Financial Review

FISCAL YEAR 2012
Achieving the Goals of the Board of Trustees

STUDENTS

Academic Programs

Strategic Plan

Mission and Vision

Sound Financial Position
Eastern Washington University’s Mission

EWU expands opportunities for personal transformation through excellence in learning.

EWU ACHIEVES THIS MISSION BY:

• fostering excellence in learning through quality academic programs, undergraduate and graduate student research and individual student-faculty interaction. Students extend their learning beyond the classroom through co-curricular programs, life skills development, internship programs, volunteering and service learning.

• creating environments for personal transformation that enrich the lives of individuals, families, communities and society at large.

• expanding opportunity for all students by providing critical access to first generation students, underserved populations, place-bound students, and other students who may not have the opportunity for higher education.

• developing faculty and staff by growing and strengthening an intellectual community and supporting professional development.
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.


FY2012 FINANCIAL POSITION
Impacts to Eastern’s Financial Position

- State Capital Funding
- Auxiliaries
- State Resources
- Tuition
- Financial Aid
- Strategic Investments
- Enrollment Demand

Finances
Eastern’s enrollments continue to grow. Future enrollment goals will consider access, capacity, and fiscal balance within the context of the strategic plan.

* Does not include approximately 780 Running Start HC
FINANCIAL AID
FY2012
Financial Aid – By Source

Source: Financial Aid Office
### Financial Aid – by Type

**Source:** Financial Aid Office

<table>
<thead>
<tr>
<th>Type</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>FY12 v. FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$54.3</td>
<td>$58.8</td>
<td>$66.1</td>
<td>$73.9</td>
<td>+ 11.9%</td>
</tr>
<tr>
<td>Grants</td>
<td>$23.8</td>
<td>$30.2</td>
<td>$33.4</td>
<td>$35.4</td>
<td>+ 6.0%</td>
</tr>
<tr>
<td>Waivers</td>
<td>$7.3</td>
<td>$8.0</td>
<td>$9.6</td>
<td>$10.0</td>
<td>+ 3.6%</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$5.6</td>
<td>$5.2</td>
<td>$5.7</td>
<td>$6.1</td>
<td>+ 6.9%</td>
</tr>
<tr>
<td>Work Study</td>
<td>$1.5</td>
<td>$1.6</td>
<td>$1.5</td>
<td>$0.9</td>
<td>- 39.5%</td>
</tr>
<tr>
<td>3rd Party</td>
<td>$2.2</td>
<td>$1.7</td>
<td>$1.5</td>
<td>$1.0</td>
<td>- 31.4%</td>
</tr>
</tbody>
</table>

**FY12 v. FY11** denotes the percentage change from the previous fiscal year.
Financial Aid 2012

Demand Rising

- 72.5% of EWU Students received Financial Aid in 2012
  - 9,774 students received financial aid
    - 3% increase over 2011
- 15,651 applications processed
  - 10.2% increase over 2011

Source: Financial Aid Office
Financial Aid 2012

Pell Grant Recipients

- 42% of Undergraduate students received Pell Grants
- 7.6% increase over 2011

Source: Financial Aid Office
Future Financial Aid Concerns

Grants
- FY14 Pell Grant shortfall of $7B.
- Students may need to seek alternative grants or loans.

Rates
- FY14 Direct Subsidized Loan rates increasing from 3.4% to 6.8%.

Loans
- Parent Loan borrowing continues to grow.
BUDGET REVIEW
FY2012
Budget Process Relationship to Financial Reporting

**Budget Process**
- 2 year budget with internal planning for future biennia
- Multi-year Enrollment planning
- Analysis of Reserves
- Strategies for Revenues and Funding

**Financial Management**
- On-going analysis of spend rate and cash balance
- Interim reporting
- Budget vs. Actual
- Quarterly enrollment review
- Capital Budget

**Financial Reporting**
- Monthly/Quarterly/Annual
- Variance reporting
- Benchmarking and industry level Analysis
Eastern’s total annual operating budget is growing at a slower pace in FY13 (1.2%). Increases are due to increases in student fees and enrollments, which partially offset declines in state funding.
Continued reductions in state funding have changed the historical balance of Eastern’s operating budget funding sources.

Source: BOT operating budget document
GF-State Funding per FTE Student

Eastern’s GF-State funding per FTE declined by 67% between FY2008 and FY2013.

Source: Data based on GFS allocations and OFM budgeted state enrollments. 2012 & 2013 projections based on original budget and enrollment at 8,734.
EWU’s Share of Total State GF

Total 2011-13 Budget

4-Year HE Share

- Public Schools
- DSHS
- Other HS
- Spec’l Approp.
- Other Agencies
- UW
- WSU
- WWU
- EWU
- CWU
- TESC

EWU % Share of Total State Budget

Source: fiscal.wa.gov - Operating Budget Statewide Summary
Capital Appropriation History

Source: Appropriation schedule - New appropriations only
FY2012 Financial Report

Communication

• Communicating information about the university’s resources and obligations is the primary goal of financial reporting
• Demonstrates an organization is fiscally sustainable

Compliance

• Public higher education comprehensive financial reports are in compliance with generally accepted accounting principles and utilize the reporting format prescribed by GASB (Government Accounting Standards Board)
• Public disclosure required per bond covenants.

Evaluation

• For evaluative purposes across an industry, financial statements must conform to stated principles for recording revenues, expenses, assets and liabilities
• Financial statements are used in the bond rating process by rating agency for current and future issues
BALANCE SHEET AND INDICATORS
FY2012 (PRELIMINARY, UNAUDITED)
What does the Balance Sheet represent?

<table>
<thead>
<tr>
<th>University Assets and Liabilities at a point in time</th>
<th>A Comprehensive View of all that Eastern Owns... and all that Eastern Owes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer analysis of Performance within an industry</td>
<td>Analyze Debt Capacity for future capital investments</td>
</tr>
</tbody>
</table>
Balance Sheet Overview

Net assets increased 5.7% over FY 2011

<table>
<thead>
<tr>
<th>All Funds</th>
<th>2011 (millions)</th>
<th>2012 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$371.2</td>
<td>$413.9</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$58.8</td>
<td>$83.5</td>
</tr>
<tr>
<td>Net Assets (at June 30)</td>
<td>$312.4</td>
<td>$330.4</td>
</tr>
</tbody>
</table>

**Major components -**
- Cash and investments $128.6M or 31% of total assets
- Capital assets $266M or 64% of total assets
- Long term debt $58.1M or 70% of total liabilities
- Unrestricted net assets $77.2M or 23% of net assets

Source: EWU Office of Controller
FY12 data is preliminary, unaudited
Key Balance Sheet Indicators

Eastern has consistently remained above the industry baseline with about $5 to cover every $1 of current liabilities.

Current Ratio: Measure of Liquidity

- **2008**: 3.35
- **2009**: 3.79
- **2010**: 4.03
- **2011**: 3.66
- **2012**: 5.01

**Key Explanations**:

- **Reallocation from long term to shorter term deposits and investments**
- **Includes Series 2012 unspent bond proceeds**
- **Asset reallocation to longer term investments and decrease in receivables**

Source: Financial Services
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*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2012 Eastern Washington University</td>
<td>.47x</td>
</tr>
<tr>
<td>2011 Eastern Washington University</td>
<td>.41x</td>
</tr>
<tr>
<td>2011 Median WA Public Universities</td>
<td>.29x</td>
</tr>
<tr>
<td>2011 Median A1 Public Universities (industry peers)</td>
<td>.25x</td>
</tr>
<tr>
<td>Eastern Washington University Dashboard Indicator</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: EWU Office of Controller. Peer data is from Moody’s Investor Services
Unrestricted Financial Resources to Operations

Source: EWU Office of Controller. Peer data is from Moody’s Investor Services
Key Balance Sheet Indicators

Decrease in ratio from prior year is the result of bond debt issued in FY12 to finance construction of a new residence hall.

<table>
<thead>
<tr>
<th>Expendable Financial Resources to Direct Debt</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures coverage of direct debt by the most liquid resources</td>
<td></td>
</tr>
<tr>
<td>Prelim 2012 Eastern Washington University</td>
<td>1.7x</td>
</tr>
<tr>
<td>2011 Eastern Washington University</td>
<td>2.6x</td>
</tr>
<tr>
<td>2011 Median WA Public Universities</td>
<td>1.1x</td>
</tr>
<tr>
<td>2011 Median A1 Public Universities</td>
<td>0.7x</td>
</tr>
<tr>
<td>Eastern Washington University Dashboard Indicator</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: EWU Office of Controller. Peer data is from Moody's Investor Services
Decrease in ratio from prior year is the result of bond debt issued in FY12 to finance construction of a new residence hall.

Source: EWU Office of Controller. Peer data is from Moody's Investor Services
Eastern is managing debt levels in compliance with the internal debt policy.

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

Source: Financial Services
OPERATING STATEMENT

FY2012 (PRELIMINARY, UNAUDITED)
### What does the Operating Statement mean?

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

| Analysis of performance of the university across the industry. | Presents a change in net assets over the prior year |
| Expenditures represent the cost of providing services in support of achieving the institutional mission. |
University Revenues, Expenses and Changes in Net Assets

In FY2012 the increase in net assets is primarily from an increase in capital assets, enrollment and revenue increases, and a slowdown in spending.

Source: Financial Services
Note: Change in net assets is not the same as net income or loss.
FY2012 figures are preliminary.
Eastern’s revenue increased primarily due to higher student net tuition and fees and approximately 3.0% growth in enrollments.

Source: Financial Services
Note: Excludes some state capital appropriations and contributions to permanent university endowments.
FY2009 and FY2010 state appropriations includes reclassifications between operating and capital.
FY2012 figures are preliminary.
Key Revenue Indicators

The university is increasing its reliance on student tuition and fees and financial aid including Pell Grant and State Need Grant (SNG).

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Dependency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>44.3%</td>
</tr>
<tr>
<td>FY2010</td>
<td>51.1%</td>
</tr>
<tr>
<td>FY2011</td>
<td>54.7%</td>
</tr>
<tr>
<td>FY2012</td>
<td>61.9%</td>
</tr>
</tbody>
</table>

Source: Financial Services
Labor costs continue to decrease while benefit costs continue to increase. Generally, expenses were stable in other areas, however total expenses declined in FY2012.

Source: EWU Financial Reports.
FY2011 includes expense reclassification between NCFI and Supplies and Materials.
FY2012 data is preliminary, unaudited.
Functional Expenses

- **Instruction**: FY11 42.3%, IPEDS 40.1%
- **Auxiliary Enterprises**: FY11 12.5%, IPEDS 16.5%
- **Institutional Support**: FY11 12.7%, IPEDS 11.5%
- **Student Services**: FY11 10.1%, IPEDS 8.9%
- **Scholarships and Fellowships**: FY11 7.2%, IPEDS 10.8%
- **Academic Support**: FY11 9.2%, IPEDS 7.0%
- **Public Service**: FY11 2.8%, IPEDS 4.5%
- **Research**: FY11 1.3%, IPEDS 0.7%
- **Other expense**: FY11 1.8%, IPEDS 0.0%
University Financial Position as a Basis for Student Success

- Access
- Retention
- Degree completion
- Graduation rates

- High quality
- Program array
- Size of the University
- Enrollment levels

- University Strategic Plan
- Ability to respond to changing environment
- Enrollment Management Plan
- Revenue opportunities
- Campus Master Plan

- EWU expands opportunities for personal transformation through excellence in learning.
- EWU envisions a future of professionally, socially and culturally enriched leaders, citizens, and communities.

- Campus investments
- Use of debt capacity
- Financial flexibility
- Informed decision making

Mission and Vision

Sound Financial Position

Strategic Plan

Academic Programs

Students
Outlook

Enrollment
- Enrollment planning impacts financial base
- Market position, demand, capacity
- Competition from 2- and 4-year sectors

Revenue
- Tuition pressures
- Overall cost of attendance
- State-wide tuition policy
- Investment in financial aid

Budget
- Future of State HE operating budget
- State capital budget capacity impacts ability to fund capital infrastructure
Summary

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

Additional Selected Information
### Academic Year State Reported and Self-Support Enrollments (HC)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee/ROTC</th>
<th>Running Start</th>
<th>Self-Support</th>
<th>State Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>98</td>
<td>667</td>
<td>1016</td>
<td>9543</td>
</tr>
<tr>
<td>2008</td>
<td>108</td>
<td>708</td>
<td>742</td>
<td>9451</td>
</tr>
<tr>
<td>2009</td>
<td>108</td>
<td>720</td>
<td>847</td>
<td>9542</td>
</tr>
<tr>
<td>2010</td>
<td>117</td>
<td>782</td>
<td>1064</td>
<td>9767</td>
</tr>
<tr>
<td>2011</td>
<td>113</td>
<td>762</td>
<td>1070</td>
<td>9936</td>
</tr>
<tr>
<td>2012</td>
<td>115</td>
<td>777</td>
<td>1112</td>
<td>10255</td>
</tr>
</tbody>
</table>
## Key Balance Sheet Indicators

Indicates relative advantage in meeting current obligations.

### Annual Days Cash on Hand

*Measures the number of days an institution is able to operate - cover its cash operating expenses*

<table>
<thead>
<tr>
<th>Institution</th>
<th>Days Cash on Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2012 Eastern Washington University</td>
<td>222</td>
</tr>
<tr>
<td>2011 Eastern Washington University</td>
<td>197</td>
</tr>
<tr>
<td>2011 Median WA Public Universities</td>
<td>146</td>
</tr>
<tr>
<td>2011 Median A1 Public Universities (industry peers)</td>
<td>134</td>
</tr>
<tr>
<td>Eastern Washington University Dashboard Indicator</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: Financial Services  
Peer data is from Moody’s Investor Services
As a result of state budget cuts, the university continues to rebalance revenues from state appropriations to student tuition and fees.

<table>
<thead>
<tr>
<th>Contribution Ratio</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees</td>
<td>38.3%</td>
<td>44.9%</td>
</tr>
<tr>
<td>State Appropriations – Operating</td>
<td>23.0%</td>
<td>18.9%</td>
</tr>
<tr>
<td>State and Local Grants &amp; Contracts</td>
<td>10.6%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Auxiliary Services</td>
<td>10.0%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>9.6%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Federal Grants &amp; Contracts</td>
<td>3.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>3.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>State Appropriations – NCFI</td>
<td>0.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Non-Governmental Grants &amp; Contracts</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1.4%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Source: Financial Services
Note: Excludes some state capital appropriations and contributions to permanent university endowments. FY2012 figures are preliminary.
Demand by programmatic categories remained relatively stable in FY2012.

<table>
<thead>
<tr>
<th>Demand Ratio</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>34.8%</td>
<td>33.0%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Research</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Public Service</td>
<td>3.0%</td>
<td>3.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Academic Support</td>
<td>6.3%</td>
<td>5.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Student Services</td>
<td>8.1%</td>
<td>7.4%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>9.4%</td>
<td>9.5%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>9.5%</td>
<td>10.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Scholarships &amp; Fellowships</td>
<td>9.3%</td>
<td>11.1%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>14.9%</td>
<td>14.7%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5.9%</td>
<td>5.8%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Source: Financial Services
Note: FY12 data is preliminary
Function Definitions

- **Instruction** – Formal instructional activities available to students (Academic depts.)

- **Research** – All research related activities (Turnbull, Biology grants)

- **Public Service** – Activities established primarily to provide non-instructional services beneficial to groups external to the institution (Institute for Public Policy, FM Station, Autism Center, Archeological & Historical Services)

- **Primary Support Services** – Activities organized to provide primary support to instruction, research, and public service (Academic Senate, Dean’s offices, Assessment, Institutional Research)

- **Libraries** – Activities relating to the retention and display of materials and the provision of services which support instruction, research, and public service (Collections, Archives, Riverpoint Library)

- **Student Services** – Social and cultural services and institutional management activities relating directly to students, but not part of formal instruction (Financial Aid, Admissions, Student Life, TRIO, Athletics)

- **Institutional Support** – Activities whose primary purpose is to provide operational support for the ongoing functioning of the institution (Senior Administration, Board of Trustees, Payroll, Accounting, Purchasing, Information Services, Development)

- **Plant Operation and Maintenance** – Activities relating to the operation and maintenance of institutional facilities (Grounds, Custodial Energy Mgmt, Campus Police, Recycling)
Selected Fund Level Information
Policy: The unreserved fund balance will be a target range of 9-11% of expenses, with the expected level to be 10%. This unassigned fund balance will be spent only with the approval of the Board of Trustees.

### 6/30/12 Fund 149 Unrestricted Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12 Unexpended budget CF</td>
<td>(16,693,666)</td>
</tr>
<tr>
<td>6/30/12 Inventory</td>
<td>(77,221)</td>
</tr>
<tr>
<td>FY12 Encumbrances</td>
<td>(717,853)</td>
</tr>
</tbody>
</table>

**Revised balance** $17,573,029

- Approved in 2013 budget $3,880,000
- Policy level (10% of FY2013 revised budget) (11,818,000)

**Balance above policy level** $1,875,029
Instruction-Related, Other than Operating Fees

Fund 148

Revenues are impacted by increased enrollments and fees. Units continue to move costs from state funds to local funds.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$25.5</td>
<td>$26.5</td>
<td>$30.7</td>
<td>$33.6</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$20.8</td>
<td>$25.2</td>
<td>$29.3</td>
<td>$29.2</td>
</tr>
</tbody>
</table>

Unrestricted Net Assets (at June 30)

Revenue Base:

- Division of International and Educational Outreach
- Course fees
- Self support academic programs (incl. off-campus)
- Summer session
- Student mandatory fees - health and wellness, technology
- Administrative fees and fines
- Running Start

$ in millions

Source: Financial Services
Generally, the auxiliary units operated in line with annual plans.

Auxiliary enterprises provide essential elements of support to university’s academic programs. These funds are expected to operate as profit centers.

Source: Financial Services
FY2012 Service Funds
Revenues, Expenditures and Net Assets

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

Source: Financial Services