NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2013 (with trends since FY2010)
April 2014

As with any large business organization governed by a board, it is essential that the board members know the financial strength of the organization. This information is important to have in order to make informed decisions. The central purpose and use of the information in this report is to provide the board with a financial analysis of each institution which is needed to assist the board in fulfilling its fiduciary responsibilities. In addition to this report a separate semi-annual budget status report is presented to the SBHE Budget and Finance Committee which discloses significant revenue and expenditure variances, deficits, and pending lawsuits.

The purpose of this financial review is to gain an understanding of the financial health of each institution, based on year-end financial statements as of June 30, 2013 and to identify trends that are occurring over a period of time (FY2010 thru FY2013). It is not the intent of the Ratio Analysis section of this report to compare ratios of one institution to the ratios of another, but rather to compare each institution to the identified industry standard. These are general industry standards and not specific to just higher education. However, they do provide a good benchmark to measure financial performance. **In addition, it is important to note that individual ratio results do not stand on their own; rather, the results of all the ratios and trends over time should be viewed together when considering the financial health of the institution.**

One new measure is added to this report, which is unique to higher education. It is the Composite Financial Index utilized by the Higher Learning Commission (HLC) for accreditation review. This index consolidates into one index score, four separately measured and reported ratios included in previous reports.

In order to distinguish between financial statement position and funding adequacy, a Funding Analysis section (pages 12-13) is included in this report. Nationally, in FY2013 ND ranks 17 out of 50 in state/local appropriations funding per FTE student, as compared to a ranking of 22 out of 50 in FY2010. State appropriations in North Dakota have increased over that period of time, while most other states have been making spending cuts, resulting in a rapid change in relative state position.

This report suggests ND institutions are well managed and most are financially stable.

Composite Financial Index (CFI)

The CFI creates one overall financial measurement of an institution's health based on four core ratios: primary reserve ratio, net income ratio, viability ratio and the return on net assets ratio. The CFI is calculated by:

1. Determining the value of each ratio;
2. Converting the value of each ratio to strength factors along a common scale;
3. Multiplying the strength factors by specific weighting factors;
4. Totaling the resulting four numbers to reach the single CFI score.

When calculating these ratios for the CFI, the balances for the following discretely presented component units' accounts are also included: unrestricted, temporarily restricted net assets and total net assets;

1. Change in net assets;
2. Net investment in plant;
3. Total expenses;
4. Change in unrestricted net assets;
5. Total unrestricted revenues;
6. Long-term project related debt.

As noted above, the CFI includes both the operations of the college/university and their discretely presented component units. Component unit balances are included only in the CFI calculation and are not included in other calculations in this report. The component units included in the CFI, along with the FY13 CFI, by campus, are as follows:

CFI		
Institution	**Component unit(s) included in CFI**	**FY2013**
VCSU[1]	VCSU Foundation	3.98
NDSU	NDSU Development Foundation NDSU Research & Technology Park NDSU Research Foundation NDSU Team Makers Club	3.90
UND	UND Alumni Assoc. & Foundation RE Arena, Inc. UND Center for Innovation UND Research Foundation	3.90
NDSCS	NDSCS Foundation	3.36
WSC	WSC Foundation	2.39
MiSU	MiSU Development Foundation	2.37
BSC	BSC Foundation	1.89
MaSU	MaSU Alumni Foundation	1.78
DCB	DCB Foundation	1.75
DSU	DSU Foundation	1.18
LRSC	LRSC Foundation	0.91

Note: LRSC's FY2012 CFI was 3.4. The decline between FY12 and FY13 is attributable to an increase in debt load to construct the wind tower, a reduction in revenue due to an enrollment decline and use of reserves.

[1]In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30th but the repayment from the refinance occurred on July 1, 2013. GASB accounting standards required both the original debt and the new debt to be reflected in VCSU's general ledger at June 30, 2013. Excluding the impact of the timing difference, the FY2013 CFI would have been 3.87.

HLC uses the following standards when evaluating the CFI for accreditation review purposes:

Zones	Public Institutions Composite Index	Outcomes
Above	1.10 to 10	No Review
In	0 to 1.0	Financial Panel Review if "in" for two or more consecutive years
Below	-4.0 to -0.1	Financial Panel Review if "below" in any given year

Viability Ratio

This ratio measures the ability to retire long-term debt using current resources. It is calculated by comparing combined expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets include all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1.0 is good and a ratio of less than .3 is of concern. Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases). Historical figures have been restated consistent with the new reporting approach.

The following table shows the viability ratio for each institution for the current fiscal year and three previous fiscal years:

Greater than 1.0 is good, less than .3 concern

VIABILITY RATIO				
Institution	**FY 2013**	**FY 2012**	**FY 2011**	**FY 2010**
DSU	23.7	13.0	10.8	10.1
DCB	6.8	7.8	5.6	3.9
MiSU	1.3	1.2	1.4	1.5
UND	1.3	1.1	1.0	.8
NDSCS	1.1	1.5	7.4	6.6
Total NDUS	**1.0**	**.9**	**.8**	**.8**
NDSU	.8	.6	.5	.5
BSC	.7	.6	.9	.9
VCSU	.7	.7	.6	1.1

LRSC	.5	.6	3.0	2.6
MaSU	.3	.3	.2	.2
WSC	.2	.2	.4	1.3

Six of the eleven institutions have a viability ratio of less than 1.0. The ratio decreased for five of the institutions in FY2013 compared to FY2010 as a result of increases in long-term debt during the three year period. The ratio for the NDUS, as a whole, is at the industry standard of 1.0.

Primary Reserve Ratio

This ratio measures the ability to operate at current levels without future revenues. It is calculated by comparing combined unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern.

The following table shows the primary reserve ratio for each institution for the current fiscal year and three previous fiscal years:

PRIMARY RESERVE RATIO				
Institution	**FY 2013**	**FY 2012**	**FY 2011**	**FY 2010**
DSU	.5	.5	.4	.4
MiSU	.4	.3	.5	.5
NDSCS	.3	.4	.3	.4
NDSU	.3	.3	.2	.2
UND	.3	.3	.3	.3
VCSU[1]	.3	.2	.2	.2
Total NDUS	**.3**	**.3**	**.3**	**.3**
BSC	.2	.2	.2	.2
DCB	.2	.3	.2	.2
LRSC	.2	.2	.3	.3
MaSU	.2	.2	.2	.2
WSC	.1	.2	.3	.1

Greater than .1 is good, less than .05 is a concern

The primary reserve ratio is good for all campuses and NDUS. The ratio has remained stable at most campuses over the last several years.

[1]Excluding the impact of the timing difference discussed in the CFI section, the FY2013 the primary reserve ratio would have been .2.

Current Ratio

This ratio measures the ability to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of long-term debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern.

The following table shows the current ratio for each institution for the current fiscal year and three previous fiscal years:

Greater than 2.0 is good, less than 1 concern

CURRENT RATIO				
Institution	**FY 2013**	**FY 2012**	**FY 2011**	**FY 2010**
DCB	9.6	8.3	4.8	3.7
DSU	7.8	5.3	7.8	7.8
NDSCS	4.5	5.4	4.9	5.5
MiSU	3.8	3.4	3.9	3.6
BSC	2.9	2.7	2.5	2.7
UND	2.7	2.0	2.2	2.3
Total NDUS	**2.5**	**2.5**	**2.5**	**2.5**
MaSU	2.3	2.1	1.6	1.5
LRSC	2.2	2.8	3.4	3.4
NDSU	2.0	2.2	2.0	2.0
WSC	1.4	1.9	2.7	1.5
VCSU[1]	1.2	2.3	2.2	2.8

The current ratio for the institutions is good and increased at five of the eleven institutions since FY 2010 (BSC, DCB, MaSU, MiSU and UND). Four institutions experienced a decrease in the ratio since FY 2010 (LRSC, NDSCS, VCSU, and WSC). The current ratio can fluctuate from year-to-year due to the liquid nature of current assets and current liabilities.

[1]Excluding the impact of the timing difference discussed in the CFI section, the FY2013 current ratio would have been 3.1.

Working Capital Ratio

This ratio measures the ability to sustain operations in a short-term emergency situation (4-6 weeks). The ratio compares working capital (current assets less current liabilities) to total operating expenses, converted into weeks. While no industry standard is available, professional judgment suggests that an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency.

The following table shows the working capital ratio for each institution for the current fiscal year and three previous fiscal years:

WORKING CAPITAL RATIO				
Institution	**FY 2013**	**FY 2012**	**FY 2011**	**FY 2010**
DSU	25.8	23.5	21.7	21.1
MiSU	16.2	18.7	20.3	22.7
NDSCS	14.9	16.5	15.3	15.7
DCB	12.8	14.4	11.6	8.9

4-6 weeks is good

BSC	10.8	9.6	8.3	9.0
MaSU	8.5	7.9	5.8	4.5
Total NDUS	**8.2**	**7.8**	**7.7**	**8.1**
LRSC	8.0	11.0	14.4	15.8
UND	8.0	5.1	5.7	6.3
NDSU	6.1	6.1	5.1	5.6
WSC	2.8	6.1	7.8	3.2
VCSU[1]	2.1	8.4	8.1	9.1

All but two of the institutions have good or very good working capital reserves. VCSU's ratio decreased as a result of additional bond issues in FY 2011 and FY 2013. WSC's ratio decreased due to an increase in operating expenses from FY2010 to FY 2013. The working capital ratios at these two institutions should be closely monitored.

[1]Excluding the impact of the timing difference discussed in the CFI section, the FY2013 working capital ratio would have been 8.8.

Operating Income Margin

This ratio measures current year financial results. The ratio is calculated by comparing combined operating and nonoperating net income (before capital gifts and grants) to total combined operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired and indicates the institution is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the institution is adding to reserves.

The following table shows the operating income margin for each institution for the current fiscal year and three previous fiscal years:

Greater than 0 is good

Operating Income Margin				
Institution	**FY 2013**	**FY 2012**	**FY 2011**	**FY 2010**
NDSU	4.7%	1.2%	2.5%	-0.2%
Total NDUS	**1.5%**	**0.9%**	**1.8%**	**1.5%**
MaSU	1.3%	1.1%	2.3%	-0.5%
UND	-0.3%	0.6%	2.0%	1.9%
BSC	-1.9%	0.3%	-2.3%	1.3%
VCSU	-3.4%	-3.7%	-3.5%	-2.1%
WSC	-3.9%	6.6%	4.7%	11.5%
NDSCS	-4.1%	-3.0%	-5.6%	-0.7%
MiSU	-4.5%	-2.0%	-0.5%	1.6%
DCB	-5.4%	2.2%	2.4%	5.7%
DSU	-5.5%	-1.2%	-1.4%	-2.2%
LRSC	-8.6%	-7.9%	0.0%	4.6%

All institutions, except NDSU and MaSU have an operating income margins below zero, which means they spent more to operate in FY2013 than they earned from operations in FY2013. A negative margin for one year could be due to timing issues or one-time events. Several years of a ratio of zero or less is of concern. Institutions with a ratio of zero or less for the last two consecutive years such as DSU, LRSC, MiSU, NDSCS and VCSU should be closely monitored.

Net Income Margin

This ratio measures an institution's financial status in terms of current year operations. The ratio is calculated by dividing the current year's increase in net assets by total revenues. A positive net income margin indicates that the institution experienced a net increase in current year fund balances. A negative net income margin results when an institution's current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or creating deficit spending.

Net Income Margin				
Institution	**FY 2013**	**FY 2012**	**FY 2011**	**FY 2010**
VCSU[1]	20.5%	10.9%	1.8%	7%
NDSCS	15.7%	1.4%	1.6%	12%
WSC	13.4%	22.9%	22.0%	16%
MiSU	8.5%	10.4%	2.2%	18%
NDSU	8.5%	6.5%	8.5%	5%
Total NDUS	**6.9%**	**5.5%**	**6.9%**	**7%**
BSC	5.8%	5.9%	6.5%	5%
UND	4.4%	3.5%	6.6%	3%
DCB	3.2%	3.3%	13.1%	9%
MaSU	1.5%	7.3%	20.0%	13%
DSU	-4.3%	1.8%	2.6%	26%
LRSC	-7.3%	13.4%	.5%	5%

Positive margin good

All institutions, with the exception of DSU and LRSC, had a positive net income margin. A negative margin for one year could be due to timing issues or one-time events. Several years of a negative margin is a concern. Since FY 2010, no institution has had a negative net income margin for more than one year.

[1]Excluding the impact of the timing difference discussed in the CFI section, the FY2013 net income margin would have been 8.0.

Trend: Change in net liquid assets less current liabilities (FY2010 to FY2013)

This calculation measures the change in ability to meet current obligations over time. It is the percentage change from June 30, 2010 to June 30, 2013 between liquid assets (cash, current investments and current receivables) and current liabilities. A positive percentage change is desirable as it indicates improvement over time in an institution's ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The following table shows the percentage change in net liquid assets for each institution from

FY2010 to FY2013 and the dollar amount of net liquid assets for the current fiscal year and three previous fiscal years:

Net Liquid Assets					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2010-2013	FY 2013	FY 2012	FY 2011	FY 2010
MaSU	175%	$2.6	$2.3	$1.4	$1.0
DCB	64%	$1.8	$2.0	$1.6	$1.1
UND	49%	$59.6	$34.9	$37.1	$40.0
BSC	40%	$7.5	$7.0	$5.9	$5.4
WSC	40%	$0.7	$1.6	$1.6	$0.5
Total NDUS	**25%**	**$181.2**	**$139.8**	**$136.2**	**$137.0**
NDSU	21%	$41.1	$37.9	$31.6	$33.9
DSU	14%	$13.6	$13.4	$12.8	$11.9
NDSCS	-1%	$11.5	$12.8	$11.4	$11.6
MiSU	-23%	$16.2	$14.8	$19.9	$21.1
LRSC	-42%	$2.0	$3.0	$3.5	$3.4
VCSU[1]	-78%	$0.6	$3.3	$2.9	$3.0

Positive change good

The change in net liquid assets coupled with the current ratio gives an indication of change in financial liquidity from one year to another. All institutions, with the exception of LRSC, MiSU, NDSCS and VCSU had an increase in net liquid assets since FY2010. NDSCS's decrease is the result of an increase in accounts payable and unearned revenue. LRSC's decrease is due to a decrease in cash and an increase in current liabilities. MiSU's decrease is the result of a decrease in current investments. VCSU's decrease is attributed to an increase in the current portion of long-term debt.

[1]Excluding the impact of the timing difference discussed in the CFI section, the FY2013 Net Liquid Assets would have been 15%.

Trend: Change in long-term liabilities (FY2010 to FY2013)

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2010 to June 30, 2013 in total long-term liabilities. A negative change indicates the institution retired more debt than it added over the three-year period. A positive change indicates the institution added more debt than it retired.

The following table shows the percentage change in long-term liabilities for each institution from FY2010 to FY2013 and the dollar amount of long-term liabilities at year end and for the three previous fiscal years:

Long-term Liabilities					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2010-2013	FY 2013	FY 2012	FY 2011	FY 2010
DSU	-53%	$0.6	$1.1	$1.3	$1.3
DCB	-22%	$0.3	$0.3	$0.3	$0.3
MASU	-14%	$11.6	$12.1	$12.8	$13.5
UND	-14%	$104.7	$112.4	$117.2	$121.0
MISU	-9%	$15.2	$15.7	$16.2	$16.6
NDSU	-4%	$145.3	$148.8	$156.7	$151.8
Total NDUS	**1%**	**$330.9**	**$343.3**	**$338.6**	**$328.8**
BSC	84%	$14.3	$14.6	$8.0	$7.8
VCSU[1]	146%	$9.5	$7.0	$7.1	$3.9
LRSC	274%	$5.7	$5.8	$1.4	$1.5
NDSCS	415%	$10.5	$10.5	$1.8	$2.0
WSC	1277%	$9.9	$10.1	$9.8	$0.7

Negative change good

This calculation, coupled with the viability ratio indicates an institution's ability to service debt over time. Institutions with a viability ratio of less than 1.0, coupled with a large increase in long-term debt are BSC, LRSC, VCSU and WSC.

- BSC's long-term debt increased 84 percent from FY2010, due to new bonds of $7.0 million issued in FY2012 for the renovation and expansion of the Student Union Building.
- LRSC increased its long term debt in FY2012 by $4.5 million for a note payable obtained in FY2012 for installation of a wind turbine, replacement of a gas fired boiler and an upgrade to the central pumping station .
- VCSU's long term debt increased by $3.2 million for bonds issued in FY2011 for the renovation of Snoeyenbos Hall and by $2.6 million for bonds issued in FY2013 for the refinance of Kolstoe Hall 2003 Bonds in FY2013.
- WSC long-term debt increased with the issuance of a $9.75 million bond for the construction of a new residence hall.

With viability ratios of less than 1.0, these institutions (BSC, LRSC, VCSU and WSC) should remain cautious about adding new debt in the near future.

[1]Excluding the impact of the timing difference discussed in the CFI section, the FY2013 Change in Long-Term Liabilities would have been 74%.

<u>Trend: Change in Fall FTE enrollment (2010-2013)</u>

This calculation shows the percentage change in FTE enrollment from Fall 2010 to Fall 2013, including all credit on-campus and distance ed students.

The second column in the table shows the percentage change for each institution in Fall FTE enrollment from the Fall 2013 Enrollment Report (FY2014) to the Fall 2010 (FY2011) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2012 (FY2013) Enrollment Report to the Fall 2009 (FY2010) Enrollment Report.

			Fall FTE Enrollment				
	Trend	Trend	Enrollment*				
Institution	% Change Fall Enrollment Report FY 2010-2013	% Change Fall Enrollment Report FY 2009-2012	2013	2012	2011	2010	2009
MASU	6%	15%	749	759	704	704	662
UND	5%	13%	12,606	12,729	12,319	12,018	11,306
NDSCS	4%	13%	2,295	2,354	2,366	2,217	2,076
WSC	4%	-6%	593	537	608	570	573
LRSC	2%	12%	943	973	988	921	868
VCSU	2%	19%	975	995	1,011	957	833
NDSU	1%	1%	12,797	12,707	12,606	12,708	12,577
Total NDUS	**-1%**	**3%**	**38,326**	**38,703**	**39,089**	**38,913**	**37,564**
DCB	-7%	-3%	502	474	524	540	490
BSC	-8%	-5%	2,955	2,990	3,209	3,208	3,160
MISU	-10%	-4%	2,710	2,731	2,794	3,002	2,832
DSU	-42%	-34%	1,201	1,454	1,959	2,054	2,187

**From the Fall Enrollment Report Table 6 and as re-defined, Aug. 2006 based on 15 credit hours.*

Positive growth good

Overall, the NDUS saw a decrease in FTE enrollment since Fall 2010 of one percent during the period Fall 2010 to Fall 2013. Seven institutions experienced increased FTE enrollment. BSC, DSU, LRSC, MiSU, NDSCS and VCSU experienced declines in each of the three consecutive years. The strong North Dakota economy and lack of affordable housing in the western part of the state are two factors that have contributed to the declines in enrollment. (Occasional declines in enrollment are not unusual, but several consecutive years of declining enrollment is noteworthy).

<u>Percentage of Face-to-Face Enrollment to Total Unduplicated Enrollment</u>

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to enrollment headcount that receives instruction in other than face-to-face on-campus instruction. Face-to-face on-campus enrollment may include students who are enrolled in both types of instruction.

The table below is obtained from the 2013 Fall Enrollment Report – Table 9B.

	A	B	C	D	E	F	G	H
				(B+C)-A	C-D	D/A	B/A	C/A
Institution	Unduplicated campus enrollment Totals[1]	Unduplicated face to face on campus[2]	Unduplicated within DE[3]	Number of students duplicated between face-to-face on campus and DE[4]	Students without an on campus presence[5]	Percent of total enrolled in both face to face and distance education	Percent of total headcount enrollment in face to face on campus instruction	Percent of total headcount enrollment[6] in distance education
NDSU	14,629	13,672	5,242	4,285	957	29.3%	93.5%	35.8%
UND	15,143	12,123	4,842	1,822	3,020	12.0%	80.1%	32.0%
SubTotal	**29,772**	**25,795**	**10,084**	**6,107**	**3,977**	**20.5%**	**86.6%**	**33.9%**
DSU	1,449	1,088	579	218	361	15.0%	75.1%	40.0%
MaSU	1,065	583	598	116	482	10.9%	54.7%	56.2%
MiSU	3,533	2,384	1,722	573	1,149	16.2%	67.5%	48.7%
VCSU	1366	801	972	407	565	29.8%	58.6%	71.2%
SubTotal	**7,413**	**4,856**	**3,871**	**1,314**	**2,557**	**17.7%**	**65.5%**	**52.2%**
BSC	4,062	2,375	2,379	692	1,687	17.0%	58.5%	58.6%
DCB	793	396	537	140	397	17.7%	49.9%	67.7%
LRSC	1,898	450	1,584	136	1,448	7.2%	23.7%	83.5%
NDSCS	3,168	1,599	1,911	342	1,569	10.8%	50.5%	60.3%
WSC	908	487	619	198	421	21.8%	53.6%	68.2%
SubTotal	**10,829**	**5,307**	**7,030**	**1,508**	**5,522**	**13.9%**	**49.0%**	**64.9%**
Institution Tota	**48,014**	**35,958**	**20,985**	**8,929**	**12,056**	**18.6%**	**74.9%**	**43.7%**

[1]**Unduplicated campus enrollment** – students taking courses at more than one campus or through more than one instructinal medium in the same semester are counted once.

[2]**Unduplicated face to face on campus** – students taking courses at more than once campus through more than one instructional medium in the same semester in a traditional classroom environment where the instructor and students are phyically located in the same place

[3]**Unduplicated DE** – enrollment as a single person. In other words, if a student takes both a correspondence course and an internet based course, the student is counted once.

[4]**DE (Distance Education)** – course location external to the home campus.

[5]**Campus presence** – course location is located at the home campus

[6]**Headcount enrollment** – SBHE Policy 440 defines enrolled students as “students who are registered for classes as of the 20th day of the term.”

Source: Campus Solutions > NDUH2SRO > North Dakota University System degree credit headcount by category

FUNDING ANALYSIS
National per FTE Funding Comparison

State funding per FTE for the public institutions of higher education in North Dakota are above the national average, as are educational revenues (tuition and fees) per student.

FY 2013 Total Educational Revenue per FTE - Public Institutions of Higher Ed

Rank	Total Educational Revenues Per FTE*		Rank	Educational Appropriations (State/Local) Per FTE*	
1	Wyoming	18908	1	Wyoming	16474
2	Delaware	18217	2	Alaska	12932
3	Alaska	17859	3	Illinois	9439
4	Rhode Island	15268	4	North Carolina	8687
5	Vermont	15049	5	New Mexico	8580
6	Michigan	14812	6	New York	7843
7	Illinois	14496	7	Nebraska	7357
8	Maine	14204	8	Texas	7259
9	Maryland	14179	9	Hawaii	7173
10	Alabama	13959	10	California	7096
11	Connecticut	13824	11	Connecticut	7028
12	North Dakota	13049	12	Oklahoma	6955
13	New Jersey	12826	13	Maryland	6756
14	Kentucky	12815	14	Kentucky	6750
15	North Carolina	12673	15	Georgia	6703
16	Iowa	12651	16	Nevada	6693
17	Nebraska	12447	17	North Dakota	6561
18	Texas	12205	18	Idaho	6546
19	South Carolina	12190	19	Arkansas	6173
20	New York	12176	20	Mississippi	6162
21	Minnesota	12146	21	Tennessee	6022
22	Pennsylvania	12017	22	Maine	5978
23	Oklahoma	12001	23	Wisconsin	5837
24	Virginia	12000	24	West Virginia	5773
25	Ohio	11965	25	Massachusetts	5672
26	South Dakota	11918	26	Kansas	5634
27	New Mexico	11914	27	New Jersey	5545
28	Tennessee	11364	28	Louisiana	5515
29	New Hampshire	11284	29	Alabama	5507
30	Georgia	11171	30	Missouri	5310
31	West Virginia	11170	31	Iowa	5013
32	Kansas	11162	32	Utah	5007
33	Wisconsin	10959	33	Arizona	4958
34	Hawaii	10904	34	Delaware	4858
35	Indiana	10889	35	Washington	4849
36	Missouri	10728	36	South Carolina	4797
37	Arizona	10583	37	Florida	4784
38	Nevada	10551	38	South Dakota	4778
39	Massachusetts	10537	39	Minnesota	4614
40	Idaho	10477	40	Virginia	4545
41	Oregon	10262	41	Ohio	4523
42	Mississippi	10231	42	Michigan	4469
43	Colorado	9988	43	Rhode Island	4459
44	Louisiana	9726	44	Indiana	4442
45	Montana	9669	45	Montana	4294
46	Utah	9552	46	Pennsylvania	3959
47	California	9236	47	Oregon	3875
48	Arkansas	9063	48	Colorado	2779
49	Washington	8714	49	Vermont	2655
50	Florida	7881	50	New Hampshire	1708
	US	**11492**		**US**	**6105**

*Excluding Ag research, extension and med school funding.

Source: FY2013 SHEEO State Higher Education Finance Report.

As the chart below illustrates, North Dakota's educational revenues per FTE has increased since FY2010 and are above the national average. North Dakota's educational appropriations per FTE remained flat while the US average declined 5.4%, as many states reduced appropriations due to budget constraints. North Dakota's net tuition revenue increased 4.3% since FY2010 which is below the US average of increase of 19.7% for the same period.

	FY2013	FY2012	FY2011	FY2010
ND Total Educational Revenues per FTE	$ 13,049	$ 13,585	$ 12,416	$ 12,741
% increase (decrease)	*2.4%*			
US Average	$ 11,492	$ 11,034	$ 11,016	$ 10,734
% increase (decrease)	*7.1%*			
ND Ranking	12	10	15	15

	FY2013	FY2012	FY2011	FY2010
Educational Appropriations (State/Local) Per FTE	$ 6,561	$ 6,938	$ 6,263	$ 6,520
% increase (decrease)	*0.6%*			
US Average	$ 6,105	$ 5,896	$ 6,290	$ 6,454
% increase (decrease)	*-5.4%*			
ND Ranking	17	11	23	22

	FY2013	FY2012	FY2011	FY2010
ND Net Tuition Revenue, per FTE	$ 6,489	$ 6,647	$ 6,153	$ 6,221
% increase (decrease)	*4.3%*			
US Average	$ 5,445	$ 5,189	$ 4,793	$ 4,549
% increase (decrease)	*19.7%*			
ND Ranking	19	17	17	13

Source: FY2013 SHEEO State Higher Education Finance Report.

SUMMARY BY INSTITUTION

BSC

BSC's overall financial position remains good. The current ratio, working capital ratio and net income margin increased from FY2010 while the primary reserve ratio remained at the same level. The viability ratio and the operating income margin ratio decreased since FY2010 but is not a concern at this time. Long-term debt increased 84 percent from FY2010, due to new bonds of $7.0 million issued in FY2012 for the renovation and expansion of the Student Union Building, which will be supported by a student fee increase in the Fall 2013. The oil/energy related activities in the western part of the state and the overall strong North Dakota economy as well as a shortage of affordable housing contributed to a decline in FTE enrollment of 8 percent since FY2010. Issuance of additional long-term debt should be carefully evaluated.

DCB

Most of DCB's ratios are good or very good. All of DCB's ratios have improved since FY2010, with the exception of the primary reserve ratio, the operating income margin and net income margin. The primary reserve ratio remained the same from FY2010. The decrease in operating income margin and net income margin is not a concern. FTE enrollment declined 7 percent from FY2010 to FY2013.

DSU

DSU's financial position remains good. DSU's viability ratio, current ratio and working capital ratio are **very good**. However, the operating income margin was negative for FY2013 and the previous three years and FTE enrollment decreased 42 percent since FY2010 from 2,054 to 1,201 FTE. Both of these indicators are a concern. A plan should be considered to address these trends.

LRSC

LRSC's overall financial position is good. The primary reserve ratio, current ratio and working capital ratio are good. Operating income margin has been negative for the prior two years. Long term debt increased 274% or $4.2 million from FY2010 as a result of a note payable in FY2012 for the installation of a wind turbine, replacement of a gas fired boiler and an upgrade to the central pumping station. FTE enrollment remained stable with a slight increase from FY2010. Issuance of additional long-term debt should be carefully evaluated. A plan should be considered to address these trends.

MaSU

MaSU financial condition has improved substantially in recent years after implementation of a financial management plan in FY2006. The current ratio, working capital ratio, and net liquid assets have increased each year since FY2010. Meanwhile, long-term liabilities decreased 14%. The viability ratio has remained below 1.0 each year since FY2010 but is not a concern at this time. Enrollment increased 6% from FY2010.

MiSU

MiSU's financial position is good. The working capital ratio is very strong. The viability, primary reserve and current ratio is good and long-term liabilities have decreased since FY2010. The 2011 Souris River flood and the tight housing market in Minot have negatively impacted enrollment in the last three out of four years.

NDSCS

NDSCS's financial position is strong. The viability ratio, primary ratio and current ratio are good. The working capital ratio is very good. Long term debt increased in FY2012 with the issuance of revenue bonds of $9.0 million for the renovation of Forkner and Riley Residential Halls. Total FTE enrollment increased 4 percent from FY2010. None of the ratios indicate any concerns at this point; however, it should be noted that NDSCS had negative operating income for the last four years and this should be addressed through permanent changes.

NDSU

NDSU's overall financial position is good and is improving. The primary reserve ratio, working capital ratio, operating income margin and net income margin all have a "good" status and have improved since FY2010. The viability ratio is slightly below 1.0 at .8 but has improved since FY2010 and is not a concern at this time. Long term liabilities decreased 4 percent since FY2010 and enrollment remains stable. Standard & Poor's upgraded its long-term rating on NDSU to 'AA-' from 'A+', with a stable outlook, as shown in their report dated November 1, 2013. This rating was affirmed in a report dated January 29, 2014. According to S&P, *"The upgrade to 'AA-' reflects our view of NDSU's growing and geographically diverse enrollment base, solid operating margins aided by continued strong state appropriations and net tuition revenue growth, and significant improvement in its financial resource ratios in recent years. It additionally reflects the university's low debt burden . . . and no debt issuance plans within the outlook period. In our view, cumulatively, these factors make the university's enterprise and financial profile consistent with its peer public flagship institutions in the 'AA' rating category*. Moody's affirmed its 'Aa3' rating in a report dated January 30, 2014. According to Moody's, *"The Aa3 rating with a stable outlook reflects North Dakota State University's standing as the state's land grant institution and designation as an elite research university, which contribute to solid enrollment and growing state appropriations, as well as healthy debt service coverage."*

UND

UND's overall financial position is good with adequate reserves and liquidity. The viability ratio, current ratio, working capital ratio and the net income margin have increased since FY2010 while long term debt decreased 14 percent for the same period. FTE enrollment increased 5 percent from FY2010.

UND received a Moody's rating of Aa3 with a stable outlook on October 17, 2013. The Aa3 rating reflects UND's flexibility from financial resources, strong operating and capital support from the state of North Dakota, and favorable revenue diversity. The rating also incorporates expected enrollment declines, lower occupancy in student housing, and exposure to volatility in federal research funding. UND received a Standard & Poor's report dated April 16, 2013 affirming an A+/Positive rating. The outlook reflects their view of the university's healthy operating performance, growing enrollment, and continued growth in financial ratios that are consistent with a higher rating category.

VCSU

VCSU's primary reserve ratio and net income margin increased from FY2010. However, the viability ratio, current ratio and working capital ratio have decreased since FY2010 and the operating income margin has been negative for the past consecutive three years. All of which is of concern. Long term debt increased 78 percent since FY2010 due to the issuance of bonds in

FY2011 for the renovation of Snoeyenbos Hall and the refinance of Kolstoe Hall 2003 bonds in FY2013. Issuance of additional long-term debt should be carefully evaluated. A plan should be considered to address these trends.

In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30th but the repayment from the refinance occurred on July 1, 2013. As a result of this timing difference, GASB accounting standards required both the original debt and the new debt to be reflected in VCSU's general ledger at June 30, 2013. The second column of the table below represents the actual ratio, as reported. The third column lists the pro-forma ratio which excludes the impact of the timing difference.

Ratio	**Actual Ratio**	**Proforma Ratio - Adjusted Due to Bond Refinance (timing)**
Viability	.7	.7
Primary Reserve	.3	.2
Current	1.2	3.1
Working Capital	2.1	8.8
Operating Income Margin	-3.4%	-3.4%
Net Income Margin	20.5%	8.0%
Net Liquid Assets	-78%	15%
Change in Long-term Liabilities	146%	74%

WSC

WSC's primary reserve ratio has remained stable since FY2010. However, the viability ratio, current ratio, working capital ratio and the operating income margin have decreased from FY2010. While the operating income margin can fluctuate from year-to-year, the decrease in the other ratios is a concern. Long-term debt increased due to the issuance of a $9.75 million bond for the construction of a new residence hall in FY2011. Issuance of additional long-term debt should be carefully evaluated. A plan should be considered to address these trends.