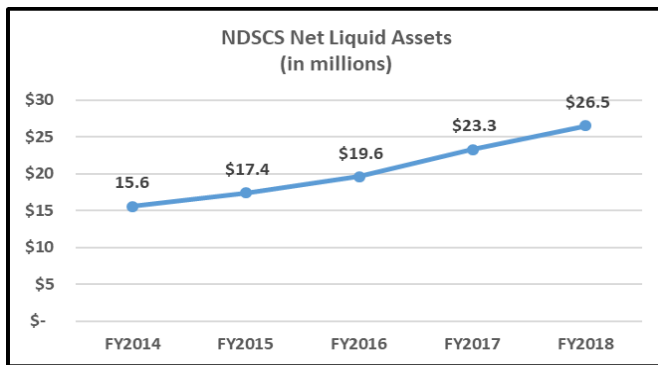
The information is presented on a cash basis.



Other Ratios:

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

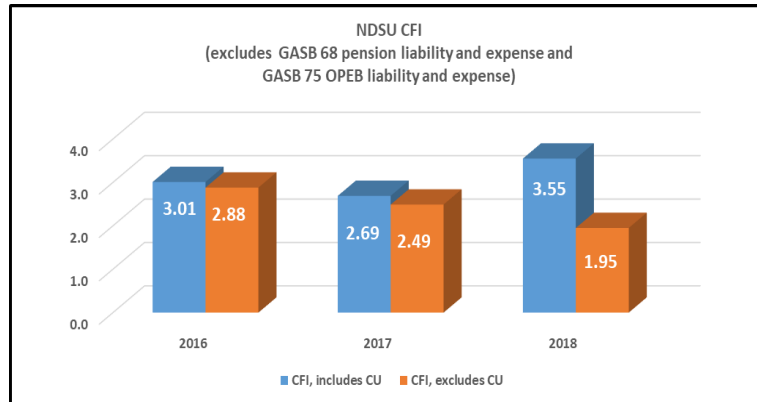




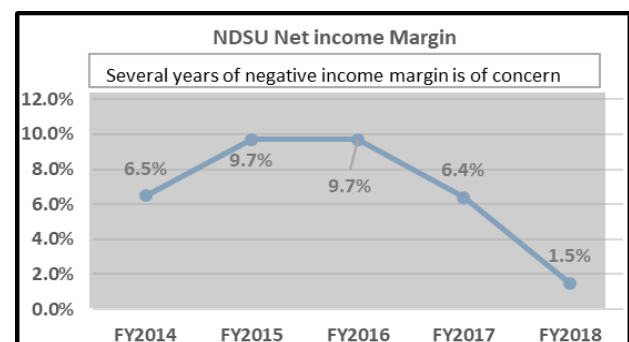
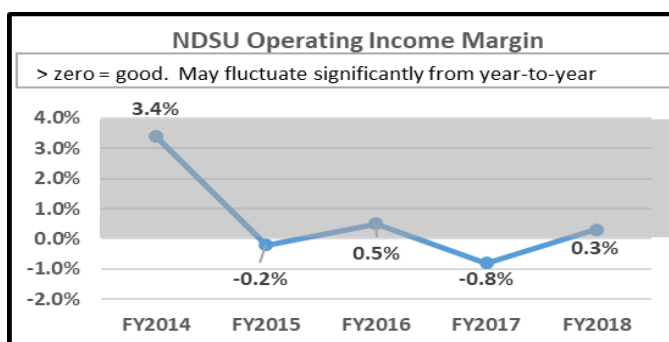
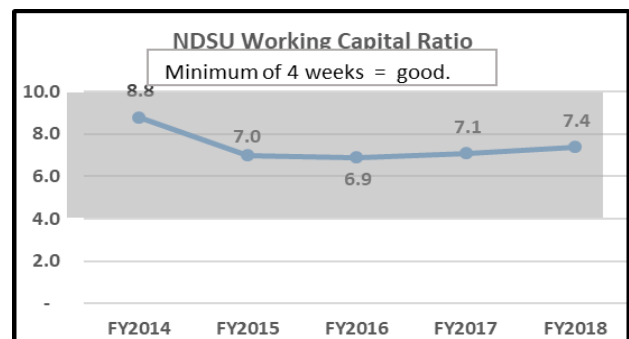
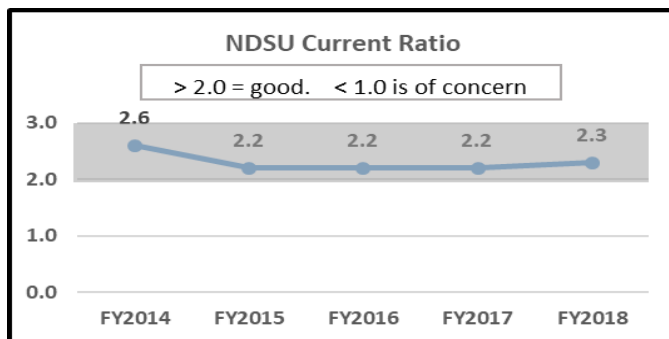
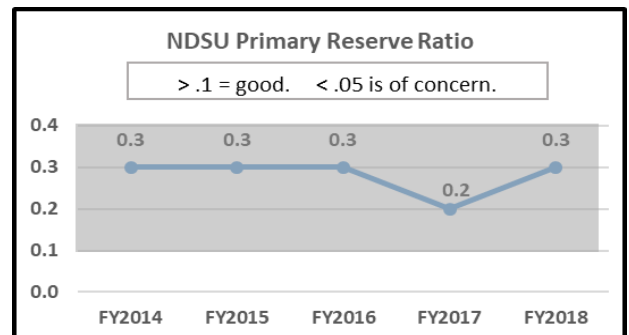
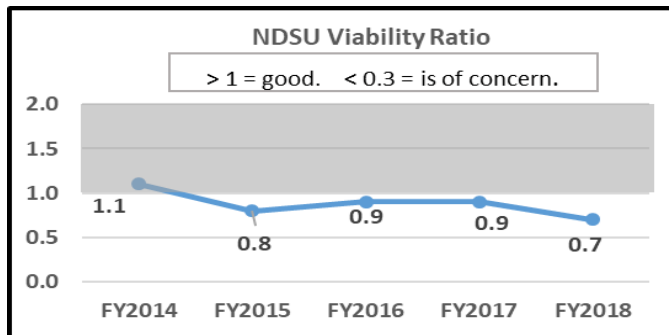
NDSCS Summary:

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

North Dakota State University (NDSU)



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

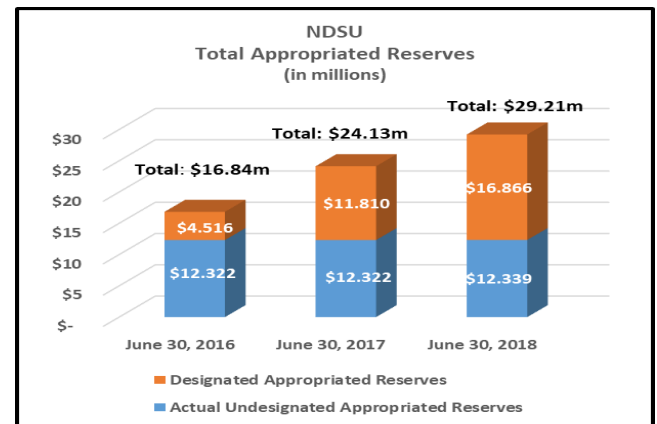
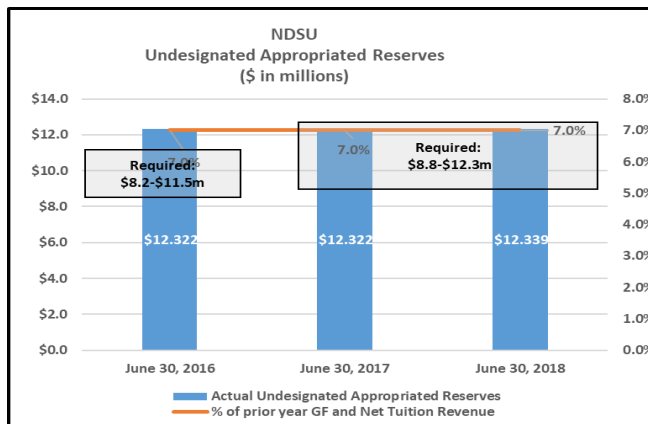


Appropriated Reserves

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

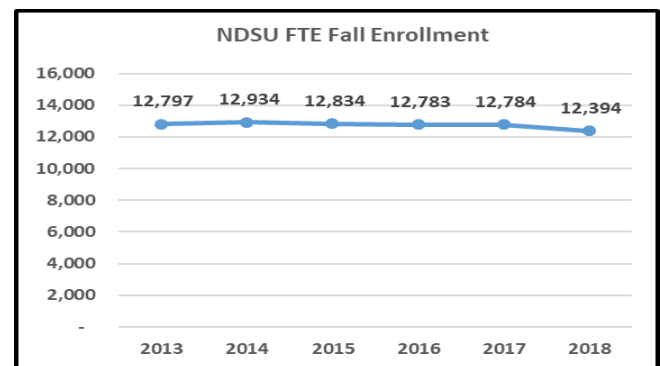
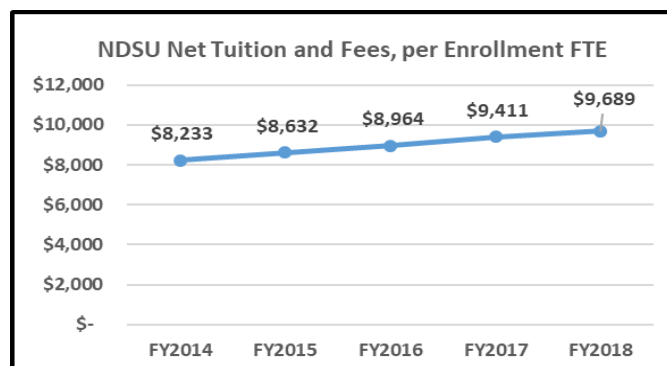
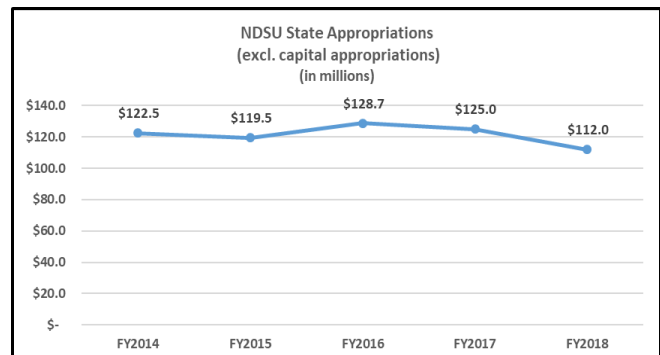
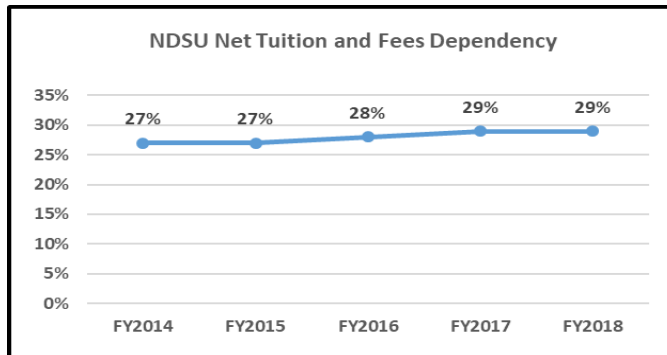
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

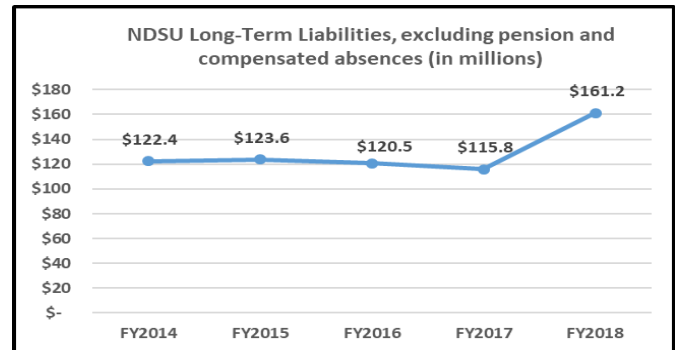
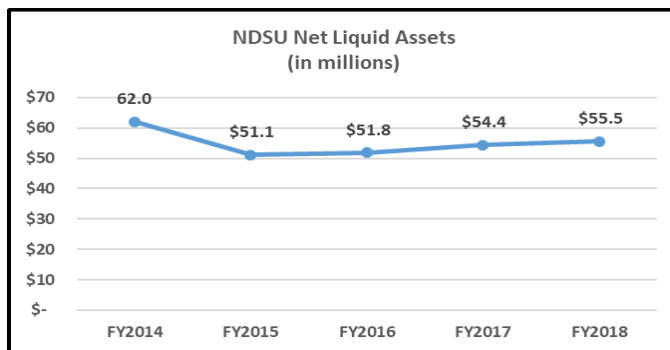
The information is presented on a cash basis.



Other Ratios:

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

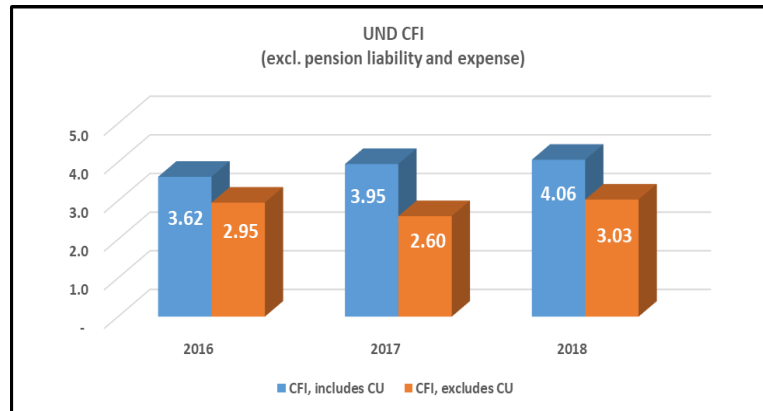




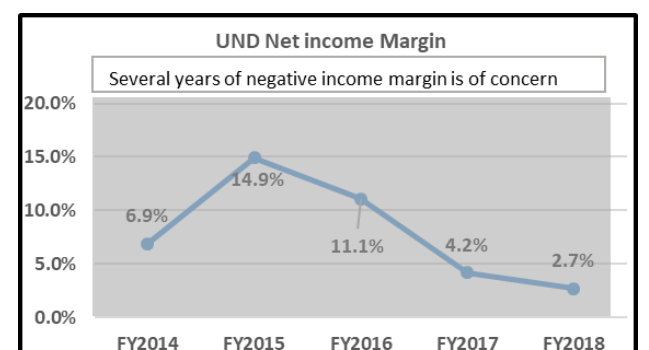
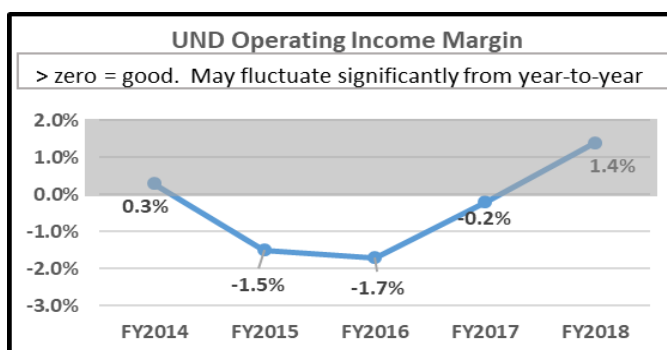
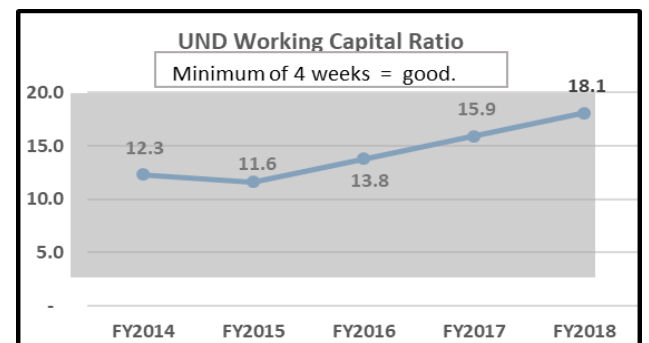
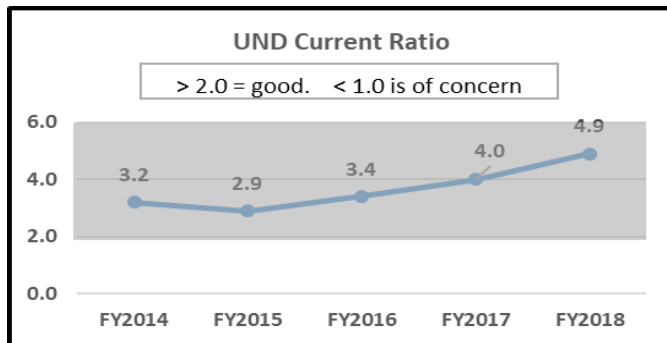
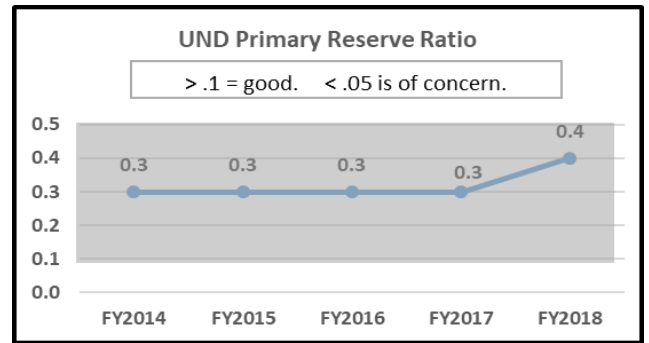
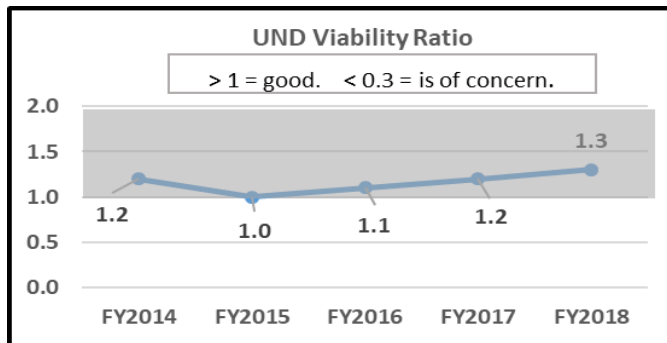
NDSU Summary:

- CFI scores are solid.
- The primary reserve, current and working capital ratios, operating income margin and net income margin are all good or very good.
- The viability ratio of 0.7 is not a concern at this time due to the strength of the other ratios.
- The net income margin of 1.5 percent, while still positive, has decreased each year since FY2016.
- Net tuition and fees, per FTE enrollment 17.7 percent since FY2014
- During the same period, state appropriations decreased 8.6 percent since FY2014.
- Long-term liabilities, excluding pension and compensated absences, increased \$45.4 million from FY2017 and \$38.8 million since FY2015. In FY18, NDSU issued Housing and Auxiliary Facilities Bonds of \$74.5 million.
- Standard & Poor's reaffirmed its 'AA-' rating with a stable outlook in a report dated June 30, 2017. According to S&P, "We assessed NDSU's enterprise profile as very strong, characterized by stable enrollment, solid matriculation rates, and good geographic diversity, which has helped offset local demographic pressures. We assessed the university's financial profile as very strong, characterized by healthy available resources, good financial policies, and a low debt burden."
- Moody's reaffirmed its 'Aa3' rating with a stable outlook in a report dated June 29, 2017. According to Moody's, "NDSU's Aa3 rating reflects the university's strong growth of flexible reserves providing sound coverage of debt and sound flexibility to absorb declines in state operating support. The Aa3 is further supported by NDSU's recognition as top research institution within its 5 state region with growing STEM programming and projections for continued solid student demand due to favorable demographics in the Fargo area."

University of North Dakota (UND)



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

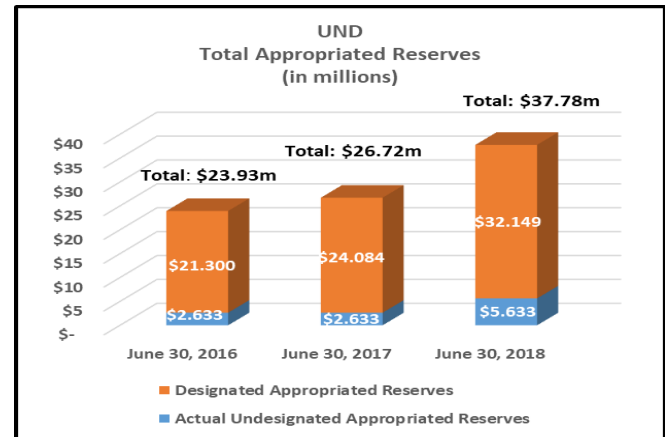
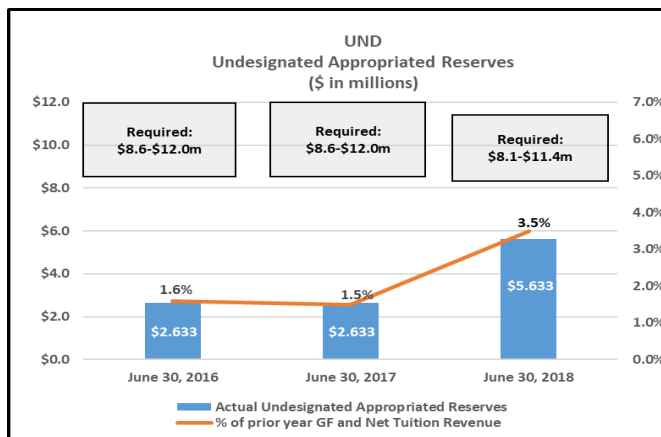


Appropriated Reserves

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

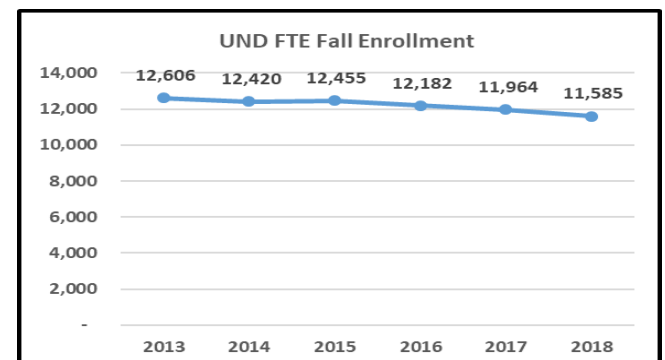
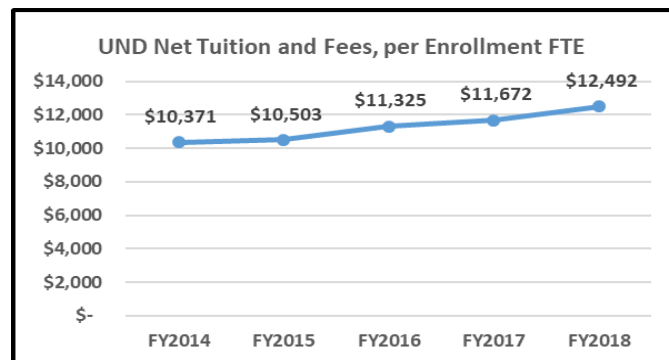
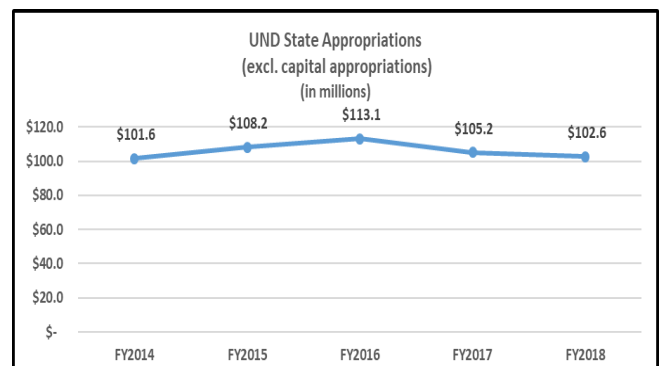
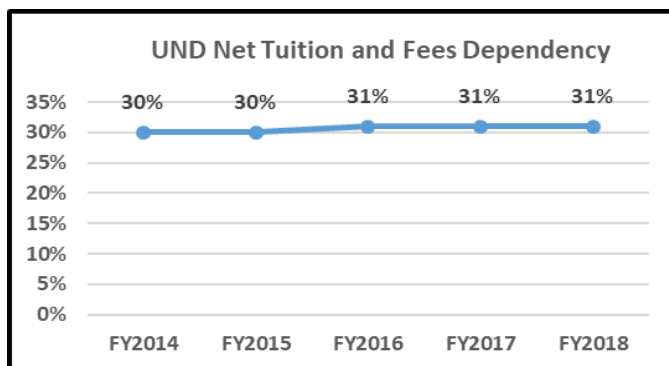
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

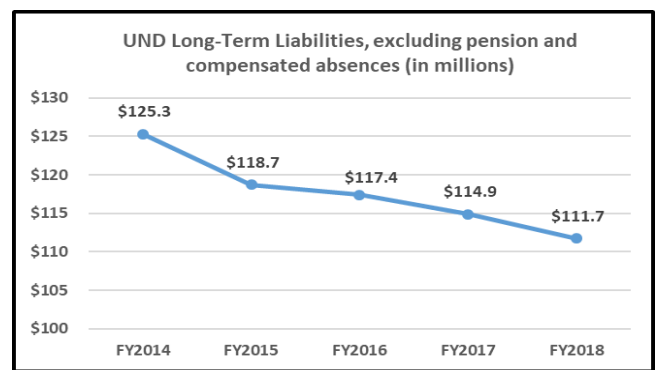
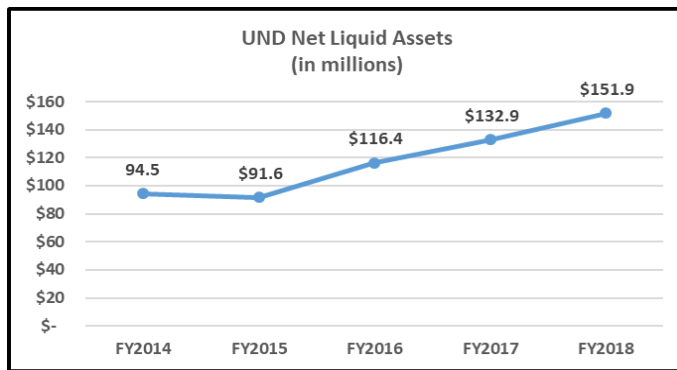
The information is presented on a cash basis.



Other Ratios:

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



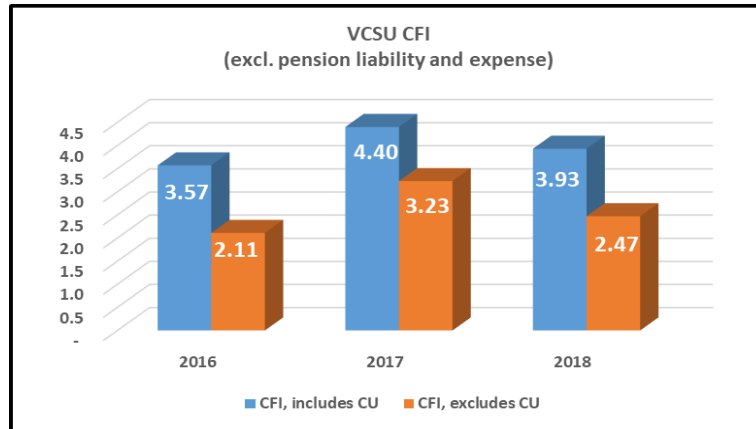


UND Summary:

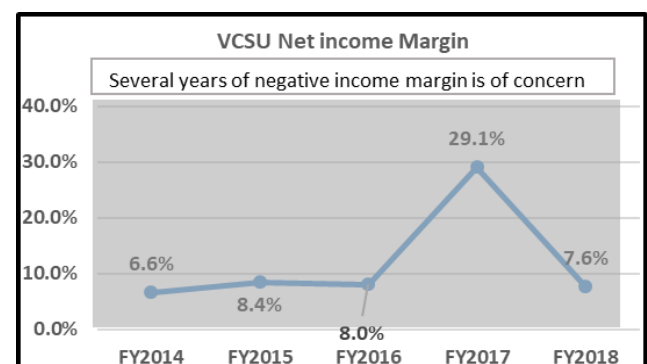
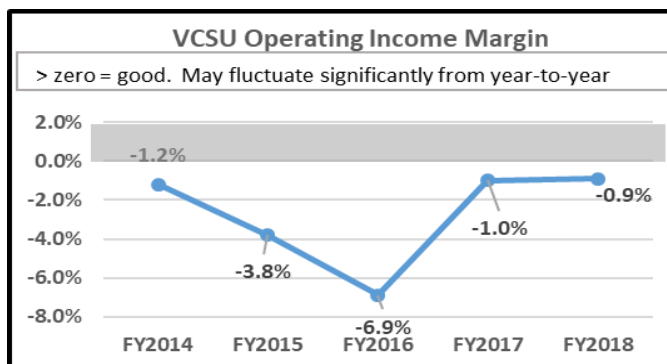
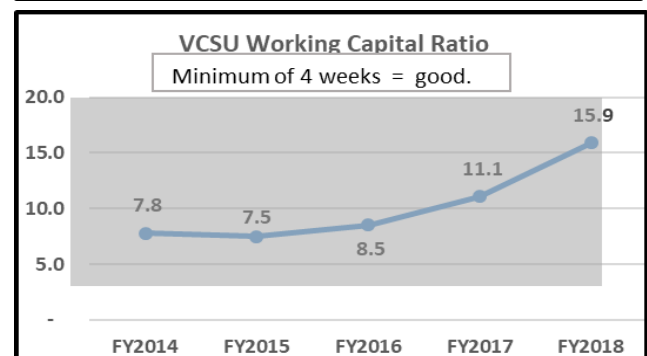
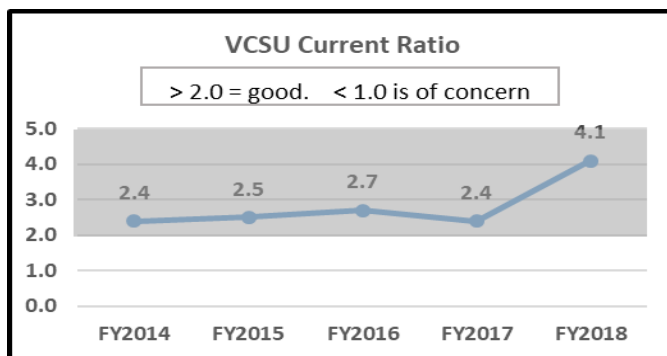
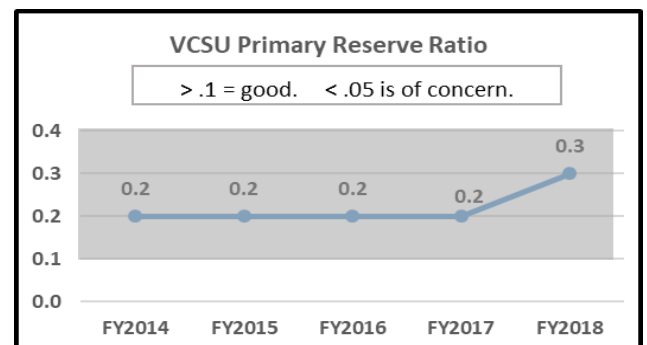
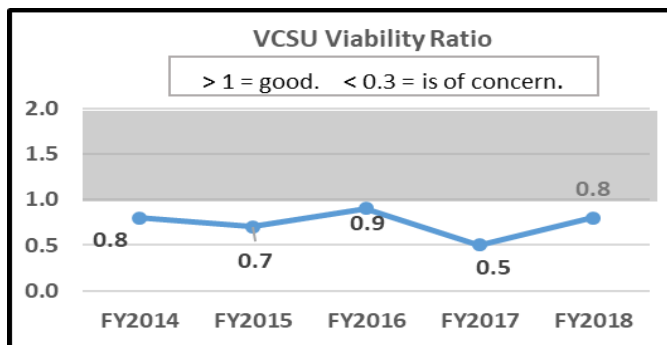
- CFI scores are solid.
- All other ratios are good or very good.
- Undesignated appropriated reserves are significantly below the 5-7 percent threshold established in SBHE policy, however a plan is in place to reach threshold by June 30, 2020.
- Fall enrollment has decreased every year, except in Fall 2015. Fall 2018 enrollment decreased 8.6 percent compared to Fall 2013.
- Net tuition and fees, per FTE enrollment increased 20.5 percent since FY2014. State appropriations increased slightly from FY2014 but decreased since FY2016.
- Although still below required levels, undesignated appropriated reserves increased \$3.0 million from FY2017.

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

Valley City State University (VCSU)



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

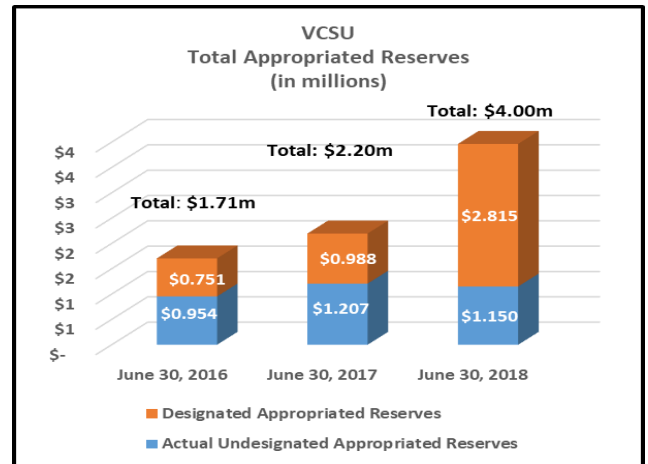
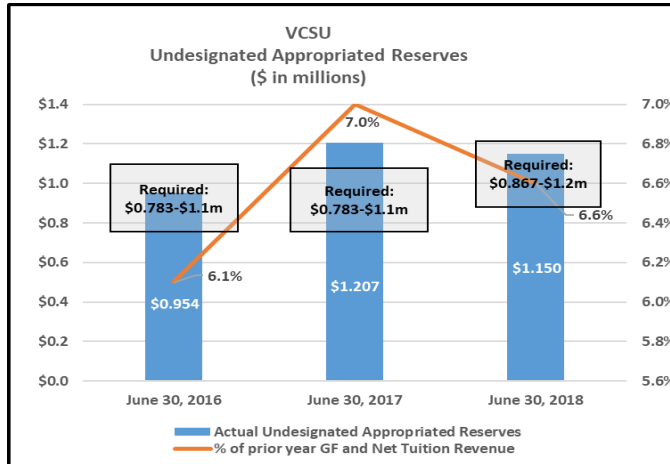


Appropriated Reserves

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

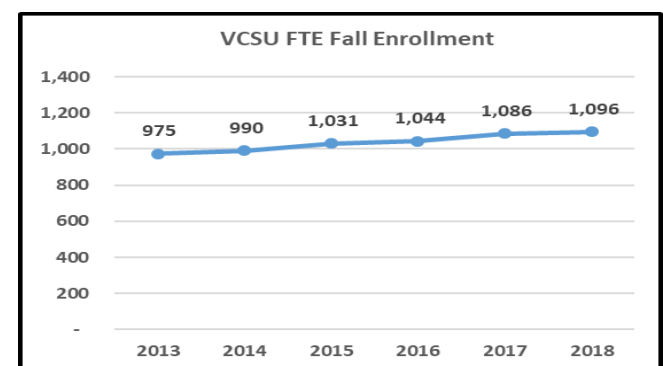
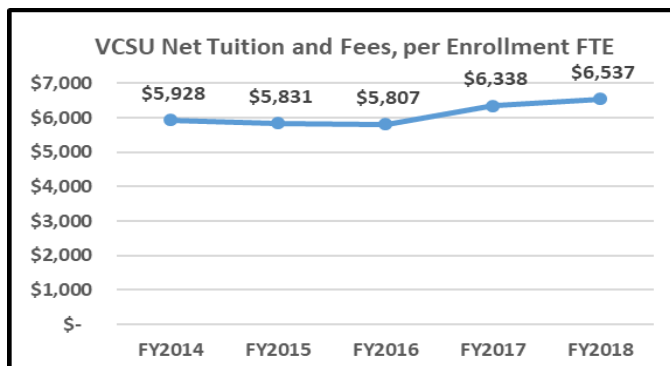
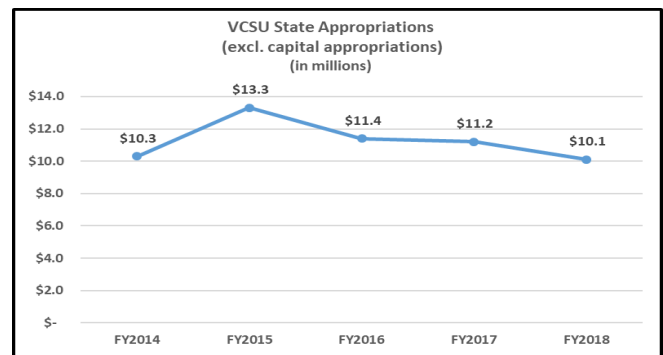
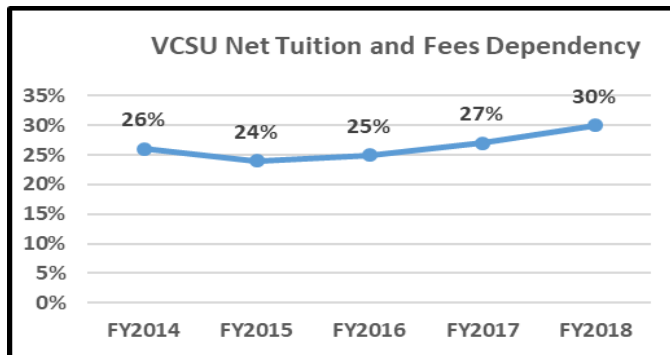
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

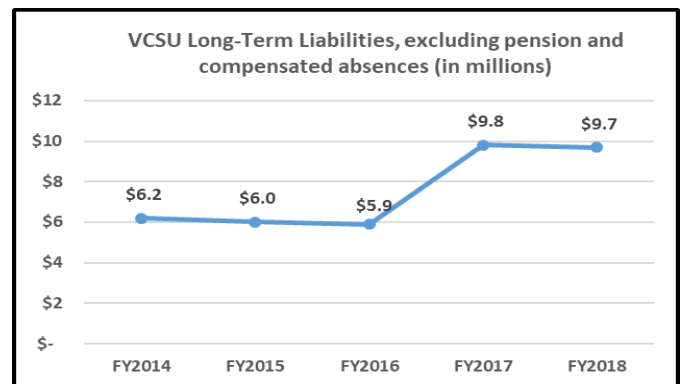
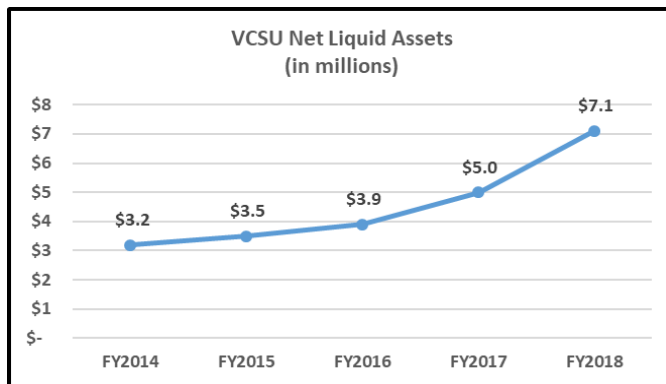
The information is presented on a cash basis.



Other Ratios:

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





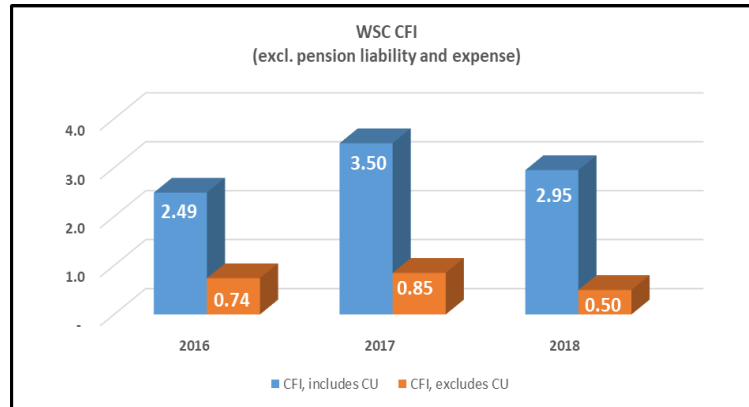
VCSU Summary:

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

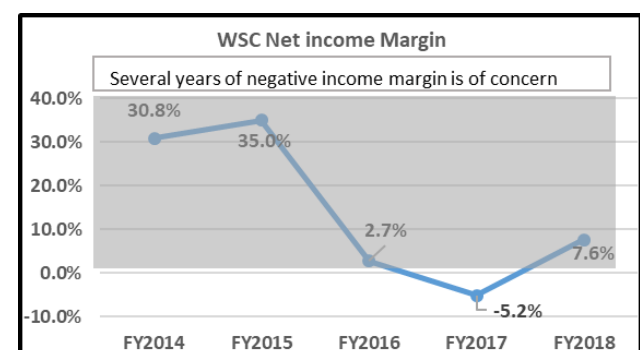
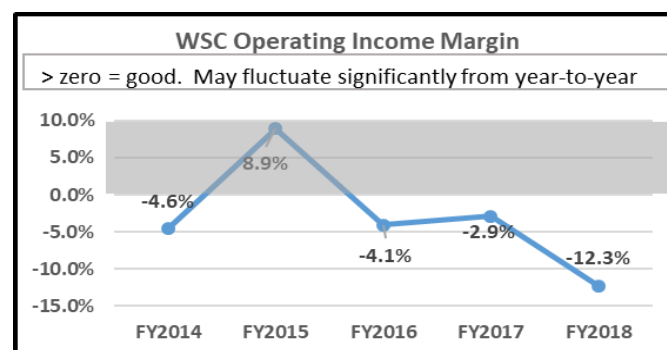
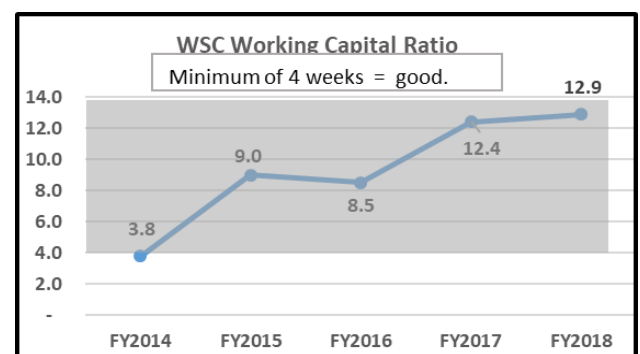
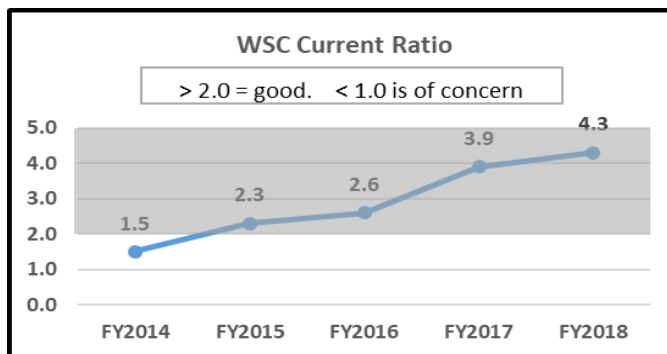
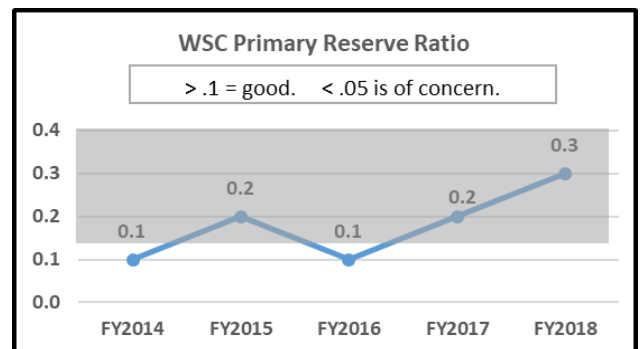
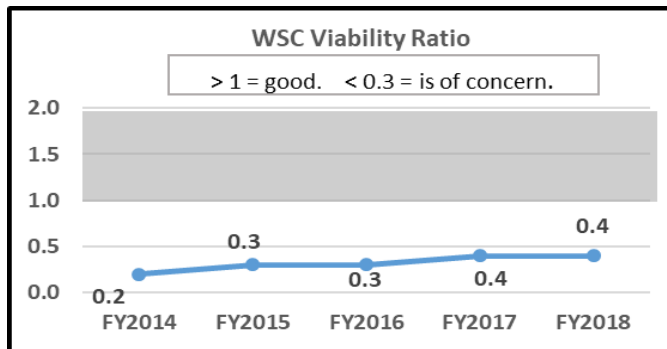
In June 2014, VCSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends. The plan called for careful monitoring of long-term debt and operating income margin, excluding depreciation.

Plan Status Update: VCSU provided an update to the SBHE Budget and Finance Committee in July 2017 where three strategies were enumerated. Strategy 1 – Activated Carbons project has potential for positive income generation and will help towards correcting our negative operating income margin. Strategy 2 – Increased enrollment, retention, and persistence will lead to greater income that will also help the imbalance. Strategy 3 – VCSU plans to put 20% of new revenues towards correcting this operating income imbalance and reinvest 80% back into the University. VCSU continues to carefully monitor the operating income margin. There were no changes to the plan in FY2018.

Willison State College (WSC)



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

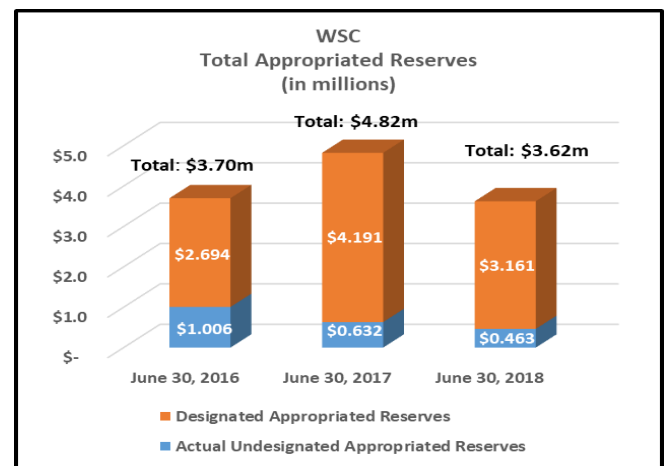
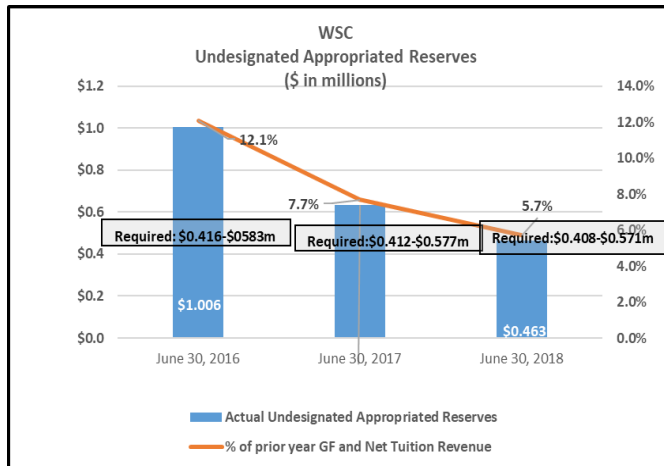


Appropriated Reserves

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

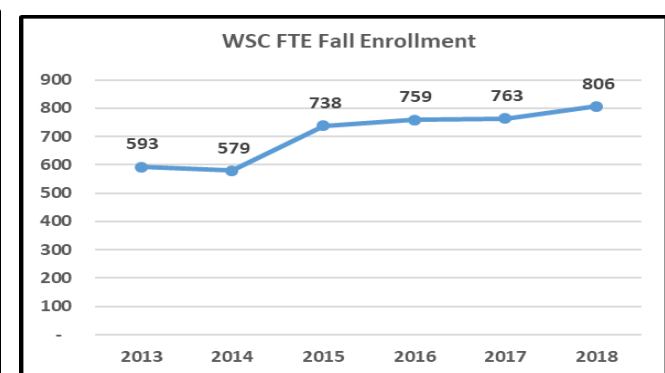
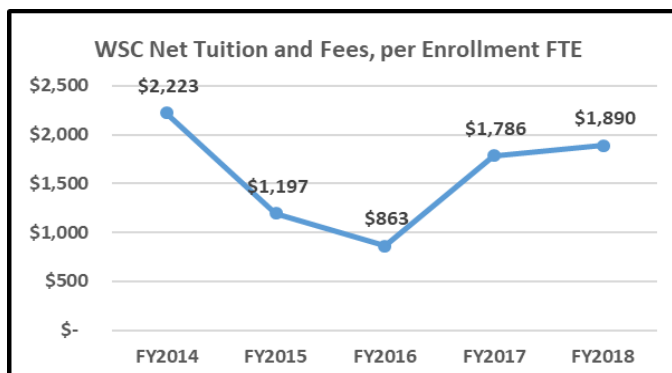
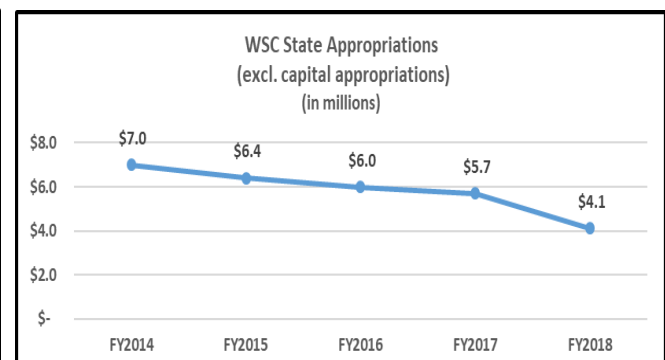
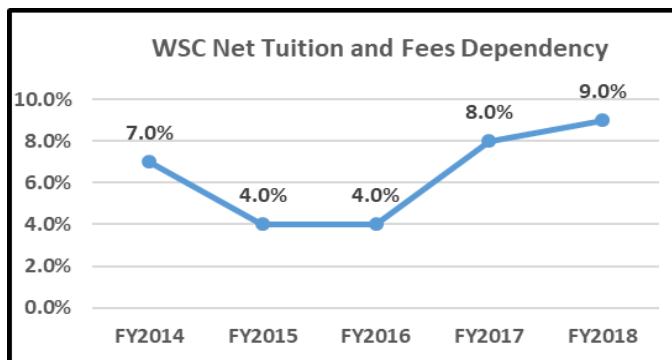
SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7 percent of the previous fiscal years' actual general fund and net tuition revenue.

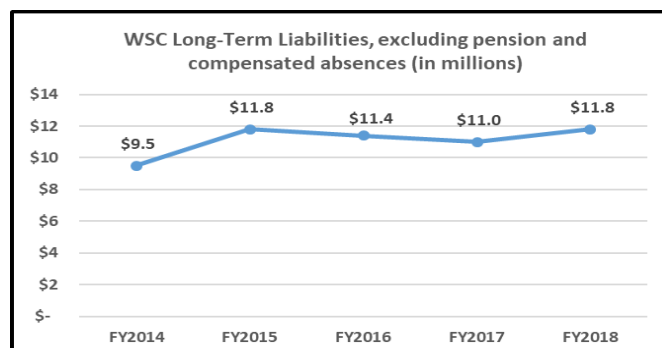
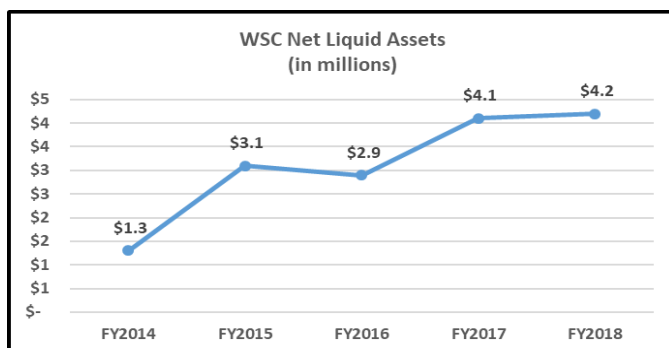
The information is presented on a cash basis.



Other Ratios:

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





WSC Summary:

- CFI scores with the foundation balances are solid. However, CFI scores, excluding the foundation, are in the “In” zone for FY2016, FY2017 and FY2018.
- Viability ratio has been below 1.0 since FY2014 but the primary reserve, current ratio and working capital ratio are strong.
- Operating income margin has been negative for three out of the last four years.
- Net tuition and fees dependency increased since FY2016 as a result of:
 - An increase in tuition rates,
 - A decrease in state appropriations of 36 percent and
 - A decrease in scholarship payments received from the WSC Foundation. The decrease in WSC Foundation Scholarship is related to the order of application of Financial Aid payments to student accounts. Effective in FY2017, Pell, SEOG and North Dakota State Grants began applying first to student accounts before WSC Williams County or WSC Regional Scholarships. WSC Williams County and WSC Regional scholarships are not refundable to students.

Note: The WSC Foundation Scholarships are recognized as gift revenue rather than tuition revenue, in accordance with accounting standards.

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

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

Plan Status Update: The WSC Foundation is conducting a \$2 million fundraising campaign to buy down the principal on the debt of Frontier Hall and will be completed by 2020.

Increased hiring activity in the region has put a demand on TrainND to provide additional training and course offerings. Increasing courses will allow for TrainND to make additional payments on the principal of the long term debt at TrainND.

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