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Financial Performance Fiscal Year 2013 and 2012



Financial Statements of the system overall and select colleges
and universities

Finance and Facilities Committee

Board of Trustees

January 21, 2014

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

Agenda

- FY 2013 audited financial statements
- FY 2013 financial performance
- Composite Financial Index (CFI)
- Financial monitoring protocols
- FY 2014 outlook

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Fiscal Year 2013 Audited Financial Statements Results

- System statements
- 13 university and college statements
- Revenue fund
- “Clean” opinions
- No material weaknesses
- Two significant deficiencies (campus level)

FY2013 System Financial Results are Stable

- Flat revenues with tight expense controls result in balanced college and university budgets
- System and college and university reserves stable but thinly funded
- College and university budget stress emerging in CFI calculations
- System level and college/university level strategies to strengthen outlook

REVISED Changes in Net Position

FY 2013 vs. FY 2012 (\$ millions)

(includes colleges, universities and system office)

Revenue/(Expense)	FY2013	change	FY2012
Total revenues	\$1,889.8	\$10.7	\$1,879.1
Total expenses	(1,891.8)	(75.6)	(1,816.2)
Net operating revenue	(2.0)	(64.9)	62.9
Capital appropriation revenue	88.5	32.2	56.3
Other revenue, net	4.6	2.3	2.3
Change in Net Position	\$ 91.1	\$ (30.4)	\$ 121.5

REVISÉD Changes in Net Operating Revenue

FY 2013 vs FY 2012 (\$ millions)

(includes colleges, universities and system office)

Revenue/(Expense)	FY2013	change	FY2012
Components and changes			
Revenue from students, net of financial aid	\$ 837.2	\$5.7	\$ 831.5
State appropriation revenue	553.2	1.9	551.3
Federal and state grant revenue	459.5	16.0	443.5
Compensation expense	(1,251.6)	(48.4)	(1,203.2)
All other revenues/(expenses), net	(600.3)	(40.1)	(560.2)
Net operating revenue	\$ (2.0)	\$(64.9)	\$ 62.9

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Statement of Net Position (\$ millions)

(includes colleges, universities and system office)

Assets, Liabilities and Net Position

<i>Fiscal Year</i>	FY2013	FY2012	FY2011
Total assets	\$3,125.3	\$2,955.0	\$2,883.3
Total liabilities	\$1,042.6	\$963.4	\$1,013.2
Total net position	\$2,082.7	\$1,991.6	\$1,870.1

- Total assets increased each year due mainly to additional capital asset investments
- Total liabilities increased by 8 percent due primarily to new revenue bond issue of \$58M and \$19M in GO bonds.

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**Statement of Revenues, Expenses and
Changes in Net Position** (\$ millions)

(includes colleges, universities and system office)

Revenues, Expenses and Net Position

Fiscal Year	FY2013	FY2012	FY2011
Total revenues	\$1,982.8	\$1,938.3	\$2,050.3
Total expenses	\$1,891.8	\$1,816.8	\$1,904.0
Change in Net Position	\$91.0	\$121.5	\$146.3

- Total revenue increased by \$45 million due to \$32 million of additional capital appropriation along with \$17 million of additional state financial aid grants.
- Operating expenses increased by \$75 million, with \$48 million of that attributable to compensation, and \$9 million increase in financial aid paid to students.

System Composite Financial Index

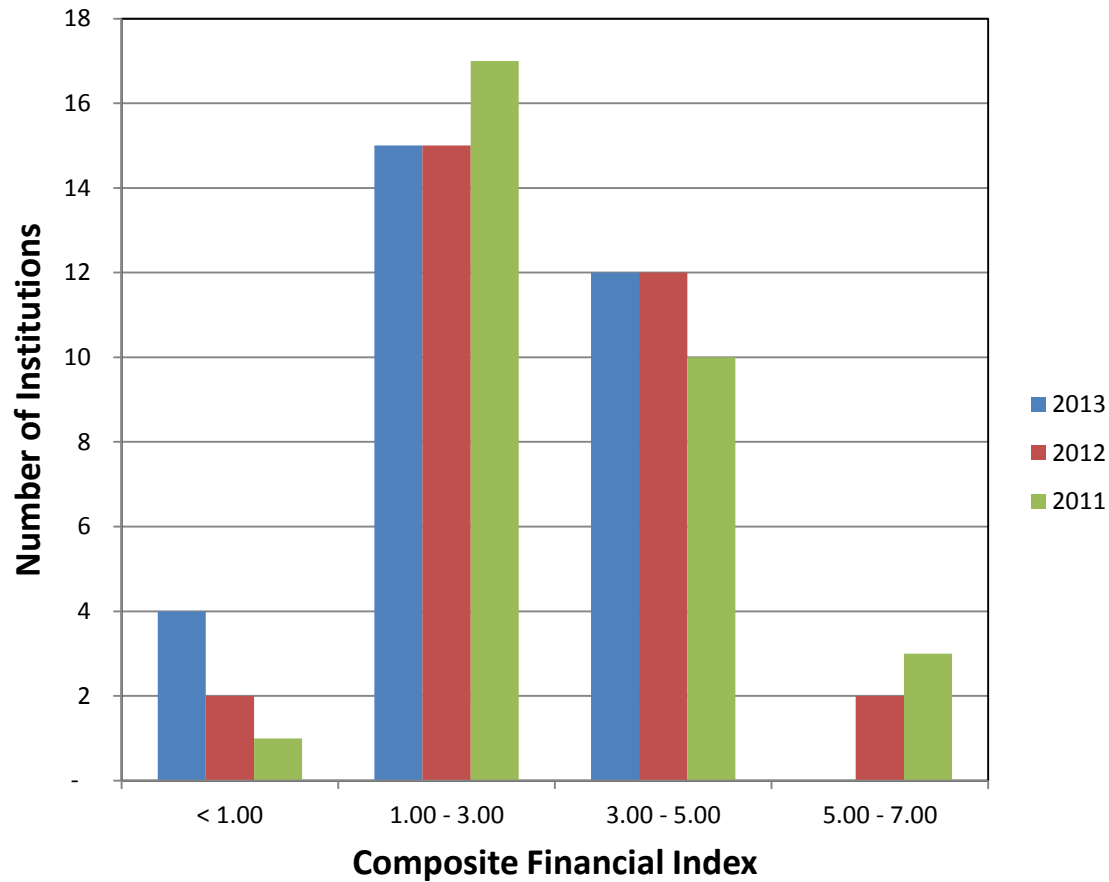
(includes colleges, universities and system office results)

Components of CFI

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Return on Net Position	0.46	0.65	0.85
Net Operating Revenue	(0.01)	0.26	0.29
Primary Reserve	0.91	0.92	0.76
Viability	<u>0.90</u>	<u>0.95</u>	<u>0.80</u>
CFI	2.26	2.78	2.70

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Composite Financial Index Trends for College and Universities



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Composite Financial Index Variability in the Colleges and Universities

	2013 Averages		2012 Averages		2011 Averages	
	<u>Colleges</u>	<u>Universities</u>	<u>Colleges</u>	<u>Universities</u>	<u>Colleges</u>	<u>Universities</u>
Primary Reserve	0.81	0.90	0.82	0.92	0.71	0.71
Viability	1.16	0.60	1.17	0.67	1.13	0.52
Net Operating Revenue	(0.07)	0.02	0.13	0.38	0.26	0.32
Return on Net Position	<u>0.48</u>	<u>0.41</u>	<u>0.60</u>	<u>0.68</u>	<u>1.10</u>	<u>0.57</u>
CFI	2.38	1.93	2.72	2.65	3.20	2.12

FY2013 Financial Summary

- CFI variability narrows amongst colleges & universities
- CFI trends have been fairly stable last three years
- System CFI improved in the two long term measurements
- Campuses displaying focused budgeting, planning and analysis

Financial Monitoring Protocols

- Policy 7.3
- Procedure 7.3.16
- Seven measures
 - 4 short term – financial administration focus
 - 3 long term – financial health focus
- Monitoring, data, trigger and consequence agreed to by all CFOs
- Remedies include periodic certification, reports and/or workout plans

FY2013 Monitoring Results

- 7 colleges and 1 university reported negative accrual based operating revenue two years running
- 6 colleges and 1 university reported CFI below 1.50 based on 2 year average or less than .5 in most recent year
- In total, nine colleges and one university have tripped the monitoring flags

Strategies

- Procedure calls for certifications or financial management plan
- Monthly, quarterly, biannual reporting to VC- CFO office
- Goal is to help colleges and universities get back to financial/operational health
- Often a multi-year plan
- Issue has Chancellor's awareness – with progress reports expected

Management Program

- Financial management plan elements:
 - Peer review and assistance
 - Enrollment strategies and tactics
 - Revenue forecast and monitoring
 - Expense forecast and monitoring
 - Margins improvement strategies
 - Instructional costs, Administrative costs, reserve, facilities stewardship, cost study examination

- Monthly, quarterly, biannual reporting to VC- CFO office



FY2014 Outlook

- Colleges and universities managing revenue and expense outlook
- Very thin margins require focused planning
- Stable, but thin reserves provide some protection for enterprise risk
- Strategic enrollment management and strong program development are key to successful year

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