AGENDA

Overview
Resource Sufficiency & Flexibility
Operating Results
Financial Asset Performance
Debt Management
Financial Outlook
Achieving the Goals of the EWU Board of Trustees

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

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

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

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

STUDENTS
- Access
- Retention
- Degree completion
- Graduation rates
Impacts to Eastern’s Financial Position

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

Finances
Retrospective

- EWU has successfully navigated through the economic downturn to retain a sound financial position
- State funding for operational budget continues to be constrained, yet began to grow in 2013-15
- Enrollment growth and tuition and fee increases partially offset previous state funding reductions
- Enrollment: focus on market position, demand, capacity. Historical strong demand yet demographics indicate current market sector will slow.
- Declining state investment in deferred maintenance and capital funding presents a major issue for the future.
A sound financial position supports Eastern’s Mission and Strategic Objectives

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.


FY2013 FINANCIAL POSITION
Communicating information about the university’s resources and obligations is the primary goal of financial reporting.

Demonstrates an organization is fiscally sustainable.

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.

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.
Measuring Financial Health

- Resource Sufficiency & Flexibility
  - Primary Reserve Ratio

- Operating Results
  - Net Operating Ratio

- Debt Management
  - Viability Ratio

- Financial Asset Performance
  - Return on Net Assets Ratio
## Key Financial Performance Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Reserve Ratio</strong></td>
<td>Measures the financial strength of the institution by comparing expendable net position to total expenses. (Are resources sufficient and flexible enough to support the mission?)</td>
</tr>
<tr>
<td><strong>Net Operating Ratio</strong></td>
<td>Indicates surplus or deficit from operating activities. (Do operating results indicate the institution is living within available resources?)</td>
</tr>
<tr>
<td><strong>Return on Net Assets Ratio</strong></td>
<td>Determines whether the institution is financially better off than in previous years by measuring total economic return. (Does financial asset performance support the strategic mission?)</td>
</tr>
<tr>
<td><strong>Viability Ratio</strong></td>
<td>Measures the availability of Unrestricted Net Position to cover debt obligations at the balance sheet date. (Is debt managed strategically to advance the mission?)</td>
</tr>
</tbody>
</table>
RESOURCE SUFFICIENCY AND FLEXIBILITY

To support the University’s mission
FINANCIAL PLANNING

Biennial Budget Process
Long Term Planning

Planning for Resource Sufficiency and Flexibility
### Budget and Planning Process

- 2 year budget with internal planning for future biennia
- Multi-year enrollment planning
- Revenue forecast and projections
- Future cost impacts
- Analysis of reserves
- Strategies for revenues and funding
- Link to Strategic Plan

### Financial Management

- On-going analysis of spend rate and cash balances
- Interim reporting
- Budget vs. Actual Revenues and Expenses
- Ongoing enrollment review
- Financial Aid review
- Capital Projects

### Financial Reporting

- Monthly- various financial reports are produced
- Variance reporting
- Benchmarking and industry level Analysis
- Audited annual financial statements
- Audited fund level financial statements for selected funds.

17-Jan-14
Key Funding Sources
State Funds and Student Tuition

Over last 5 years, the state funding/student tuition balance in operating budget funding sources has shifted completely.

Source: BOT operating budget document
EWU’s GF-State funding per OFM Budgeted FTE declined by 67% ($2,577) between FY2008 and FY2013, and increased 17% ($648) in FY2014.
EWU’s Share of Total State GF

Total 2013-15 Budget

- 4-Year Higher Education: 3.46%
- Public Schools: 45.53%
- Spec'l Approp.: 6.19%
- Other Agencies: 9.18%
- Human Services: 1.04%
- UW: 1.52%
- WSU: 0.31%
- WWU: 0.23%
- EWU: 0.24%
- CWU: 0.12%
- TESC: 0.40%

EWU % Share of Total State Budget

- 2003-05: 0.33%
- 2005-07: 0.33%
- 2007-09: 0.35%
- 2009-11: 0.28%
- 2011-13: 0.22%
- 2013-15: 0.24%

Source: fiscal.wa.gov - Operating Budget Statewide Summary
Institutional Annual Operating Budget History
Expenditures

Source: BOT operating budget document
Critical planning component underpinning resource sufficiency and flexibility.
Eastern’s enrollments continue to grow. Future enrollment goals will consider access, capacity, and fiscal balance within the context of the strategic plan.
Headcount Enrollment* Budget to Actual

*Institution budgeted level

Budget vs. Actual Enrollment

- **2009**: Budget 9123, Actual 9292
- **2010**: Budget 9467, Actual 9501
- **2011**: Budget 9645, Actual 9650
- **2012**: Budget 9887, Actual 9925
- **2013**: Budget 10120, Actual 10184

Graph showing a comparison of budgeted and actual headcount enrollment from 2009 to 2013.
FINANCIAL AID FY2013

Affordability and access to higher education largely relies on ability to offer necessary levels and types of financial aid
Financial Aid – By Source

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>$74.6</td>
<td>$84.6</td>
<td>$91.0</td>
<td>$91.3</td>
</tr>
<tr>
<td>EWU</td>
<td>$11.2</td>
<td>$13.3</td>
<td>$14.3</td>
<td>$16.9</td>
</tr>
<tr>
<td>State</td>
<td>$13.0</td>
<td>$13.3</td>
<td>$14.9</td>
<td>$17.5</td>
</tr>
<tr>
<td>Private</td>
<td>$4.4</td>
<td>$4.5</td>
<td>$5.3</td>
<td>$5.9</td>
</tr>
<tr>
<td>Other</td>
<td>$1.7</td>
<td>$1.5</td>
<td>$1.0</td>
<td>$1.4</td>
</tr>
<tr>
<td>EWU Foundation</td>
<td>$0.60</td>
<td>$0.63</td>
<td>$0.83</td>
<td>$0.93</td>
</tr>
</tbody>
</table>

Source: Financial Aid Office

17-Jan-14
## Financial Aid – by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$58.8</td>
<td>$66.1</td>
<td>$73.9</td>
<td>$74.2</td>
</tr>
<tr>
<td>Grants</td>
<td>$28.7</td>
<td>$31.8</td>
<td>$33.3</td>
<td>$36.5</td>
</tr>
<tr>
<td>EWU Grants</td>
<td>$1.5</td>
<td>$1.6</td>
<td>$2.1</td>
<td>$2.8</td>
</tr>
<tr>
<td>Waivers</td>
<td>$8.0</td>
<td>$9.6</td>
<td>$10.0</td>
<td>$12.0</td>
</tr>
<tr>
<td>Other Scholarships</td>
<td>$4.6</td>
<td>$5.1</td>
<td>$5.2</td>
<td>$5.2</td>
</tr>
<tr>
<td>Foundation Scholarships</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.8</td>
<td>$0.9</td>
</tr>
<tr>
<td>Work Study</td>
<td>$1.6</td>
<td>$1.5</td>
<td>$0.9</td>
<td>$1.1</td>
</tr>
<tr>
<td>Other</td>
<td>$1.7</td>
<td>$1.5</td>
<td>$1.0</td>
<td>$1.4</td>
</tr>
</tbody>
</table>

Source: Financial Aid Office

17-Jan-14
Financial Aid 2013

9,731 Students Received Financial Aid

Percentage of students receiving Financial Aid

75.0%

Percentage of students receiving Pell Grants

44.0%

Applications Processed

2012: 15,651
2013: 16,926 (+8%)

Source: Financial Aid Office
Do the operating results indicate the university is managed within available resources?
What does the Operating Statement mean?

| At any level of overall university assets, Eastern must live within its 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$189.0</td>
<td>$181.6</td>
</tr>
<tr>
<td>2011</td>
<td>$200.4</td>
<td>$188.8</td>
</tr>
<tr>
<td>2012</td>
<td>$200.9</td>
<td>$183.6</td>
</tr>
<tr>
<td>2013</td>
<td>$219.8</td>
<td>$193.4</td>
</tr>
</tbody>
</table>

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited

17-Jan-14
University Revenues

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited
### Contribution Ratio

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees</td>
<td>44.9%</td>
<td>46.3%</td>
</tr>
<tr>
<td>State Appropriations – Operating</td>
<td>18.9%</td>
<td>17.7%</td>
</tr>
<tr>
<td>State and Local Grants &amp; Contracts</td>
<td>10.8%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Auxiliary Services</td>
<td>10.5%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>10.5%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Federal Grants &amp; Contracts</td>
<td>3.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>State Appropriations – NCFI</td>
<td>0.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Non-Governmental Grants &amp; Contracts</td>
<td>1.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1.0%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

The university continues to rebalance revenues from state appropriations to student tuition and fees.

Source: EWU Office of Controller

Note: Excludes state capital appropriations and contributions to permanent university endowments

FY 2013 data is preliminary, unaudited
## 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>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<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>
<tr>
<td>FY2013</td>
<td>62.6%</td>
</tr>
</tbody>
</table>

Source: EWU Office of Controller  
FY 2013 data is preliminary, unaudited
Overall, University operating expenses increased 4.6%
State capital funding can fluctuate between biennia and types of projects funded. 2013-15 reflects a dramatic decrease in major projects and minor works funding due to recession impacts.

Source: Appropriation schedule - New appropriations only
Does financial asset performance support the strategic mission?

BALANCE SHEET AND INDICATORS
FY2013 (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

All Funds | 2012 (millions) | 2013 (millions)
--- | --- | ---
Total Assets | $413.8 | $443.0
Total Liabilities | $84.4 | $87.2
Net Assets (at June 30) | $329.4 | $355.8

FY 2013 Major components-
Cash and investments $126.9M or 29% of total assets
Capital assets (land, building, equipment) $293M or 66% of total assets
Long term debt $56.8M or 65% of total liabilities
Unrestricted net assets (not legally restricted) $86.6M or 24% of net position

Net assets increased 8% over FY 2012

Source: EWU Office of Controller
FY2013 data is preliminary, unaudited
Key Balance Sheet Indicators

Eastern has consistently remained above the industry baseline

Current Ratio: Measure of Liquidity

- **FY 2008-11:** Fluctuations are primarily the result of reallocations of invested assets between short and long term.
- **FY 2012-13:** Temporary increase is from Series 2012 unspent bond proceeds for the new residence hall; otherwise the ratio would have been 3.69 and 3.96, respectively.

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited
Is debt managed strategically to advance the University’s mission?
Debt Management and Oversight

• 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

Eastern is managing debt levels in compliance with the University debt policy. The FY 2013 ratio reflects a temporary decrease until the Series 2012 bond principal payments begin next year.

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

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited
Summary

EWU’s Financial Performance Profile

- Return on Net Assets Ratio
- Viability Ratio
- Net Operating Ratio
- Primary Reserve Ratio

Resource Sufficiency & Flexibility
Operating Results
Financial Asset Performance
Debt Management

- Viability Ratio
- Return on Net Assets Ratio

EWU’s Financial Performance Profile as of 17-Jan-14
### EWU Financial Health

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Reserve</strong></td>
<td>.39x</td>
<td>.41x</td>
<td>.48x</td>
<td>.52x</td>
</tr>
<tr>
<td>ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Primary Reserve Ratio provides a snapshot of financial strength by indicating how long the institution could function on expendable reserves without relying on additional net position to be generated by operations – a ratio above .40x is advisable.

<table>
<thead>
<tr>
<th></th>
<th>-0.57%</th>
<th>0.84%</th>
<th>1.97%</th>
<th>4.54%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Operating</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Operating Ratio measures net operating revenues (expenses) in contrast to total operating revenues – the targeted ratio should be between 2%-5%.

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited
### EWU Financial Health

#### Return on Net Assets ratio

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>2.53%</td>
<td>3.89%</td>
<td>5.54%</td>
<td>8.01%</td>
</tr>
</tbody>
</table>

A positive return on net position indicates that the institution is better off than it was at the beginning of the year. An improving trend in this ratio is indicative of increasing net position that will strengthen the institution's financial future.

#### Viability ratio

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>1.64x</td>
<td>1.98x</td>
<td>1.33x</td>
<td>1.53x</td>
</tr>
</tbody>
</table>

A ratio of >1 indicates the institution has sufficient Unrestricted Net Position to satisfy debt obligations.

Source: EWU Office of Controller
FY 2013 data is preliminary, unaudited
Achieving the Goals of the EWU Board of Trustees

**STUDENTS**
- Access
- Retention
- Degree completion
- Graduation rates

**Academic Programs**
- High quality
- Program array
- Size of the University
- Enrollment levels

**Strategic Plan**
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- Revenue opportunities
- Campus Master Plan

**Mission and Vision**
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- EWU envisions a future of professionally, socially and culturally enriched leaders, citizens, and communities.

**Sound Financial Position**
- Campus investments
- Use of debt capacity
- Financial flexibility
- Informed decision making
## Financial Outlook

### Future Impacts

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>Revenues</th>
<th>Costs and Investments</th>
</tr>
</thead>
</table>
| - In EWU’s market area, the enrollment demographics are going to be relatively flat  
- Strategic Enrollment Plan will shape Eastern’s future enrollment shape and size  
- Higher education participation rates…focus on 4 year sector | - State investment in higher education  
- Tuition flexibility  
- Impact of enrollment growth on revenue | - Increase in salary and benefit costs  
- Continued growth in deferred maintenance backlog  
- Renewal and investment in technology  
- Campus master plan  
- Financial aid needs |

- Statewide higher education goals impact shape and size of Eastern.
- Need to develop additional markets and strategies to attract more students.
- Potential for costs to outpace revenue growth.
Eastern Washington University is a financially stable institution committed to intergenerational equity.
APPENDIX

Additional Selected Information
Table of Contents

- Balance Sheet Indicators
- Selected Fund Levels
Unrestricted Financial Resources to Operations

About half of EWU’s adjusted annual operating expenses could be covered by unrestricted net assets; a higher ratio is better.

Source: EWU Office of Controller. Peer data from MFRA (Moody’s)
FY 2013 data is preliminary, unaudited
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>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2013 Eastern Washington University</td>
<td>.51x</td>
</tr>
<tr>
<td>2012 Eastern Washington University</td>
<td>.47x</td>
</tr>
<tr>
<td>2012 Median WA Public Universities</td>
<td>.34x</td>
</tr>
<tr>
<td>2012 Median A1 Public Universities (industry peers)</td>
<td>.26x</td>
</tr>
<tr>
<td>Eastern Washington University Dashboard Indicator</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: EWU Office of Controller. Peer data from MFRA (Moody’s)
FY 2013 data is preliminary, unaudited
Expendable Financial Resources to Direct Debt

Decrease in FY12 ratio is the result of bond debt issued to finance construction of a new residence hall. Expendable resources increased over the prior year improving debt coverage for FY13.

Source: EWU Office of Controller. Peer data from MFRA (Moody’s)
FY 2013 data is preliminary, unaudited
**Key Balance Sheet Indicators**

Expendable resources are twice as much as outstanding debt. Coverage would be 1.5x if relying only on unrestricted net assets.

**Expendable Financial Resources to Direct Debt**

Measures coverage of direct debt by the most liquid resources

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2013 Eastern Washington University</td>
<td>2.0x</td>
</tr>
<tr>
<td>2012 Eastern Washington University</td>
<td>1.7x</td>
</tr>
<tr>
<td>2012 Median WA Public Universities</td>
<td>1.3x</td>
</tr>
<tr>
<td>2012 Median A1 Public Universities</td>
<td>0.7x</td>
</tr>
<tr>
<td>Eastern Washington University Dashboard Indicator</td>
<td><strong>Good</strong></td>
</tr>
</tbody>
</table>

Source: EWU Office of Controller. Peer data from MFRA (Moody’s)
FY 2013 data is preliminary, unaudited
Selected Fund Level Information
Auxiliary enterprises provide essential elements of support to university’s academic programs. These funds are expected to operate as profit centers.

Source: Financial Services
FY2013 Service Funds
Revenues, Expenditures and Net Assets

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

Source: Financial Services