

Financial Review

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Fiscal Year 2017

AGENDA

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Financial Results & Key Performance Indicators



Resource Sufficiency & Flexibility



Operating Results



Financial Asset Performance



Debt Management



Financial Outlook



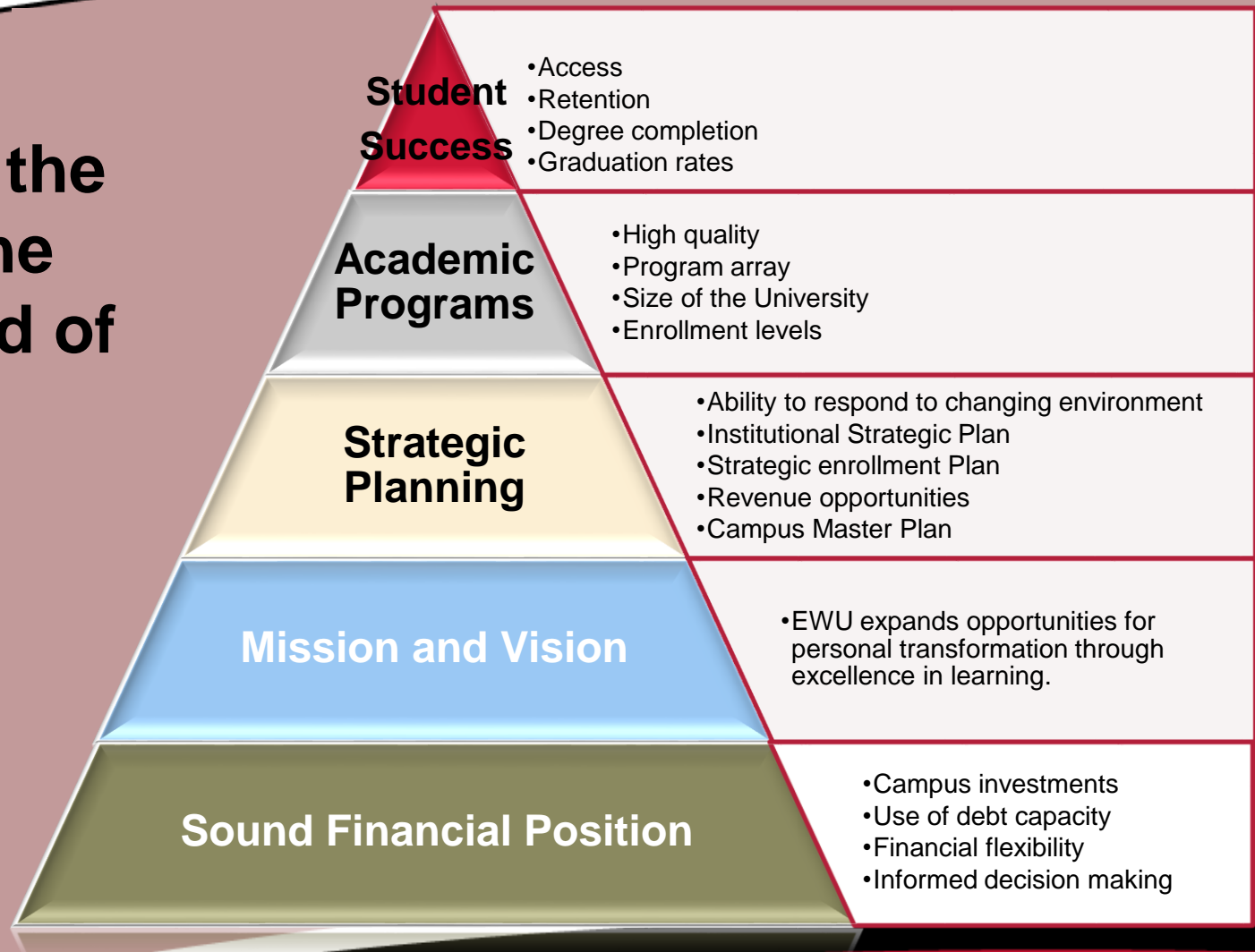
Overview

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- *EWU is stable and financially healthy*
- *Prudent planning, financial management and decision-making ensures EWU's continued success in a changing environment*
- *Evaluate EWU's performance in relation to industry measures*



Achieving the Goals of the EWU Board of Trustees



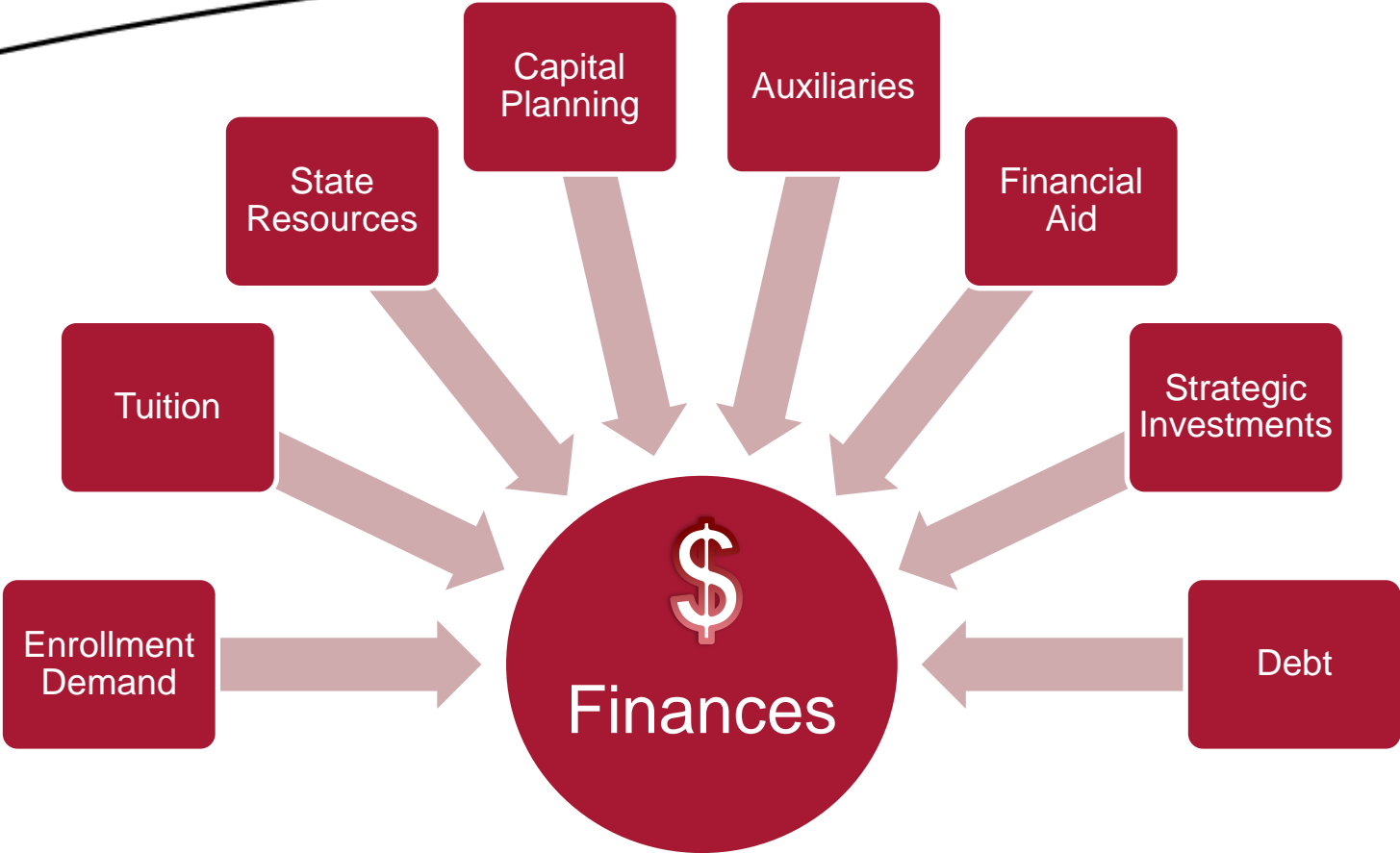
Financial Resource Governance

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Impacts to Eastern's Financial Position

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FY 2017 Impacts to Financial Position



- Stable, yet relatively flat enrollment
- Tuition rates- 15% decrease resident undergraduate, moderate increases other categories
- College Affordability Act operating appropriations
- Compensation and health benefit costs and funding
- Auxiliary funds financial performance
- PUB renovation project design
- Investments in student success
- Increase in capital spending resulting in additional capitalized assets



Financial Results and Key Performance Indicators

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Additional performance indicators are utilized for budgetary, financial and enrollment management.

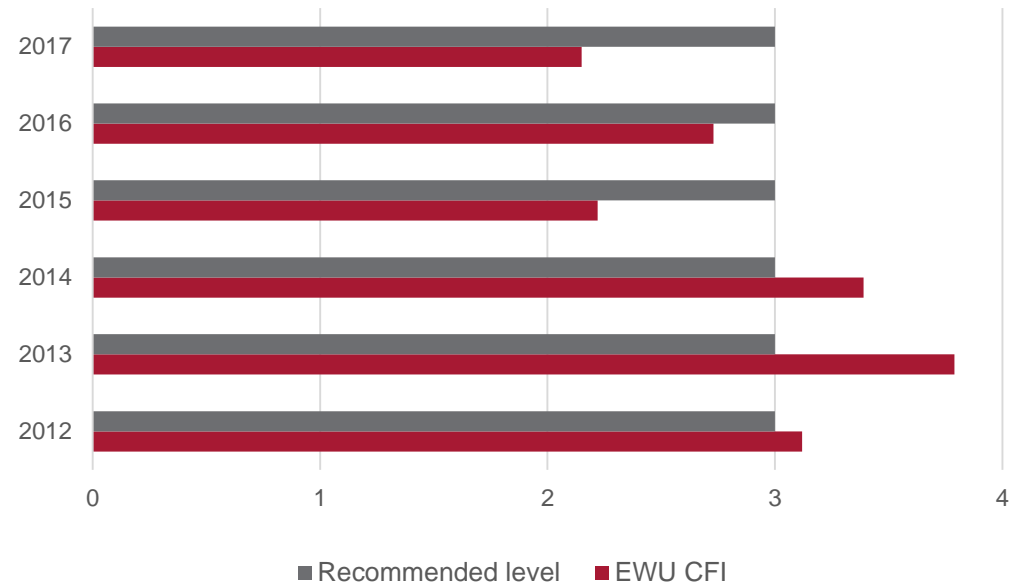
Composite Financial Index

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- **Overall measure of financial health**
- Combines the four key ratios using industry standard weighting
- Influenced by enrollment changes, state operating appropriations and tuition and fee pricing changes
- Useful in understanding the financial position of the institution in relation to an industry standard
- Combined insight into the trends of the institution's key financial indicators
- Recommended Level = 3

Composite Financial Index



Source: EWU Financial Statements



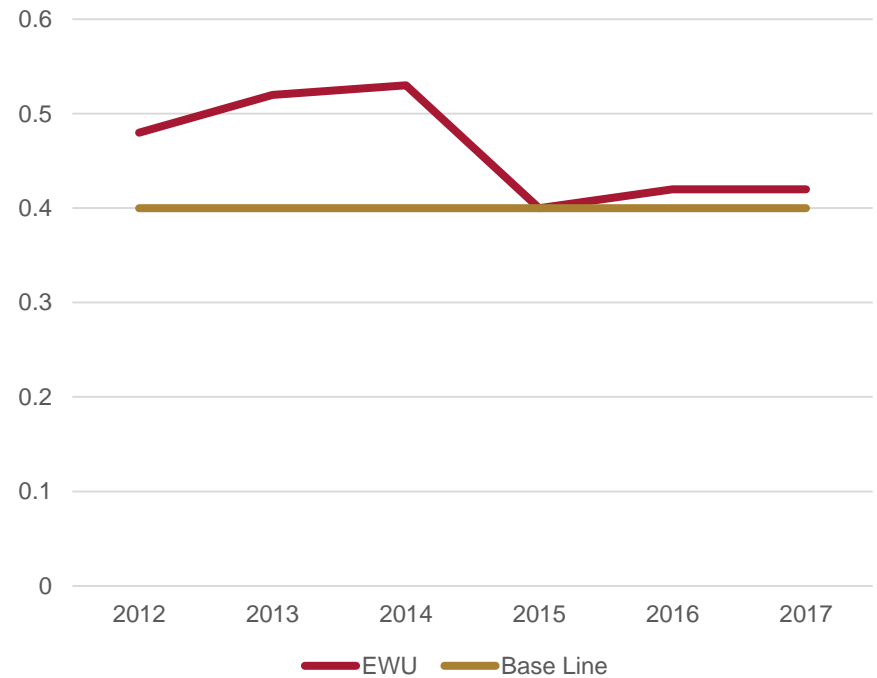
Primary Reserve Ratio

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- **Are resources sufficient and flexible enough to support the mission?**
- Measures the financial strength by indicating how long the institution could function without additional income
- Over time ratio should support reserve levels to ensure are keeping pace with institutional growth
- Unrestricted net assets should increase at least in proportion to the rate of growth in expenses
- FY17- net position grew 3% and expenses grew 2%
- Recommended Ratio - .40
- **Ratio components —**
 - Unrestricted and restricted expendable net position
 - Operating and non-operating expenses

Primary Reserve Ratio



Source: EWU Financial Statements

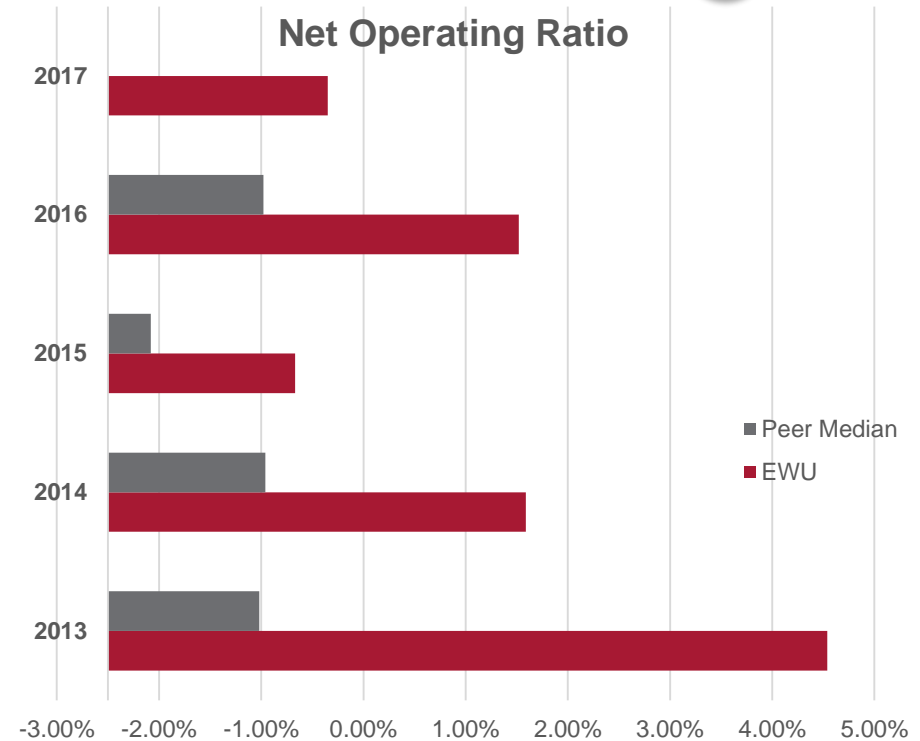


Net Operating Ratio

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- **Is the institution living within available resources on an annual basis?**
- Measures net operating revenues in contrast to total operating revenues
- Measured before state capital appropriations
- Negative ratios indicate at net operating and non operating deficit which may or may not be a problem
- A decline in ratio from prior year indicates operating expenses are increasing at a faster rate than operating revenues
- Targeted ratio should be between 2% and 4%
- **Ratio Components-**
 - Net operating and non-operating income (loss)
 - Total operating and non-operating revenue



Source: EWU Financial Statements

Note: 2017 peer data not yet available



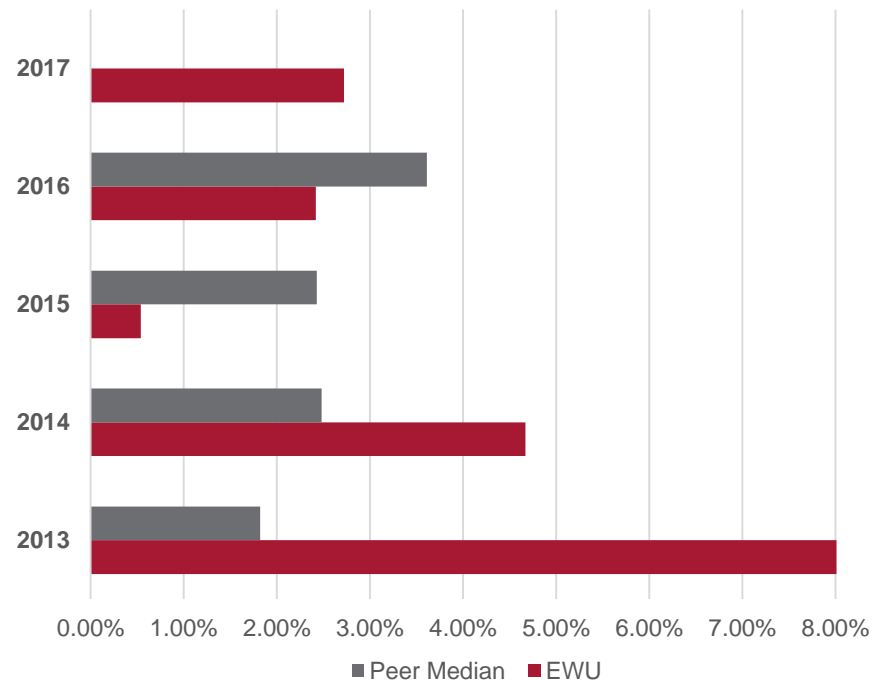
Return on Net Position Ratio

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- **Does financial asset performance support the strategic mission?**
- A positive return indicates the institution is financially better off than in previous years by measuring total economic return
- An improving trend is indicative of increasing net assets that will strengthen the institution's financial future
- A decline may be appropriate if it reflects a strategy to investment in mission fulfillment
- Industry target ratio: 3 – 4%
- **Ratio Components –**
 - Change in net position
 - Net assets (beginning of year)

Return on Net Position Ratio



Source: EWU Financial Statements

Note: 2017 peer data not yet available



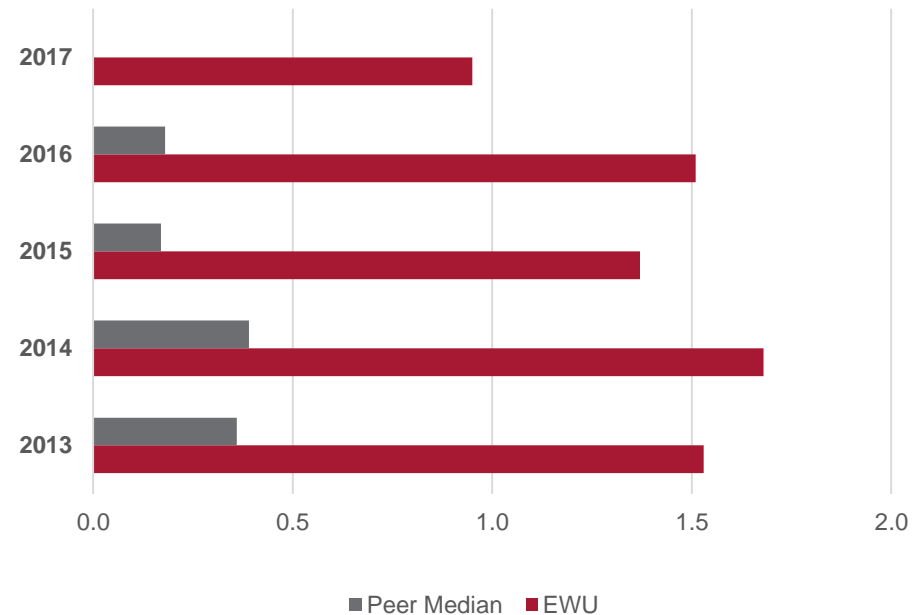
Viability Ratio

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- **Is debt managed strategically to advance the mission?**
- Measures the sufficiency of unrestricted net position to satisfy debt obligations
- A higher ratio indicates more funds available to cover debt
- FY17 issued revenue bonds to renovate the PUB
- Many institutions operate effectively at less than ratio 1:1 as state operating appropriations are not included in the calculation
- Desired ratio is > 1:1
- **Ratio Components –**
 - Unrestricted net position
 - Long term debt – current and noncurrent

Viability Ratio



Source: EWU Financial Statements

Note: 2017 peer data not yet available





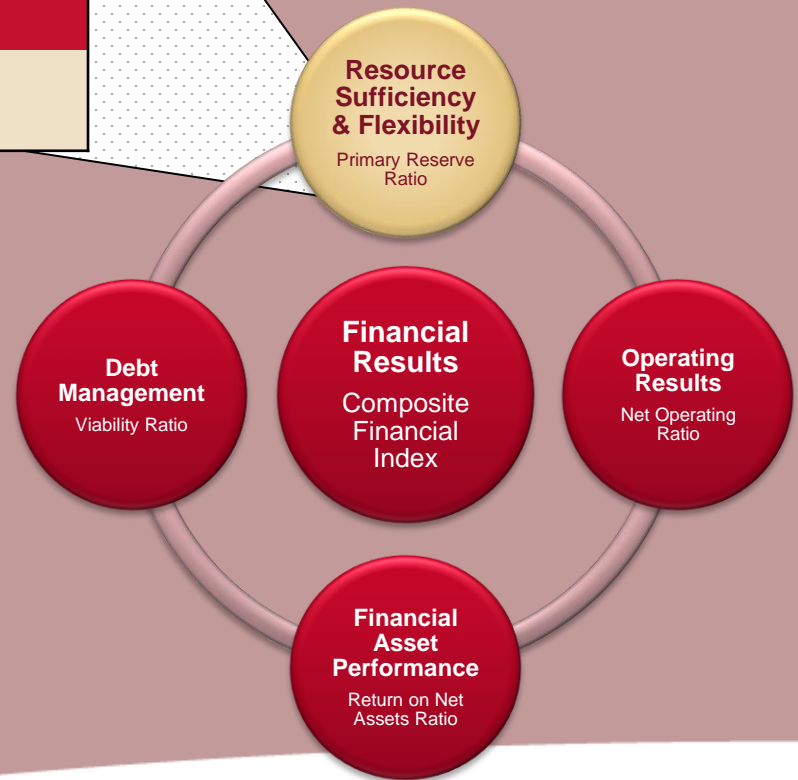
RESOURCE SUFFICIENCY AND FLEXIBILITY

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- ❖ State Funding
- ❖ Enrollment
- ❖ Tuition Policy
- ❖ Capital Funding

Key Performance Indicator Primary Reserve Ratio

To support the University's mission





A Changing Financial Environment

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2011-13 Biennium

- Decreasing funding
- Increasing costs
- \$25M decline in State support
- Tuition impact
- Continued budget constraints and reductions

2009-11 Biennium

- Great Recession
- \$33.4M loss of state funds
- Tuition impact
- Internal budget reductions
- Staff reductions & salary freeze

2013-15 Biennium

- Transforming for the future
- Slower revenue growth
- More dependent on tuition
- New Strategic Plan

2015-17 Biennium

- Tuition authority restriction continues to impact future opportunities
- Slower revenue growth
- Enrollment stability continues
- Campus initiatives provide future opportunities

2017-19 Biennium

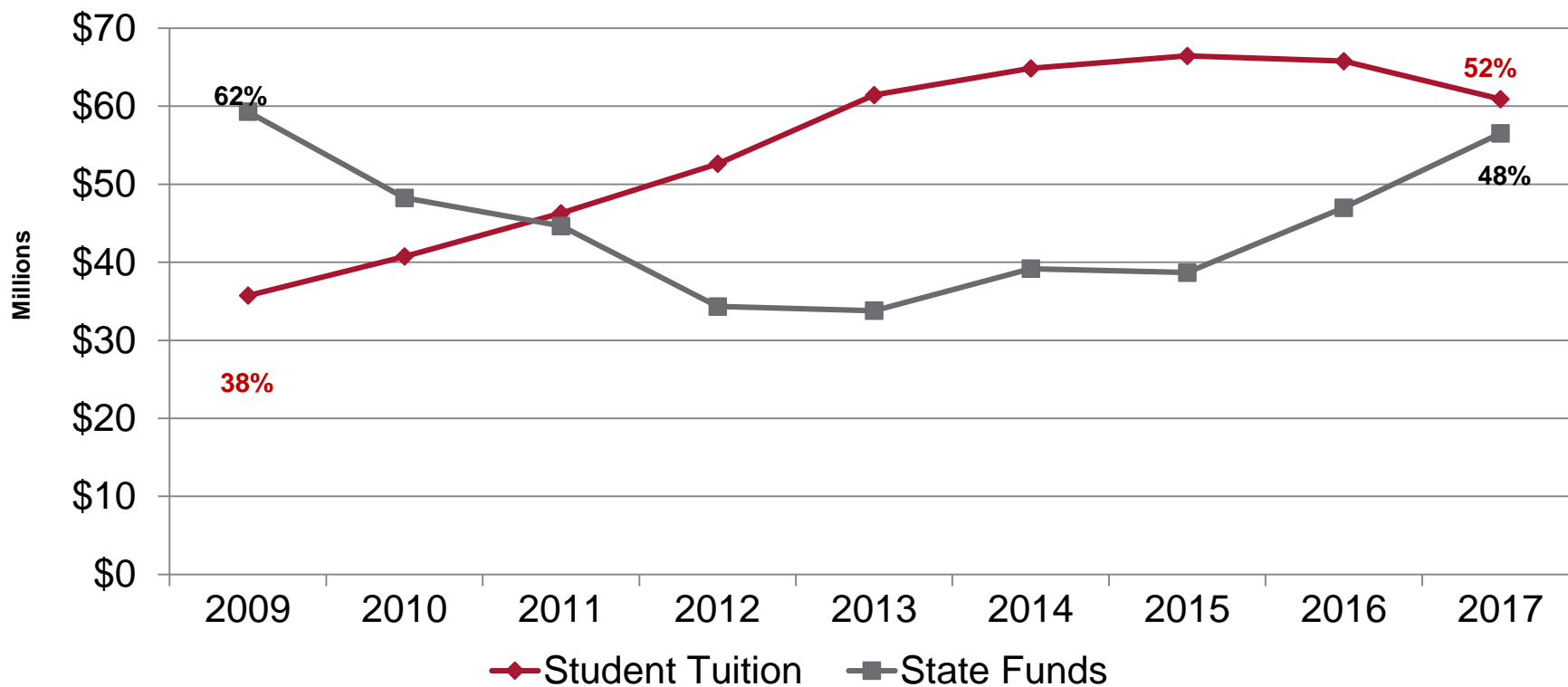
- State Tuition policy provides minimal revenue growth
- Flat state revenues projection
- Revenue growth at a slower pace
- Goal – stabilize, grow, and diversify enrollments



Key Funding Sources - State Funds and Student Tuition

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The College Affordability Act increased the state investment in higher education



Fund 001, 08A, 149 funding



Tuition Policy

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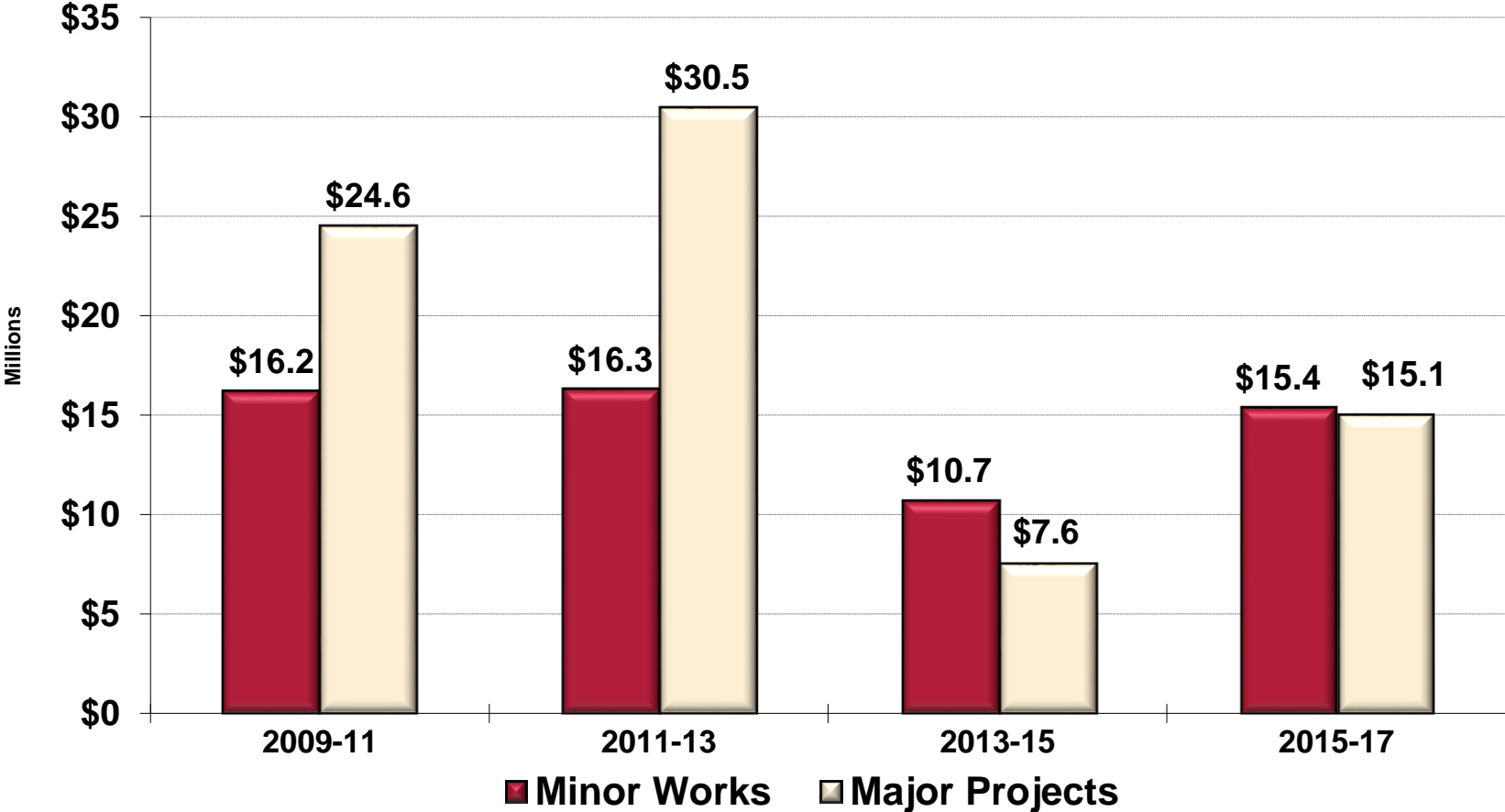
- The largest driver of tuition revenue is the resident undergraduate tuition rate.
- From 2006 through 2017, resident undergraduate tuition increased by an average of 4% per year
- State tuition policy limits future increases by the increase in average annual wage rate increases- currently slightly above 2%.



Capital Appropriation History

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State capital funding can fluctuate between biennia and types of projects funded.

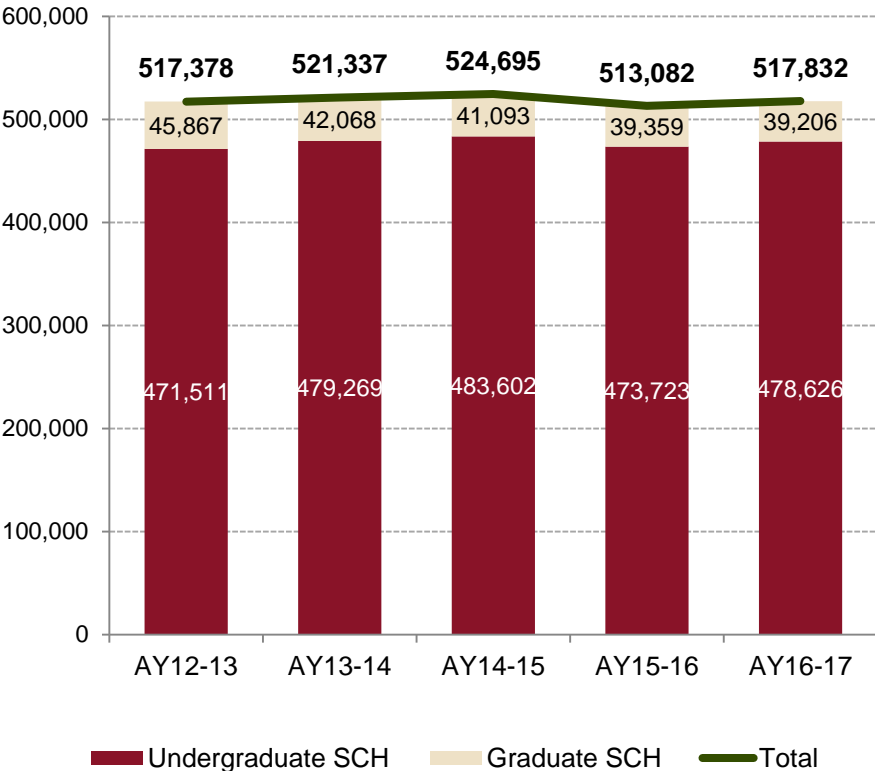


Source: Appropriation schedule - New appropriations only

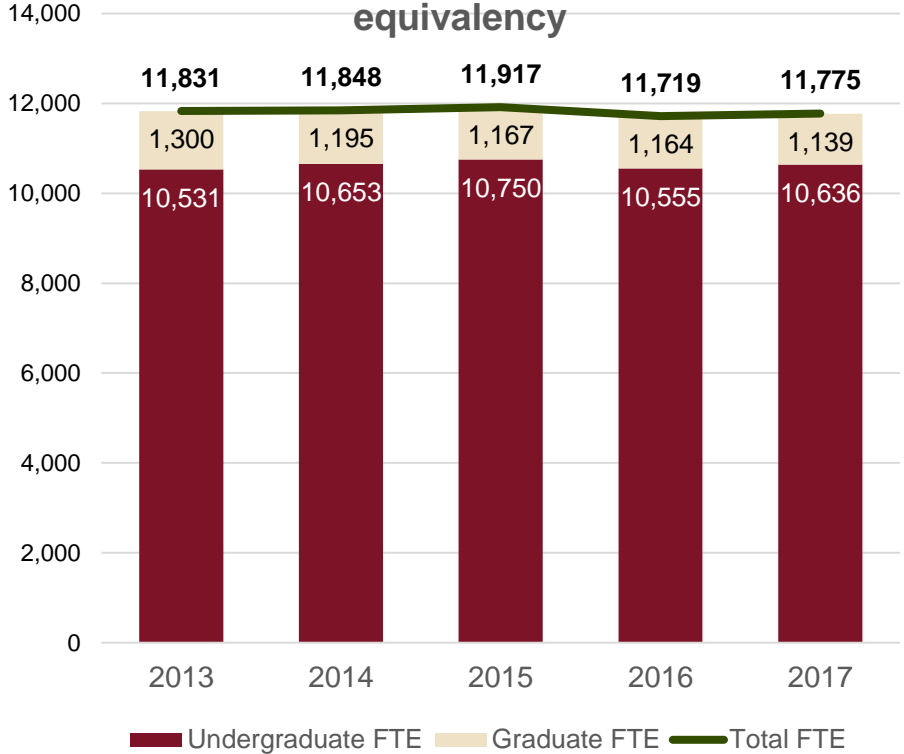
Enrollment-12 Month

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Student Credit Hours



IPEDS FTE Enrollment, based on quarter equivalency



Note: SCH totals based on Fall – Summer term grouping
Source: EWU institutional Research Enrollment Reports, 10th day

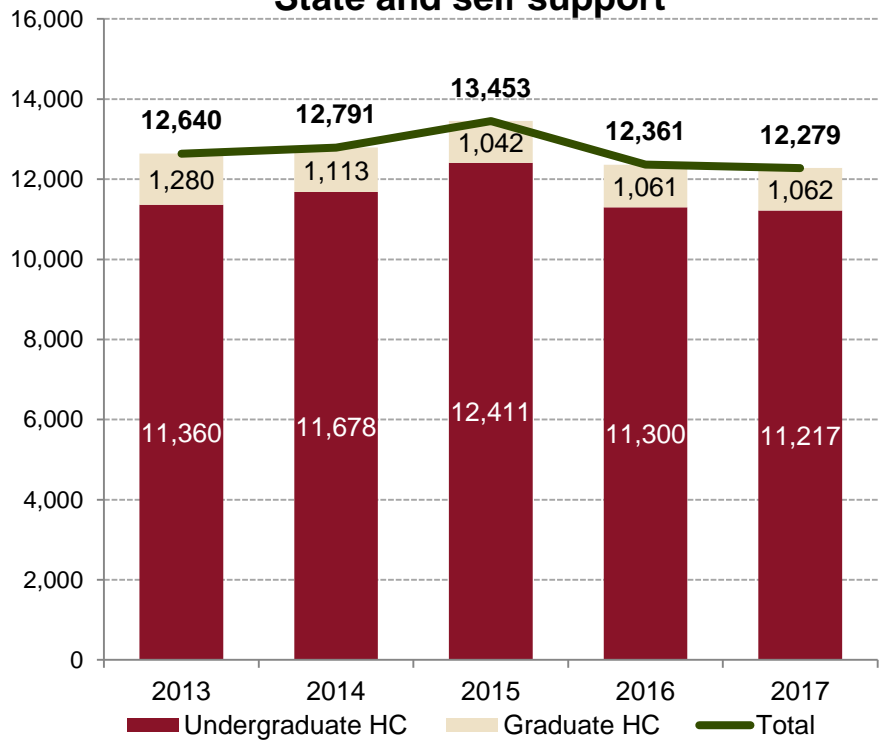
Source: IPEDS 12-month Enrollment Survey. Time frame: July - June

Fall Enrollment

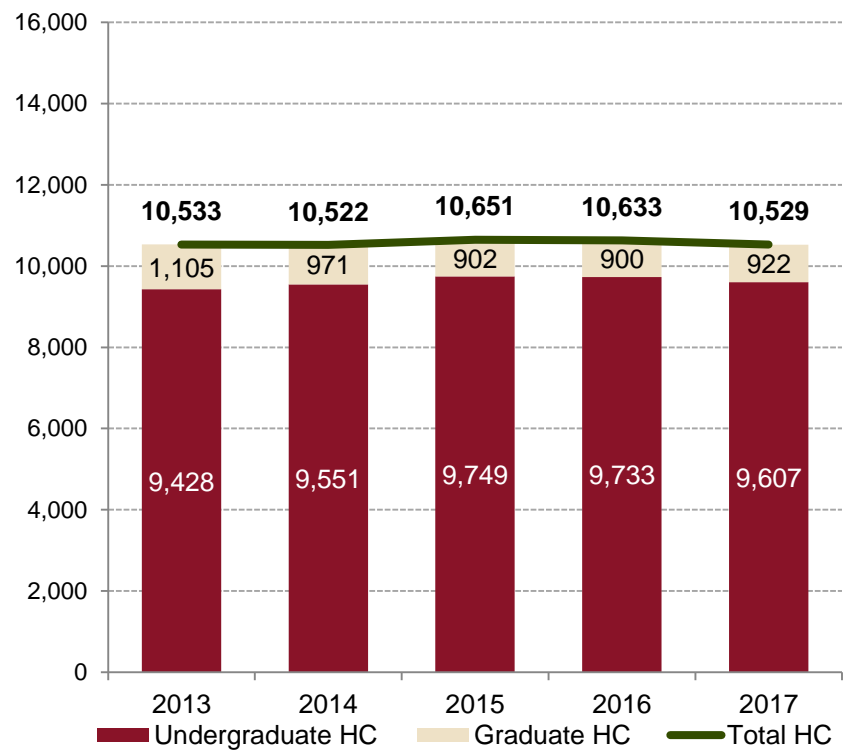
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Enrollment remains relatively stable. Future goals will consider access, capacity and fiscal balance within the context of the strategic plan.

**Total Fall Head Count
State and self support**



State Support – Average Annual Head Count



Source: EWU Institutional Research Enrollment Reports, 10th day



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

Key Performance Indicator Net Operating Ratio



- ❖ Income Statement
 - Revenue
 - Expenses
 - Net Assets



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 financial position over the prior year

Analysis of performance of the university across the industry.

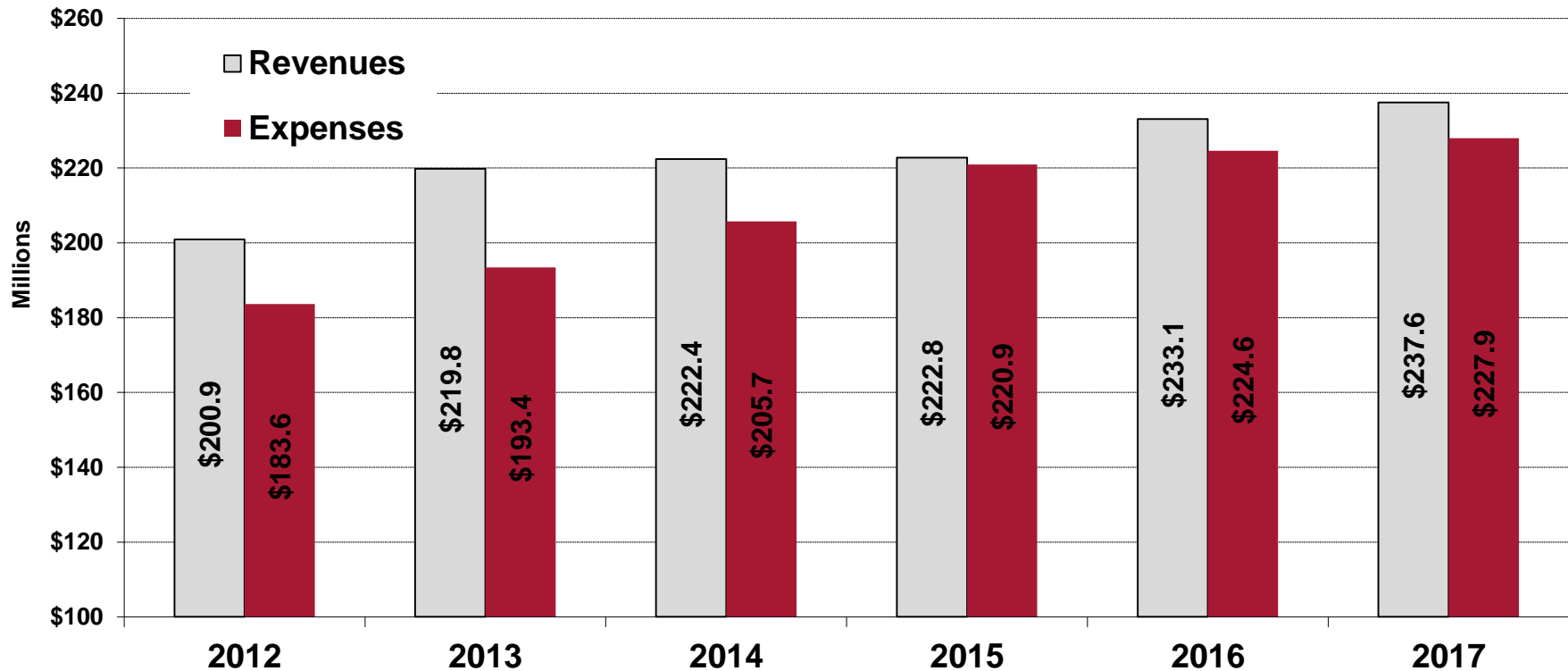
Expenditures represent the cost of providing services in support of achieving the institutional mission.



University Revenues, Expenses and Changes in Net Position

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Total revenues (includes capital appropriations) rose 1.9% from 2016. Total expenses increased 1.5%.
Increase Net Position driven by state capital appropriations.



Source: EWU Office of Controller
Unaudited FY 2017 Financial Report



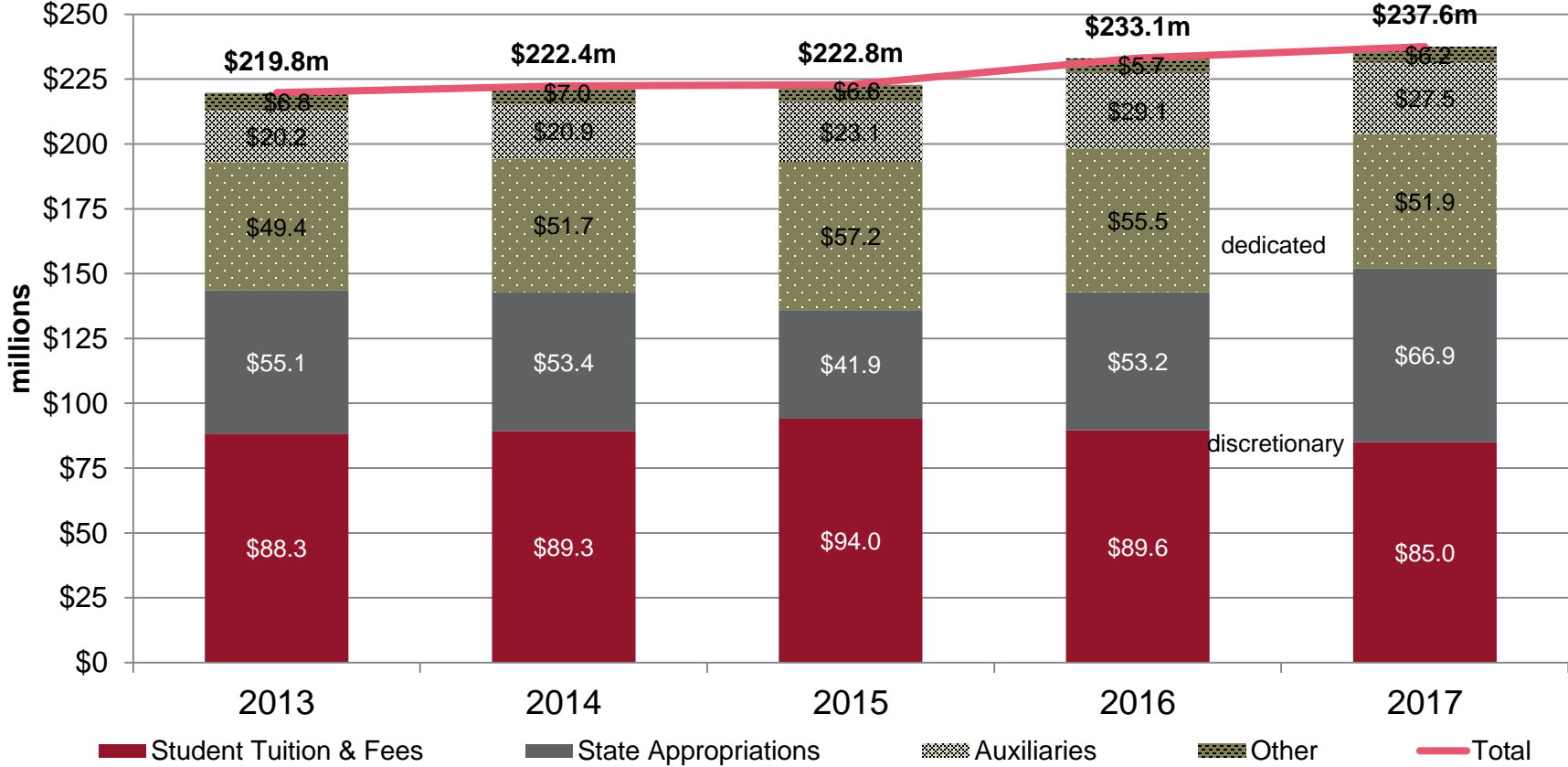
Focus on Revenues



University Revenues

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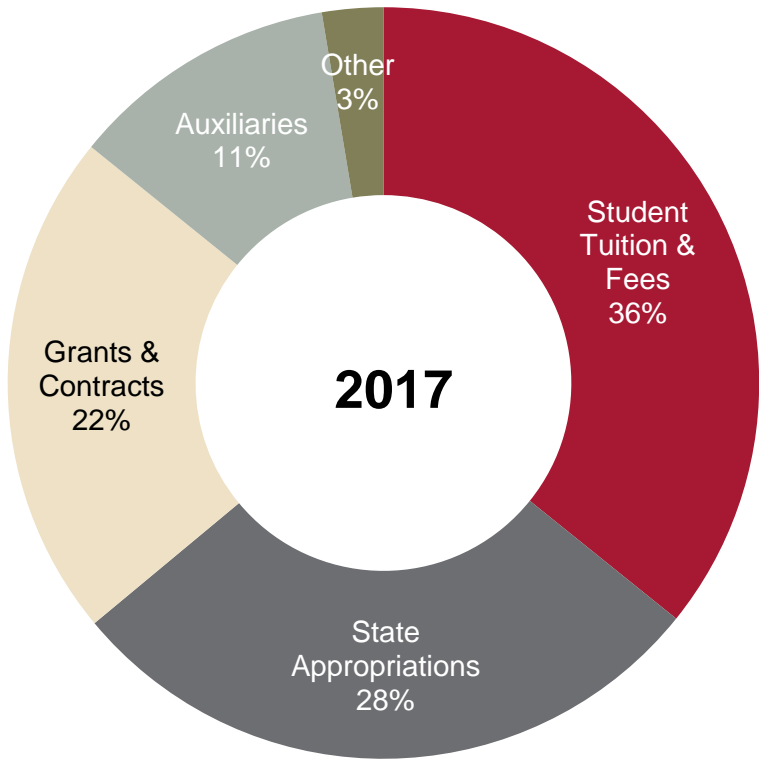
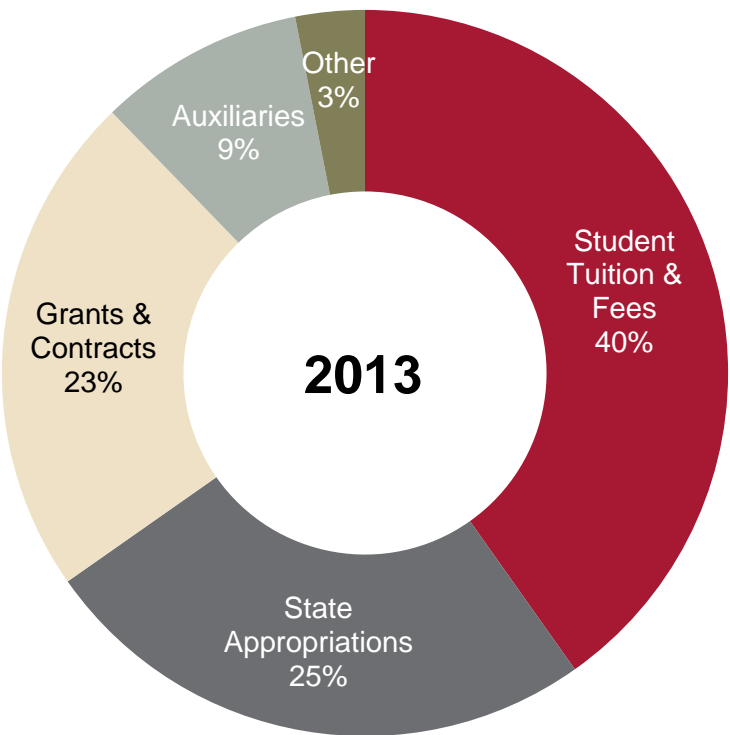
Between fiscal years 2013 and 2017, revenue grew by 8%. 2% average growth per year.



Source: EWU Office of Controller
2013- 2017 Financial Reports

University Revenues – Five Year Comparison by Source

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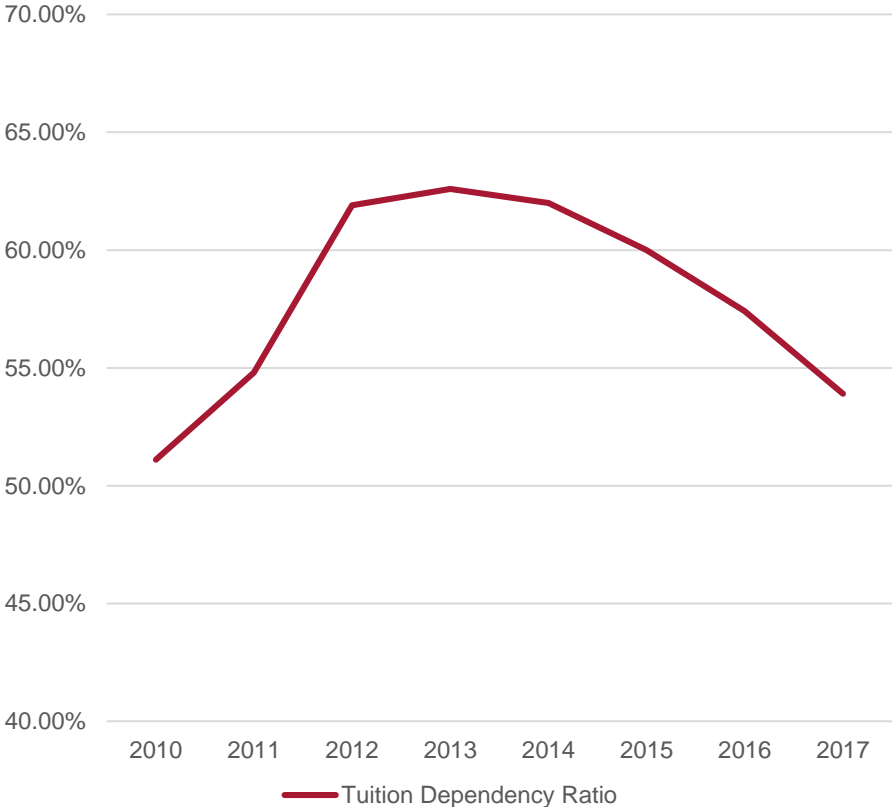


Source: EWU Office of Controller
2013, 2017 Financial Report

Key Revenue Indicators: Tuition Dependency Ratio

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- **How much of our revenue is based on tuition?**
- Measures the sensitivity to changes in enrollment levels
- Goal is to lower the ratio and diversify revenue sources
- **Ratio Components –**
 - Net tuition and fees + tuition grant revenues
 - Operating revenues + non-operating revenues

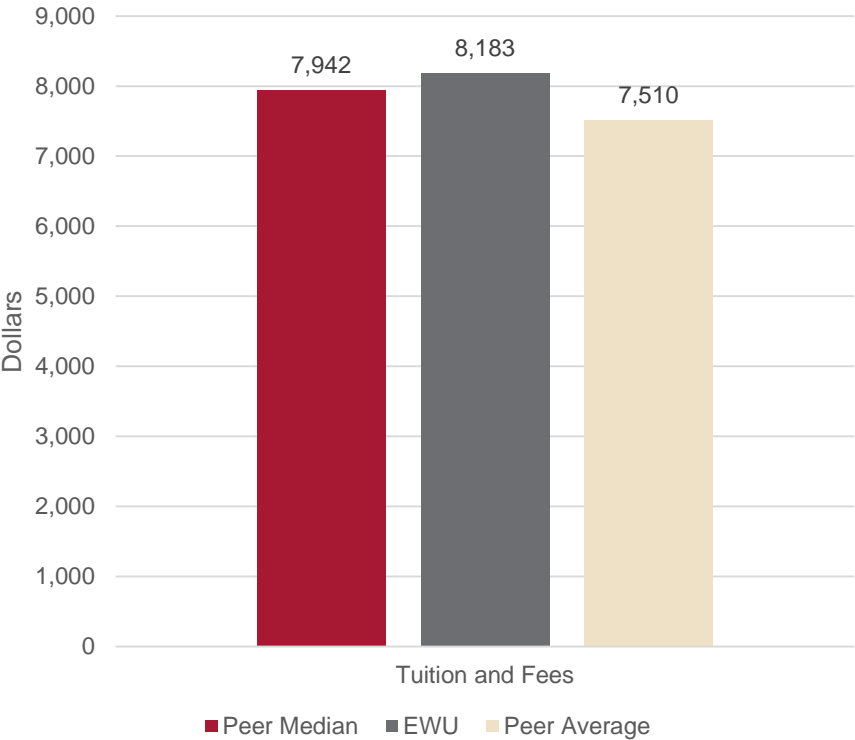


Source: EWU Office of Controller
EWU Financial Statements

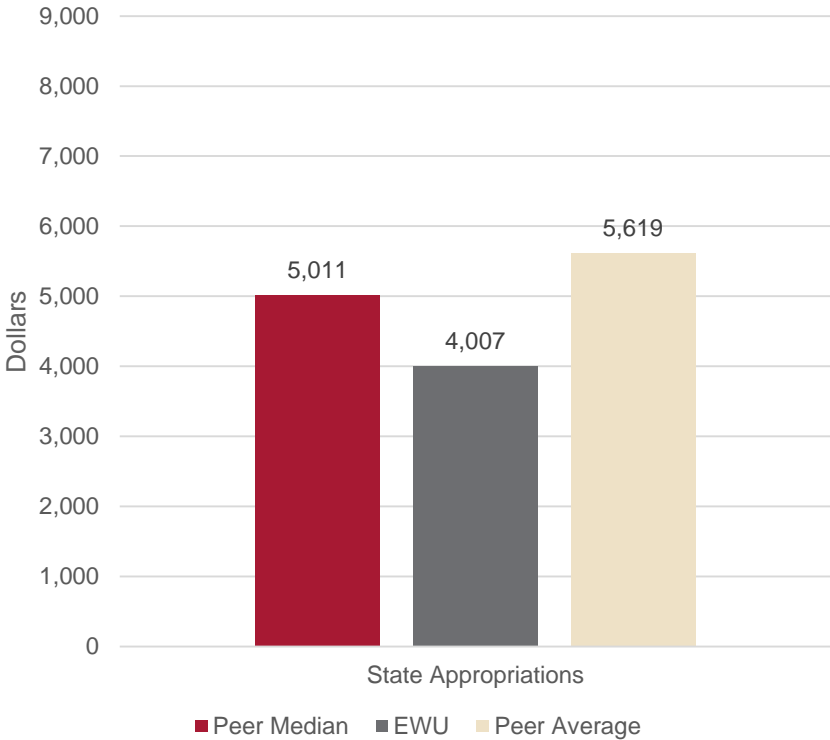
Revenue per FTE Student

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Revenue per FTE *Tuition and Fees*



Revenue per FTE *State Appropriations*



Source: FY2016 IPEDS Data

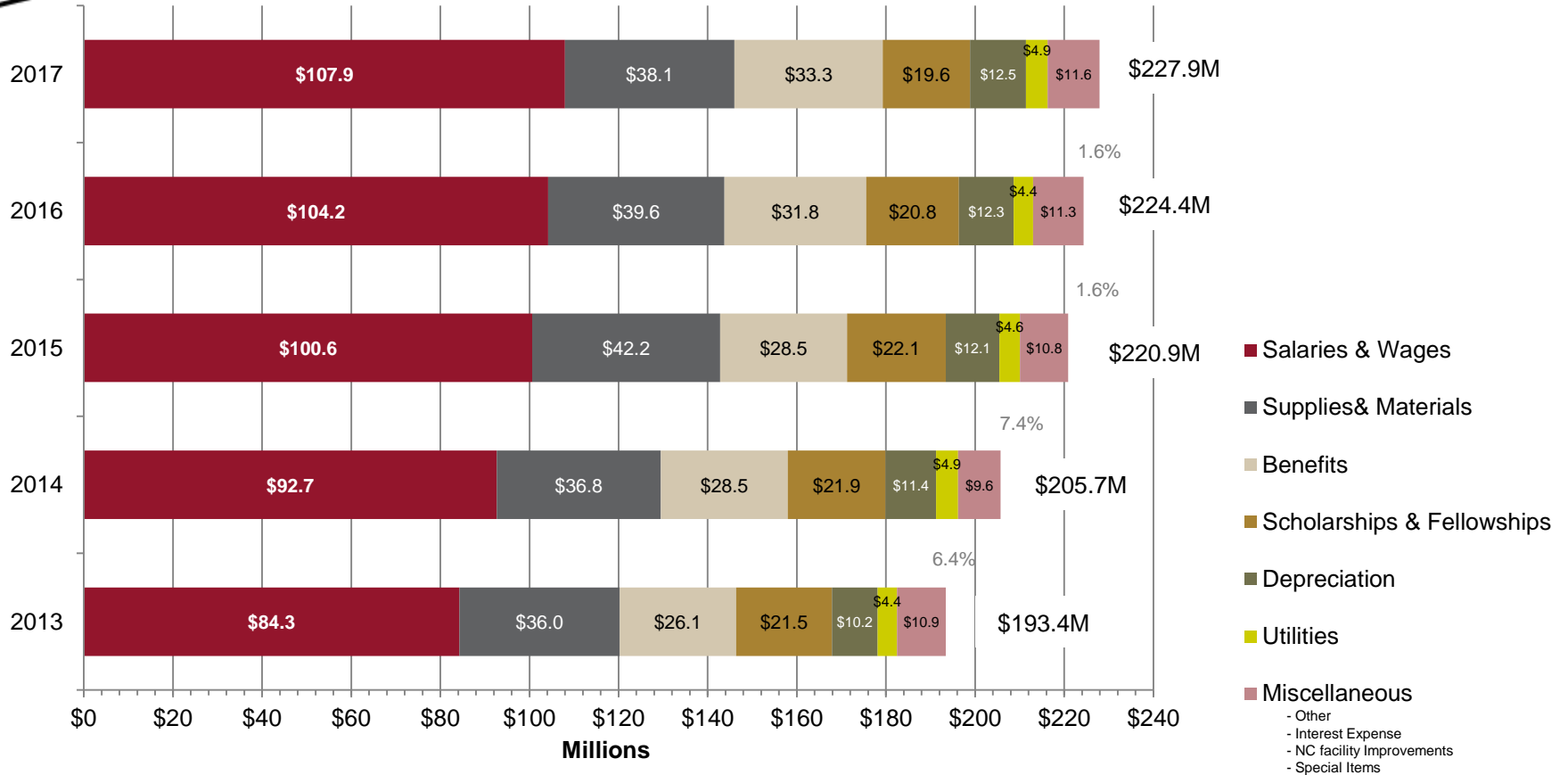
Focus on Expenses



University Expenses by Type



Between fiscal years 2013 and 2017, expenses grew by 18%. 4.3% Average growth per year

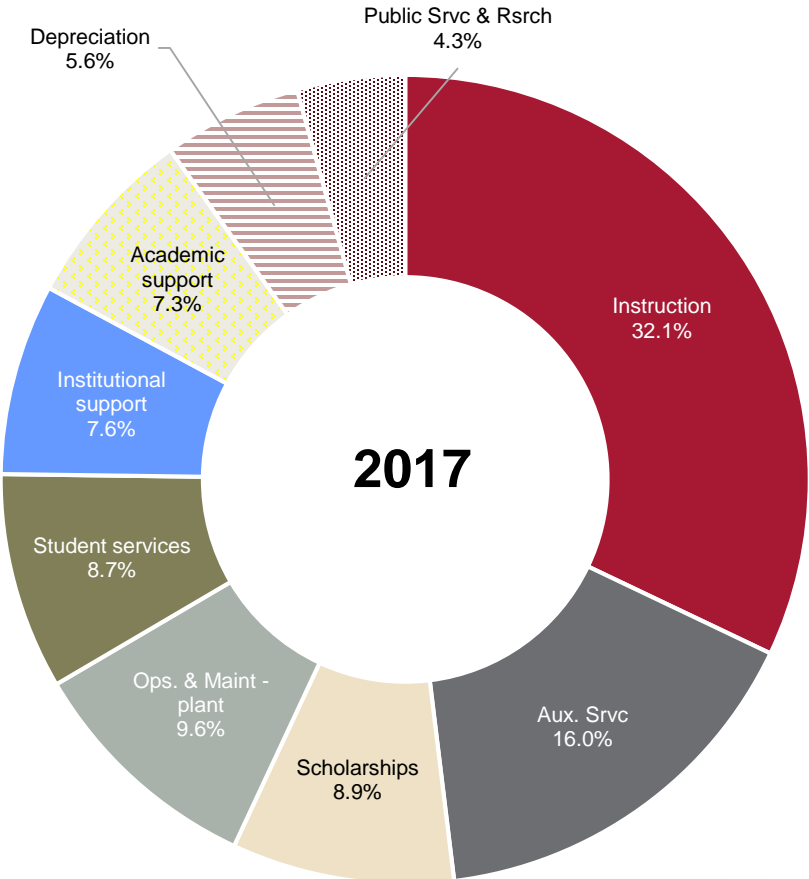
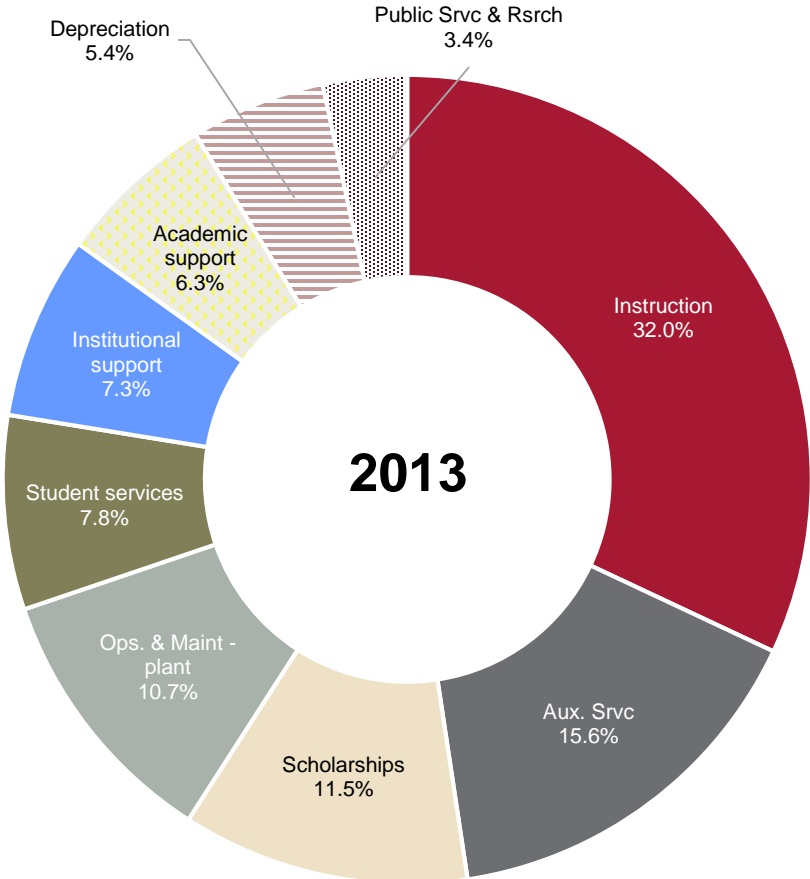


Source: EWU Office of Controller
2013-2017 Financial Report



Operating Expenses by Function

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Source: EWU Office of Controller
2013, 2017 Financial Report

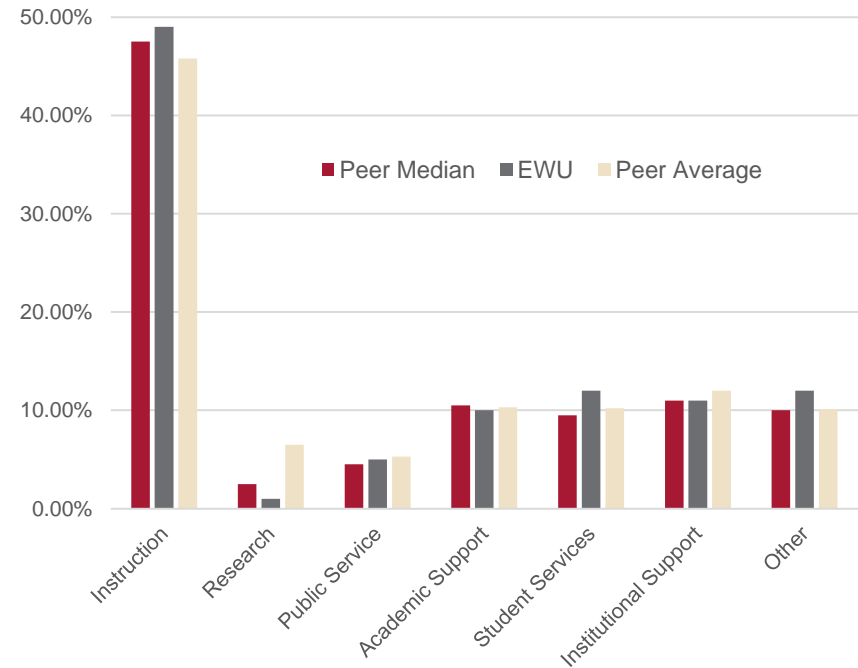


Expenditures by Function – EWU to PEERS

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- Allows an institution to evaluate spending by functional category in relation to established peer set

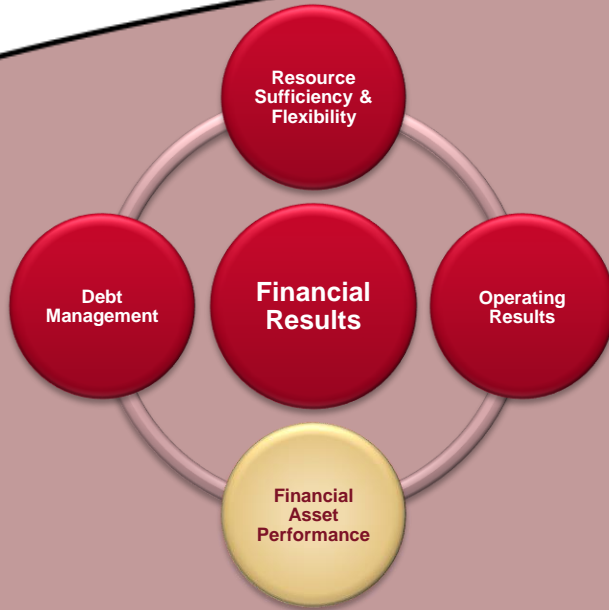
Expenditures by Function
As % of Operating Expenses



Other: O&M plant, scholarships, auxiliaries, depreciation

Source: FY2016 IPEDS Financial Survey





Does financial asset performance support the strategic mission?



BALANCE SHEET AND INDICATORS

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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All Funds	2016 (millions)	2017 (millions)
Total Assets and Deferred Outflows	\$477.2	\$526.1
Total Liabilities and Deferred Inflows	\$117.7	\$162.5
Net Position (at June 30)	\$359.5	\$363.6

Source: EWU Office of Controller
Unaudited FY2017 Financial Report

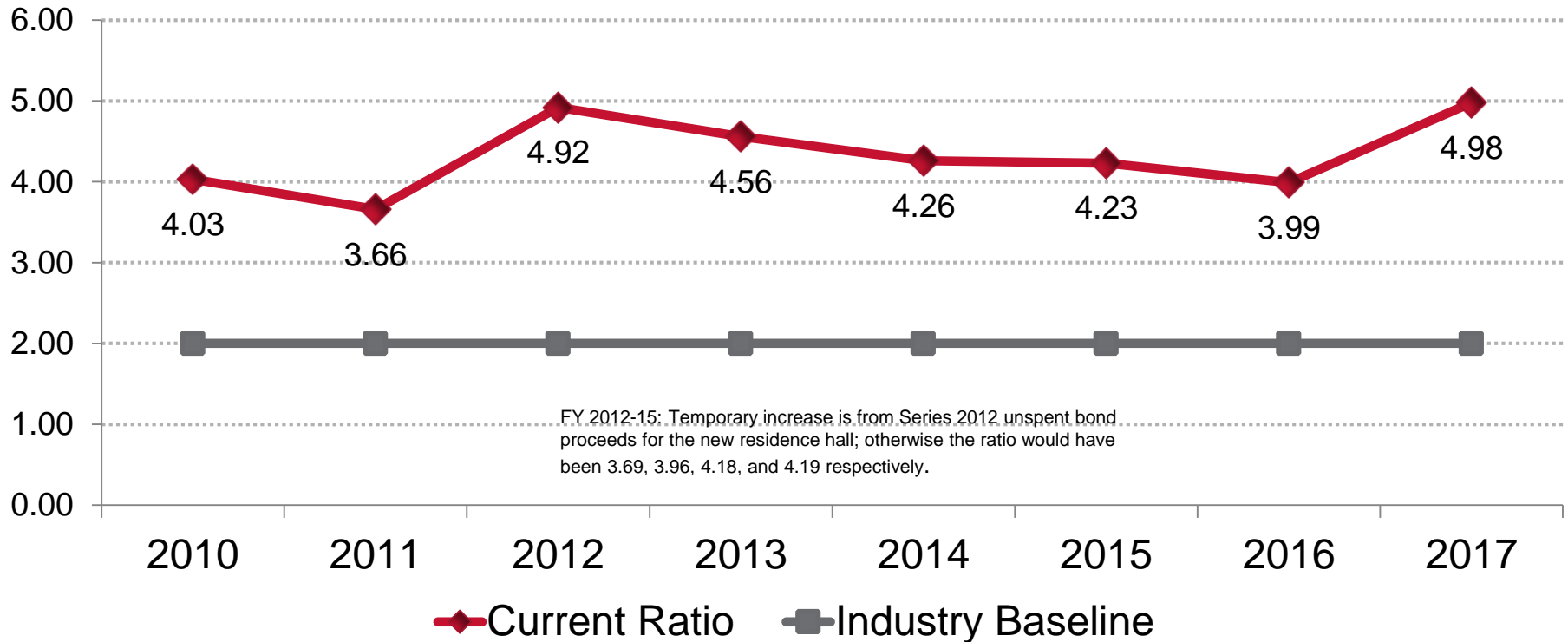


Key Balance Sheet Indicators

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Eastern has consistently remained above the industry baseline with about \$4 to cover every \$1 of current liabilities.

Current Ratio: Measure of Liquidity

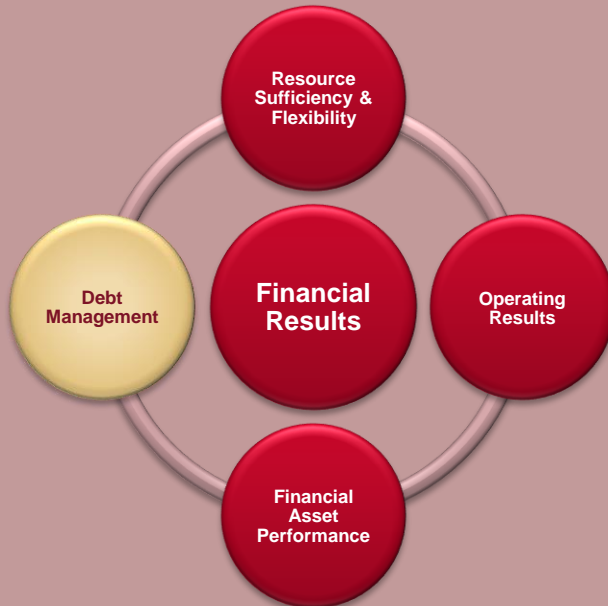


Source: EWU Office of Controller
Unaudited FY 2017 Financial Report



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

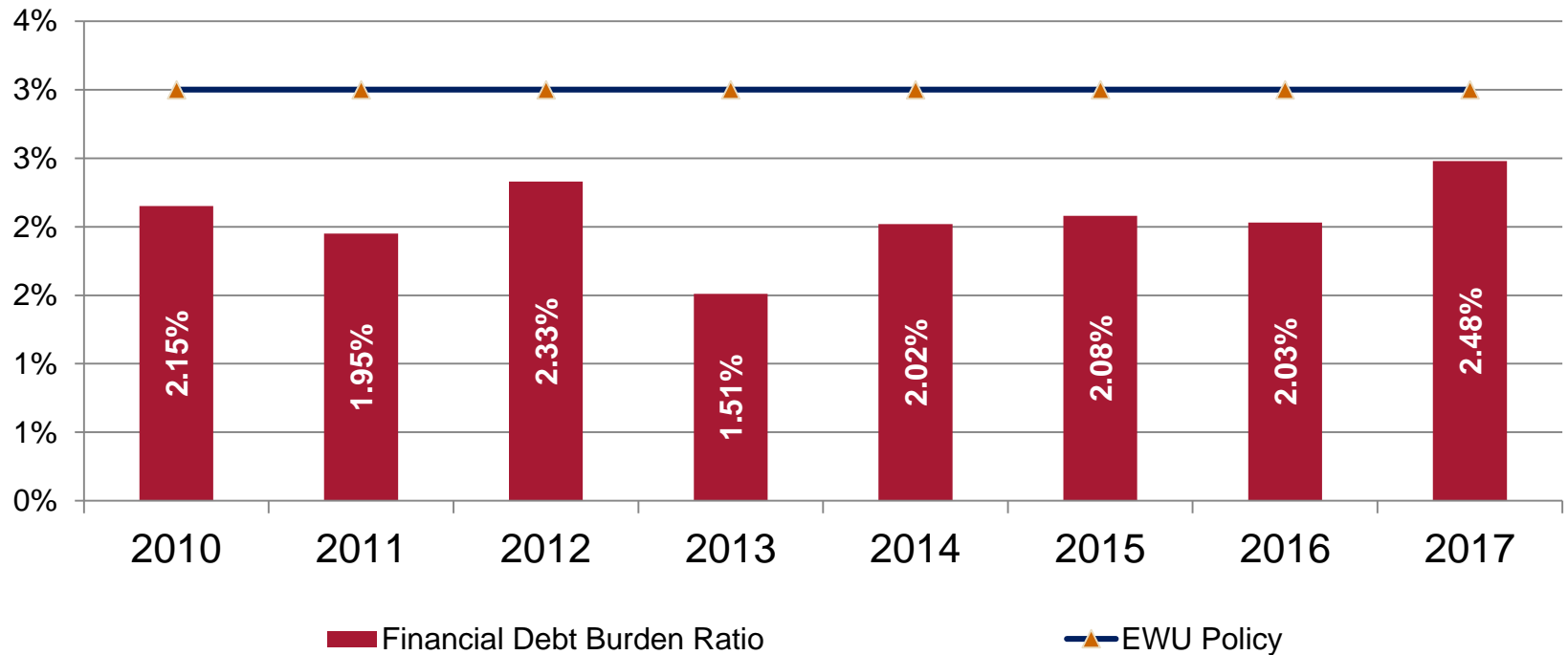


Key Balance Sheet Indicators

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

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



Source: EWU Office of Controller
FY 2016 Financial Report

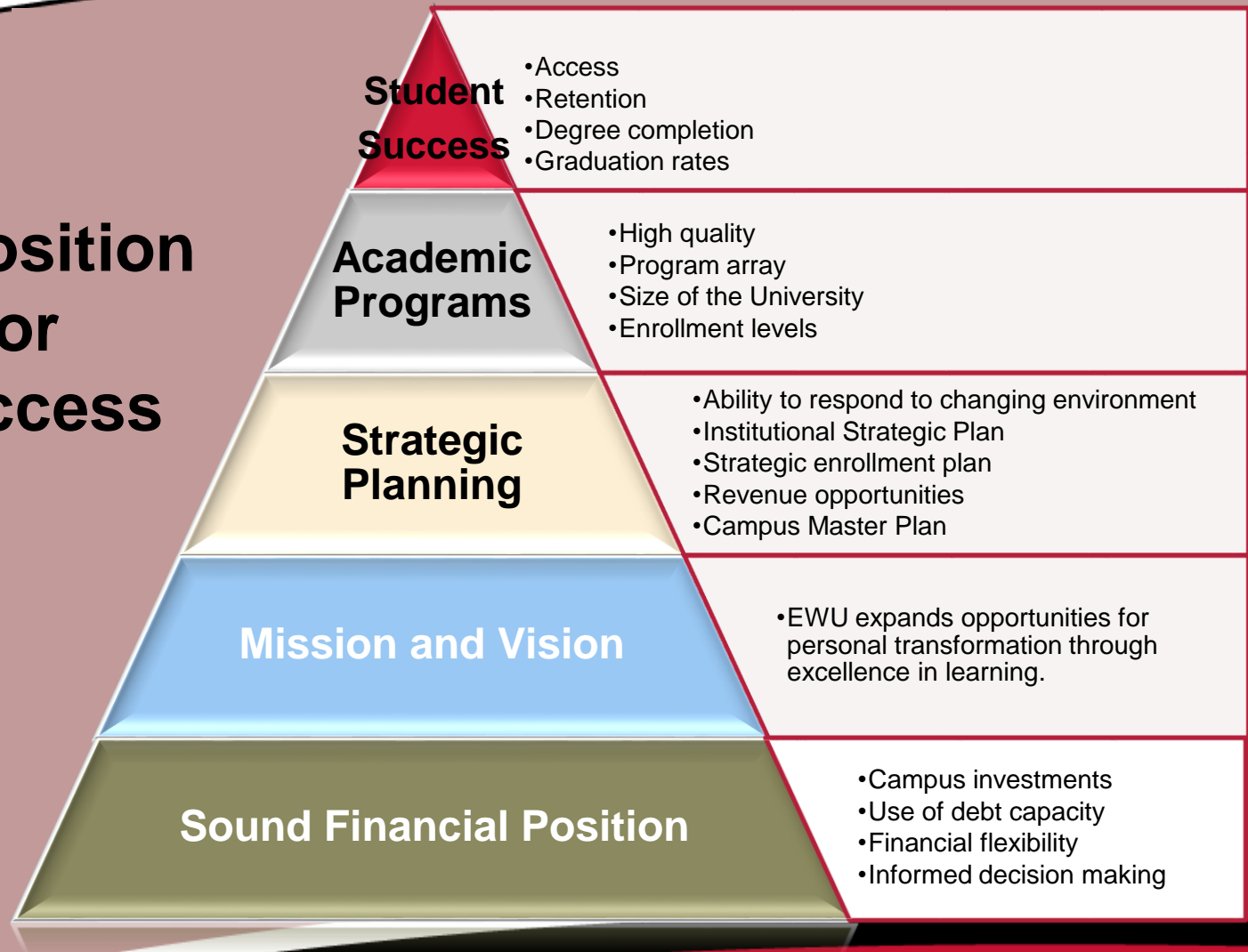


Summary

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University Financial Position as a Basis for Student Success



Future Financial Impacts

Enrollment

- Strategic Enrollment Plan will shape Eastern's future enrollment mix and size
- Affordability and access
- Diverse enrollment mix
- Impact of enrollment growth on revenue
- New programs- location and mode of delivery

Revenues

- State investment in higher education
- State tuition policy
- Annual revenue growth rate v. inflation and expenses
- Fully allocated revenue base- to invest further requires additional resources
- Revenue growth must increase annually by 4% or greater to meet commitments



Future Financial Impacts

Costs and Investments

- Compensation and benefits
- Implementation of institutional strategic plan
- Enhanced investment in student success measures
- Continued growth in deferred maintenance backlog
- Renewal and investment in technology
- Efficiency savings throughout campus
- Financial aid needs
- Intercollegiate Athletics
- Investment in capital campaign
- High demand programs may require additional investment

These investments may require measured use of reserves



CONCLUSION

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Eastern Washington University's continued financial stability will enable fulfillment of our mission.





EASTERN
WASHINGTON UNIVERSITY

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APPENDIX

Additional Selected Information



EWU Peers- as established for strategic enrollment planning process

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- Arkansas State University- main campus
- Central Connecticut State University
- Idaho State University
- Louisiana Tech University
- Murray State University
- Southeast Missouri State University
- Southeastern Louisiana University
- Southern Connecticut State University
- University of Montana
- University of Tennessee-Chattanooga
- University of Central Arkansas
- University of Idaho
- University of Minnesota- Duluth
- University of Northern Colorado
- University of Northern Iowa
- University of Southern Mississippi
- University of Northern Colorado
- University of Northern Iowa
- University of Southern Mississippi
- Western Illinois University
- Western Kentucky University
- Youngstown State University
- Central Washington University
- Western Washington University

