

## Black Hills State University

	2016	2015	2014	2013	2012
Primary Reserve Ratio	0.326	0.407	0.430	0.402	0.379
Net Operating Revenue Ratio	0.087	0.034	0.092	0.053	0.120
Return on Net Asset Ratio	0.075	0.048	0.103	0.055	0.148
Viability Ratio	0.465	0.482	0.495	0.546	0.482
Composite Financial Indicator	2.7	2.2	3.3	2.5	3.8

### **Primary Reserve Ratio**

The primary reserve ratio measures the financial strength of the university by comparing expendable net assets, which includes those assets the university can access and spend quickly to meet debt obligations, to total expenses at the end of every fiscal year. BHSU's ratio shows our ability to cover nearly 4 months of expenses.

### **Net Operating Revenue Ratio**

The net operating revenue ratio identifies whether or not the university is living within its available resources. A positive ratio indicates the university is in good financial condition. BHSU's net operating revenue remains positive.

### **Return on Net Assets Ratio**

The return on net assets ratio measures whether the university is financially better off than in the previous year by measuring total economic return or the level of change in total net assets. BHSU's return on net assets ratio has consistently been above the 3-4% preferred rate of return.

### **Viability Ratio**

The viability ratio measures the availability of expendable net assets to cover debt should the university be required to settle its obligations as of the date on the balance sheet. BHSU's ratio has been steady over the past five years.

### **Composite Financial Indicator (CFI)**

The CFI combines the four core ratios identified above into a single score. The combination, using a prescribed weighting plan, allows a weakness or strength in one ratio to be offset by another ratio result. The BHSU CFI has consistently met or exceeded the 2.5 CFI in previous years. In FY15, the ratio decreased due to significant projects in construction. Once SDBA debt was added to the calculations, the viability ratio and CFI substantially decreased.

## Dakota State University

	2016	2015	2014	2013	2012
Primary Reserve Ratio	0.238	0.203	0.130	0.105	0.073
Net Operating Revenue Ratio	0.131	0.011	0.061	0.041	0.022
Return on Net Assets Ratio	0.257	0.177	0.146	0.160	0.179
Viability Ratio	0.367	0.565	0.336	0.214	0.136
Composite Financial Indicator	3.9	2.9	2.6	2.4	2.3

### **Primary Reserve Ratio**

The University's increase in cash balances from FY15 to FY16 contributed to the increase in the primary reserve ratio. The increase was due to a number of vacancies which included two college dean positions and the Provost/Vice President for Academic Affairs. Cash balances also increased in funds that have set aside money to contribute to the Trojan Center and Residence Life construction projects.

### **Net Operating Revenue Ratio**

Operating revenues increased 7% while operating expenses increased only 1% which resulted in a slight increase in the net operating revenue ratio. Operating revenues are the revenues for tuition, fees, auxiliary services, grants and contracts. Some of the vacancies as noted above held the expenses to a marginal increase.

### **Return on Net Assets Ratio**

The overall net assets of the University increased mainly due to the addition of land and a building for the Residence Hall/Learning Engagement project.

### **Viability Ratio**

The University added debt for the renovation of the student union and residence halls which resulted in a decrease in the viability ratio.

### **Composite Financial Indicator (CFI)**

The CFI score has been on the rise over the last five years. The DSU Foundation has improved its financial position overall, thus providing a positive influence to the CFI score. The University continues to monitor revenue, expenses, cash balances and other factors that contribute to the financial health of the institution, especially in light of those ratios that make up the CFI.

## Northern State University

	2016	2015	2014	2013	2012
Primary Reserve Ratio	0.601	0.766	0.600	0.425	0.043
Net Operating Revenue Ratio	0.017	0.172	0.157	0.279	0.002
Return on Net Assets Ratio	0.082	0.203	0.178	0.462	0.025
Viability Ratio	1.043	1.234	0.877	0.684	0.063
Composite Financial Indicator	3.4	6.05	5.09	4.7	0.4

### **Primary Reserve Ratio**

The Primary Reserve ratio is a snapshot in time showing how long the organization could operate using their expendable net reserves. There has been a continued increase for the previous four years with the NSU Foundation receiving a sizable give from an estate in 2013 and private donations received for the Johnson Fine Arts Center expansion in 2014 and 2015. Even though the University saw an increase in its unrestricted net assets due to continued monitoring of expenditures, the FY16 Primary Reserve Ratio still decreased slightly mainly due to a decrease in the NSU Foundation's temporarily restricted net reserves resulting from large payments made to the University for the Johnson Fine Arts Center expansion expenses.

### **Net Operating Revenue Ratio**

The Net Operating ratio represents the operating outcome for the year. A positive number indicates an operating surplus for the year, while a negative number indicates there was an operating loss for the year. While the University's revenues and expenses remained fairly consistent in FY16, the NSU Foundation experienced a significant decrease in operating revenues due to several larger gifts received in FY15 that they did not have in FY16, such as the Johnson Fine Arts Center expansion, donations for the Chemistry Program and International Program. The decrease in investments also resulted in a decrease in investment income at the NSU Foundation.

### **Return on Net Assets Ratio**

The Return on Net Assets ratio measures whether or not the organization is better off financially than it was the year before. The results can vary significantly from one year to the next so this information should be viewed over a period of time. Historically, NSU and the NSU Foundation have had a positive ratio indicating a small amount of growth each year. Due to significant decrease in the Foundation's assets, the Return on Net Assets Ratio decreased in 2016. This decrease was also impacted by the decrease in HEFF revenues and principal and interest payments on debt at the South Dakota Building Authority for Northern in FY16.

### **Viability Ratio**

The Viability ratio measures the ability of the organization to settle debt with expendable net assets. There has been a continued increase for the past four years. In FY16, the South Dakota Building Authority Debt on behalf of the University decreased by \$1M due to the payoff of the 2008 Series Science Building bonds resulting from the Governor's initiative for debt reduction. Even though overall debt decreased and the University's net assets increased in FY16, which

should have increased the viability ratio, there was still a slight decrease in the FY16 Viability Ratio mainly due to a decrease in the expendable net assets of the NSU Foundation which resulted from payments made to the University for the Johnson Fine Arts Center expansion expenses. However, the FY16 ratio of 1.030 indicates that NSU and the NSU Foundation, when combined, would have been able to settle debt obligations as of the balance sheet date using expendable net assets.

**Composite Financial Indicator (CFI)**

The Composite Financial Index (CFI) is the measurement of the overall health of the institution based on the four core ratios. The CFI can range from -2 for institutions that may be struggling to survive to more than 9 for institutions with the strongest financial health. While the CFI for 2016 shows a decrease, this is mainly due to a decrease in the Foundation assets. The University will need to continue to increase revenues, decrease expenses and grow cash reserves in order to continue to improve financial stability.

## South Dakota School of Mines and Technology

	2016	2015	2014	2013	2012
Primary Reserve Ratio	0.306	0.182	0.185	0.055	0.153
Net Operating Revenues	0.241	0.119	0.078	(0.084)	(0.067)
Return on Net Assets	0.227	0.106	0.212	0.009	(0.047)
Viability Ratio	0.543	0.304	0.300	0.090	0.539
Composite Financial Indicator	4.3	2.7	3.3	(0.1)	0.0

### **Primary Reserve Ratio**

The primary reserve ratio measures the financial strength of the university by comparing expendable net assets, which includes those assets the university can access and spend quickly to meet obligations, to total expenses at the end of every fiscal year. A ratio of 100% denotes that an institution would have the ability to cover its expenses for one year without a revenue stream. The University's primary reserve ratio for 2016 is 30.6%, which indicates that in an emergency situation, the University along with the SD Mines Foundation could continue its current operations for approximately three and a half months. The ratio for FY16 increased due to positive movement in net asset balances in unrestricted funds for both SD Mines and the Foundation.

### **Net Operating Revenue Ratio**

The net operating revenues ratio indicates whether total operating activities resulted in a surplus or deficit and if the institution is living within available resources. The net operating revenue ratio increased due to an improvement in FY16 net non-operating revenues as compared to FY15.

### **Return on Net Assets Ratio**

The return on net assets ratio determines whether the institution is financially better off than in previous years by measuring total economic return or the level of change in total assets. The return on net assets ratio is improved over FY15, as a result of increased net assets of nearly \$14M.

### **Viability Ratio**

The viability ratio measures the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. The ratio indicates that SDSM&T and the Foundation combined, as of the fiscal year end, have sufficient expendable net assets to satisfy debt obligations.

### **Composite Financial Indicator (CFI)**

The CFI measures the overall health of the institution based on the four core ratios. This measurement typically ranges from -1 for universities with financial struggles to scores of 9-10 for universities with the strongest financial health. In FY16, SD Mines's CFI increased from 2.7 to 4.3. The increase is a result of the University continuing the steps taken to increase revenues and control spending.

## South Dakota State University

	2016	2015	2014	2013	2012
Primary Reserve Ratio*	0.331	0.322	0.289	0.226	0.117
Net Operating Revenues	0.030	0.019	0.031	0.035	0.015
Return on Net Assets	0.107	0.065	0.199	0.123	0.055
Viability Ratio*	0.547	0.499	0.478	0.365	0.213
Composite Financial Indicator	2.6	2.1	3.4	2.4	1.2

\*Prior year ratios were calculated incorrectly. Ratios were recalculated and correct amounts entered.

### **Primary Reserve Ratio**

The primary reserve ratio provides a measure of the percent of annual expenses that could be paid by current expendable assets. The ratio for FY16 increased slightly primarily due to decreased Foundation expenses. Foundation expenses were high in CY15 due to support of capital projects for the University. University expendable assets increased \$3.8M while Foundation expendable assets decreased by \$2.6M. This ratio represents a weight of 35% of the Composite Financial Indicator.

### **Net Operating Revenue Ratio**

The Net Operating Revenue ratio measures net revenue in relation to total unrestricted revenue. A positive number indicates a surplus for the year while a negative number indicates a deficit. The ratio for FY16 was 3%. Total University and Foundation revenues increased \$1.8M, while net revenue increased \$3.7M resulting in a 1.1% increase in the Net Operating Revenue Ratio. This ratio represents a weight of 10% of the Composite Financial Indicator.

### **Return on Net Assets Ratio**

The Return on Net Assets ratio reflects whether the institution is financially better off than the previous year by measuring the level of change in total assets. The FY16 ratio is positive and indicates a 10.7% return on net assets for the year. This ratio represents a weight of 20% of the Composite Financial Indicator.

### **Viability Ratio**

The Viability ratio reflects the availability of expendable net assets to settle debt at the balance sheet date. The FY16 increase in the viability ratio is a result of the decrease in debt for both the University and Foundation. Expendable net assets increased \$1.2M and debt was reduced by \$16.3M. This ratio represents a weight of 35% of the Composite Financial Indicator.

### **Composite Financial Indicator (CFI)**

The Composite Financial Indicator (CFI) combines the four core ratios above into a single financial metric. The weighting of each of the ratios allows a weakness or strength in a specific ratio to be offset by another ratio result. SDSU experienced improvements in all four ratios over last year. The SDSU increase in the FY16 CFI was primarily caused by the improvement in the Return on Net Assets experienced for the year.

## University of South Dakota/SSOM

	2016	2015	2014	2013	2012
Primary Reserve Ratio	0.639	0.723	0.782	0.566	0.461
Net Operating Revenues	0.034	(0.010)	0.034	(0.032)	0.003
Return on Net Assets	0.077	0.067	0.126	0.119	0.056
Viability Ratio	0.965	1.040	1.055	0.923	0.715
Composite Financial Indicator	3.5	3.4	4.5	3.7	2.4

### **Primary Reserve Ratio**

A primary reserve ratio of 40% or better is advisable to give institutions the flexibility to transform the enterprise. The University's primary reserve ratio for fiscal year 2016 is 63.9%, which indicates that the University along with the USD Foundation could continue its current operations for approximately 33 weeks.

### **Net Operating Revenues Ratio**

The net operating revenues positive ratio indicates that the University experienced income for one year. The net operating revenues ratio target is between 2 to 4 percent over an extended time period. USD is within the target range for FY16.

### **Return on Net Assets Ratio**

The return on net position ratio has a target range is approximately 3 or 4 percent. Higher return on net position means that the company is using its assets and working capital efficiently and effectively. USD return on net assets are above the target range.

### **Viability Ratio**

The viability ratio is a measure of clear financial health; the availability of expendable net position to cover debt should the University need to settle its obligations as of the fiscal year end. A ratio of 1.0 or greater indicates an institution has sufficient expendable net position to satisfy debt requirements. USD ratio for FY16 was slightly below 1.0. The USD Foundation and USD had a decrease in unrestricted assets. USD SDBA receivable for the Arena decreased unrestricted assets by \$9 million with the completion of the project.

### **Composite Financial Index**

The Composite Financial Indicator (CFI) combines the four core ratios above into a single financial metric. The weighting of each of the ratios allows a weakness or strength in a specific ratio to be offset by another ratio result. USD CFI has a slight increase by .01 from the prior year.