

Financial Review

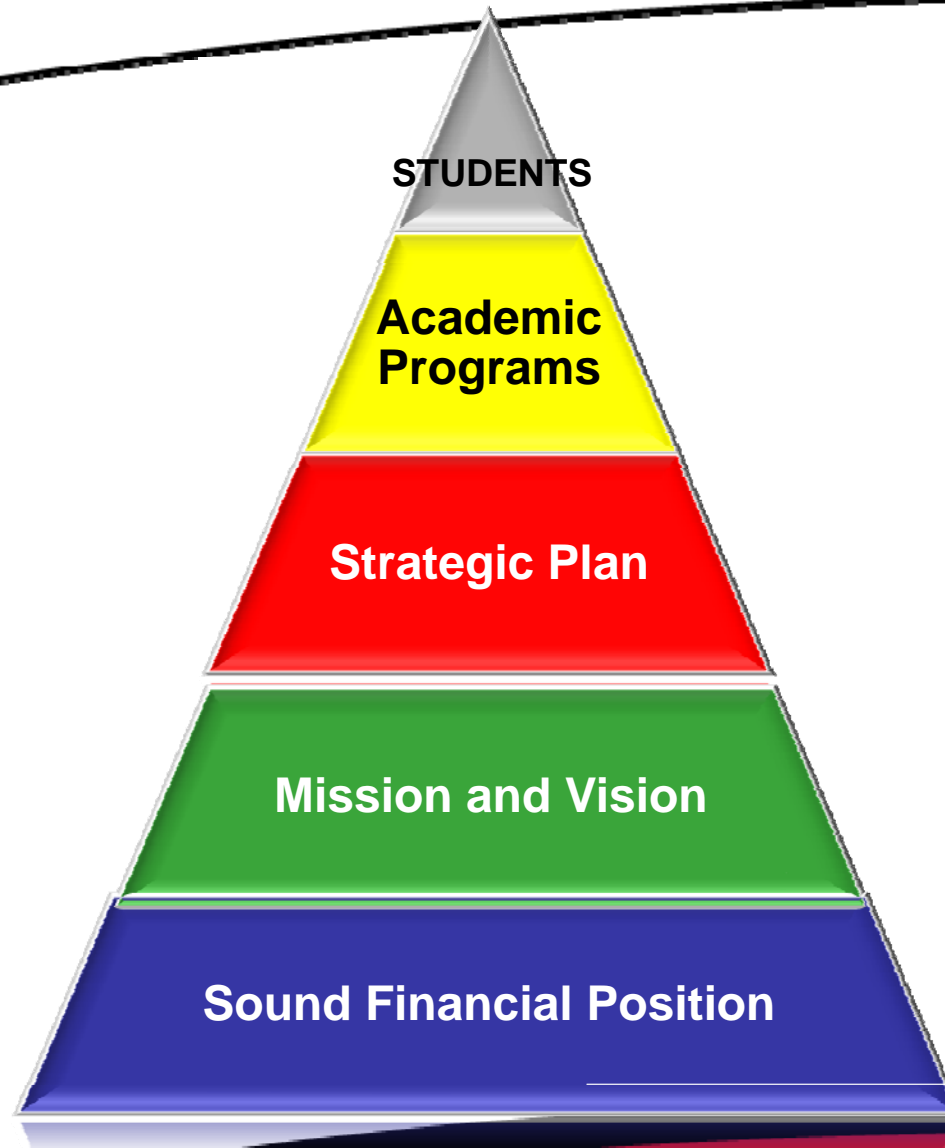
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FISCAL YEAR 2012

Achieving the Goals of the Board of Trustees

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Eastern Washington University's Mission

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EWU expands opportunities for personal transformation through excellence in learning.

EWU ACHIEVES THIS MISSION BY:

- fostering excellence in learning through quality academic programs, undergraduate and graduate student research and individual student-faculty interaction. Students extend their learning beyond the classroom through co-curricular programs, life skills development, internship programs, volunteering and service learning.
- creating environments for personal transformation that enrich the lives of individuals, families, communities and society at large.
- expanding opportunity for all students by providing critical access to first generation students, underserved populations, place-bound students, and other students who may not have the opportunity for higher education.
- developing faculty and staff by growing and strengthening an intellectual community and supporting professional development.



EASTERN WASHINGTON UNIVERSITY

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A sound financial position supports Eastern's Mission and Strategic Objectives

Preserving and advancing Eastern's institutional strength and security is a Board of Trustees priority

A stable financial position is a critical element in support of developing goals, strategies, and actions for Eastern to meet the challenges of the future

Stable Financial Position enables Growth.

Financial Performance meets or exceeds industry measures.

Solid position enables investment planning and resource management to meet future budget challenges.

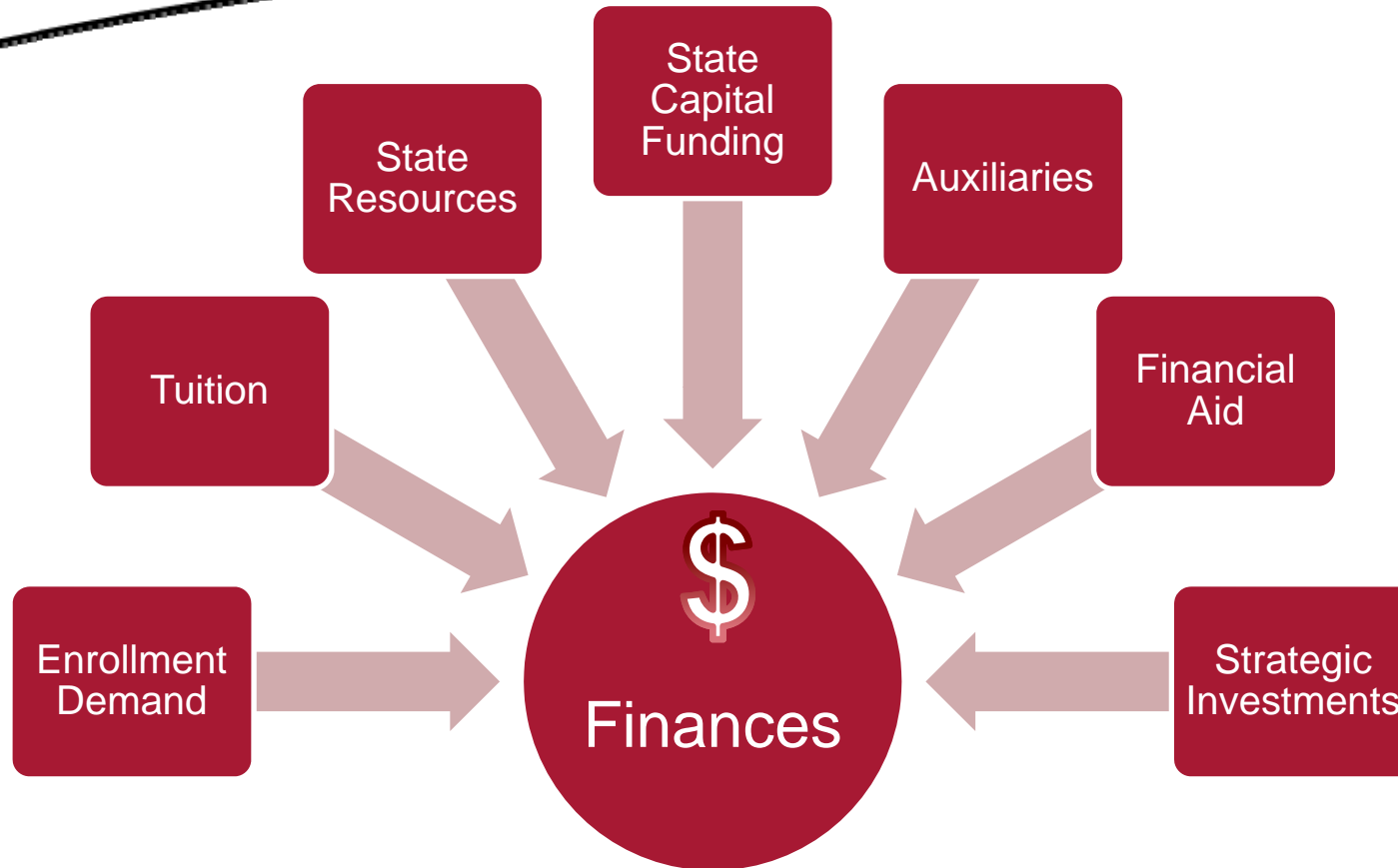
Financial Position impacted by 2013-15, and future, budget decisions.

FY2012 FINANCIAL POSITION



Impacts to Eastern's Financial Position

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FY2012 Financial Review

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Enrollment Review

Financial Aid

Budget Review

Balance Sheet Indicators

Operating Statement

Financial Outlook

Q & A



ENROLLMENT REVIEW

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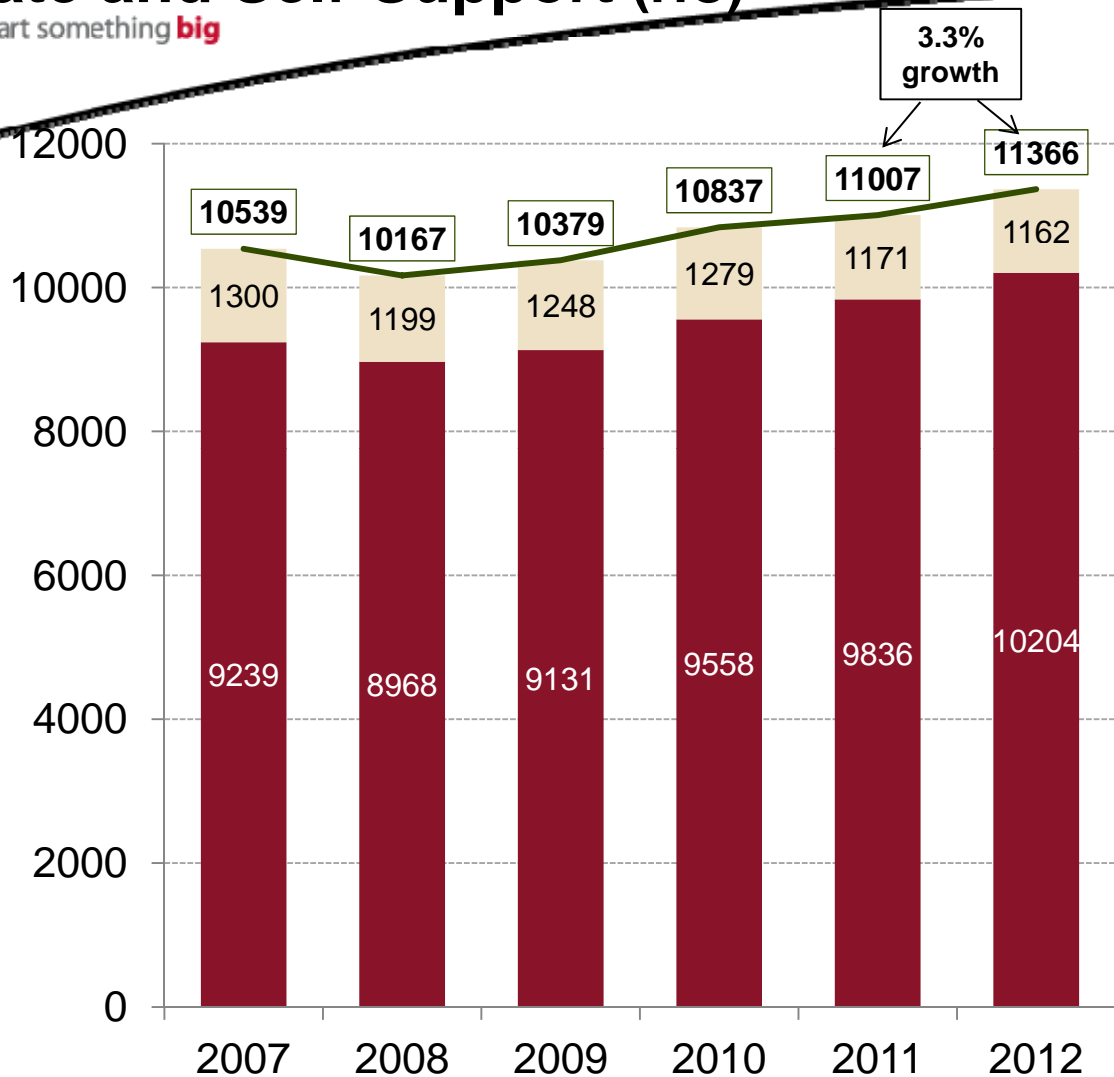
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Total Academic Year Enrollments*

State and Self-Support (HC)

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Eastern's enrollments continue to grow. Future enrollment goals will consider access, capacity, and fiscal balance within the context of the strategic plan.

Graduate Headcount
 Undergraduate Headcount
 Total

* Does not include approximately 780 Running Start HC

Source: HEER Reports



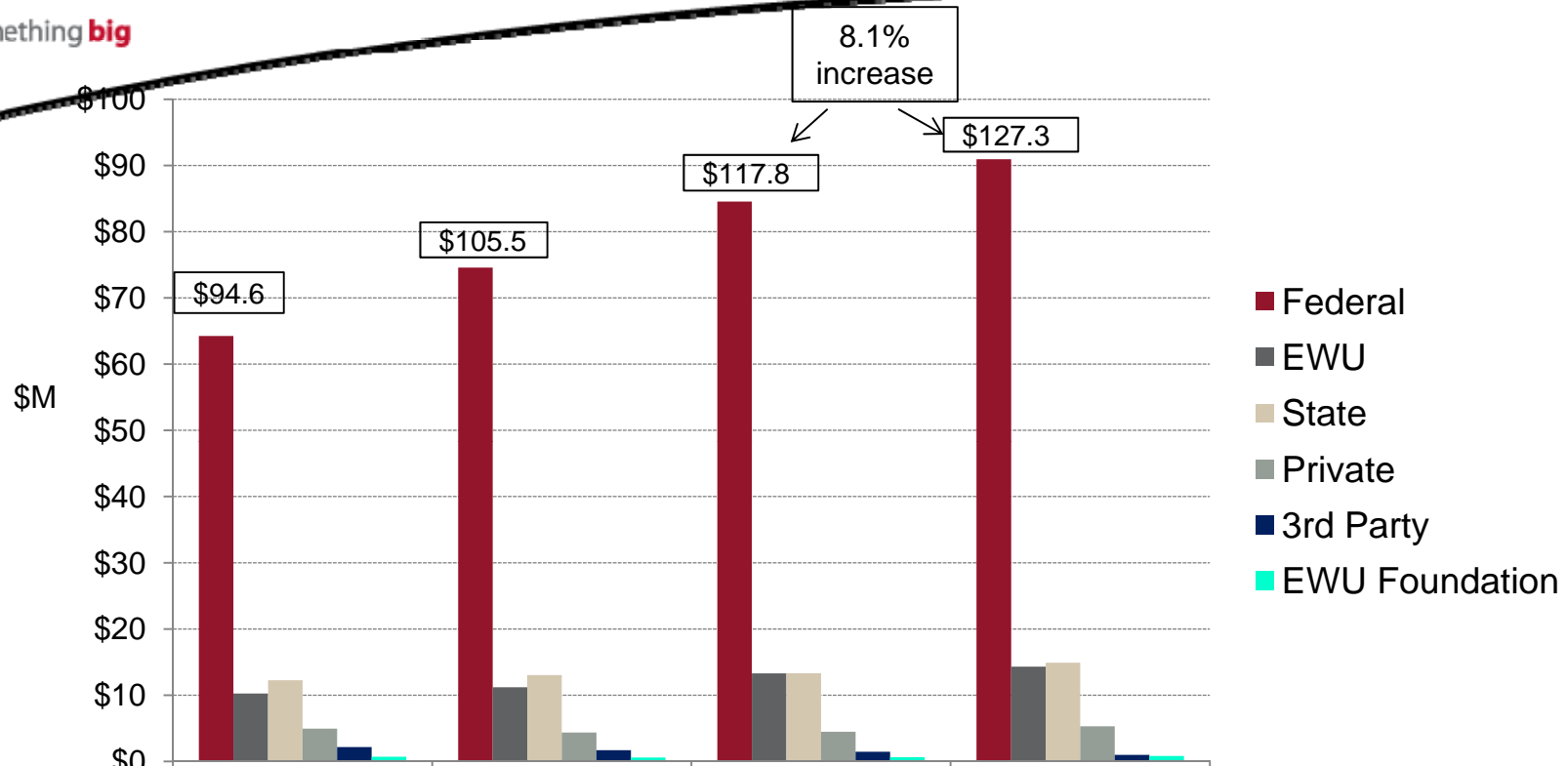


FINANCIAL AID FY2012



Financial Aid – By Source

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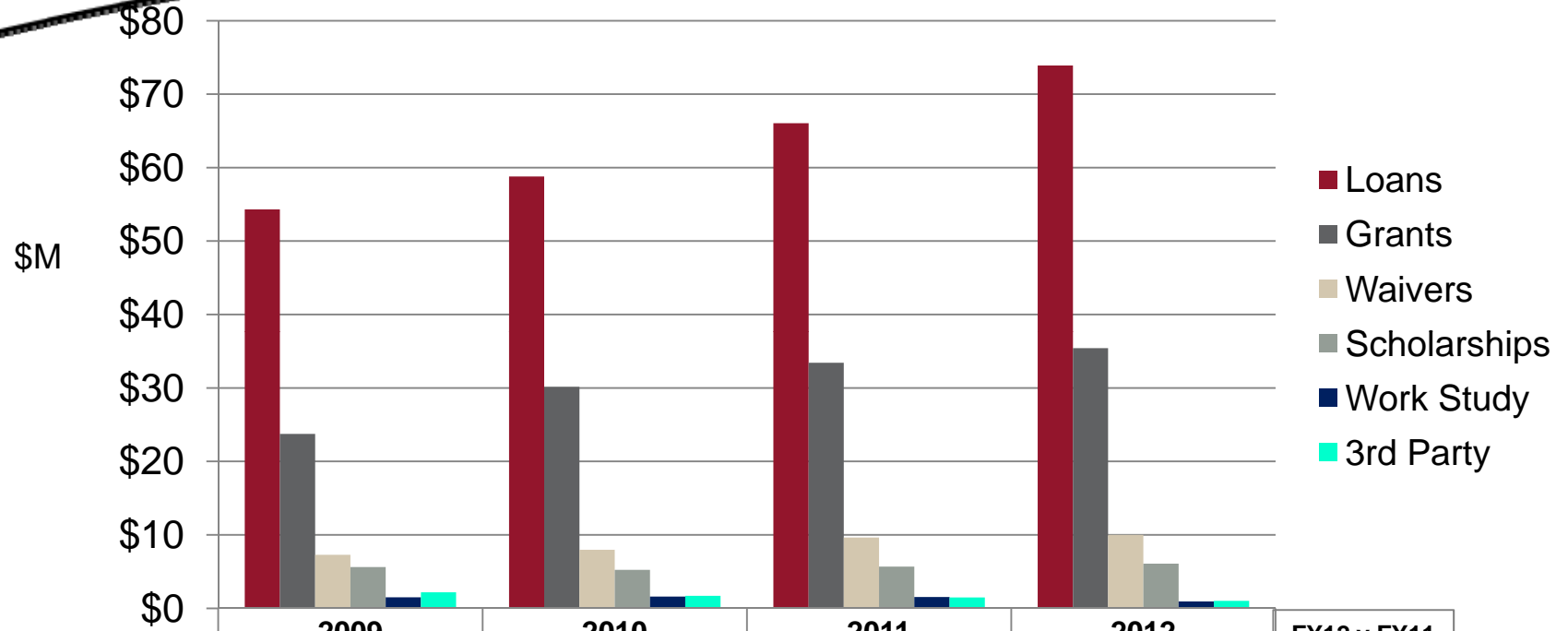
	2009	2010	2011	2012
Federal	\$64.2	\$74.6	\$84.6	\$91.0
EWU	\$10.3	\$11.2	\$13.3	\$14.3
State	\$12.3	\$13.0	\$13.3	\$14.9
Private	\$4.9	\$4.4	\$4.5	\$5.3
3rd Party	\$2.2	\$1.7	\$1.5	\$1.0
EWU Foundation	\$0.70	\$0.60	\$0.63	\$0.83

Source: Financial Aid Office



Financial Aid – by Type

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	2009	2010	2011	2012	FY12 v.FY11
Loans	\$54.3	\$58.8	\$66.1	\$73.9	+ 11.9%
Grants	\$23.8	\$30.2	\$33.4	\$35.4	+ 6.0%
Waivers	\$7.3	\$8.0	\$9.6	\$10.0	+ 3.6%
Scholarships	\$5.6	\$5.2	\$5.7	\$6.1	+ 6.9%
Work Study	\$1.5	\$1.6	\$1.5	\$0.9	- 39.5%
3rd Party	\$2.2	\$1.7	\$1.5	\$1.0	- 31.4%

Source: Financial Aid Office



Financial Aid 2012

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Demand Rising

- **72.5%** of EWU Students received Financial Aid in 2012
 - 9,774 students received financial aid
 - 3% increase over 2011

- 15,651 applications processed
 - 10.2% increase over 2011

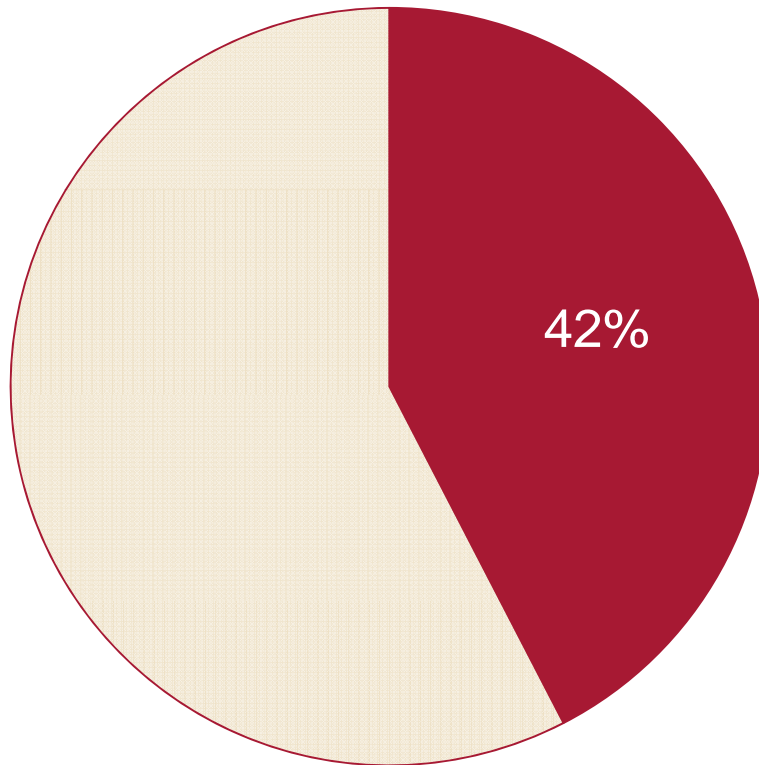
Source: Financial Aid Office



Financial Aid 2012

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Pell Grant Recipients



- 42% of Undergraduate students received Pell Grants
- 7.6% increase over 2011

Source: Financial Aid Office



Future Financial Aid Concerns



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Grants

- FY14 Pell Grant shortfall of \$7B.
- Students may need to seek alternative grants or loans.

Rates

- FY14 Direct Subsidized Loan rates increasing from 3.4% to 6.8%.

Loans

- Parent Loan borrowing continues to grow.





BUDGET REVIEW

FY2012



Budget Process Relationship to Financial Reporting

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Budget Process



- 2 year budget with internal planning for future biennia
- Multi-year Enrollment planning
- Analysis of Reserves
- Strategies for Revenues and Funding

Financial Management

- ❖ On-going analysis of spend rate and cash balance
- ❖ Interim reporting
- ❖ Budget vs. Actual
- ❖ Quarterly enrollment review
- ❖ Capital Budget

Financial Reporting



- Monthly/Quarterly/Annual
- Variance reporting
- Benchmarking and industry level Analysis

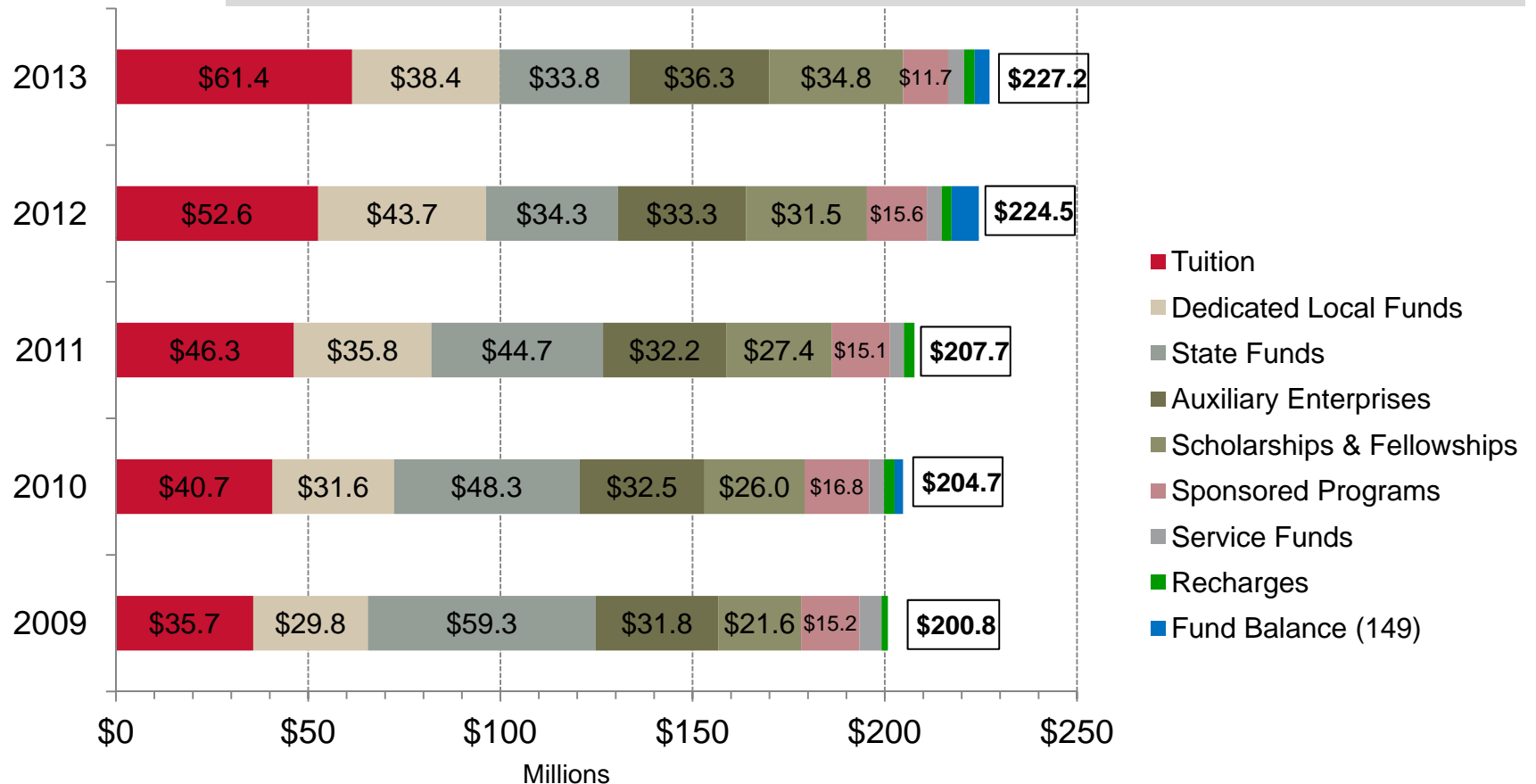


Institutional Annual Operating Budget History

Expenditures

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Eastern's total annual operating budget is growing at a slower pace in FY13 (1.2%). Increases are due to increases in student fees and enrollments, which partially offset declines in state funding.



Source: BOT operating budget document

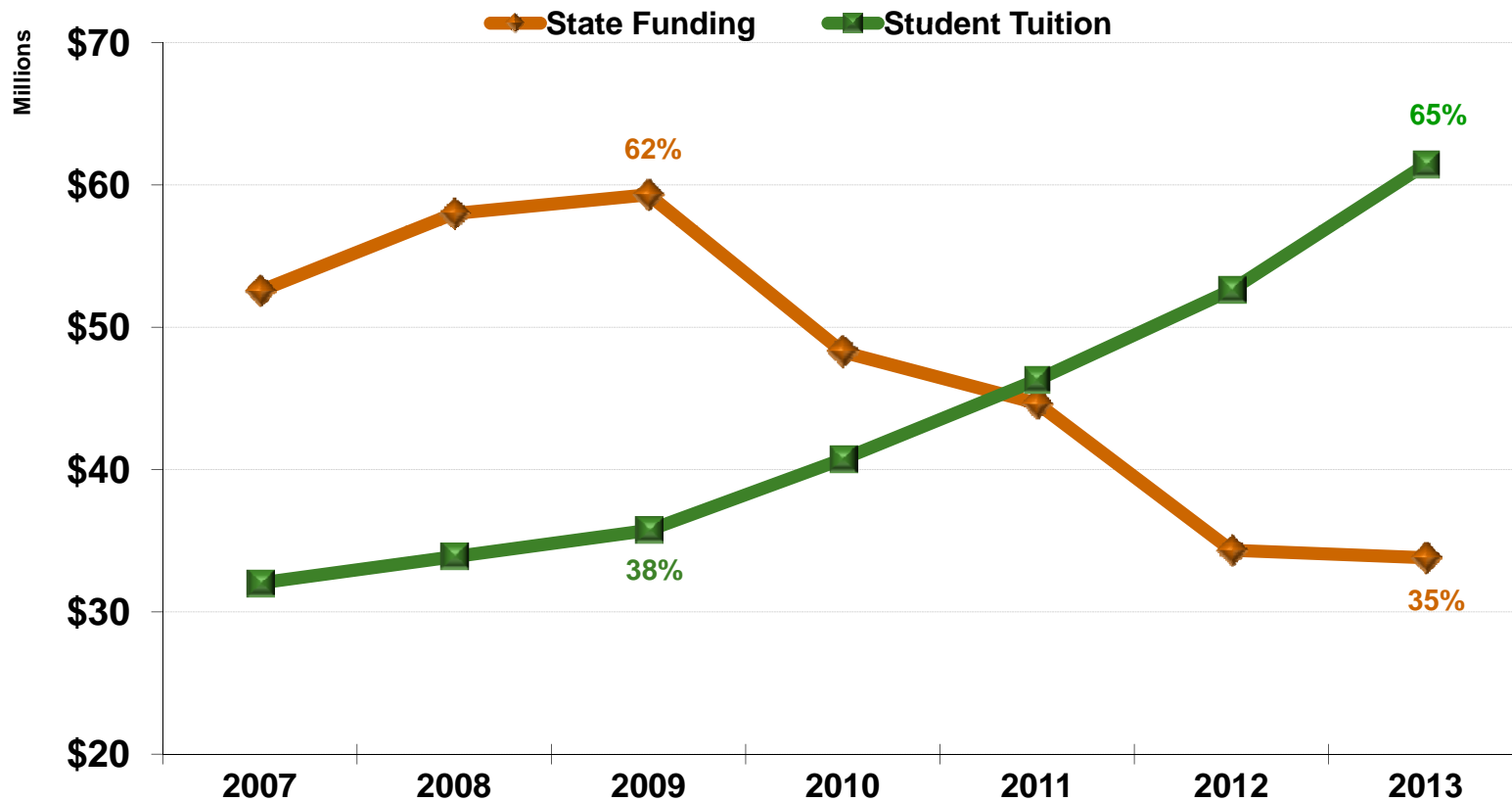


Annual Operating Budget Funding Sources

State Funds and Student Tuition

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Continued reductions in state funding have changed the historical balance of Eastern's operating budget funding sources.



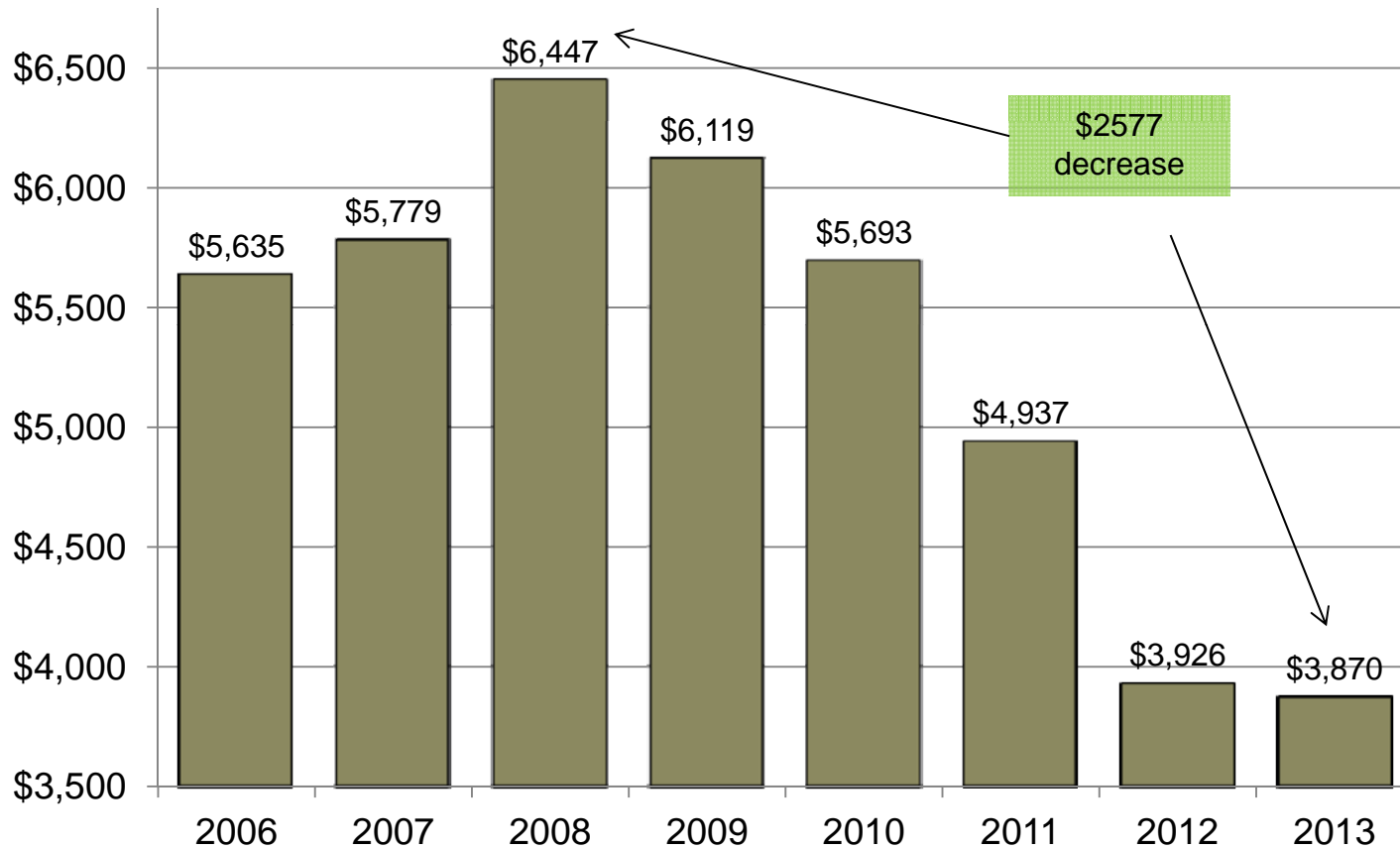
Source: BOT operating budget document



GF-State Funding per FTE Student

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Eastern's GF-State funding per FTE declined by 67% between FY2008 and FY2013.



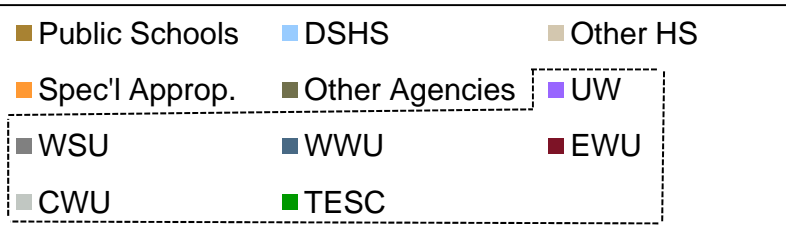
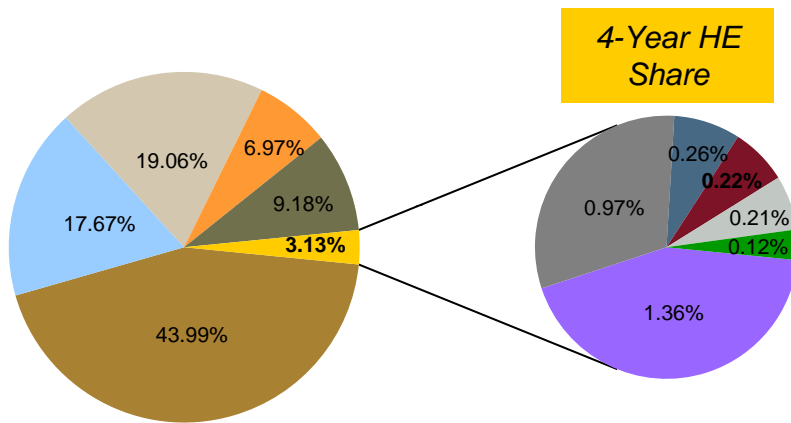
Source: Data based on GFS allocations and OFM budgeted state enrollments.
2012 & 2013 projections based on original budget and enrollment at 8,734



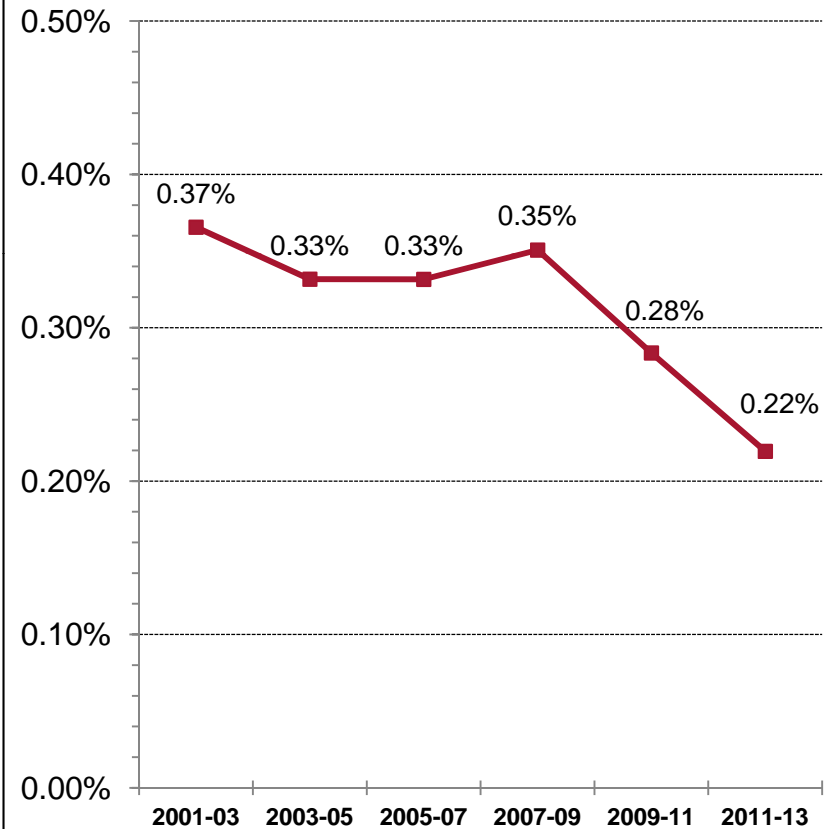
EWU's Share of Total State GF

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Total 2011-13 Budget



EWU % Share of Total State Budget

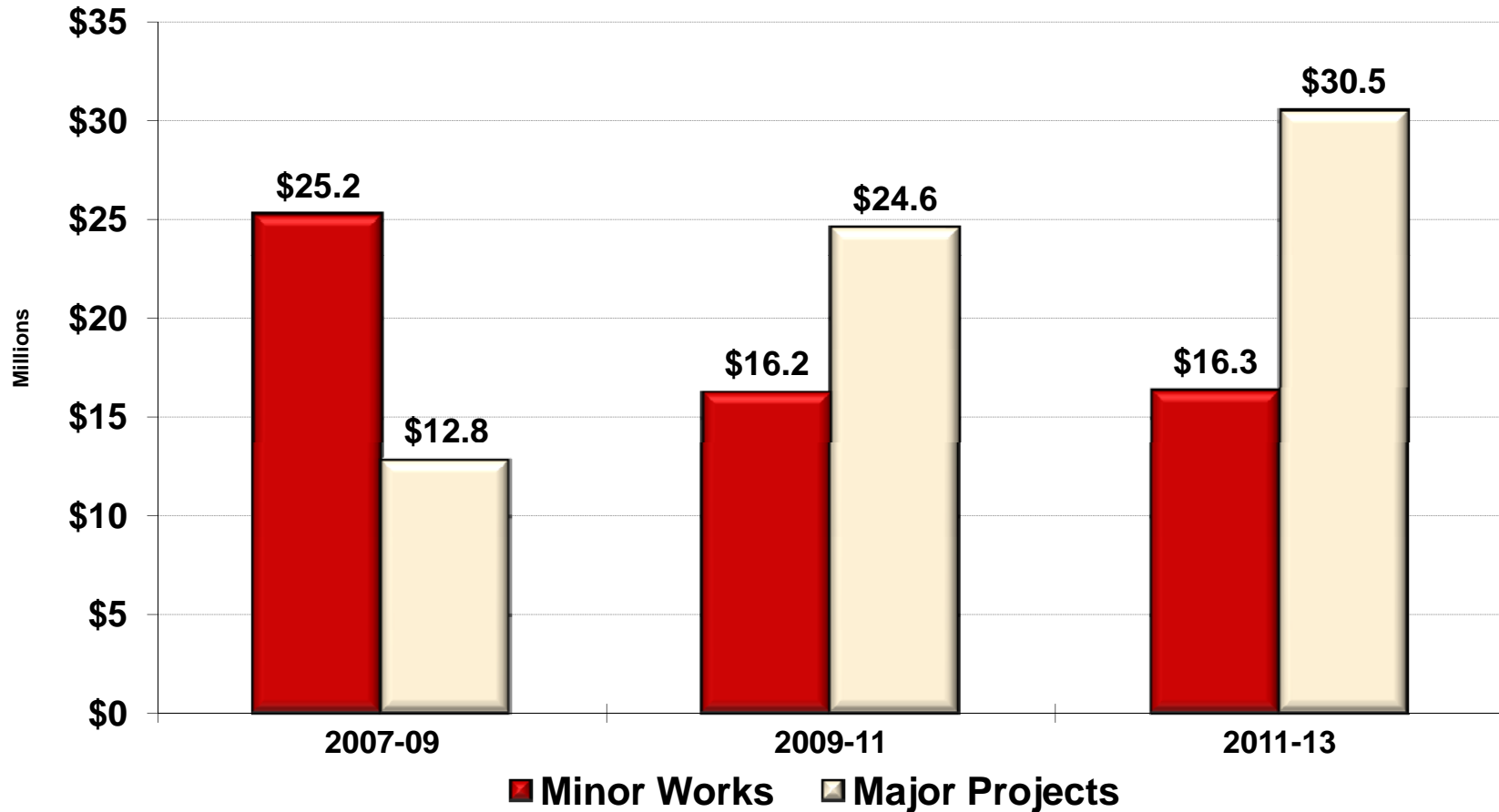


Source: fiscal.wa.gov - Operating Budget Statewide Summary



Capital Appropriation History

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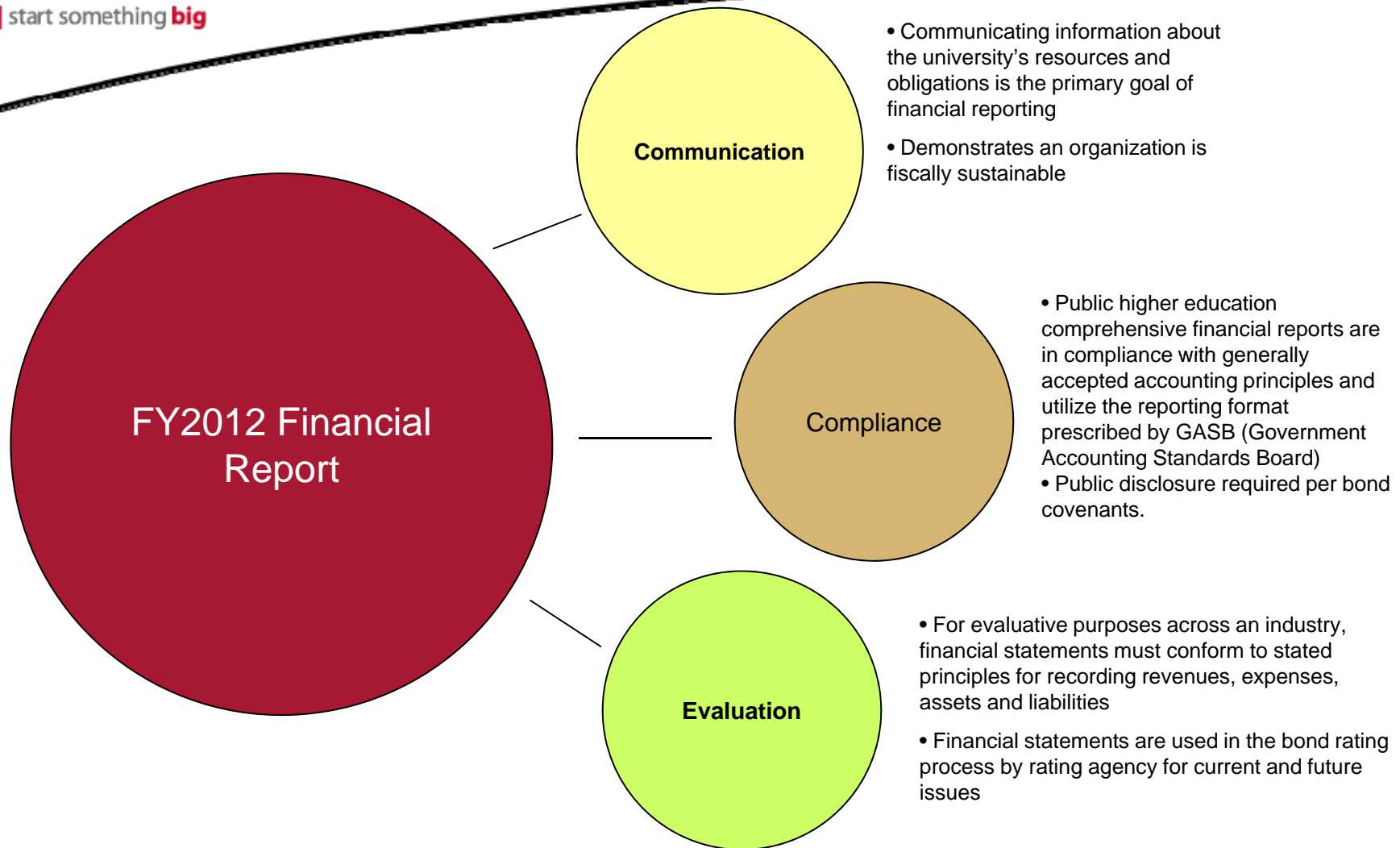


Source: Appropriation schedule - New appropriations only



FY2012 Financial Report

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BALANCE SHEET AND INDICATORS

FY2012 (PRELIMINARY, UNAUDITED)



What does the Balance Sheet represent?

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University Assets and Liabilities at a point in time

A Comprehensive View of all that Eastern Owns... and all that Eastern Owes

Peer analysis of Performance within an industry

Analyze Debt Capacity for future capital investments



Balance Sheet Overview

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Net assets increased **5.7%** over FY 2011

All Funds	2011 (millions)	2012 (millions)
Total Assets	\$371.2	\$413.9
Total Liabilities	\$58.8	\$83.5
Net Assets (at June 30)	\$312.4	\$330.4

Major components-

Cash and investments **\$128.6M** or **31%** of total assets

Capital assets **\$266M** or **64%** of total assets

Long term debt **\$58.1M** or **70%** of total liabilities

Unrestricted net assets **\$77.2M** or **23%** of net assets

Source: EWU Office of Controller
FY12 data is preliminary, unaudited

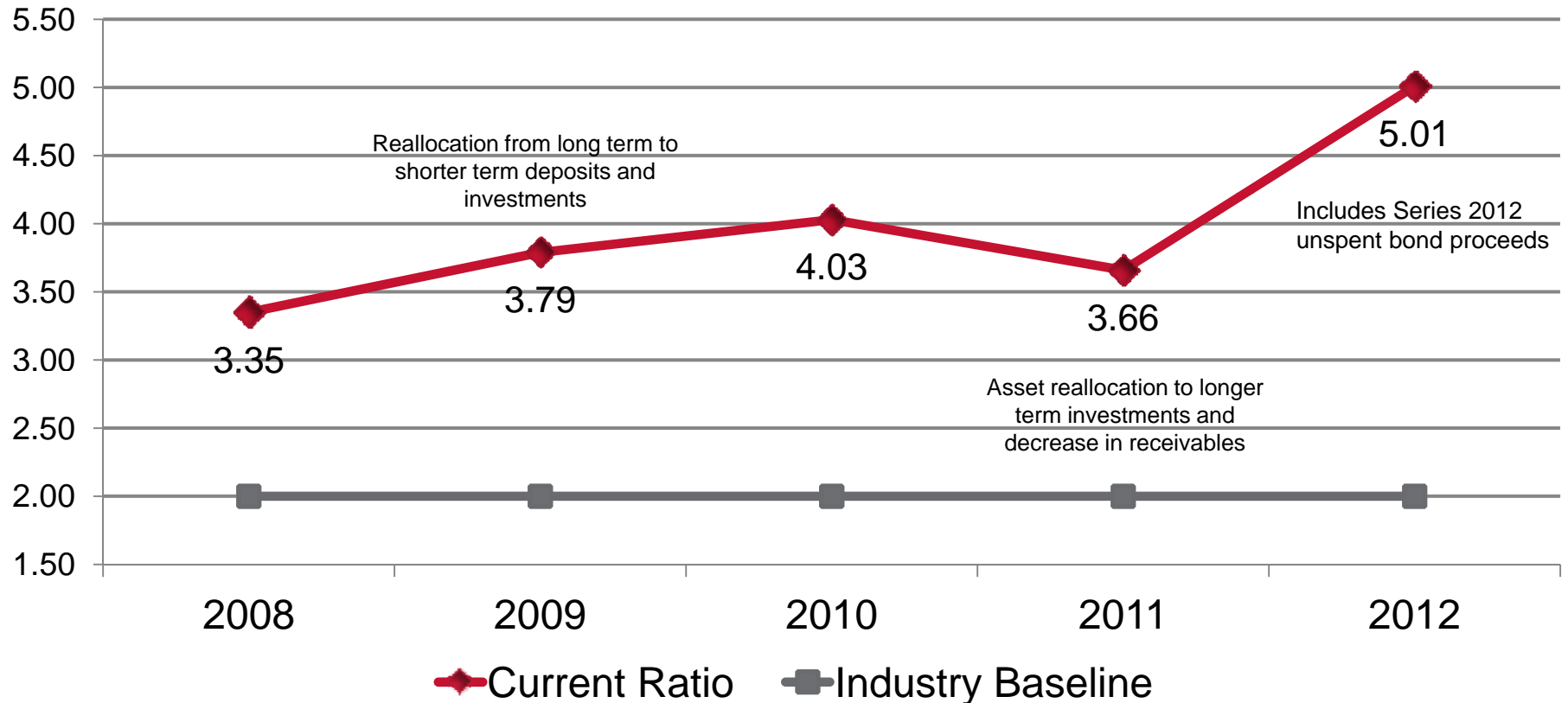


Key Balance Sheet Indicators

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Eastern has consistently remained above the industry baseline with about \$5 to cover every \$1 of current liabilities.

Current Ratio: Measure of Liquidity



Source: Financial Services



Key Balance Sheet Indicators



This indicator suggests Eastern is in a relatively better position to make future investments.

Unrestricted Financial Resources to Operations

Measures coverage of annual operations by the most liquid resources

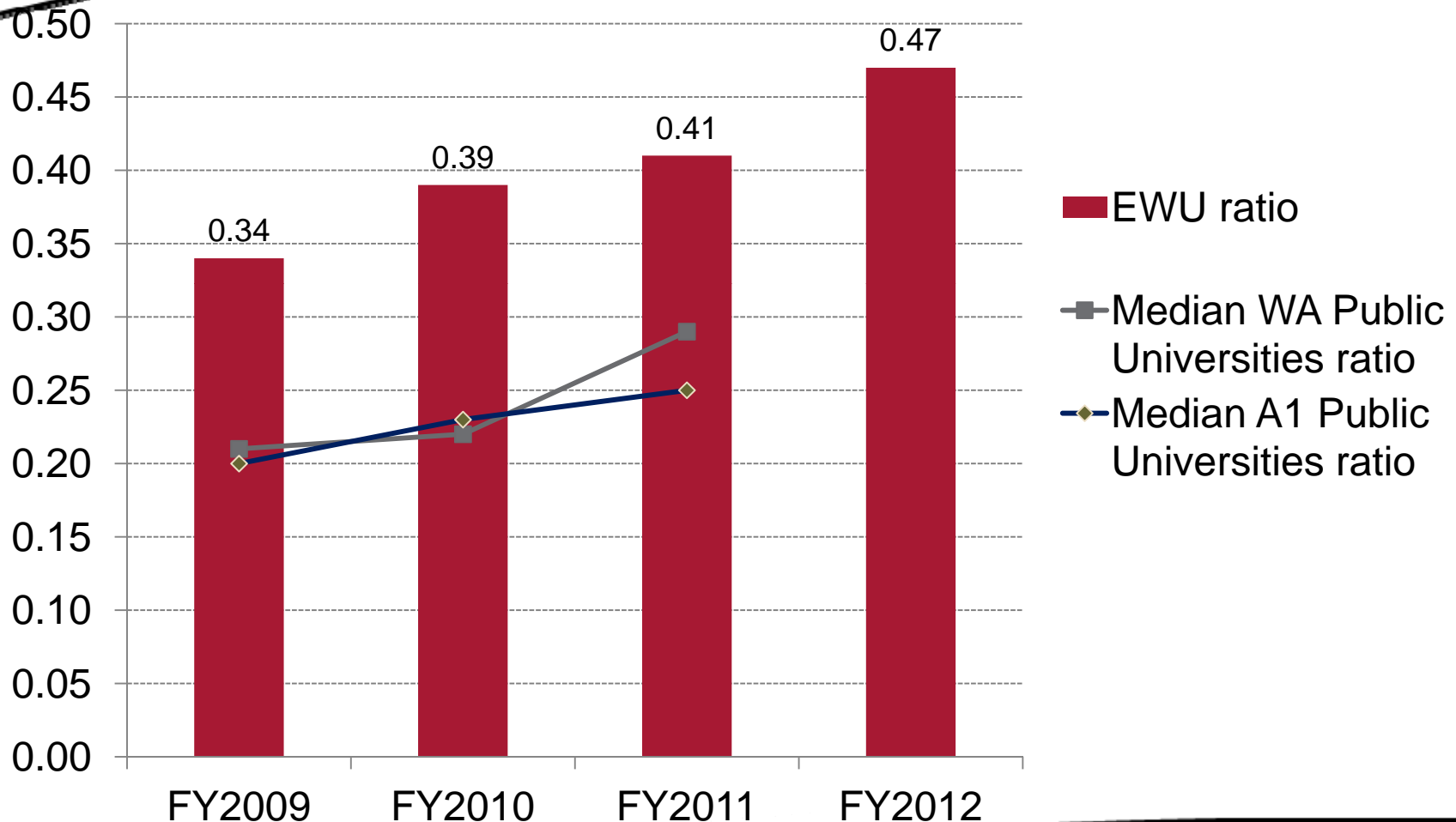
Prelim 2012 Eastern Washington University	.47x
2011 Eastern Washington University	.41x
2011 Median WA Public Universities	.29x
2011 Median A1 Public Universities (industry peers)	.25x
Eastern Washington University Dashboard Indicator	Good

Source: EWU Office of Controller. Peer data is from Moody's Investor Services



Unrestricted Financial Resources to Operations

start something big



Source: EWU Office of Controller. Peer data is from Moody's Investor Services



Key Balance Sheet Indicators

■ start something **big**

Decrease in ratio from prior year is the result of bond debt issued in FY12 to finance construction of a new residence hall.

Expendable Financial Resources to Direct Debt

Measures coverage of direct debt by the most liquid resources

Prelim 2012 Eastern Washington University	1.7x
2011 Eastern Washington University	2.6x
2011 Median WA Public Universities	1.1x
2011 Median A1 Public Universities	0.7x
Eastern Washington University Dashboard Indicator	Good

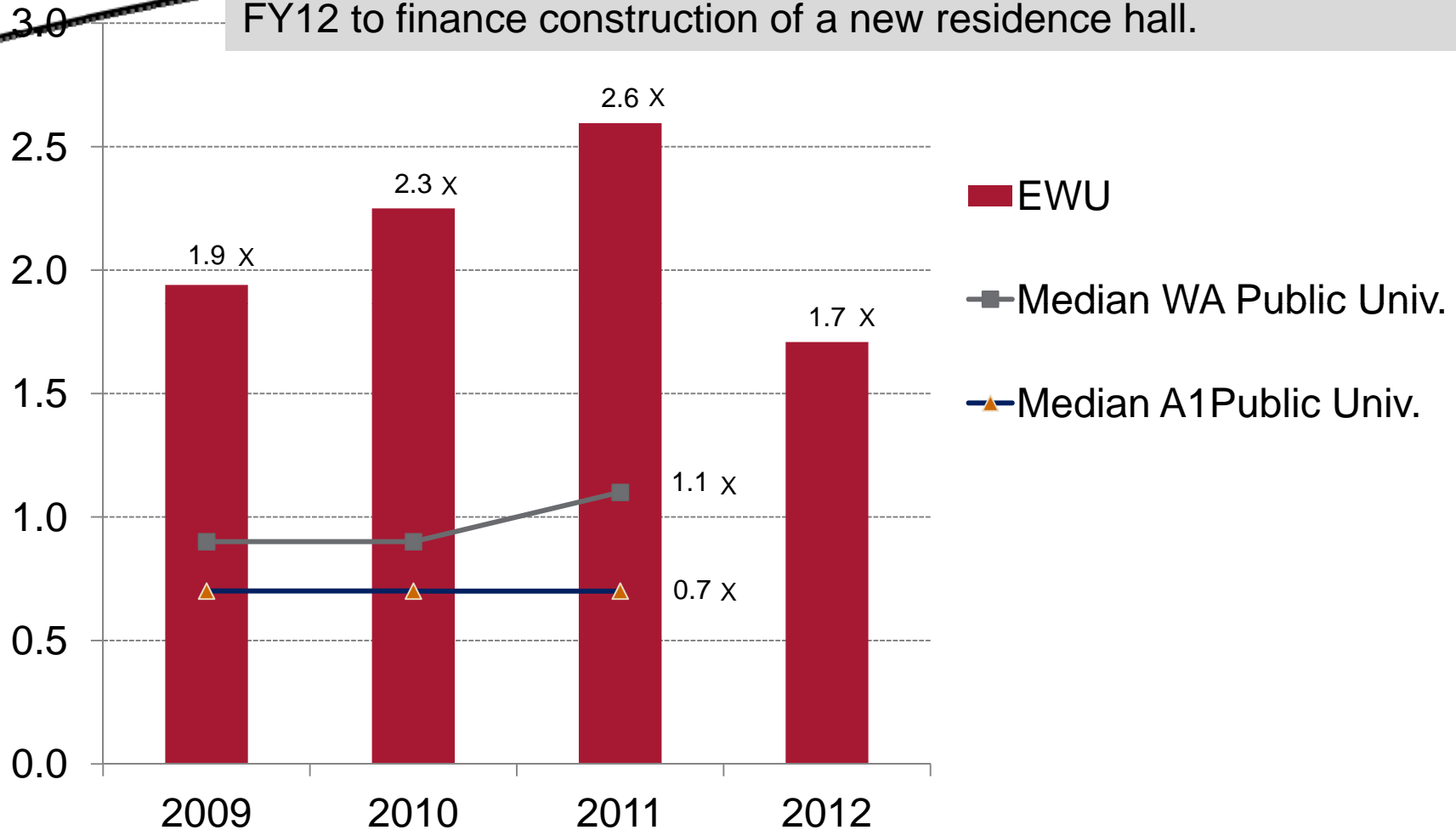
Source: EWU Office of Controller. Peer data is from Moody's Investor Services



Expendable Financial Resources to Direct Debt

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Decrease in ratio from prior year is the result of bond debt issued in FY12 to finance construction of a new residence hall.



Source: EWU Office of Controller. Peer data is from Moody's Investor Services

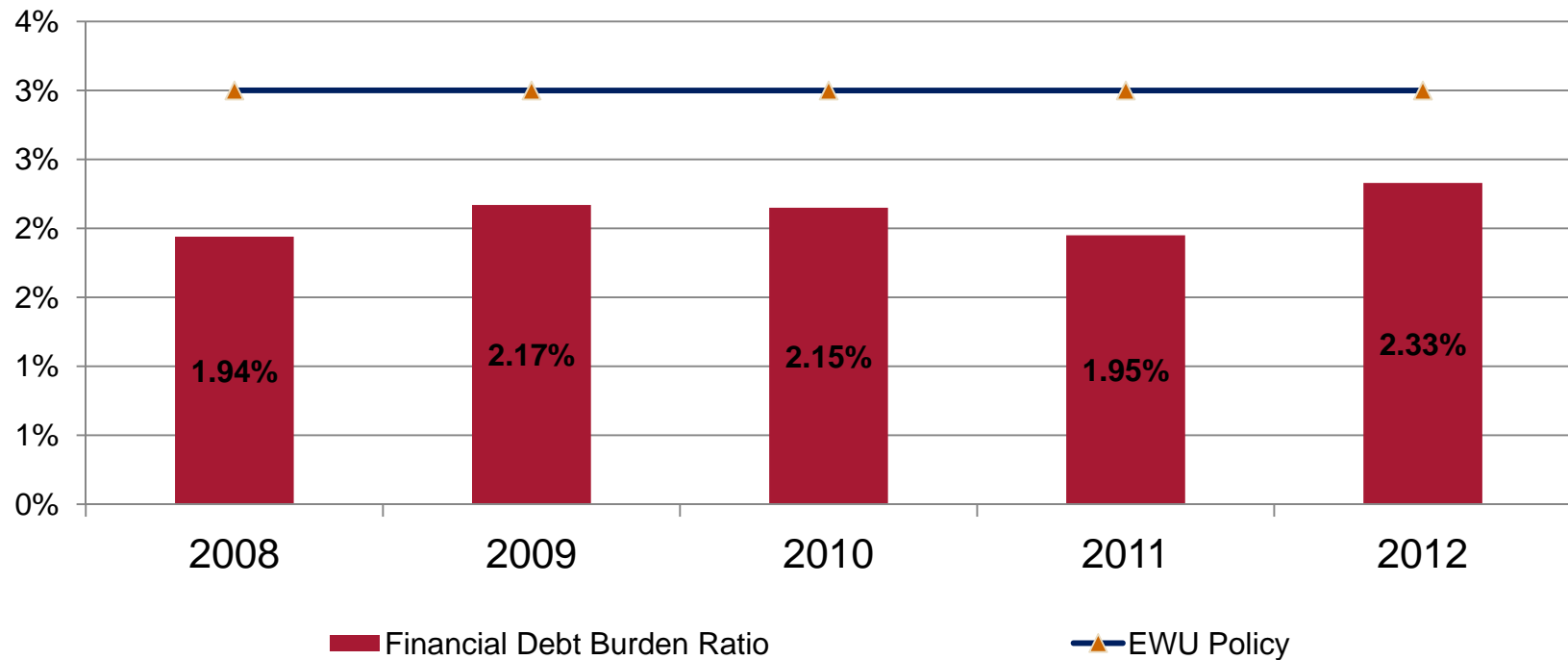


Key Balance Sheet Indicators

start something big

Eastern is managing debt levels in compliance with the internal debt policy.

Financial Debt Burden Ratio: Measures dependence on debt as a source of financing the mission



Source: Financial Services



OPERATING STATEMENT

FY2012 (PRELIMINARY, UNAUDITED)



What does the Operating Statement mean?

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At any level of overall university assets, Eastern must live within it's annual income over time.

Presents a change in net assets over the prior year

Analysis of performance of the university across the industry.

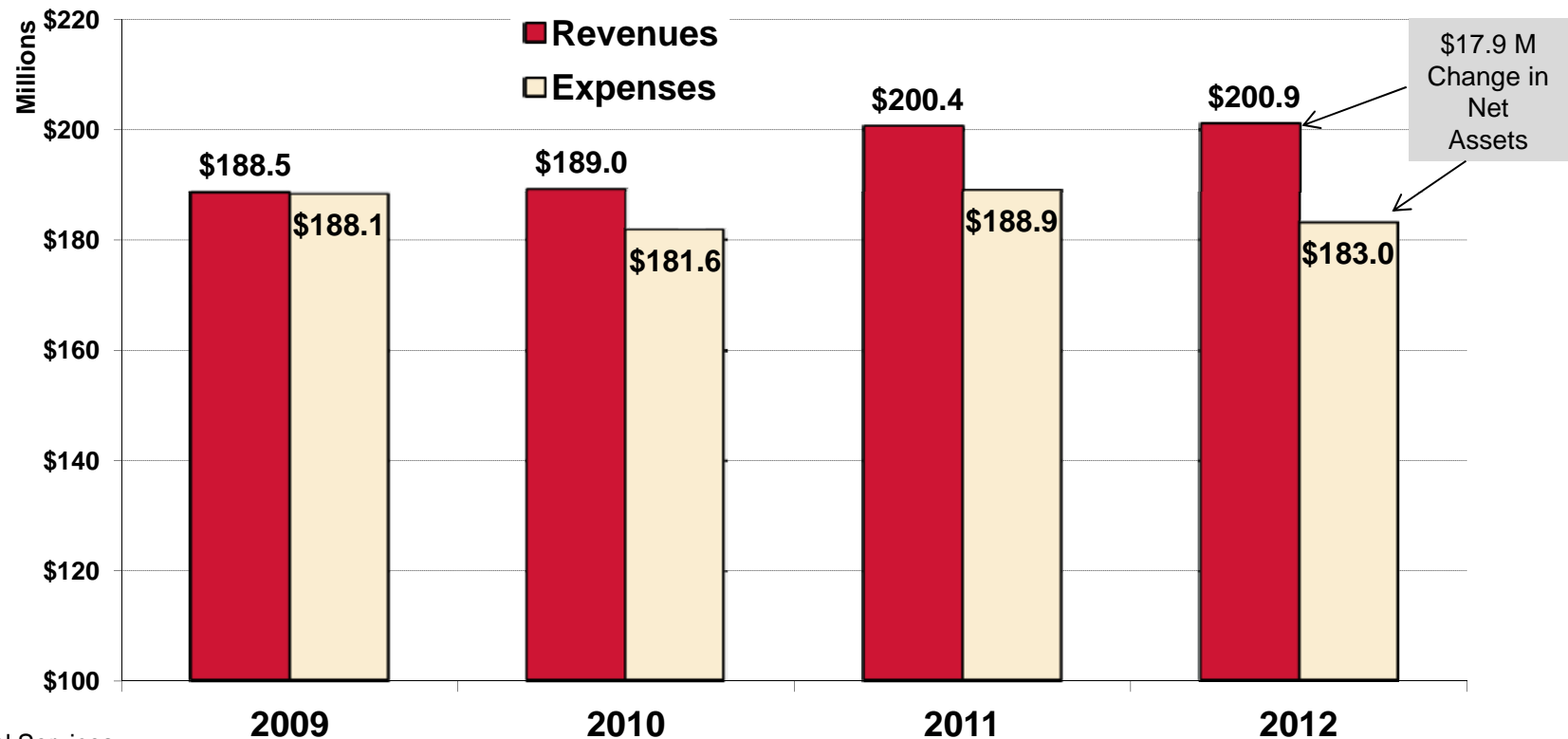
Expenditures represent the cost of providing services in support of achieving the institutional mission.



University Revenues, Expenses and Changes in Net Assets

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In FY2012 the increase in net assets is primarily from an increase in capital assets, enrollment and revenue increases, and a slowdown in spending.



Source: Financial Services

Note: Change in net assets is not the same as net income or loss.

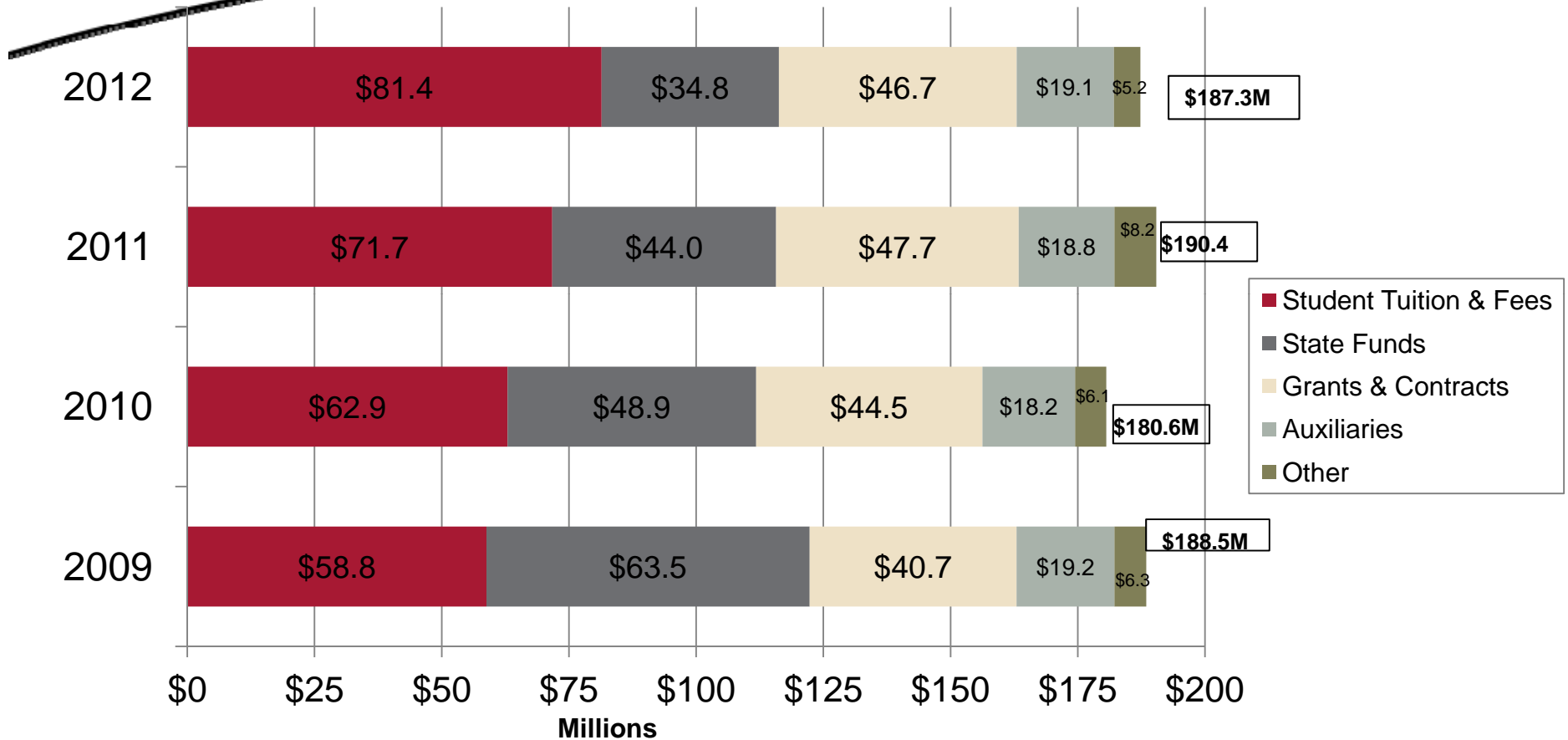
FY2012 figures are preliminary.



University Revenues

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Eastern's revenue increased primarily due to higher student net tuition and fees and approximately 3.0% growth in enrollments.



Source: Financial Services

Note: Excludes some state capital appropriations and contributions to permanent university endowments.

FY2009 and FY2010 state appropriations includes reclassifications between operating and capital.

FY2012 figures are preliminary.



Key Revenue Indicators

■ start something **big**

The university is increasing its reliance on student tuition and fees and financial aid including Pell Grant and State Need Grant (SNG).

Tuition Dependency Ratio

Net tuition and fees plus governmental grants to the institution for student tuition divided by the sum of operating and non-operating revenues

FY2009	44.3%
FY2010	51.1%
FY2011	54.7%
FY2012	61.9%

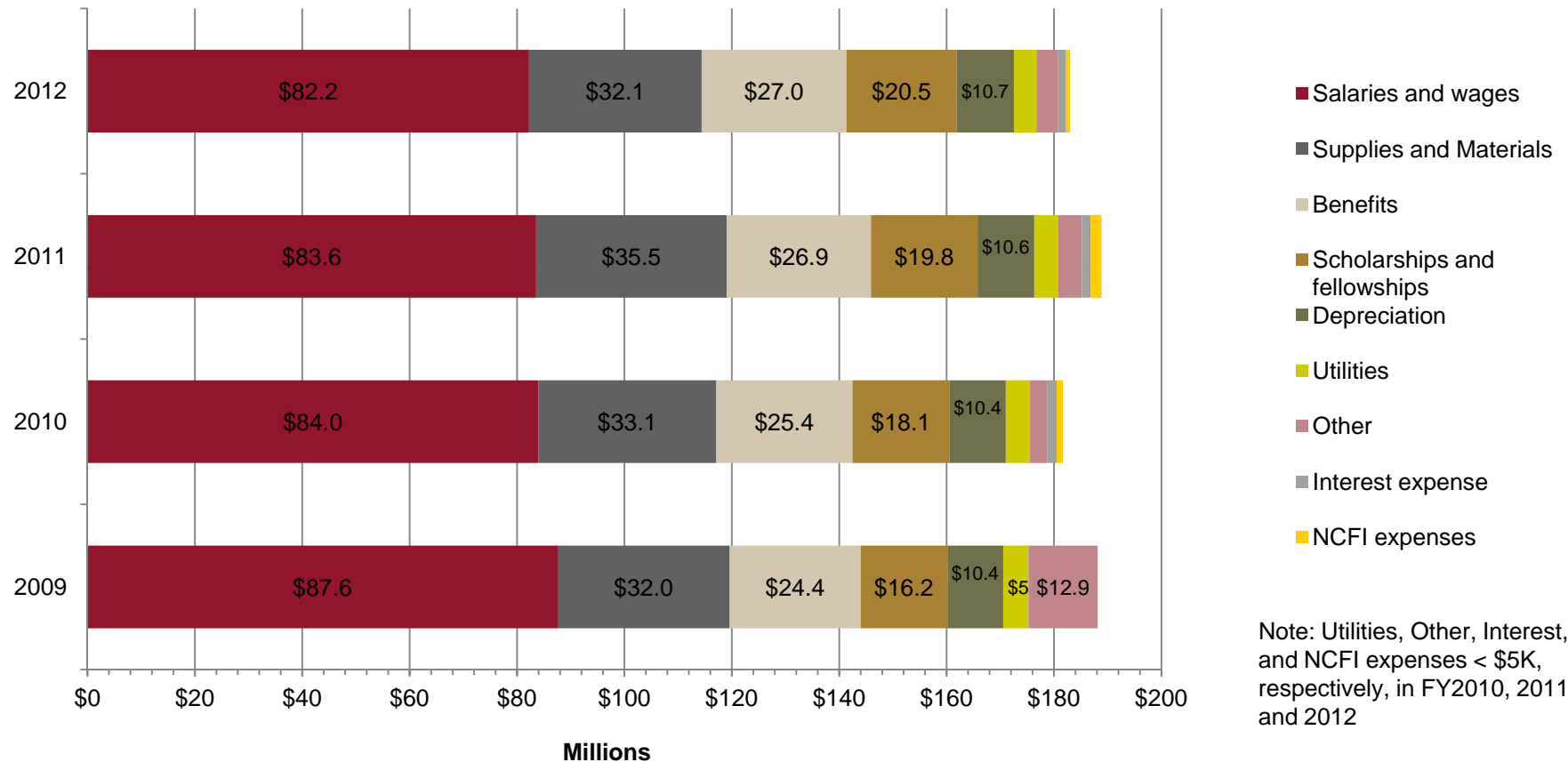
Source: Financial Services



University Expenses by Type

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Labor costs continue to decrease while benefit costs continue to increase. Generally, expenses were stable in other areas, however total expenses declined in FY2012.

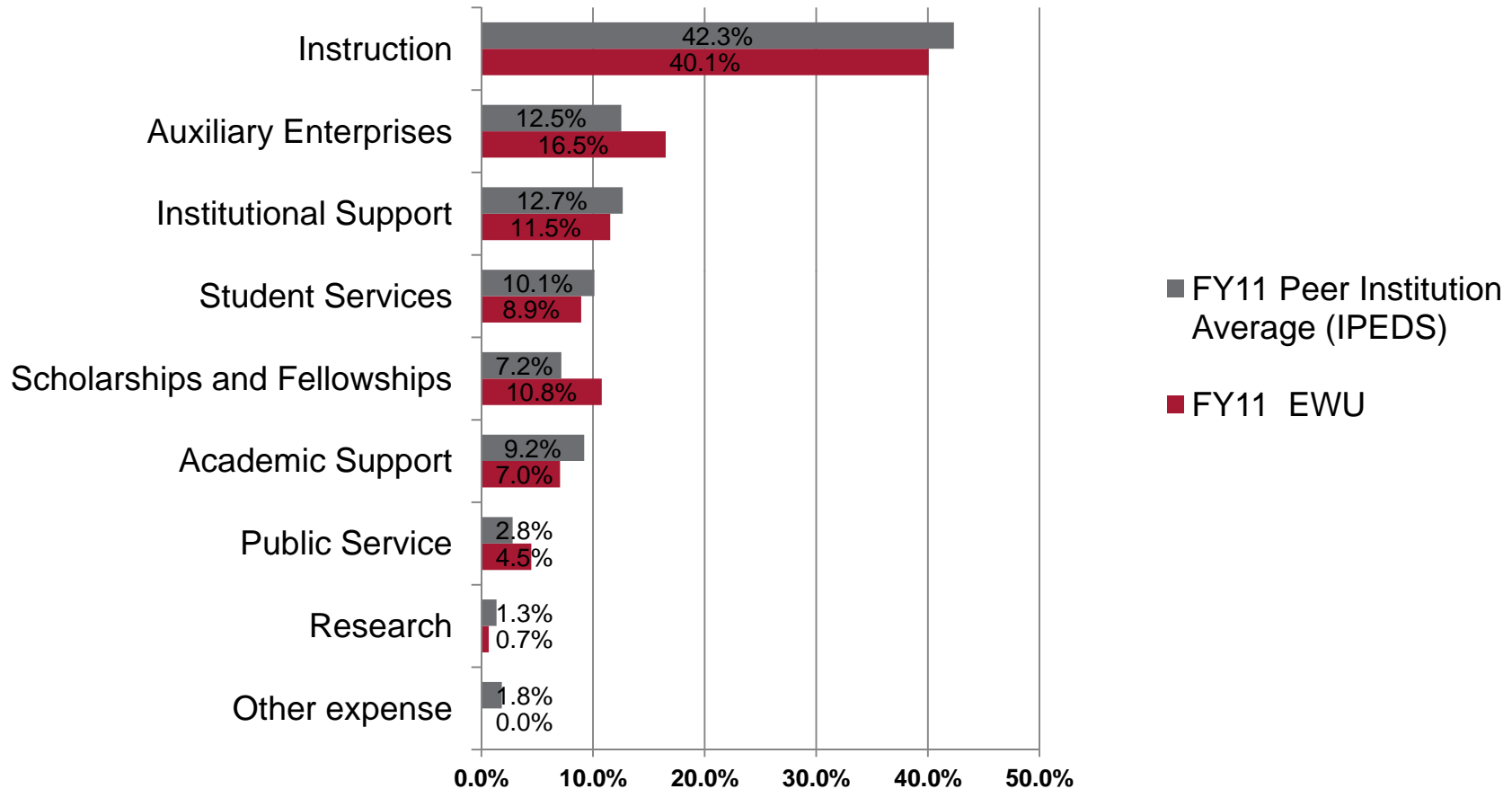


Source: EWU Financial Reports.
 FY2011 includes expense reclassification between NCFI and Supplies and Materials.
 FY2012 data is preliminary, unaudited



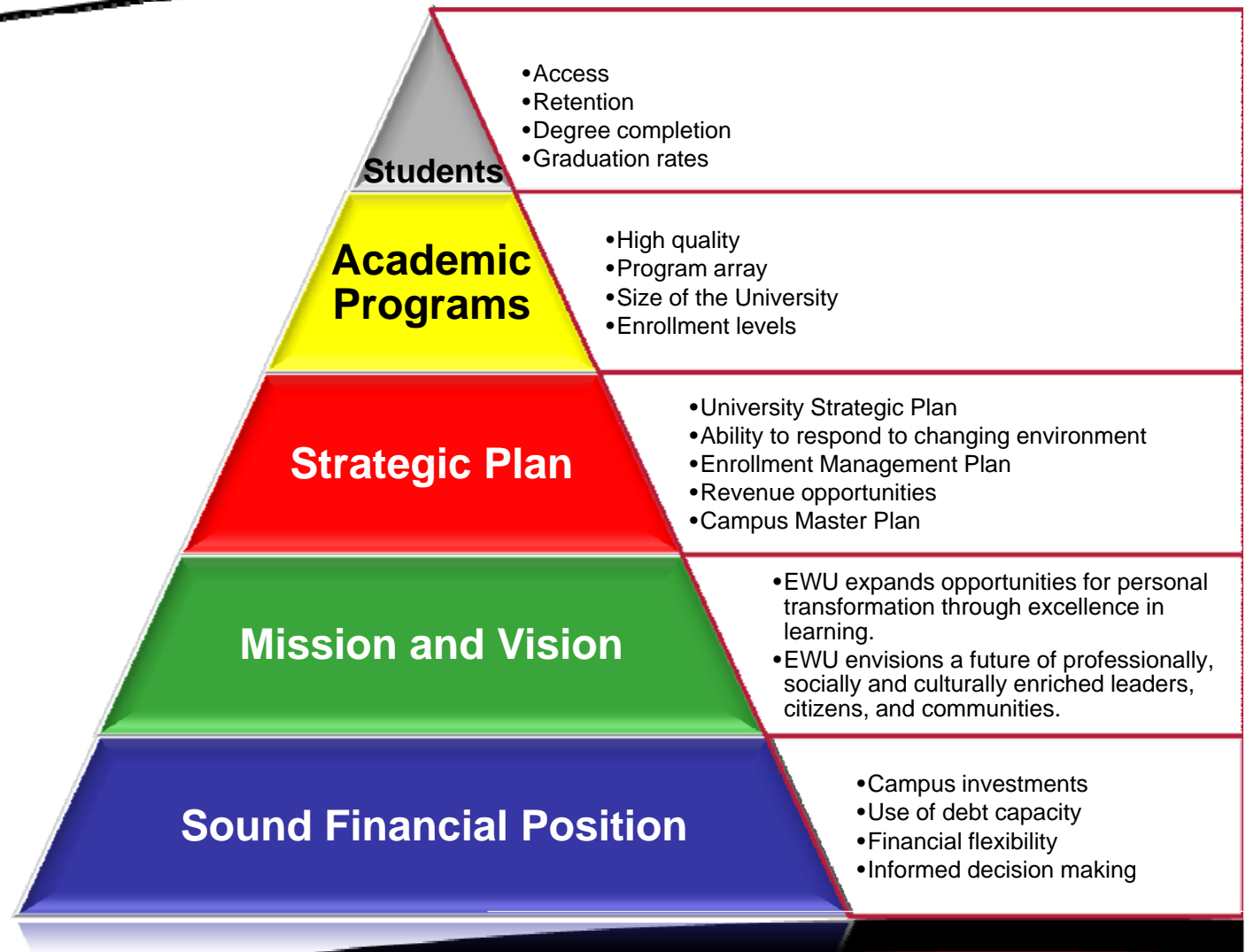
Functional Expenses

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University Financial Position as a Basis for Student Success

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Outlook

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Enrollment

- Enrollment planning impacts financial base
- Market position, demand, capacity
- Competition from 2- and 4-year sectors

Revenue

- Tuition pressures
- Overall cost of attendance
- State-wide tuition policy
- Investment in financial aid

Budget

- Future of State HE operating budget
- State capital budget capacity impacts ability to fund capital infrastructure



Summary

■ start something **big**

Eastern Washington University is a financially stable institution committed to providing intergenerational equity.



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Q & A





EASTERN
WASHINGTON UNIVERSITY

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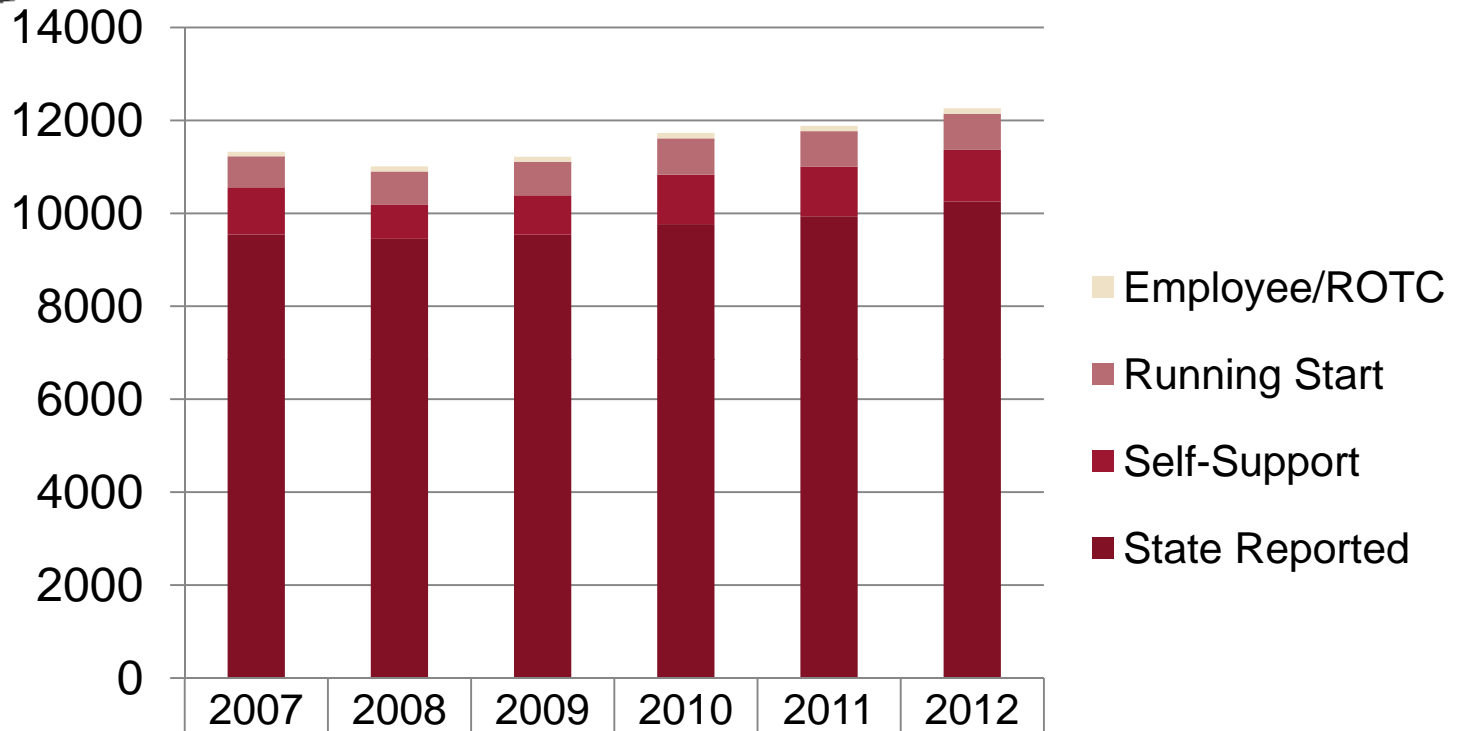
APPENDIX

Additional Selected Information



Academic Year State Reported and Self-Support Enrollments (HC)

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	2007	2008	2009	2010	2011	2012
Employee/ROTC	98	108	108	117	113	115
Running Start	667	708	720	782	762	777
Self-Support	1016	742	847	1064	1070	1112
State Reported	9543	9451	9542	9767	9936	10255



Key Balance Sheet Indicators

■ start something **big**

Indicates relative advantage in meeting current obligations.

Annual Days Cash on Hand

Measures the number of days an institution is able to operate - cover its cash operating expenses

Prelim 2012 Eastern Washington University	222
2011 Eastern Washington University	197
2011 Median WA Public Universities	146
2011 Median A1 Public Universities (industry peers)	134
Eastern Washington University Dashboard Indicator	Good

Source: Financial Services
Peer data is from Moody's Investor Services



Key Revenue Indicators

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As a result of state budget cuts, the university continues to rebalance revenues from state appropriations to student tuition and fees.

Contribution Ratio

Shows portion of revenue by category to support actual operating expenses

2011

2012

Student Tuition and Fees	38.3%	44.9%
State Appropriations – Operating	23.0%	18.9%
State and Local Grants & Contracts	10.6%	10.8%
Auxiliary Services	10.0%	10.5%
Pell Grant	9.6%	10.5%
Federal Grants & Contracts	3.7%	3.0%
Investment Earnings	3.0%	1.9%
State Appropriations – NCFI	0.5%	0.3%
Non-Governmental Grants & Contracts	1.5%	1.5%
Other Revenues	1.4%	1.0%

Source: Financial Services

Note: Excludes some state capital appropriations and contributions to permanent university endowments.
FY2012 figures are preliminary.



Expenditure Indicators

Demand by programmatic categories remained relatively stable in FY2012.

Demand Ratio			
<i>Trend analysis to determine when a particular category of expenses is consuming a growing or dwindling share of total operating revenues</i>			
	2010	2011	2012
Instruction	34.8%	33.0%	32.4%
Research	0.7%	0.6%	0.7%
Public Service	3.0%	3.7%	3.0%
Academic Support	6.3%	5.8%	5.7%
Student Services	8.1%	7.4%	7.4%
Institutional Support	9.4%	9.5%	8.7%
Operations & Maintenance	9.5%	10.2%	8.5%
Scholarships & Fellowships	9.3%	11.1%	11.3%
Auxiliary Enterprises	14.9%	14.7%	15.1%
Depreciation	5.9%	5.8%	5.8%

Source: Financial Services
 Note: FY12 data is preliminary



Function Definitions



- **Instruction** – Formal instructional activities available to students (Academic depts.)
- **Research** – All research related activities (Turnbull, Biology grants)
- **Public Service** – Activities established primarily to provide non-instructional services beneficial to groups external to the institution (Institute for Public Policy, FM Station, Autism Center, Archeological & Historical Services)
- **Primary Support Services** – Activities organized to provide primary support to instruction, research, and public service (Academic Senate, Dean’s offices, Assessment, Institutional Research)
- **Libraries** – Activities relating to the retention and display of materials and the provision of services which support instruction, research, and public service (Collections, Archives, Riverpoint Library)
- **Student Services** – Social and cultural services and institutional management activities relating directly to students, but not part of formal instruction (Financial Aid, Admissions, Student Life, TRIO, Athletics)
- **Institutional Support** – Activities whose primary purpose is to provide operational support for the ongoing functioning of the institution (Senior Administration, Board of Trustees, Payroll, Accounting, Purchasing, Information Services, Development)
- **Plant Operation and Maintenance** – Activities relating to the operation and maintenance of institutional facilities (Grounds, Custodial Energy Mgmt, Campus Police, Recycling)



Selected Fund Level Information



Fund Balance – Fund 149 (Operating Fees)



Policy: The unreserved fund balance will be a target range of 9-11% of expenses, with the expected level to be 10%. This unassigned fund balance will be spent only with the approval of the Board of Trustees.

6/30/12 Fund 149 Unrestricted Net Assets	\$35,061,769
FY12 Unexpended budget CF	(16,693,666)
6/30/12 Inventory	(77,221)
FY12 Encumbrances	(717,853)
Revised balance	\$17,573,029
Approved in 2013 budget	(3,880,000)
Policy level (10% of FY2013 revised budget)	(11,818,000)
Balance above policy level	\$1,875,029



Instruction-Related, Other than Operating Fees

Fund 148

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Revenues are impacted by increased enrollments and fees. Units continue to move costs from state funds to local funds.

Fund 148 – Dedicated Local	2009	2010	2011	2012
Revenues	\$25.5	\$26.5	\$30.7	\$33.6
Expenditures	\$20.8	\$25.2	\$29.3	\$29.2
Unrestricted Net Assets (at June 30)	\$26.1	\$27.3	\$28.4	\$32.7

Revenue Base:

- Division of International and Educational Outreach
- Course fees
- Self support academic programs (incl. off-campus)
- Summer session
- Student mandatory fees - health and wellness, technology
- Administrative fees and fines
- Running Start

\$ in millions

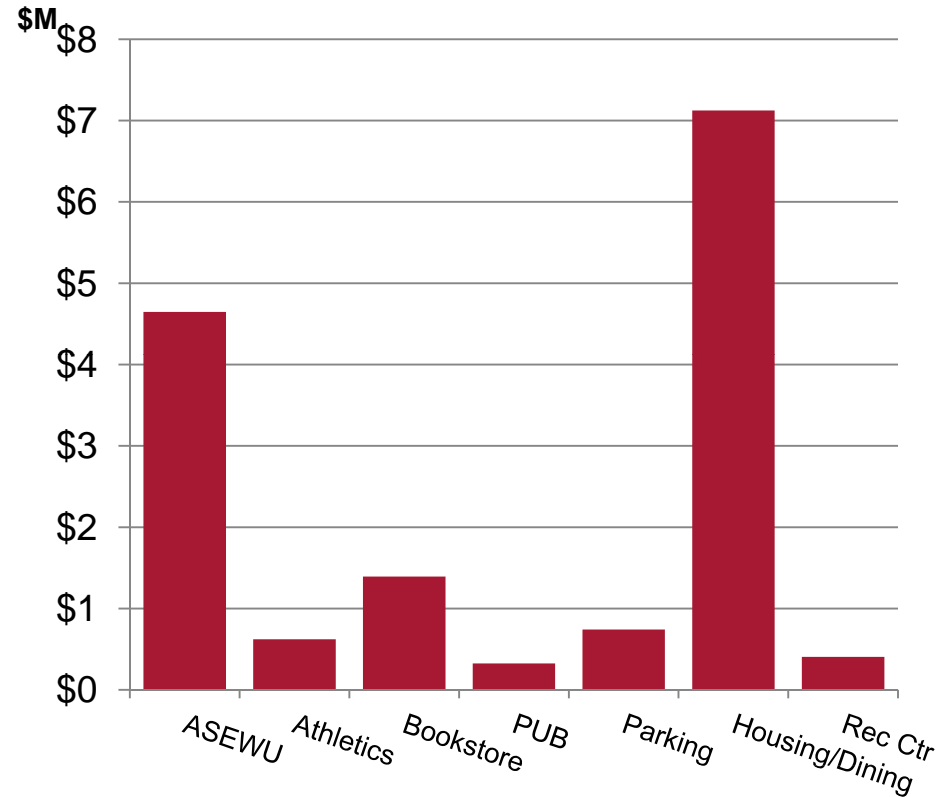
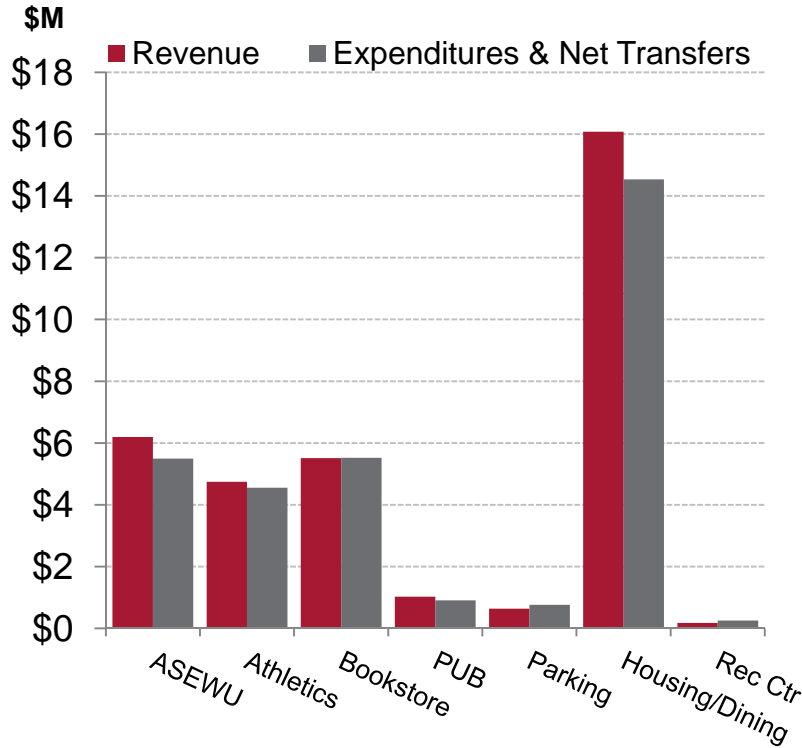
Source: Financial Services



FY2012 Auxiliary Funds

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Generally, the auxiliary units operated in line with annual plans.



Unrestricted Net Assets by Fund

Auxiliary enterprises provide essential elements of support to university's academic programs. These funds are expected to operate as profit centers.

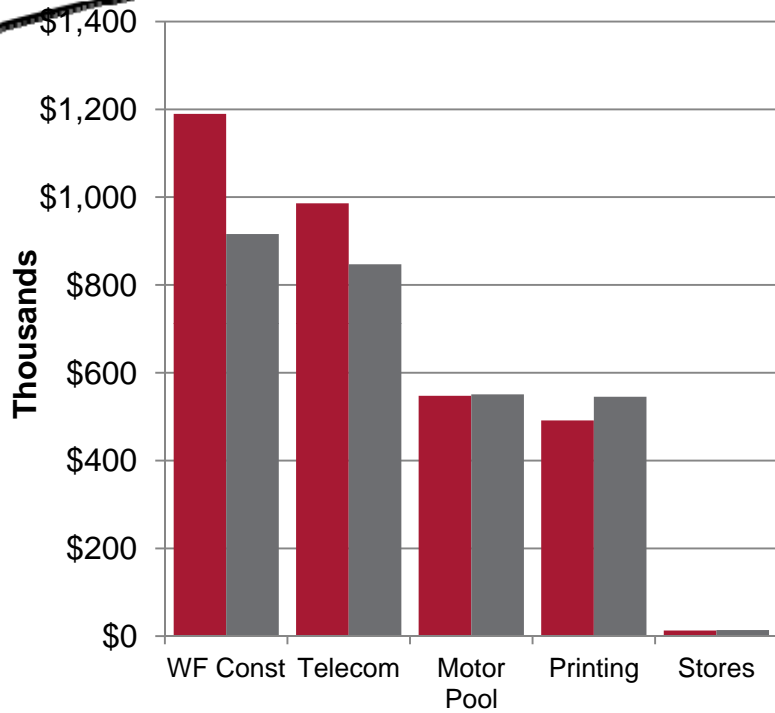
Source: Financial Services



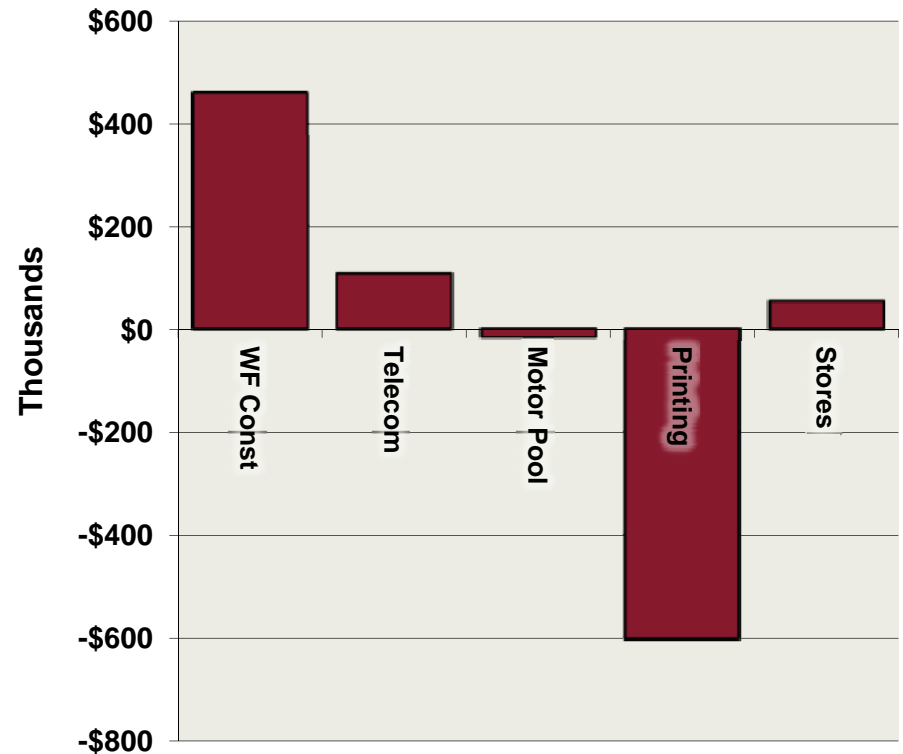
FY2012 Service Funds

Revenues, Expenditures and Net Assets

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■ Revenue ■ Expenditures



Unrestricted Net Assets

Service funds are intended to provide goods & services for other university operations

Source: Financial Services

