

Financial Review

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FISCAL YEAR 2013

AGENDA

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Overview



Resource Sufficiency & Flexibility



Operating Results



Financial Asset Performance



Debt Management



Financial Outlook

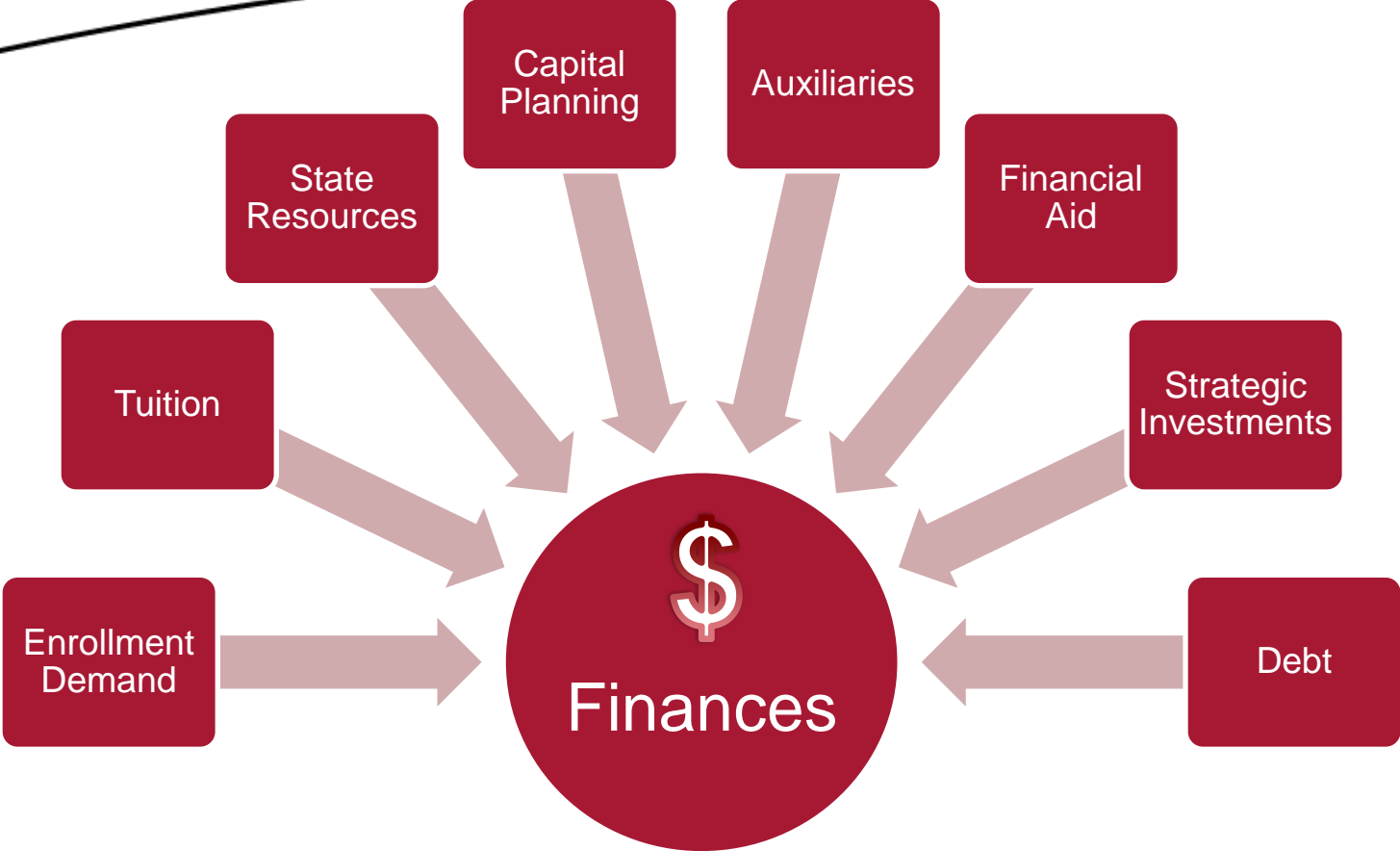


Achieving the Goals of the EWU Board of Trustees



Impacts to Eastern's Financial Position

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Retrospective

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- EWU has successfully navigated through the economic downturn to retain a sound financial position
- State funding for operational budget continues to be constrained, yet began to grow in 2013-15
- Enrollment growth and tuition and fee increases partially offset previous state funding reductions
- Enrollment: focus on market position, demand, capacity. Historical strong demand yet demographics indicate current market sector will slow.
- Declining state investment in deferred maintenance and capital funding presents a major issue for the future.



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.

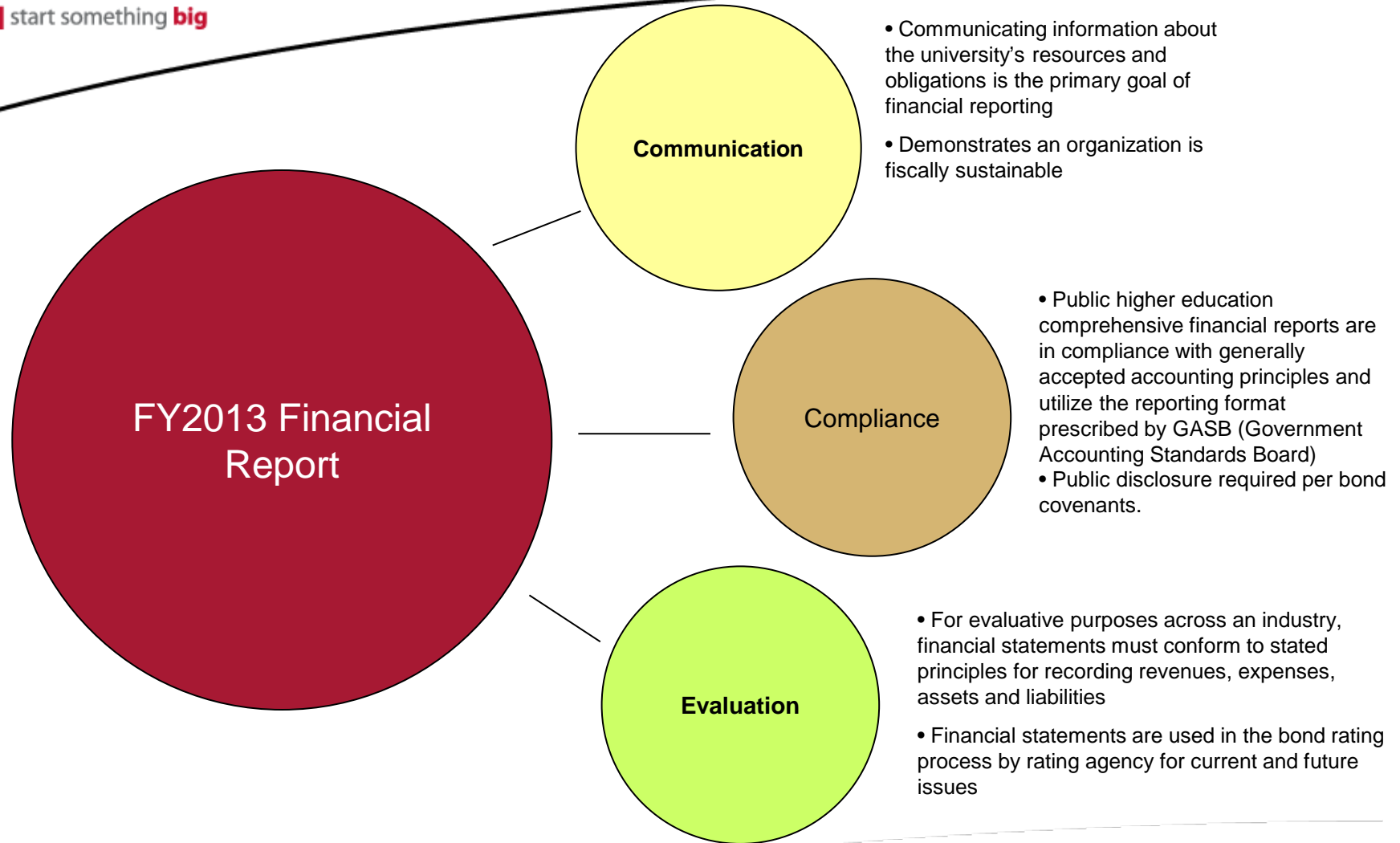
Financial Position impacted by 2013-15, and future, budget decisions.

FY2013 FINANCIAL POSITION



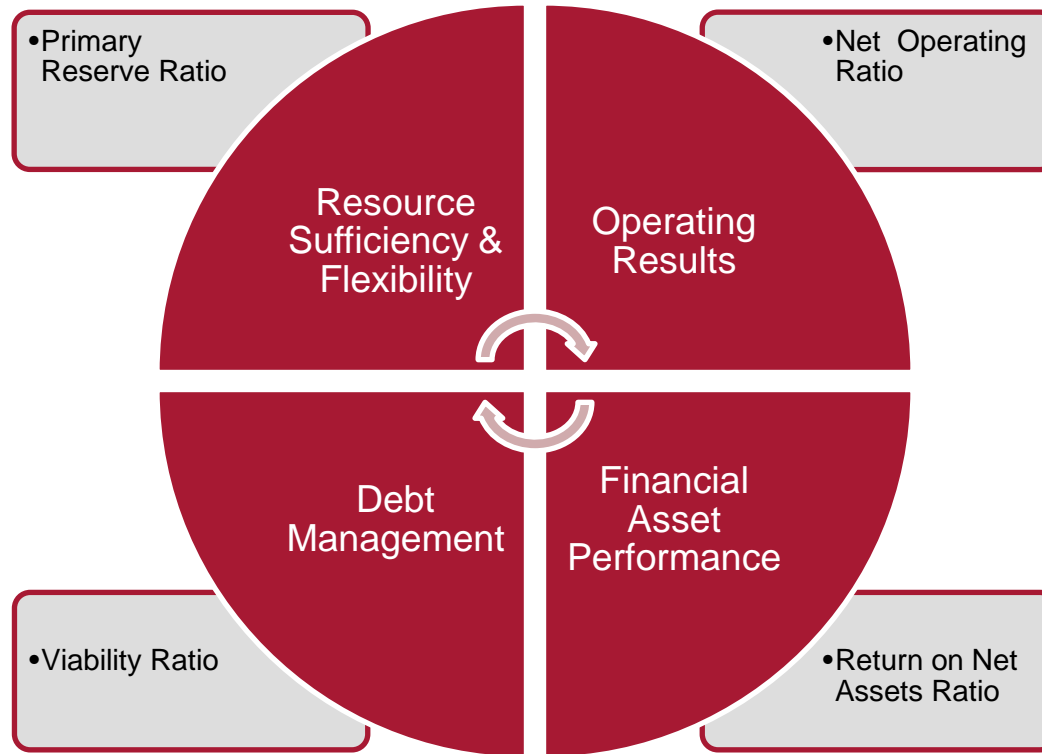
Financial Reporting

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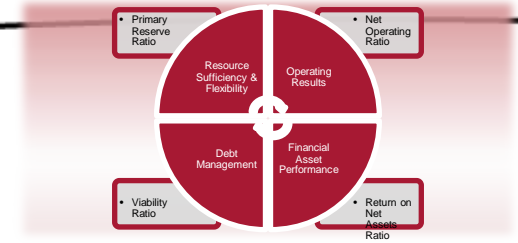
Measuring Financial Health

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Key Financial Performance Measures

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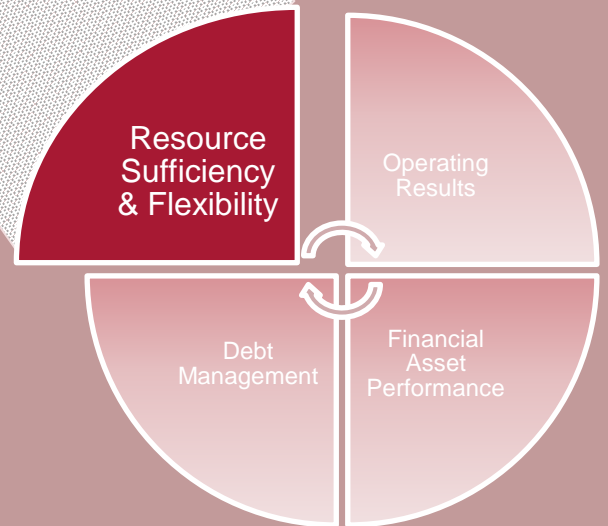
<p>Primary Reserve Ratio</p>	<p><i>Measures the financial strength of the institution by comparing expendable net position to total expenses. (Are resources sufficient and flexible enough to support the mission?)</i></p>
<p>Net Operating Ratio</p>	<p><i>Indicates surplus or deficit from operating activities. (Do operating results indicate the institution is living within available resources?)</i></p>
<p>Return on Net Assets Ratio</p>	<p>Determines whether the institution is financially better off than in previous years by measuring total economic return. (Does financial asset performance support the strategic mission?)</p>
<p>Viability Ratio</p>	<p><i>Measures the availability of Unrestricted Net Position to cover debt obligations at the balance sheet date. (Is debt managed strategically to advance the mission?)</i></p>



RESOURCE SUFFICIENCY AND FLEXIBILITY

To support the University's mission

- ❖ Planning
- ❖ State Funding and Tuition
- ❖ Enrollment
- ❖ Financial Aid



FINANCIAL PLANNING

*Biennial Budget Process
Long Term Planning*

Planning for Resource Sufficiency and Flexibility



Budget Process Relationship to Financial Reporting

Budget and Planning Process



- 2 year budget with internal planning for future biennia
- Multi-year enrollment planning
- Revenue forecast and projections
- Future cost impacts
- Analysis of reserves
- Strategies for revenues and funding
- Link to Strategic Plan

Financial Management

- ❖ On-going analysis of spend rate and cash balances
- ❖ Interim reporting
- ❖ Budget vs. Actual Revenues and Expenses
- ❖ Ongoing enrollment review
- ❖ Financial Aid review
- ❖ Capital Projects

Financial Reporting



- Monthly- various financial reports are produced
- Variance reporting
- Benchmarking and industry level Analysis
- Audited annual financial statements
- Audited fund level financial statements for selected funds.

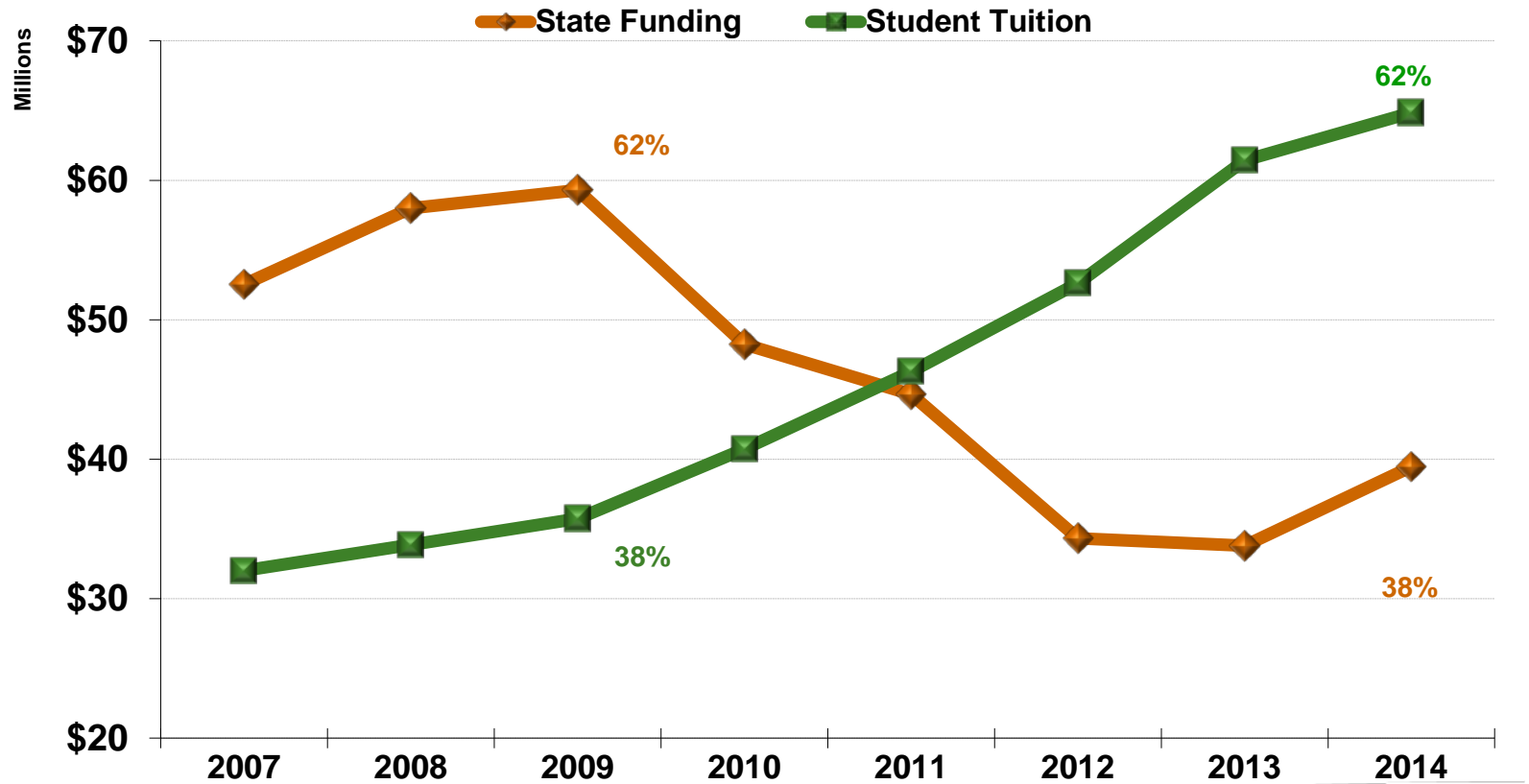


Key Funding Sources

State Funds and Student Tuition

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Over last 5 years, the state funding/student tuition balance in operating budget funding sources has shifted completely.



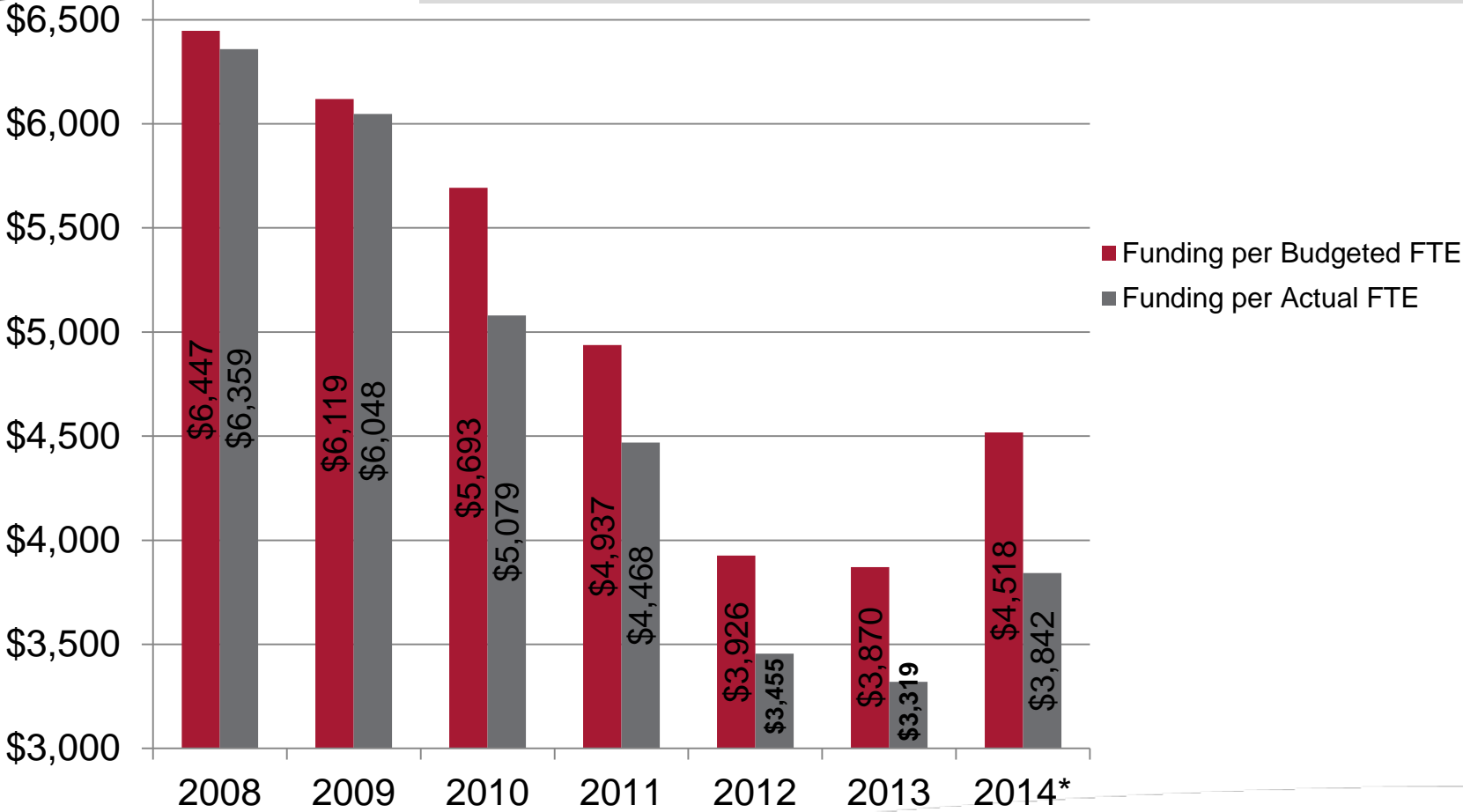
Source: BOT operating budget document



GF-State Funding per FTE Student

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EWU's GF-State funding per OFM Budgeted FTE declined by **67%** (\$2,577) between **FY2008** and **FY2013**, and increased **17%** (\$648) in **FY2014**.



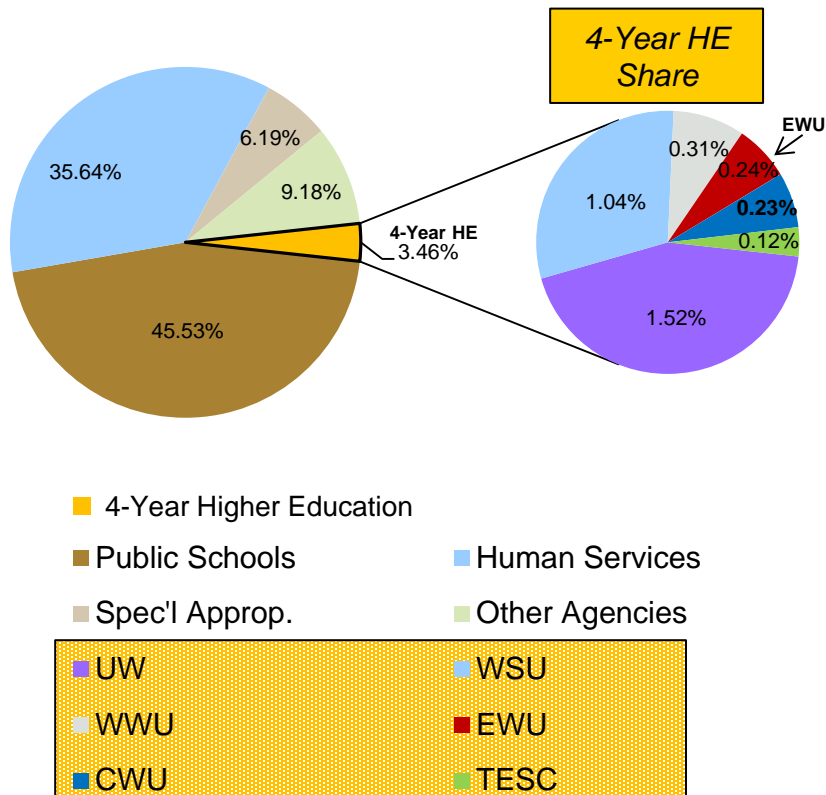
Source: Data based on GFS allocations and OFM budgeted state enrollments. 2014 projections based on original budget. Actual FTE funding based on GFS allocations and Annual Average state enrollments. 2014 projections based on original budget FTE at 10,272.



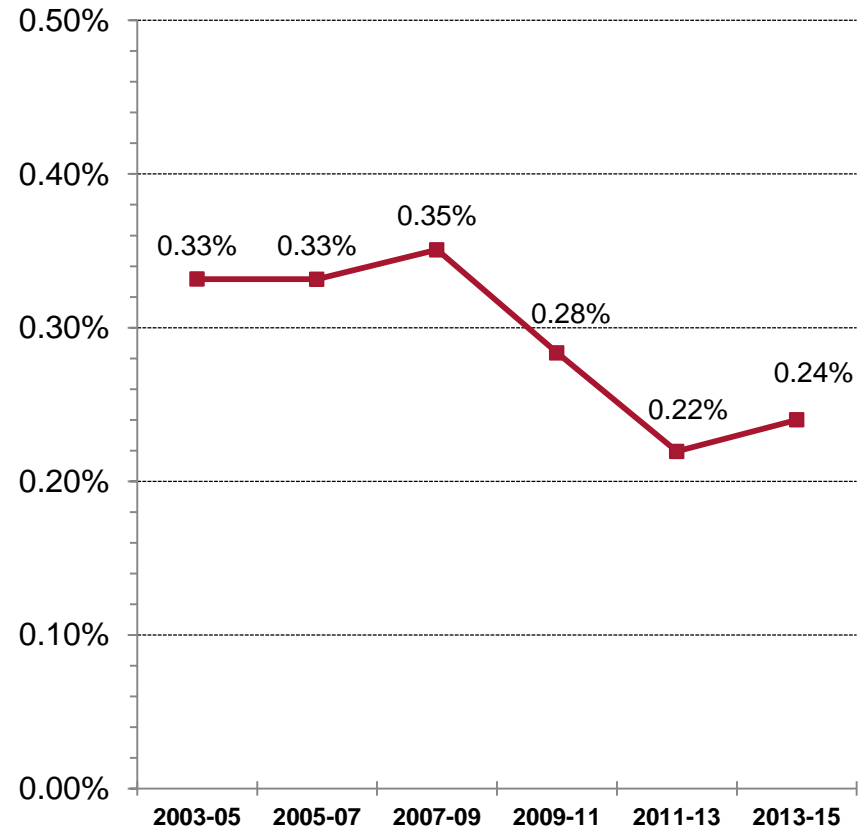
EWU's Share of Total State GF

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Total 2013-15 Budget



EWU % Share of Total State Budget



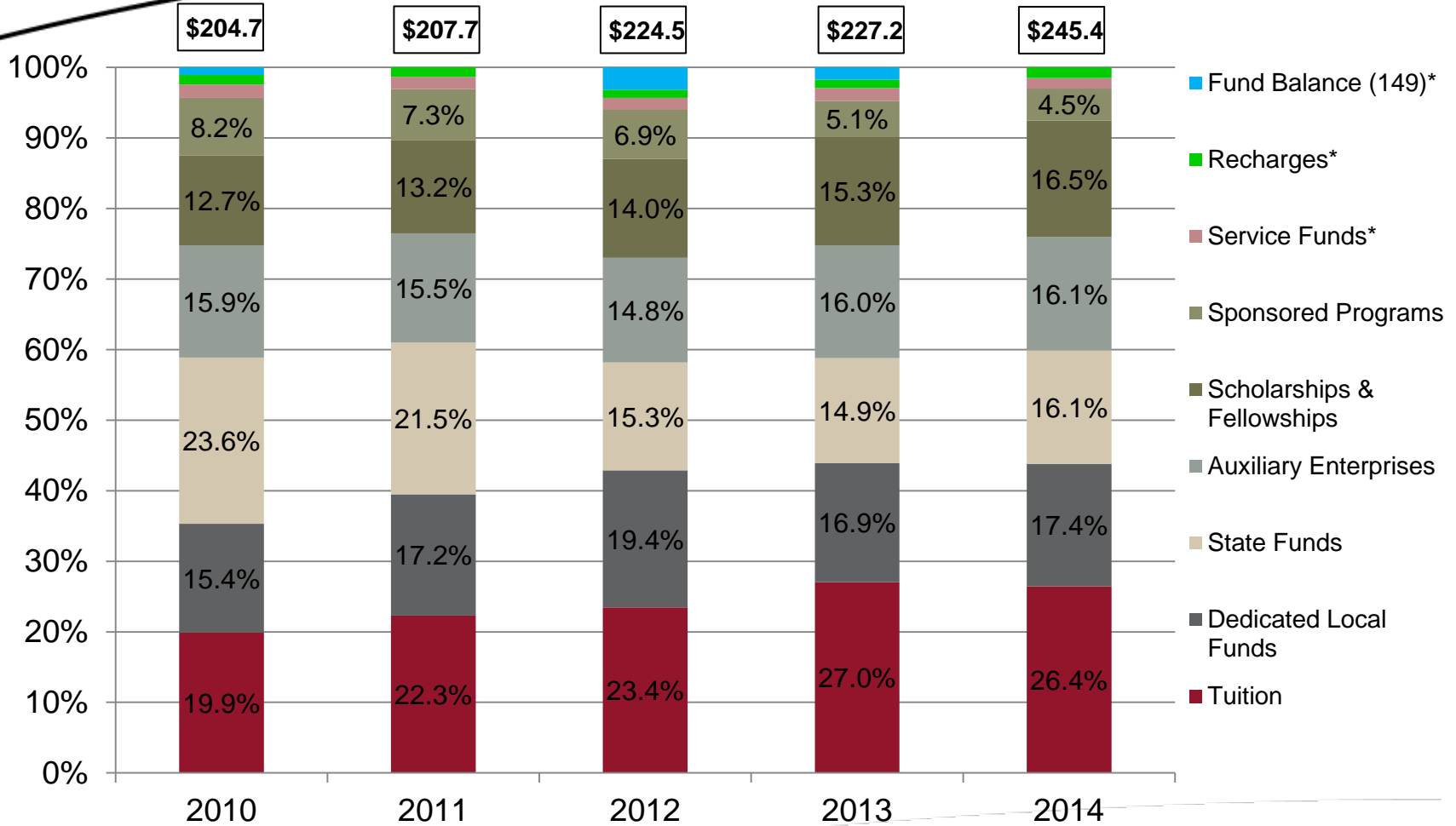
Source: fiscal.wa.gov - Operating Budget Statewide Summary



Institutional Annual Operating Budget History

Expenditures

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Source: BOT operating budget document



ENROLLMENT REVIEW



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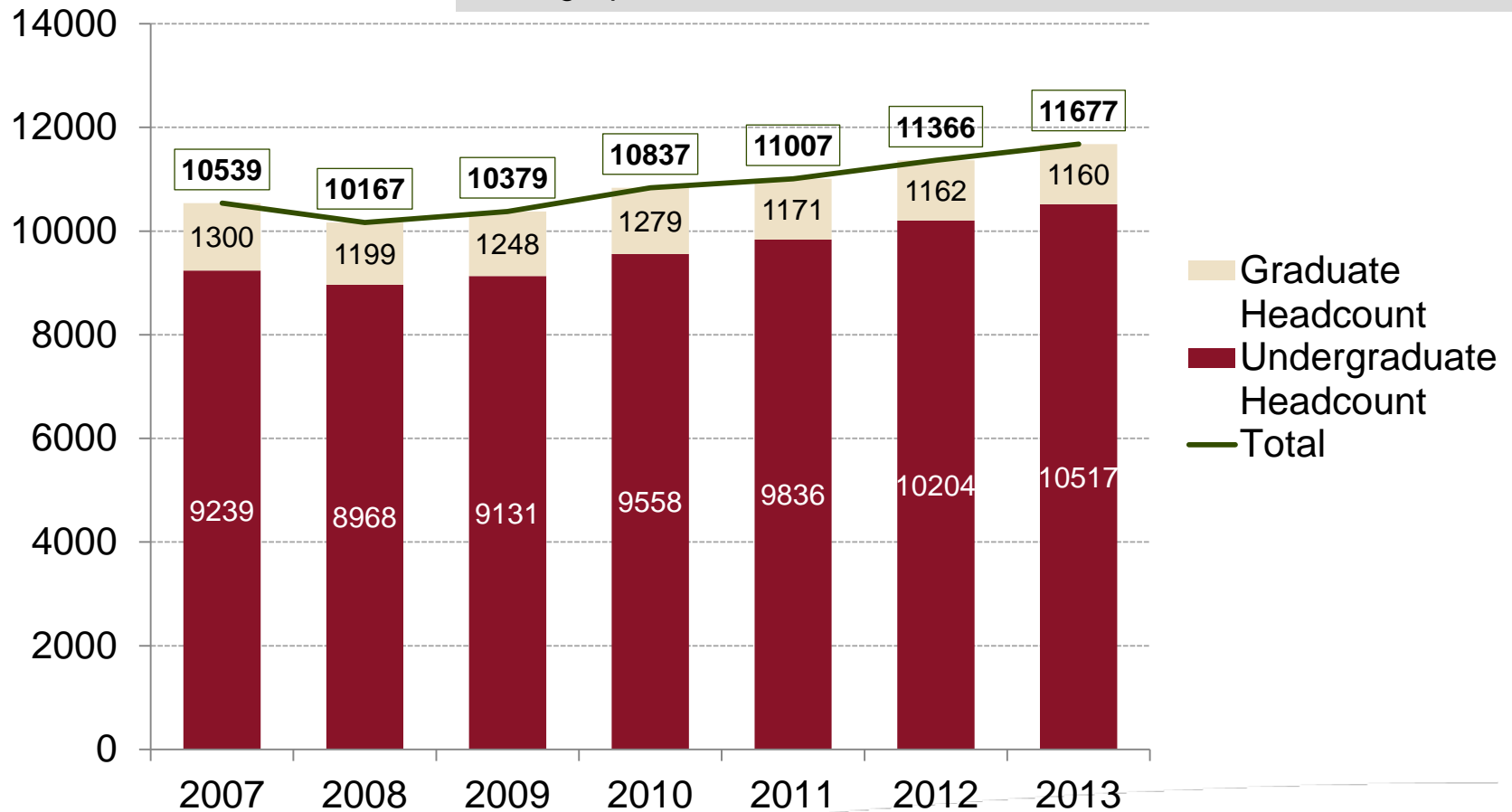
Critical planning component underpinning resource sufficiency and flexibility.

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.



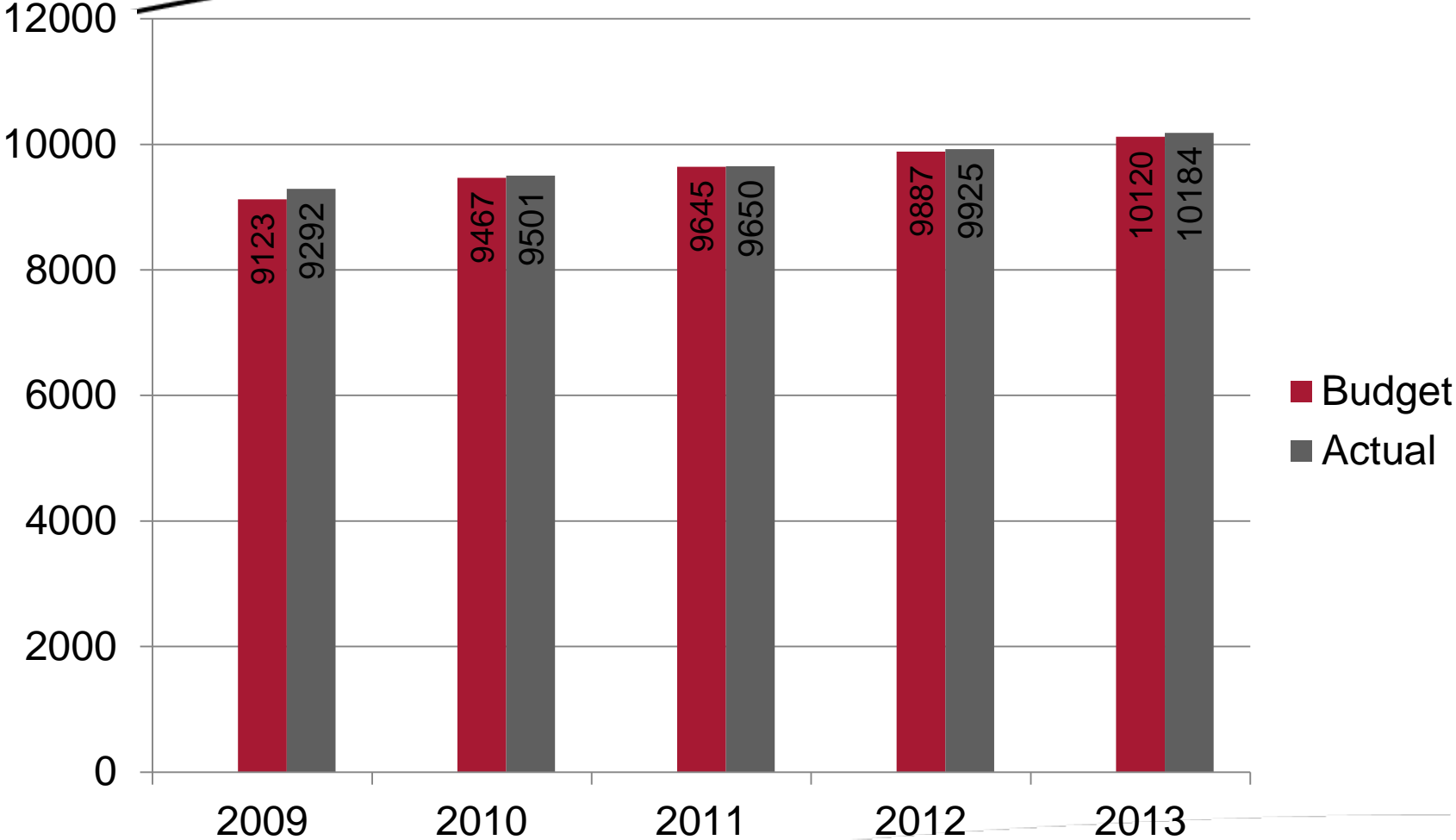
Source: EWU Institutional Research



Headcount Enrollment* Budget to Actual

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*Institution budgeted level





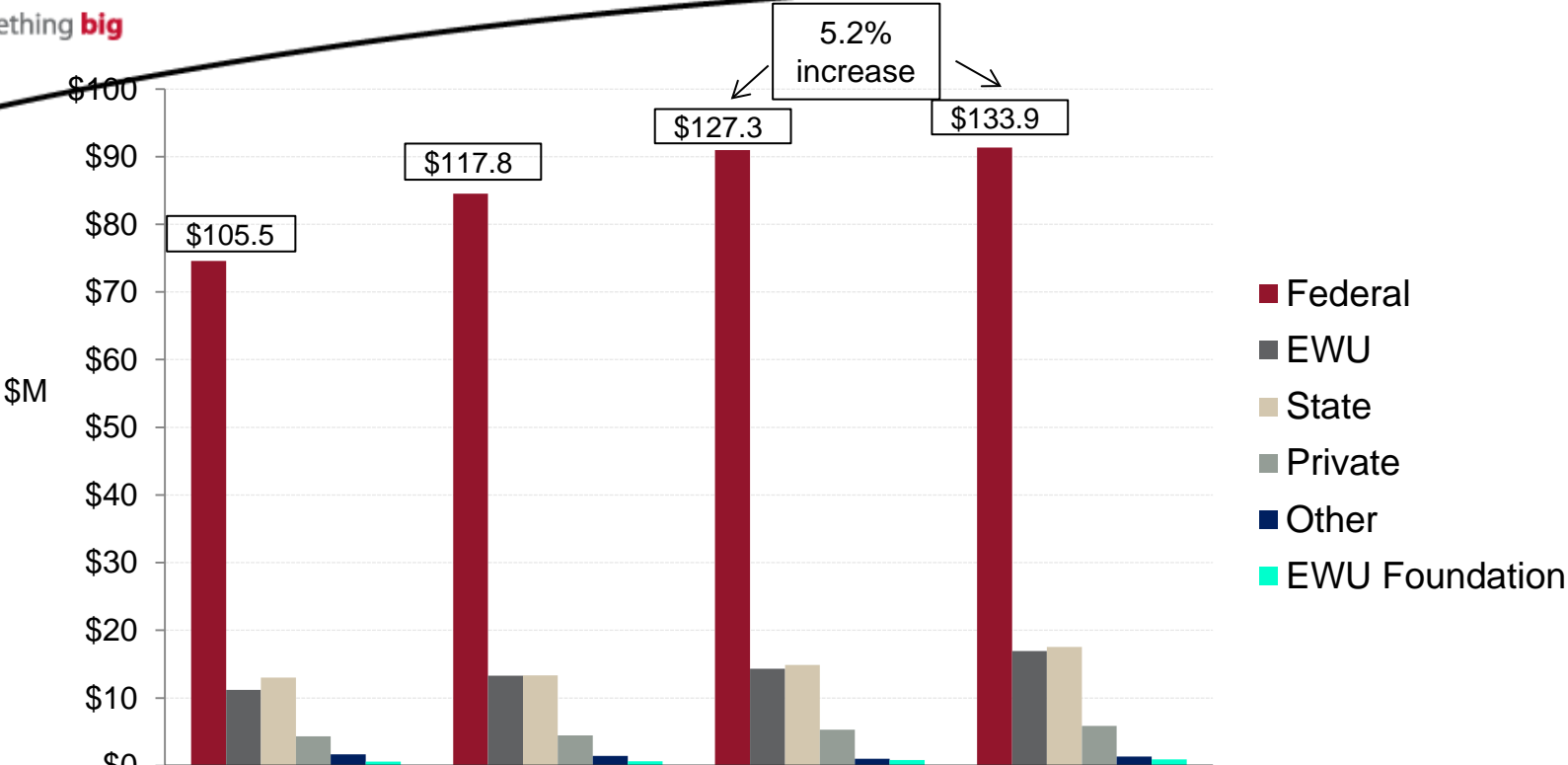
FINANCIAL AID FY2013

Affordability and access to higher education largely relies on ability to offer necessary levels and types of financial aid



Financial Aid – By Source

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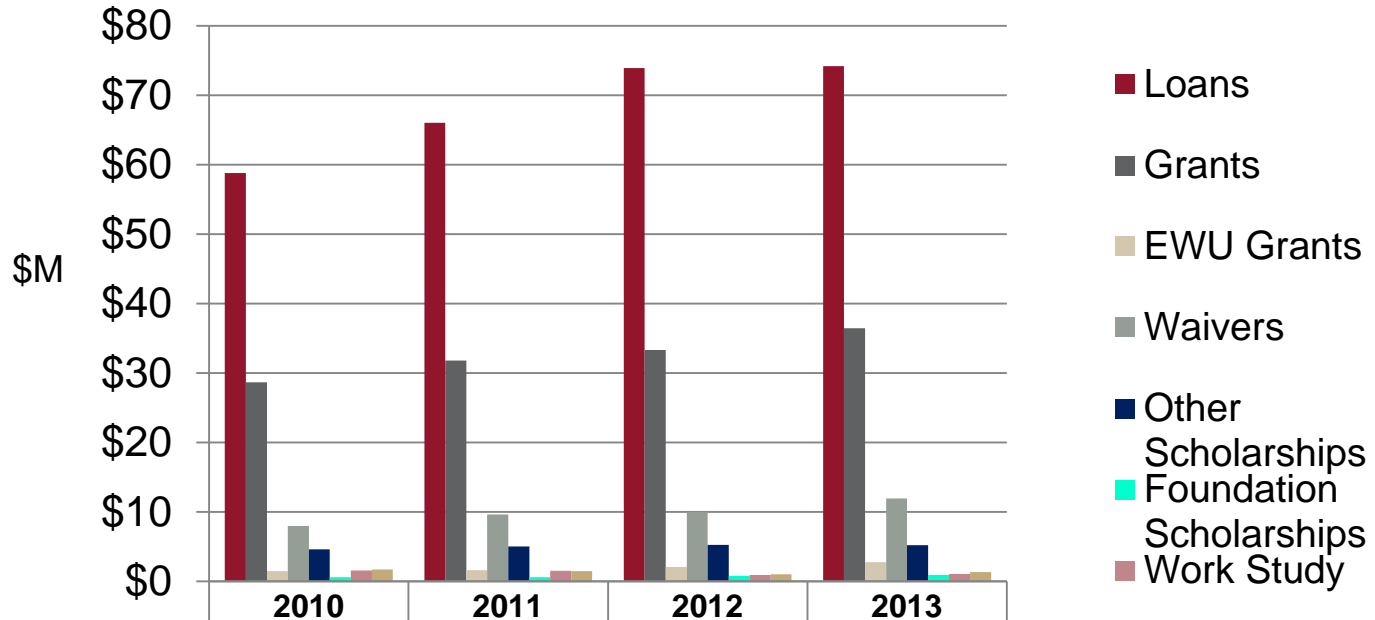
	2010	2011	2012	2013
Federal	\$74.6	\$84.6	\$91.0	\$91.3
EWU	\$11.2	\$13.3	\$14.3	\$16.9
State	\$13.0	\$13.3	\$14.9	\$17.5
Private	\$4.4	\$4.5	\$5.3	\$5.9
Other	\$1.7	\$1.5	\$1.0	\$1.4
EWU Foundation	\$0.60	\$0.63	\$0.83	\$0.93

Source: Financial Aid Office



Financial Aid – by Type

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	2010	2011	2012	2013
Loans	\$58.8	\$66.1	\$73.9	\$74.2
Grants	\$28.7	\$31.8	\$33.3	\$36.5
EWU Grants	\$1.5	\$1.6	\$2.1	\$2.8
Waivers	\$8.0	\$9.6	\$10.0	\$12.0
Other Scholarships	\$4.6	\$5.1	\$5.2	\$5.2
Foundation Scholarships	\$0.6	\$0.6	\$0.8	\$0.9
Work Study	\$1.6	\$1.5	\$0.9	\$1.1
Other	\$1.7	\$1.5	\$1.0	\$1.4

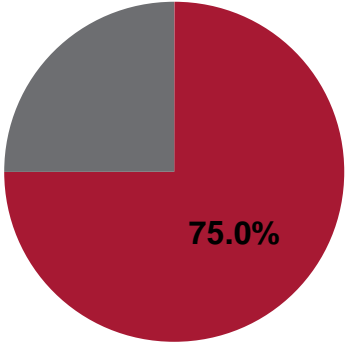
Source: Financial Aid Office

Financial Aid 2013

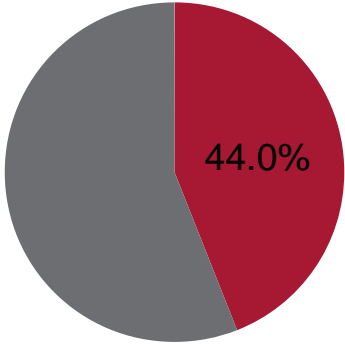
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9,731 Students Received Financial Aid

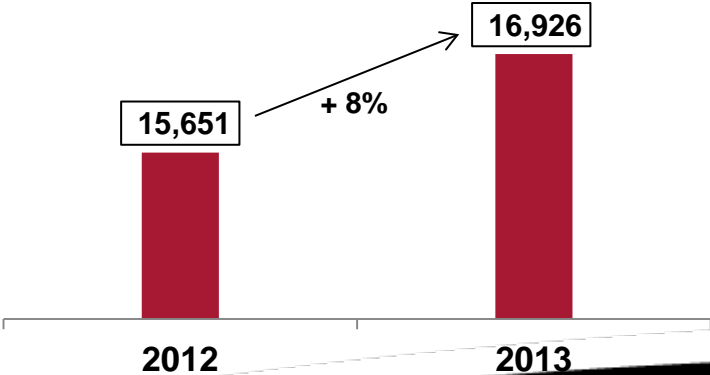
Percentage of students receiving Financial Aid



Percentage of students receiving Pell Grants



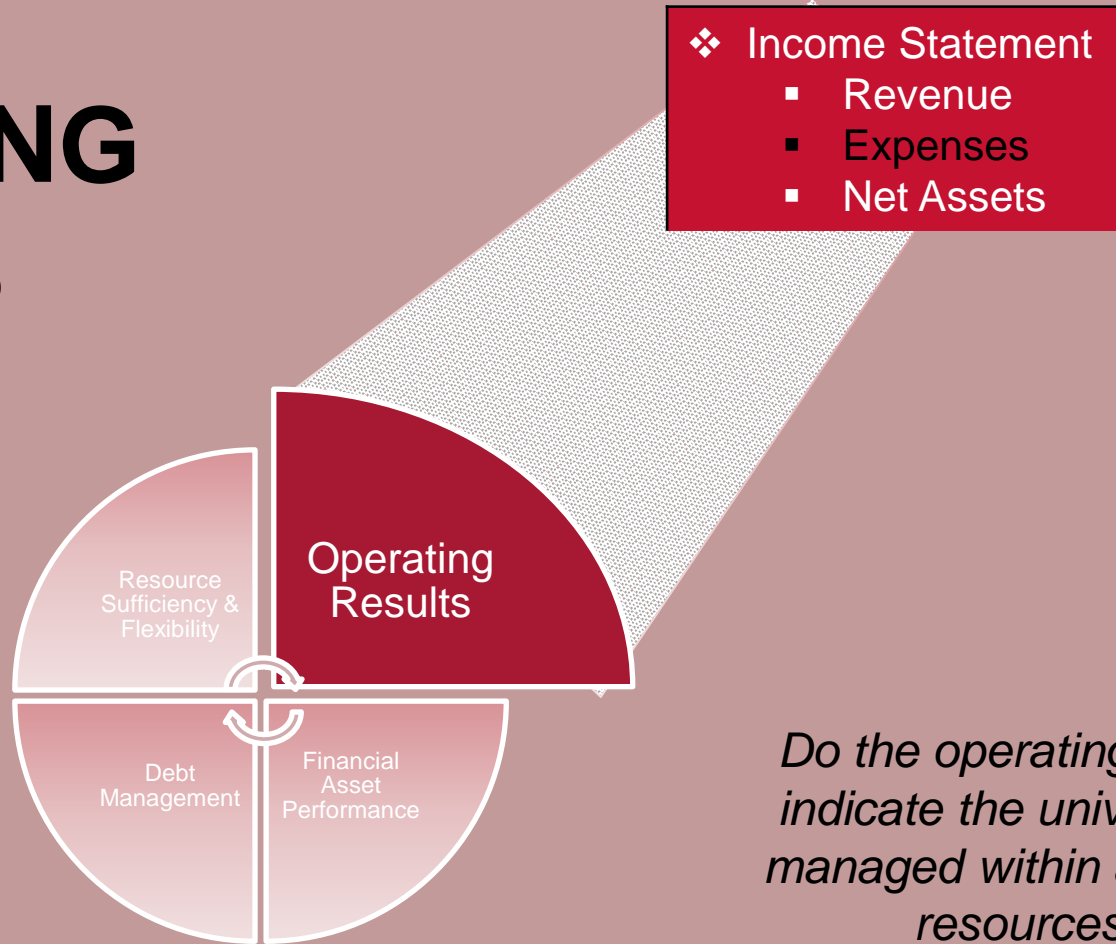
Applications Processed



Source: Financial Aid Office



OPERATING RESULTS



Do the operating results indicate the university is managed within available resources?



What does the Operating Statement mean?

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

Presents a change in net financial position over the prior year

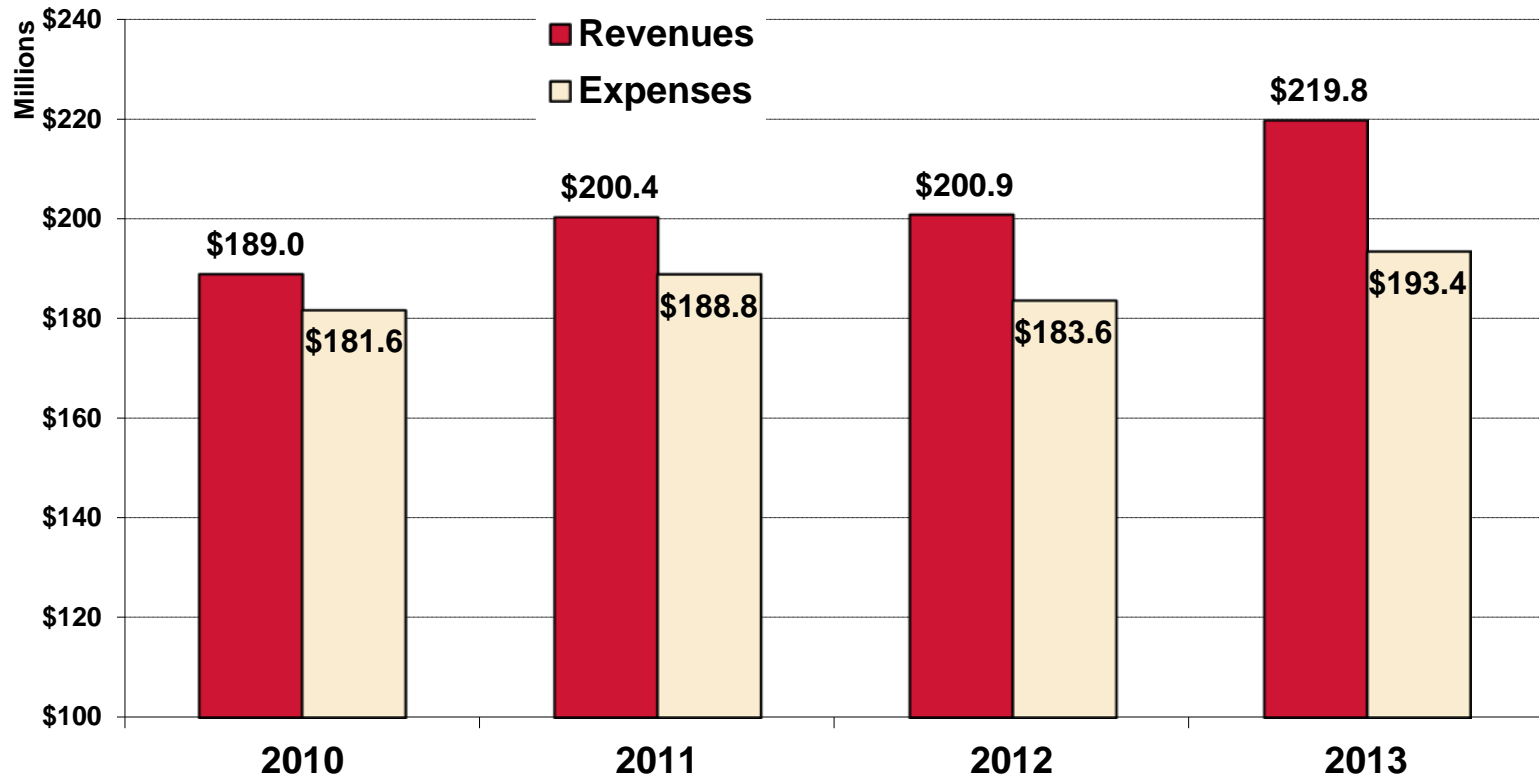
Analysis of performance of the university across the industry.

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



University Revenues, Expenses and Changes in Net Position

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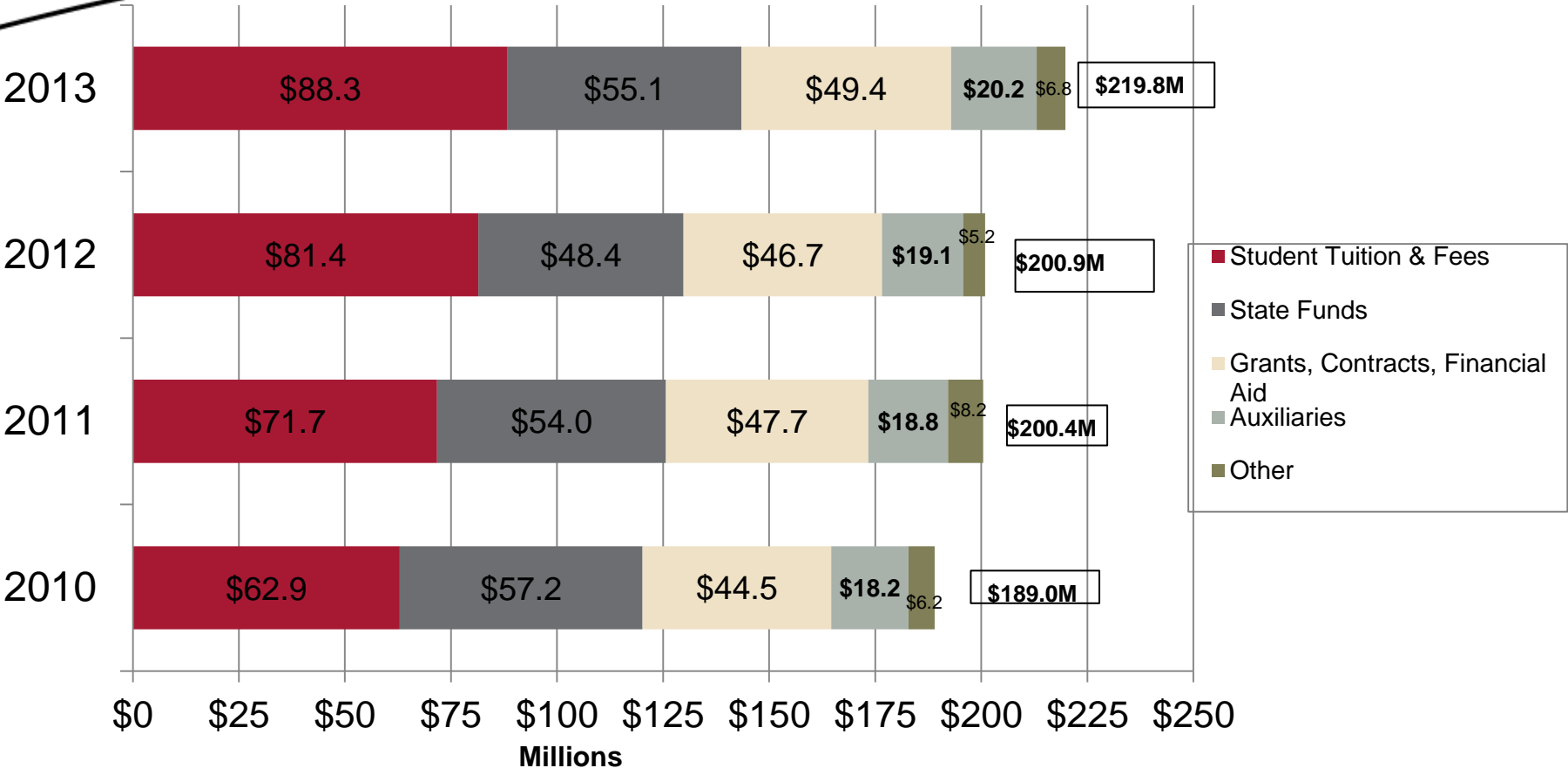


Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited



University Revenues

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Source: EWU Office of Controller
 FY 2013 data is preliminary, unaudited



Key Revenue Indicators

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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

	2012	2013
Student Tuition and Fees	44.9%	46.3%
State Appropriations – Operating	18.9%	17.7%
State and Local Grants & Contracts	10.8%	11.4%
Auxiliary Services	10.5%	10.6%
Pell Grant	10.5%	10.2%
Federal Grants & Contracts	3.0%	2.5%
Investment Earnings	1.9%	1.9%
State Appropriations – NCFI	0.3%	1.4%
Non-Governmental Grants & Contracts	1.5%	1.8%
Other Revenues	1.0%	1.6%

Source: EWU Office of Controller

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

FY 2013 data is preliminary, unaudited



Key Revenue Indicators

■ start something **big**

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

FY2010	51.1%
FY2011	54.7%
FY2012	61.9%
FY2013	62.6%

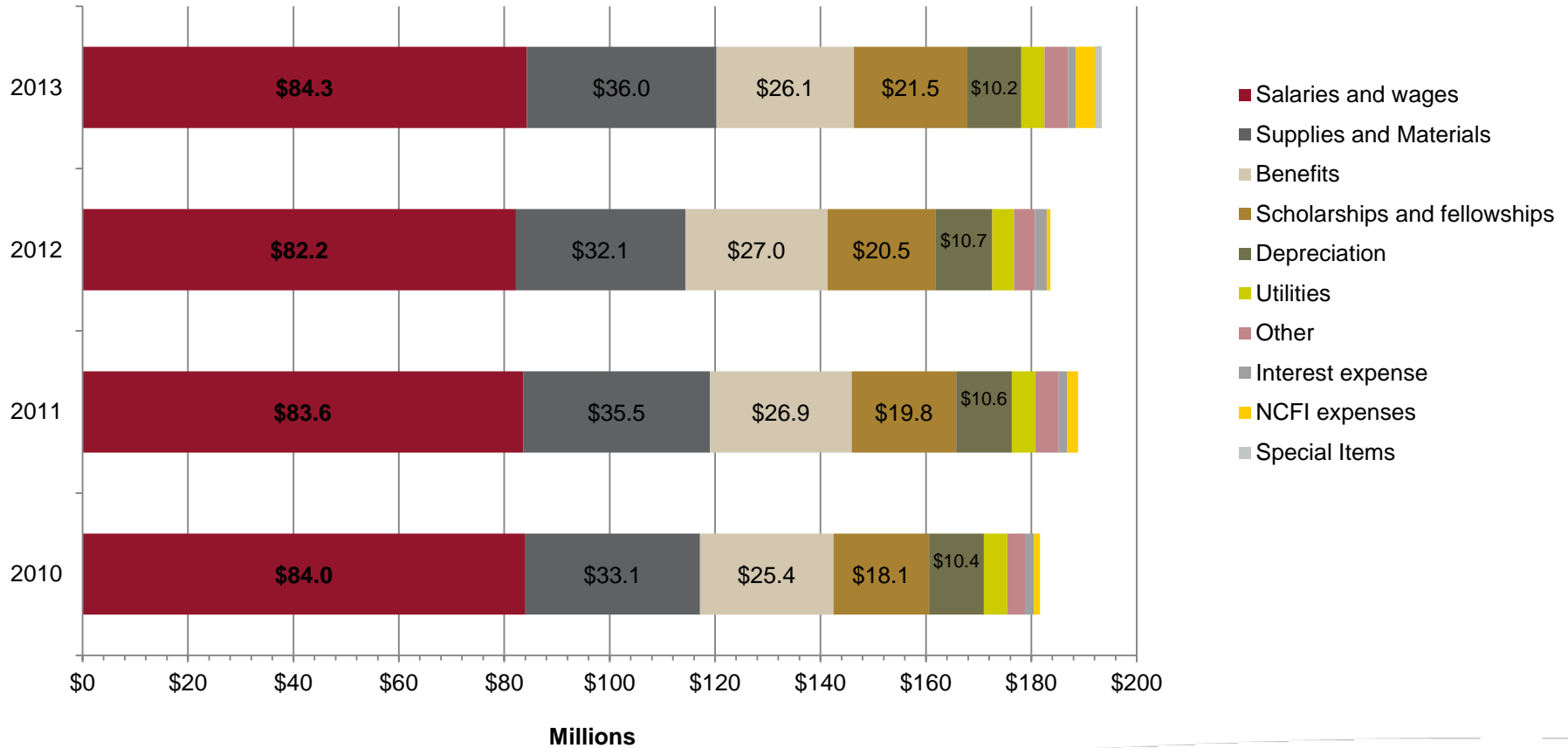
Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited



University Expenses by Type

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Overall, University operating expenses increased 4.6%



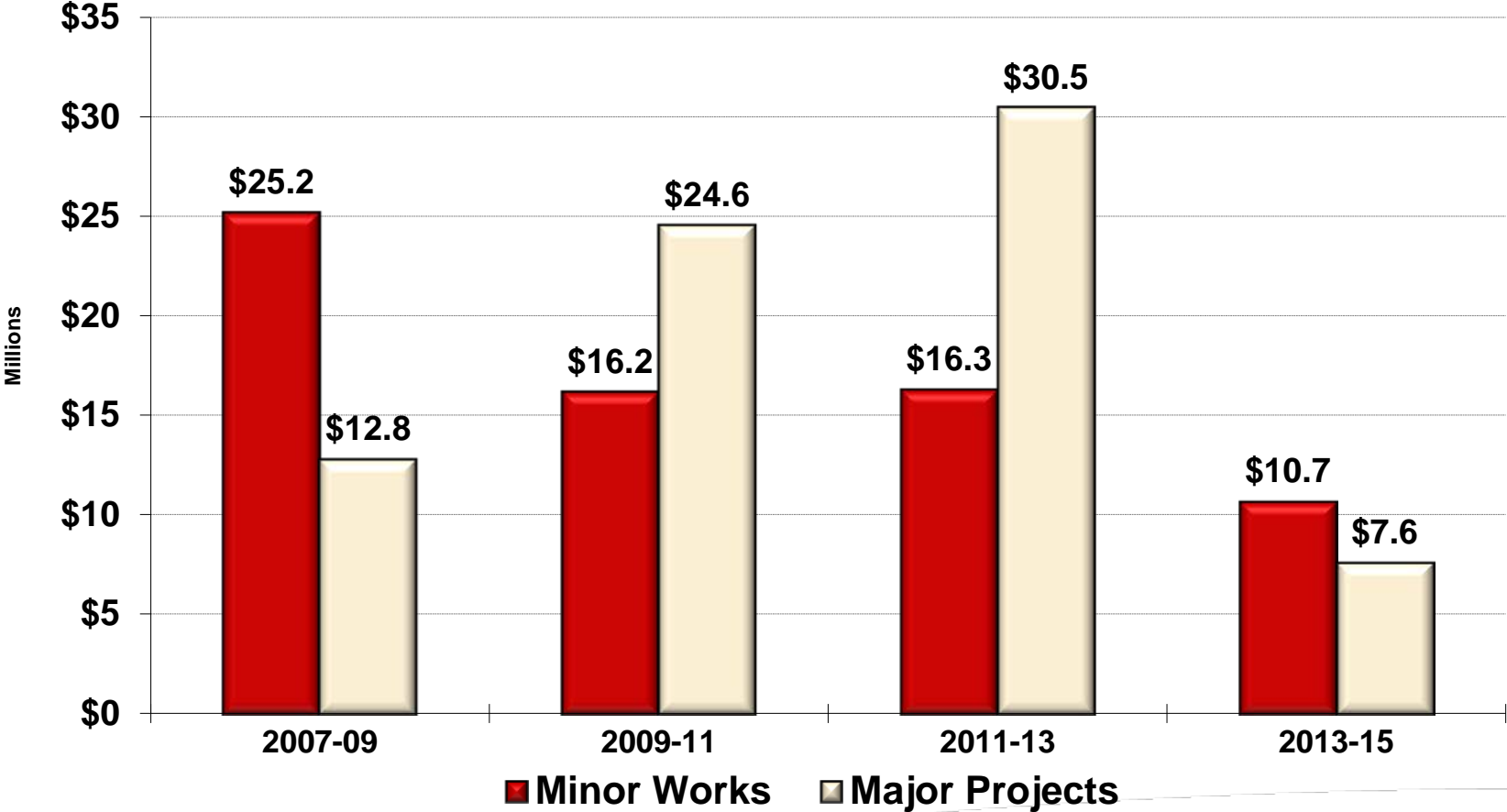
Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited



Capital Appropriation History

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State capital funding can fluctuate between biennia and types of projects funded. 2013-15 reflects a dramatic decrease in major projects and minor works funding due to recession impacts.



Source: Appropriation schedule - New appropriations only



Does financial asset performance support the strategic mission?

BALANCE SHEET AND INDICATORS

FY2013 (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

■ start something **big**

Net assets increased **8%** over FY 2012

All Funds	2012 (millions)	2013 (millions)
Total Assets	\$413.8	\$443.0
Total Liabilities	\$84.4	\$87.2
Net Assets (at June 30)	\$329.4	\$355.8

FY 2013 Major components-

Cash and investments **\$126.9M** or **29%** of total assets

Capital assets (land, building, equipment) **\$293M** or **66%** of total assets

Long term debt **\$56.8M** or **65%** of total liabilities

Unrestricted net assets (not legally restricted) **\$86.6M** or **24%** of net position

Source: EWU Office of Controller
FY2013 data is preliminary, unaudited

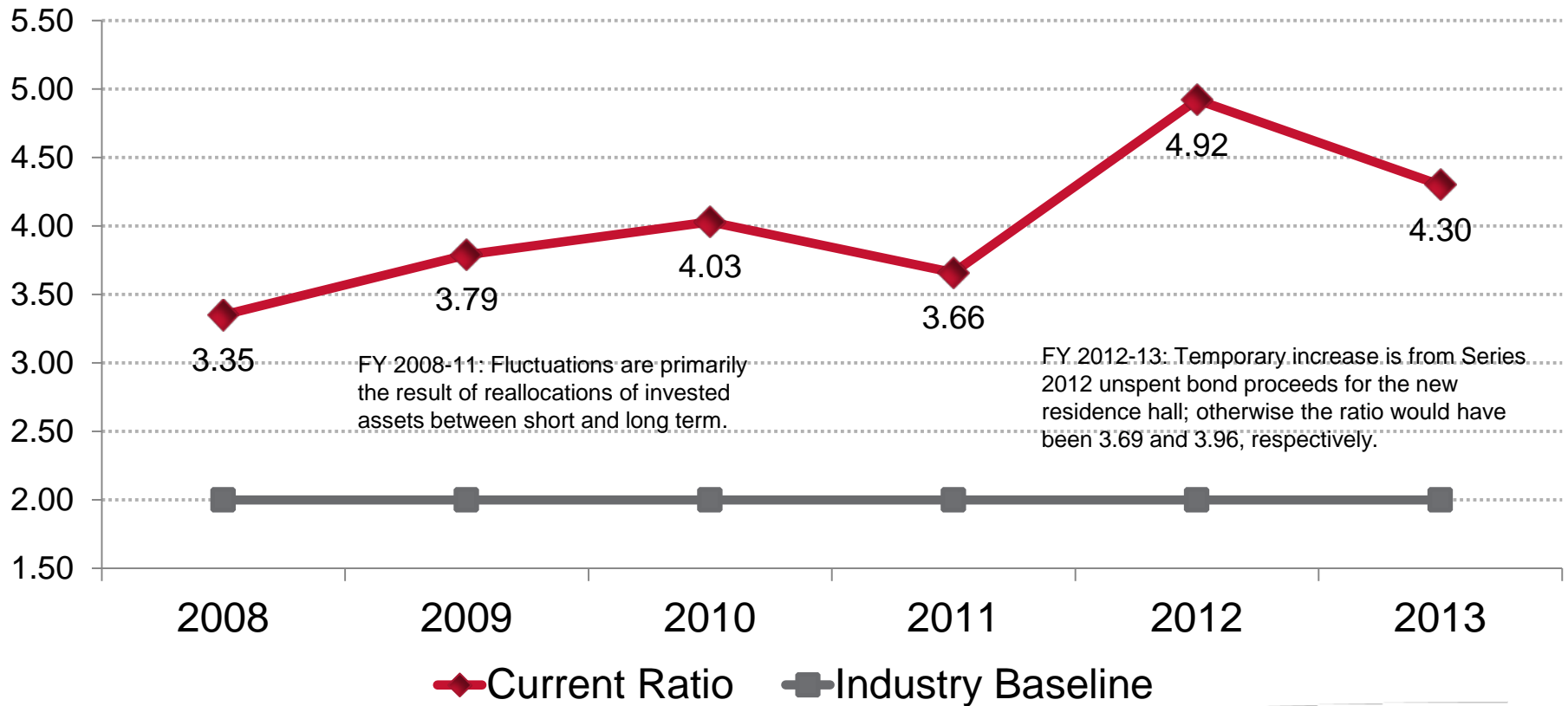


Key Balance Sheet Indicators

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Eastern has consistently remained above the industry baseline

Current Ratio: Measure of Liquidity

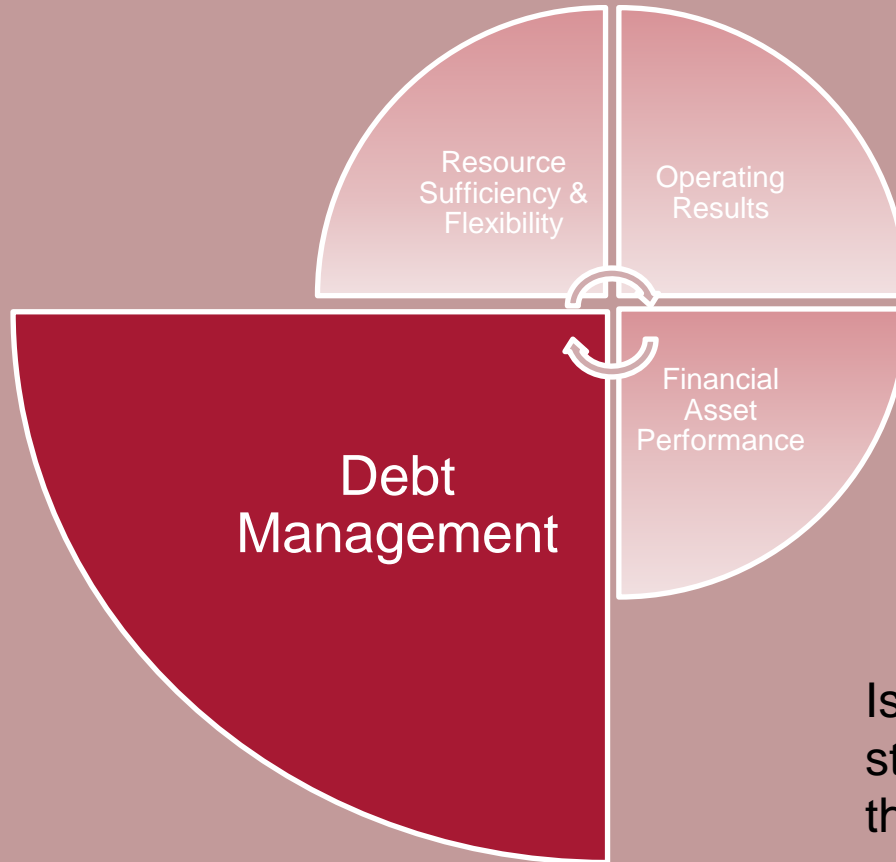


Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited



Debt Management

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Is debt managed strategically to advance the University's mission?



Debt Management and Oversight

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- University Policy
- Debt Issuance approved by Board of Trustees
- Annual Report to Board of Trustees
 - Compliance with policy
 - Review of existing debt and associated covenants
 - Debt capacity analysis
 - Long term capital plans that require financing
 - Pending debt financed projects

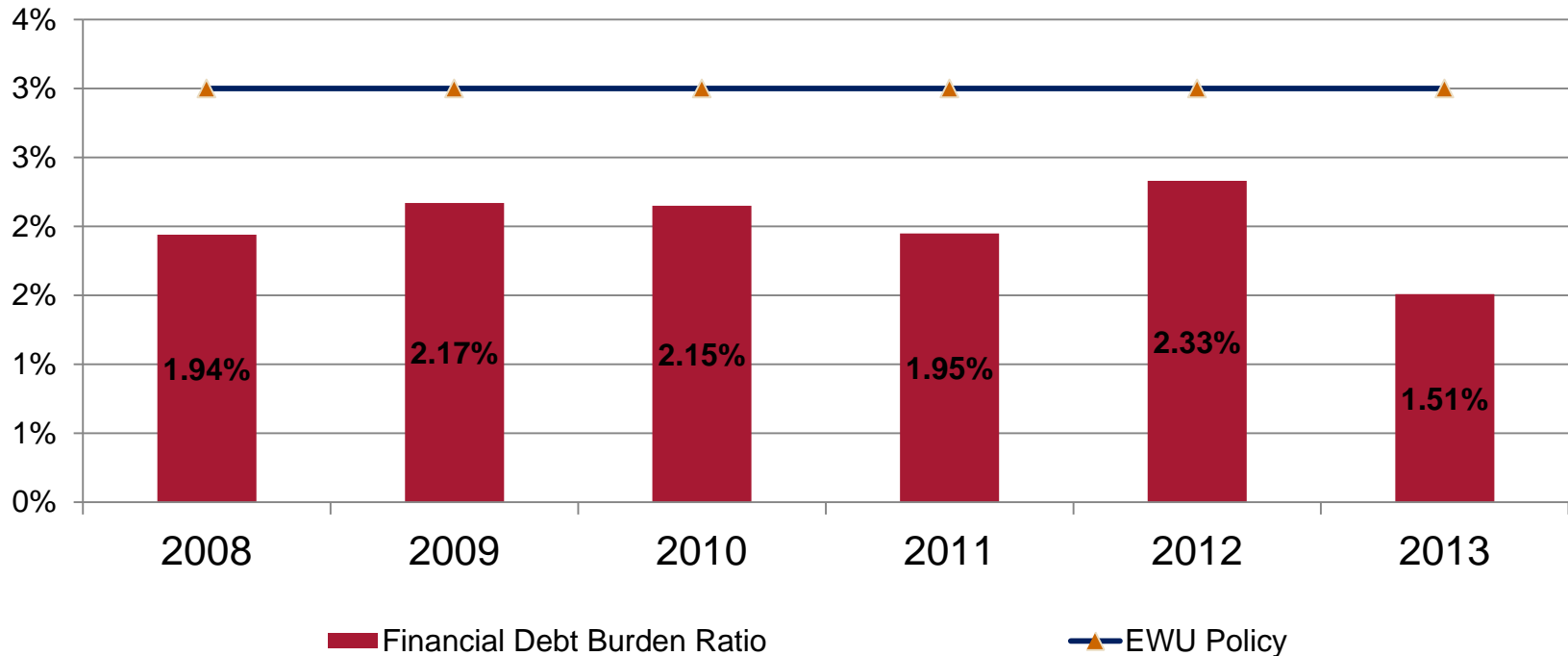


Key Balance Sheet Indicators

start something big

Eastern is managing debt levels in compliance with the University debt policy. The FY 2013 ratio reflects a temporary decrease until the Series 2012 bond principal payments begin next year.

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



Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited



Summary

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EWU's Financial Performance Profile



EWU Financial Health



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	FY2010	FY2011	FY2012	FY2013
Primary Reserve ratio	.39x	.41x	.48x	.52x
<p>Primary Reserve Ratio provides a snapshot of financial strength by indicating how long the institution could function on expendable reserves without relying on additional net position to be generated by operations – <u>a ratio above .40x is advisable.</u></p>				
Net Operating Revenue ratio	-0.57%	0.84%	1.97%	4.54%
<p>Net Operating Ratio measures net operating revenues (expenses) in contrast to total operating revenues – <u>the targeted ratio should be between 2%-5%.</u></p>				

Source: EWU Office of Controller
 FY 2013 data is preliminary, unaudited



EWU Financial Health

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	FY2010	FY2011	FY2012	FY2013
Return on Net Assets ratio	2.53%	3.89%	5.54%	8.01%

A positive return on net position indicates that the institution is better off than it was at the beginning of the year. An improving trend in this ratio is indicative of increasing net position that will strengthen the institution's financial future.

Viability ratio	1.64x	1.98x	1.33x	1.53x
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A ratio of >1 indicates the institution has sufficient Unrestricted Net Position to satisfy debt obligations.

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited



Achieving the Goals of the EWU Board of Trustees





Financial Outlook

Future Impacts

Enrollment

- In EWU's market area, the enrollment demographics are going to be relatively flat
- Strategic Enrollment Plan will shape Eastern's future enrollment shape and size
- Higher education participation rates...focus on 4 year sector

Revenues

- State investment in higher education
- Tuition flexibility
- Impact of enrollment growth on revenue

Costs and Investments

- Increase in salary and benefit costs
- Continued growth in deferred maintenance backlog
- Renewal and investment in technology
- Campus master plan
- Financial aid needs



- Statewide higher education goals impact shape and size of Eastern.
- Need to develop additional markets and strategies to attract more students.
- Potential for costs to outpace revenue growth.



CONCLUSION

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





EASTERN
WASHINGTON UNIVERSITY

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APPENDIX

Additional Selected Information



Table of Contents

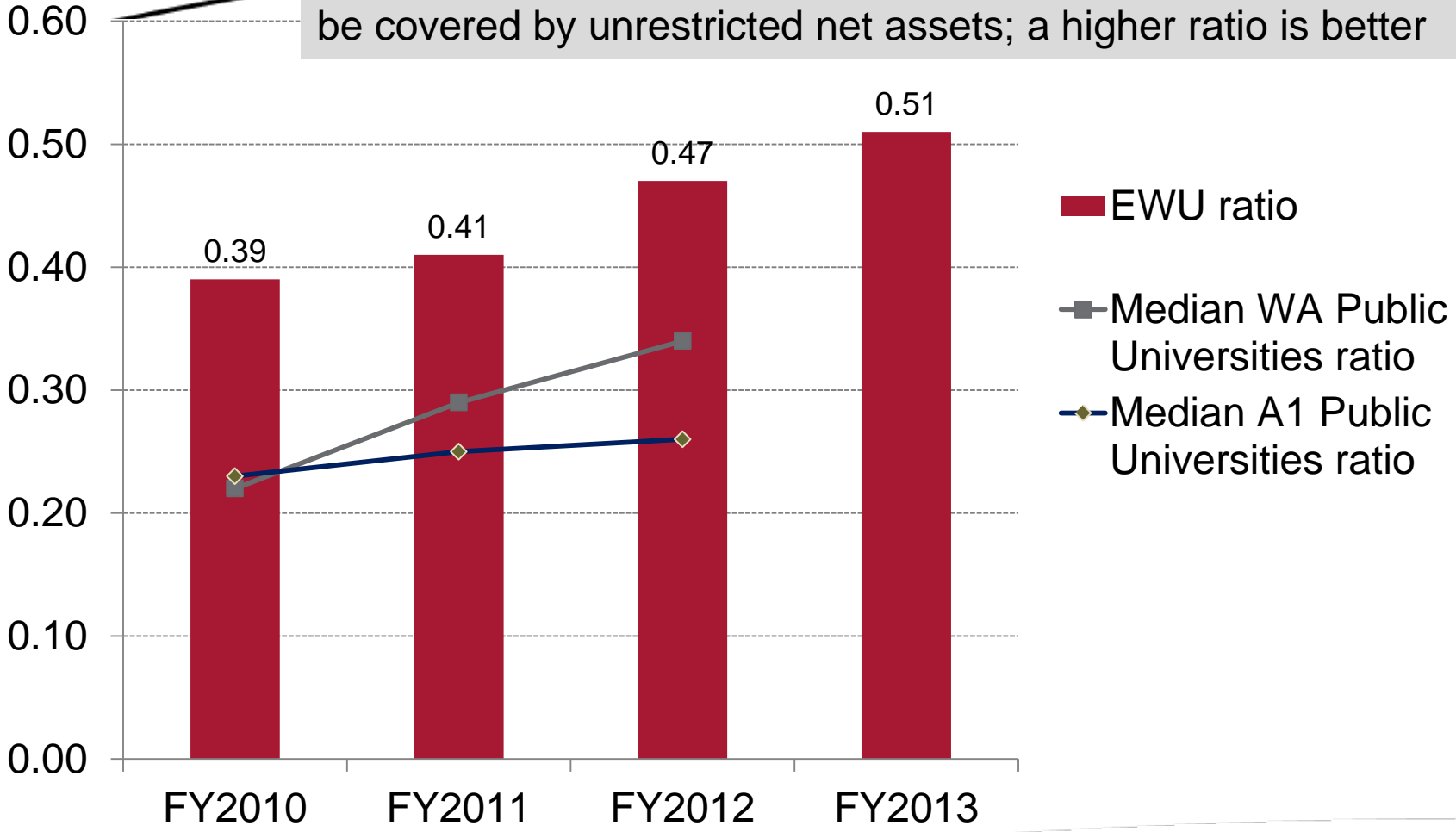
- Balance Sheet Indicators
- Selected Fund Levels



Unrestricted Financial Resources to Operations

■ start something big

About half of EWU's adjusted annual operating expenses could be covered by unrestricted net assets; a higher ratio is better



Source: EWU Office of Controller. Peer data from MFRA (Moody's)
FY 2013 data is preliminary, unaudited

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

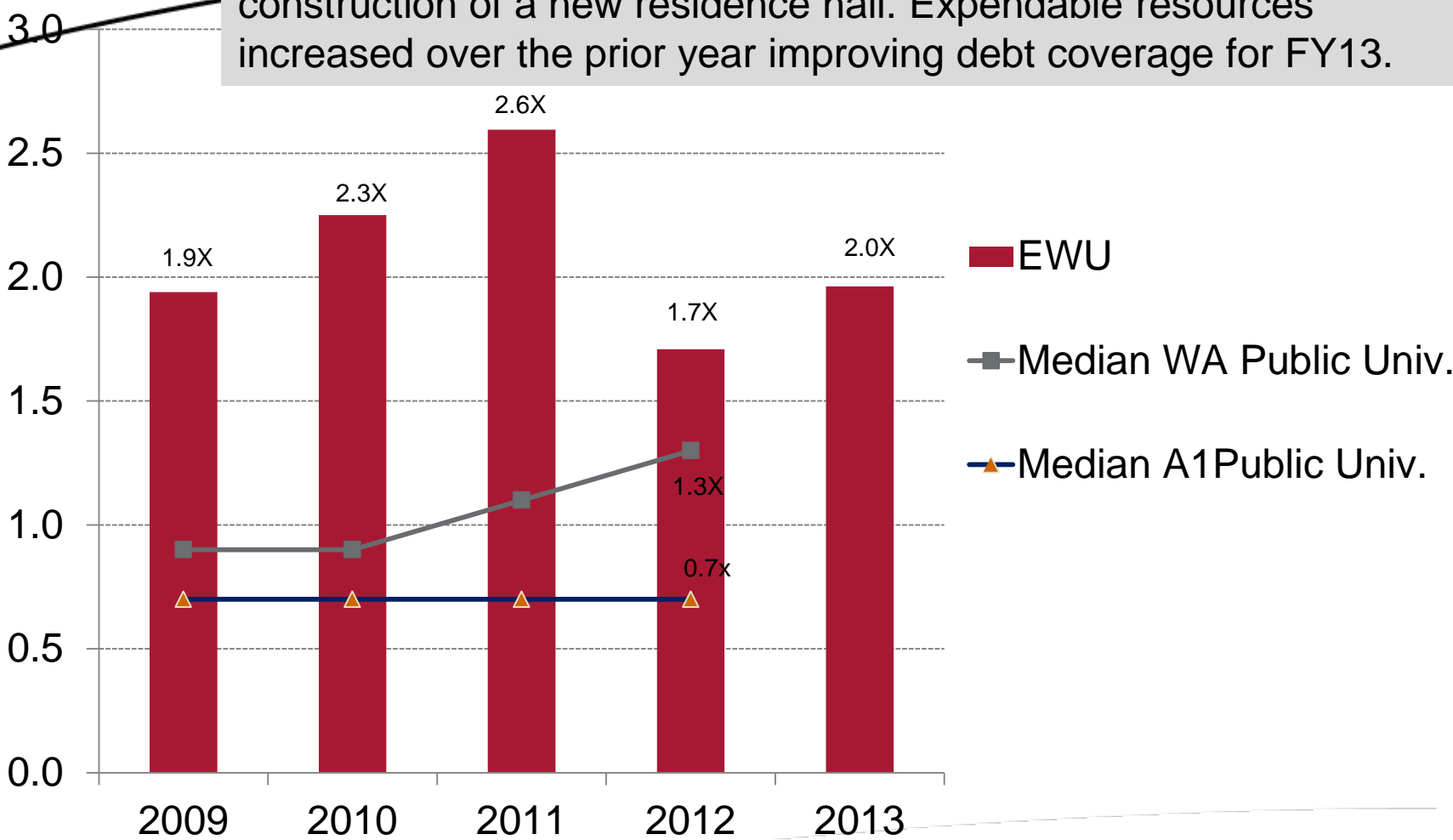
Prelim 2013 Eastern Washington University	.51x
2012 Eastern Washington University	.47x
2012 Median WA Public Universities	.34x
2012 Median A1 Public Universities (industry peers)	.26x
Eastern Washington University Dashboard Indicator	Good

Source: EWU Office of Controller. Peer data from MFRA (Moody's)
FY 2013 data is preliminary, unaudited

Expendable Financial Resources to Direct Debt

start something big

Decrease in FY12 ratio is the result of bond debt issued to finance construction of a new residence hall. Expendable resources increased over the prior year improving debt coverage for FY13.



Source: EWU Office of Controller. Peer data from MFRA (Moody's)
 FY 2013 data is preliminary, unaudited

Key Balance Sheet Indicators

■ start something **big**

Expendable resources are twice as much as outstanding debt. Coverage would be 1.5x if relying only on unrestricted net assets.

Expendable Financial Resources to Direct Debt

Measures coverage of direct debt by the most liquid resources

Prelim 2013 Eastern Washington University	2.0x
2012 Eastern Washington University	1.7x
2012 Median WA Public Universities	1.3x
2012 Median A1 Public Universities	0.7x
Eastern Washington University Dashboard Indicator	Good

Source: EWU Office of Controller. Peer data from MFRA (Moody's)
FY 2013 data is preliminary, unaudited



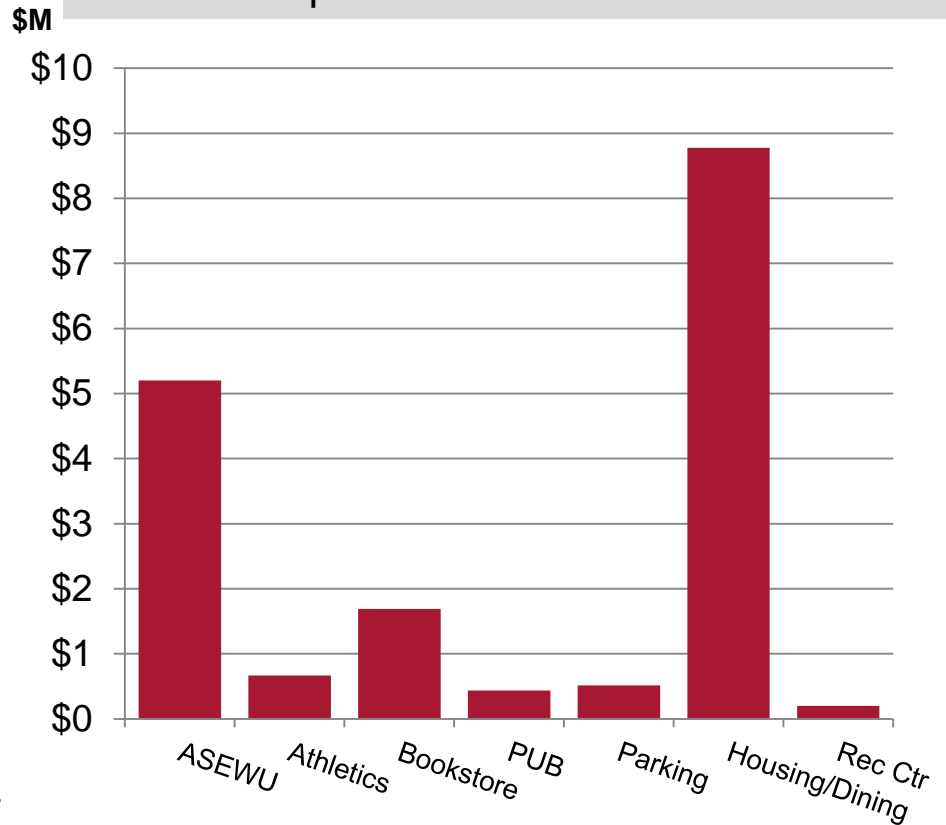
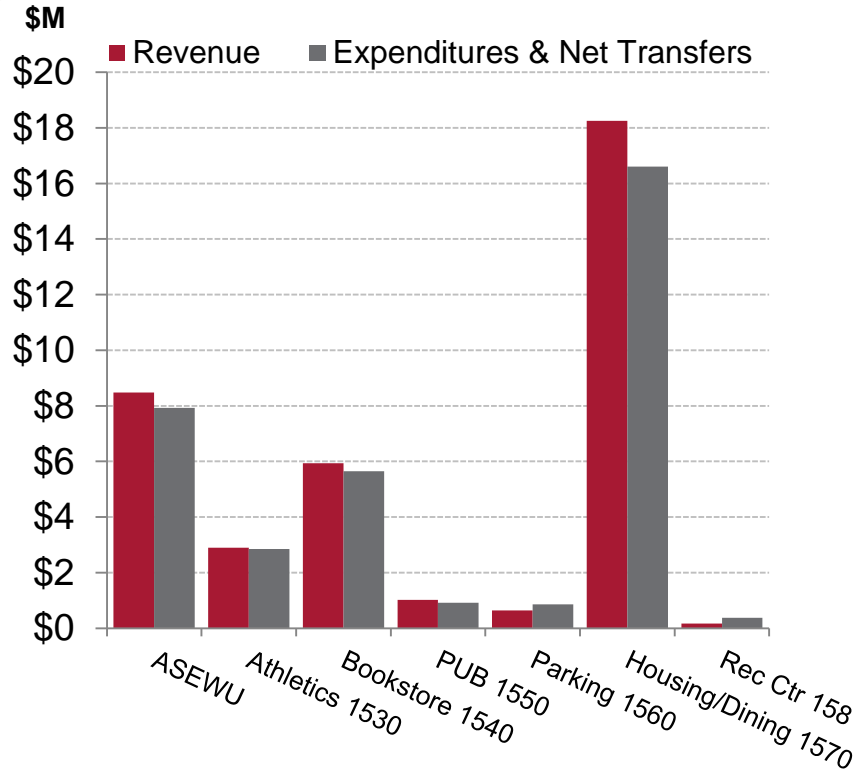
Selected Fund Level Information



FY2013 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.

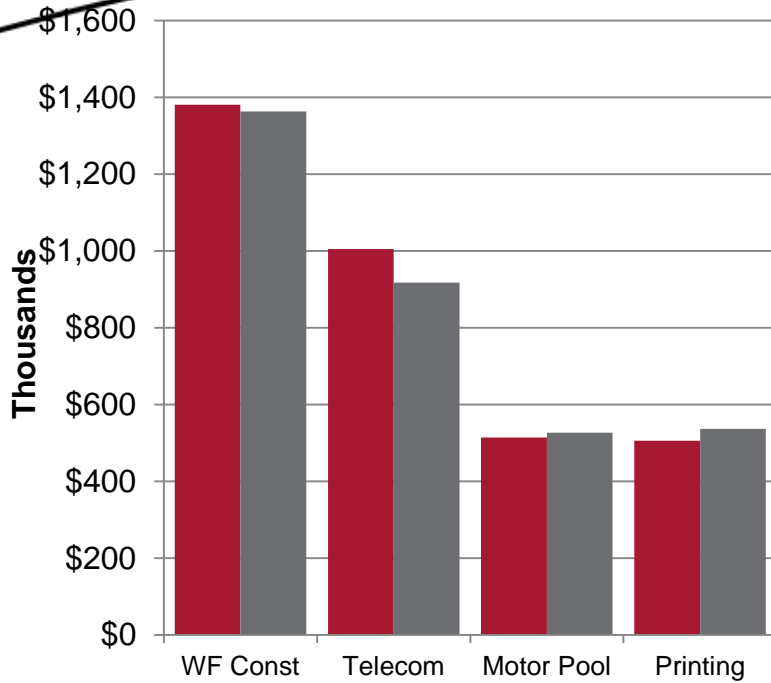
Source: Financial Services



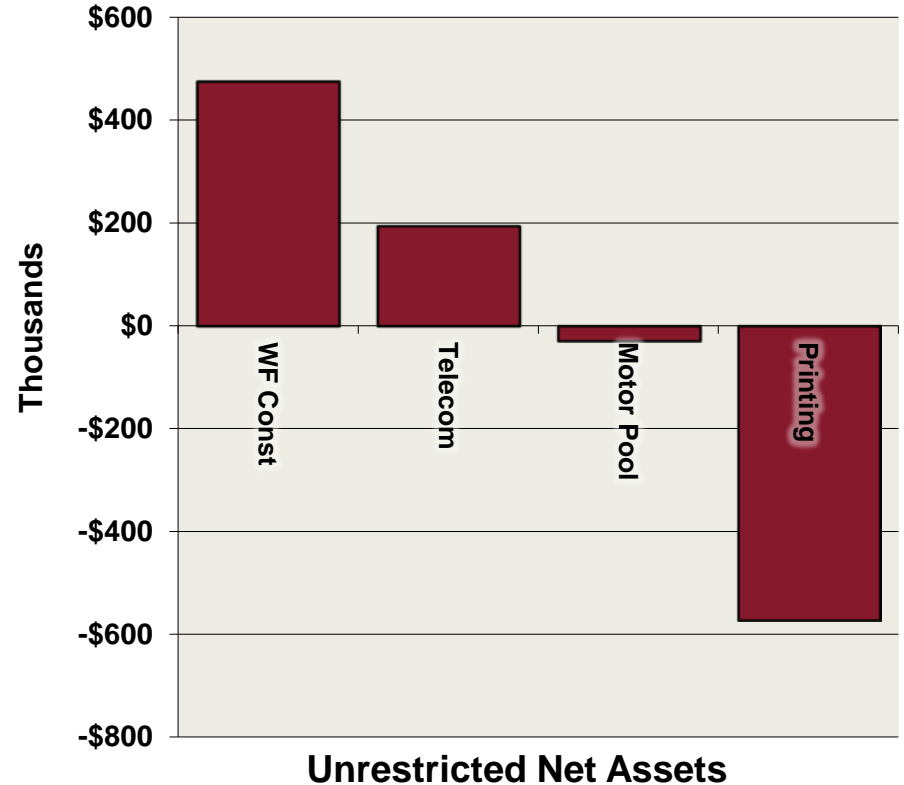
FY2013 Service Funds

Revenues, Expenditures and Net Assets

■ start something big



■ Revenue ■ Expenditures



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

Source: Financial Services

