

Fiscal Year 2008 Financial Trends and Highlights
Non-audited College Preparation Guidelines – Please Complete by December 12, 2008

This guideline contains the instructions and explanations necessary for preparing Fiscal Year 2008 Financial Trends and Highlights using accrual financial statement data. Attachment G contains a sample presentation format, but you are encouraged to innovate in how you present the data to highlight your college. Each non-audited college should prepare the defined financial performance measures for fiscal years 2006 through 2008. Please plan on having your Financial Trends and Highlights completed by December 12, 2008.

As mentioned in the cover letter, we will ask that college presidents and CFOs both participate this year in the presentation of trends and highlights data. With this in mind, and recognizing that scheduling will be more difficult, we may look to arrange several additional meetings with fewer colleges at each meeting (dates and locations to be determined). The primary purpose remains the same, generating good discussion and sharing ideas across the colleges' presidents and CFOs.

College fiscal year 2008 accrual financial statements have been distributed. The FY 2005 – FY2007 performance measure data provided last year are being provided again for your reference. Similar to last year, you will need to compute the following FY2008 performance measures (see Attachments C and D for instructions):

- Composite Financial Index (CFI) section (Attachment G upper right)
- Margin and Unrestricted Net Asset Trends (Attachment G lower right)

Financial Reporting will provide the FY2008 performance measures for the two sections directly below, although you will be able to compute several of the measures locally as pointed out on Attachments A and B.

- Per Full Year Equivalent Student Data section (Attachment G upper left)*
- Capital Assets—Investment, Age and Maintenance section (Attachment G lower left)

* The FY2007 data has been modified to subtract capital appropriation revenue from total revenue.

Consider including additional performance measures or supplemental data that illustrate or enhance understanding of issues specific to your institution. The performance measures and trends that emerge over a period of several years are indicators of underlying campus economic events that had positive or negative financial consequences. What were these events and how did they positively or negatively impact your college's mission, and how will they impact mission over the next few years? What new events (e.g., programs, demographics, etc.) are expected over the next few years and how are these expected to impact the college? What programs of strategic importance have emerged from integrated planning efforts, what are the future financial implications of such programs, and what steps need to be taken to allow your college to achieve the strategic objectives?

Although not a requirement, you are encouraged to identify several peer institutions and develop comparative data. Comparisons may include some or all of the components of the Composite Financial Index (CFI), other performance measures that are part of this financial trends exercise, or supplemental performance measures that you have identified as of particular applicability to your institution because of unique factors. The data may be readily available or require some research and computation. Sources may include financial statements, IPEDS, institutional web sites, debt rating agency reports (e.g., Moody's annual *Public College and University Medians* report), etc.

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The following information, including attachments, explanations, formulas and prior years' data (contained on separate Excel spread sheet files) will help with preparation of the performance measures section of the trends and highlights document.

Performance Measures

The Fiscal Year 2008 Financial Trends and Highlights template (Attachment G) has four performance measure sections. Reporting common performance measures across System institutions over a period of years will allow us to 1) establish individual benchmarks by institution to assess financial health, 2) develop a common understanding of the measures themselves, including the economic factors most prone to produce significant positive or negative change, and 3) link college and university strategic and programmatic planning to financial health. The four sections and instructions, as well as other help material, are contained on attachments as indicated below.

- *Per Full Year Equivalent Student Data*—see Attachment A
- *Capital Assets—Investment, Age and Maintenance*—see Attachment B
- *Composite Financial Index*—see Attachment C
- *Margin & Unrestricted Net Asset Trends*—see Attachment D
- *Financial Performance Narrative Preparation Guidelines*—Attachment E
- *Where to Find Performance Measure Adjustments*—see Attachment F
- *Fiscal Year 2008 Financial Trends and Highlights Sample*—see Attachment G

The Composite Financial Index (CFI) discussed on Attachment C is based on concepts and calculations contained in *Strategic Financial Analysis for Higher Education* (Sixth Addition), jointly developed and sponsored by the firms of Prager, Sealy & Co., LLC, KPMG LLP and BearingPoint, Inc.

Calculations in *Strategic Financial Analysis for Higher Education* include component units; we have excluded component units at this point because of the performance measure volatility, especially in the two operating results measures. The individual colleges and universities should feel free to compute a second CFI showing how a foundation changes the results; be sure to do this for the same three year period (the Financial Reporting Unit can help).

Performance Narrative

The narrative should feature important elements of institutional mission, including the impact of demographics and other factors, and how financial results are positively or negatively impacted, or conversely how economic factors have facilitated or impeded your institution's achievement of mission-related objectives.

Attachment E contains a template for the performance narrative, *Summary of Financial Expectations and Performance*. You are encouraged to include comments comparing actual results against your budget and other planning tools currently in use. Each institution should be able to

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provide comments regarding the significant factors that drove FY2008 results, and provide thoughts on how FY2008 events and planned future actions are likely to impact FY2009 and beyond.

Steps will continue over the next several years to develop an integrated planning process at each college and university, although several institutions are quite far along in developing a mature integrated planning process. Institutional mission should drive financial planning (Finance Master Plan) and financial planning should inform campus leadership regarding affordability of mission elements. Performance commentary that clearly links mission and financial health will be more understandable and meaningful as this process evolves. The Enterprise Investment Committee did approve a financial planning tool business case. As indicated in the business case, the intent of the project is to:

Design and build a system-wide long-range financial planning tool for use by all colleges and universities. This tool will provide multi-scenario (“what if...”) accrual-based financial projections on an enterprise-wide basis for a rolling 5-year period. The expectation is that this planning tool must integrate with the ISRS/J2EE Budget and Accounting modules, and as such, is dependent on the successful completion (or near completion) of the J2EE conversion projects currently involving these modules.

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment A
Per Full Year Equivalent Student Data

The performance measures presented below in the “Per Full Year Equivalent Student Data” section are discussed by line item in the instructions further below. You will need the final FYE student number for each year as reported to the Budget Unit in the Office of the Chancellor.

Per Full Year Equivalent Student Data			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Operating Expense			
Direct Student Expense			
Percent direct student expense			
Student-based Revenue			
% of total revenue*			
Appropriation Revenue			
% of total revenue*			
Operating Margin**			
% Change in student FYE			
* Excluding all capital appropriation for capitalized projects.			
** Add back HEAPR revenue equal to HEAPR projects expensed			

Per Full Year Equivalent Student Data Instructions (OOC will provide complete 2008 data but campuses should be able to compute items denoted with ⁽¹⁾ and ⁽²⁾ below:

Total Operating Expense⁽¹⁾ is computed using “total operating expense” from the statements of revenues, expenses, and changes in net assets. Divide “Total Operating Expense” by student FYE (as reported to OOC) for each year presented.

Direct Student Expense⁽²⁾ is computed from the “Operating Expenses by Functional Classification” footnote⁽¹⁾. Add the “Instruction,” “Academic support” and “Student services” totals to compute “Direct Student Expense.” Divide this “Direct Student Expense” total by student FYE for each year presented.

Percent direct student expense⁽²⁾ -- divide “Direct Student Expense” per FYE by “Total Operating Expense” per FYE.

Student-based Revenue⁽¹⁾ -- divide “Tuition, Auxiliary and Sales, net” from the statements of revenues, expenses, and changes in net assets by student FYE.

% of total revenue⁽¹⁾ is computed by dividing total student-based revenue (total dollars, not the per FYE number) by total revenue, excluding Capital Appropriation revenue, as found on the statements of revenues, expenses, and changes in net assets (i.e., all revenues and gains, excluding capital appropriation revenue).

Appropriation Revenue⁽¹⁾ is computed by dividing “Appropriations” from the “Nonoperating Revenues (Expenses)” section of the statements of revenues, expenses, and changes in net assets by student FYE for each year presented.

% of total revenue⁽¹⁾ same as above except use “Appropriation Revenue” (total, not the per FYE number) as the numerator.

Operating Margin⁽¹⁾ -- compute the sum of “Income (Loss) Before Other Revenues, Expenses, Gains, or Losses” from the statements of revenues, expenses, and changes in net assets plus an amount of capital appropriation equal to the amount of HEAPR projects expensed in operating expenses⁽³⁾. Divide this sum by student FYE for each year.

Change in Student FYE⁽¹⁾ is computed as the percentage increase/decrease in reported Student FYE between fiscal years.

⁽¹⁾ This data is available on the financial statements and/or FYE data submitted to the OOC as indicated

⁽²⁾ Operating Expenses by Functional Classification data will be made available in late October

⁽³⁾ See Attachment F item #3 on CAP R&M for the location of this data.

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment B
Capital Assets—Investment, Age and Maintenance

The performance measures presented below in the “Capital Assets—Investment, Age and Maintenance” section are discussed by line item in the instructions further below. You will need total estimated square footage on campus by year presented (make sure the square footage numbers match those provided to the Facilities Unit in the Office of the Chancellor. Financial Reporting will compute and provide FY 2008 data in early November for all non-audited colleges, but you are encouraged to compute the first two items below⁽¹⁾.

Capital Assets--Investment, Age and Maintenance			
Ratios:	<u>2008</u>	<u>2007</u>	<u>2006</u>
Additions to beginning depreciable cost (investment)			
Ending accumulated depreciation to depreciation expense (age)			
Facilities maintenance ratio			
Operations and Maintenance expense per square foot*			
*Est. x.x, y.y and z.z million sq.ft. for 2008 - 2006, respectively.			

Capital Assets—Investment, Age and Maintenance Instructions: (OOC will provide complete 2008 data but campuses should be able to compute items denoted with ⁽¹⁾ below):

Additions to beginning depreciable cost (investment)⁽¹⁾ is computed from data found in the “Capital Assets” footnote⁽¹⁾ by dividing the sum of increases to (construction in progress + buildings and improvements + equipment + and library collections) from the “Increases” column by the “Beginning Balance” of “Total capital assets, depreciated.” The value computed is a percentage measurement of investment in capital assets and the trend of such investment over the period presented.

Ending accumulated depreciation to depreciation expense (age)⁽¹⁾ is computed from data found in the “Capital Assets” footnote⁽¹⁾ by dividing the ending balance (“Ending Balance” column) of “Total accumulated depreciation” by the increase (“Increase” column) in “Total accumulated depreciation” (this should also be the same as depreciation expense for the year as found in the “Statement of Revenues, Expenses, and Changes in Net Assets.” The value computed is a measure of the composite age in years of depreciable capital assets.

Facilities maintenance ratio⁽²⁾ is computed by dividing “Operation & maintenance of plant” from the “Operating Expenses by Functional Classification” footnote⁽²⁾ by the sum of all revenue on the Statements of Revenues, Expenses, and Changes in Net Assets above the “Income (Loss) Before Other Revenues, Expenses, Gains, or Losses” line plus an amount of capital appropriation equal to the amount of HEAPR projects expensed in operating expenses (i.e., the total of operating revenue + appropriations + private grant revenue + interest income + capital appropriation revenue equal to the amount of HEAPR projects expensed in operating expenses).

Operations and maintenance expense per square foot⁽²⁾ -- divide “Operation & maintenance of plant” from the “Operating Expenses by Functional Classification” footnote⁽²⁾ by the square footage of all campus facilities for the appropriate year.

⁽¹⁾ For guidance, non-audited colleges may refer to notes (2) and (3) at the bottom of the worksheet titled “04-06FixedAssetData Non-audited” on the “FY04-06datasystemwide-NoAudit” Excel file sent with the cover memo.

⁽²⁾ This data will be provided by the Financial Reporting Unit in early November.

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment C
Composite Financial Index

The performance measures presented in the “Composite Financial Index” (CFI) box directly below are discussed in more detail further below. Data sources include the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and certain detail balances needed to adjust the standard ratio calculations to negate the volatility and skewing effect caused by capital appropriations and related items.

Composite Financial Index			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Primary reserve
Return on net assets
Viability
Operating margin
Composite	=====		
Note: The values above are all weighted values and have been modified for GO Bonds/Capital Appropriation			

What is CFI and how can it be used to manage the institution? The composite value and individual components offer important insights regarding financial strengths and weaknesses.

- The two current operating measures, return on net assets and operating margin, demonstrate the level of return on net assets and the extent to which operating revenues do or do not cover operating expenses, respectively. Operations face many pressures that may not be subject to the organization’s control; a strong surplus in one year is good, but it takes a string of such surpluses to build a strong, liquid net asset position. One year of good operating performance may not indicate sustainable financial strength. For these reasons, the two operating measures are weighted a modest 30 percent in CFI.
- The primary reserve and viability ratios measure an organization’s liquid net assets that are available directly, or through additional borrowing, to cover emergency expenditures or invest in innovation. Representing available liquidity or borrowing capacity, these measures are not dependent on current operating results in the short-term, are good indicators of financial health, and are weighted 70 percent in CFI.

Viewed in isolation, higher CFI scores denote greater financial health. However, CFI should not be assessed in isolation but in the context of how well financial resources have supported and will continue to support an institution’s mission. Conversely, mission must be affordable, including allowance for maintaining adequate resources as protection against some level of business interruption and allowing for some level of opportunity investment. A Finance Master Plan that is fully linked to an integrated planning process will provide this assessment and help balance competing objectives.

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment C
Composite Financial Index

The CFI Calculation Matrix table below summarizes the actual calculation. Line (1) requires the computed ratio value. Line (2) shows the base strength factor for each component. Line (3) is the computed strength factor value for the college or university. Line (4) contains set weighting factors that allow calculation of a single, weighted-average CFI value. Line (5) is the weighted component value that when added across sums to the CFI value. Instructions for computing the actual ratio values needed in line (1) follow the matrix (See Attachment F for adjustments).

CFI Calculation Matrix					
Calculation step	Primary Reserve	Return on Net Assets	Viability*	Operating Margin	CFI
(1) Ratio value (compute)					n/a
(2) Base Strength factor (set)**	0.133	0.02	0.417	0.007	n/a
(3) = [(1) ÷ (2)] Strength factor (compute)					n/a
(4) Weighting factor (set)	0.35	0.20	0.35	0.10	1.00
(5) = [(3) * (4)] Weighted value (compute)					sum across
* Cap the weighted value for Viability at 2.00 if the computed value exceeds 2.00.					
** A set base value denoting a border-line or minimal level of financial health.					

The **primary reserve** ratio numerator is “Expendable Net Assets” computed from the Net Assets section of the Statements of Net Assets as 1) “Total Net Assets” less 2) “Invested in capital assets, net of related debt.” The denominator is computed from the Statements of Revenues, Expenses, and Changes in Net Assets” as 1) total operating expense less 2) two-thirds of the amount of capital projects depreciation expense for GO Bond activity plus 3) interest expense. The depreciation adjustment is made to eliminate depreciation expense on depreciable assets that were paid for through capital appropriation revenue.

Expendable Net Assets:	Total Expenses:	<i>Expendable Net Assets</i>
+ Total Net Assets	+ Total operating expenses	÷ <i>Total Expenses</i>
– <u>Invested in Capital Assets, Net</u>	- 2/3 of Capital Projects Depreciation Exp.	= Primary Reserve Ratio
= <i>Expendable Net Assets</i>	+ <u>Interest expense</u>	
	= <i>Total Expenses</i>	

The primary reserve “ratio value” is used for item (1) in the calculation table above.

The **return on net assets** ratio numerator is “Change in net assets” computed by taking 1) the “Change in net assets” from the Statements of Revenues, Expenses and Changes in Net Assets,” 2) deducting all “Capital Appropriations” revenue, also found on the Statements of Revenues, Expenses and Changes in Net Assets,” and 3) adding back an amount of Capital Appropriation (HEAPR) equal to CAP repair and maintenance expense (*to match CAP R&M revenue and expense*). The denominator is “Total net assets” computed from the Statements of Net Assets” by taking 1) beginning net assets (i.e., prior year ending net assets) and 2) subtracting from it an amount equal to [total current + noncurrent GO bond debt] times a factor of 2. This GO bond debt adjustment “normalizes” net assets to make it comparable to a more “normal” debt load where the institution is responsible for all debt service.

Change in Net Assets:	Total Net Assets:	<i>Change in net assets:</i>
+ Change in net assets	+ Beginning Net Assets	÷ <i>Total net assets</i>
– Capital Appropriation	- (<u>Beginning GO Bonds Payable X 2</u>)	= Return on Net Assets Ratio
+ <u>CAP repair & maintenance</u>	= <i>Total net assets</i>	
= <i>Change in net assets</i>		

The return on net assets “ratio value” is used for item (1) in the calculation table above.

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment C
Composite Financial Index

The **viability** ratio numerator is “Expendable Net Assets,” the exact same value used as the numerator for the primary reserve ratio calculation. The denominator is “Long-term Debt” computed from the Statements of Net Assets” by adding 1) the current and 2) noncurrent portions of long-term debt.

Expendable Net Asset:	Long-term Debt:	<i>Expendable Net Assets:</i>
+ Total Net Assets	+ Noncurrent portion of long-term debt	÷ <i>Long-term Debt</i>
- <u>Invested in Capital Assets, net of related debt</u>	+ <u>Current portion of long-term debt</u>	= Viability Ratio
= <i>Expendable net assets</i>	= <i>Long-term debt</i>	

The viability “ratio value” is used for item (1) in the calculation table above.

The **operating margin** ratio numerator is 1) “Income (Loss) Before Other Revenues, Expenses, Gains, or Losses” from the Statements of Revenues, Expenses and Changes in Net Assets” as adjusted by 2) adding back 2/3 of capital projects depreciation expense included in operating expenses plus 3) an amount of capital appropriation revenue equal to the amount of HEAPR projects expensed within operating expenses (CAP R&M). [*2/3 of the capital projects depreciation expense for GO Bond depreciable assets is added back to eliminate depreciation expense on depreciable assets paid for through capital appropriation revenue and the HEAPR revenue is added to match against an offsetting operating expense. Since the state pays 2/3 of the cost of GO bonds issued for capital projects, the System need only generate the revenue necessary to cover 1/3 of the cost.*] The denominator is 1) the total of all operating revenues and 2) all non-operating revenue from the Statements of Revenues, Expenses and Changes in Net Assets plus 3) an amount of capital appropriation revenue equal to the amount of HEAPR projects expensed within operating expenses (CAP R&M).

Inc/Loss Before Other R, E, G, or L:	Operating & Non-operating Revenue:	<i>Operating Margin:</i>
+ Inc/Loss Before Other R, E, G, or L	+ Total operating revenues	÷ <i>Op. & Nonop. Revenues</i>
+ HEAPR revenue equal to CAP R&M	+ All non-operating revenues	= Operating Margin Ratio
+ <u>2/3 of Cap. Proj. Depr. Exp.</u>	+ <u>HEAPR revenue equal to CAP R&M</u>	
= <i>Operating Margin</i>	= <i>Operating & Non-operating Revenues</i>	

The operating margin “ratio value” is used for item (1) in the calculation table above.

The “Explanation of CFI Components and Computed Values” table below provides commentary regarding the CFI components and related values. The CFI Calculation Matrix further above demonstrates how strength factors and weighting factors are applied in determining the composite score. The degree of relevance of a benchmark value to the actual computed value of any institution is subject to a good deal of subjective evaluation. In *Strategic Financial Analysis for Higher Education* (Sixth Addition), a CFI value of 3.00 is more or less the good financial health demarcation line and could be considered a benchmark. However, the relatively wide diversity of institutions and related levels of financial strength within the System suggest each institution should benchmark against its own historic CFI values.

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment C
Composite Financial Index

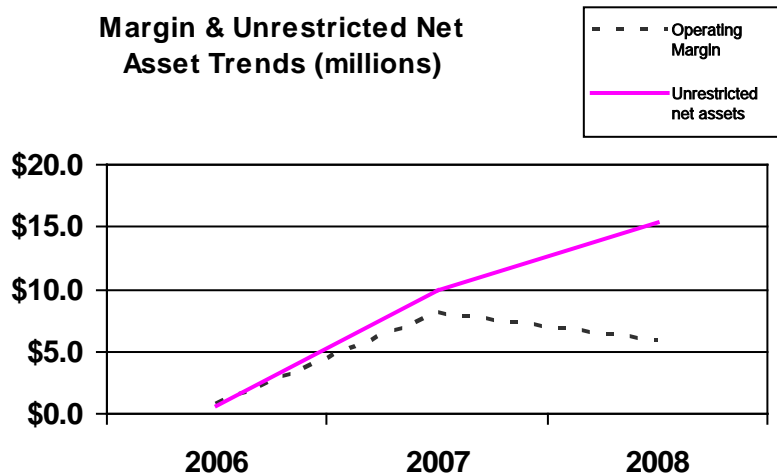
<u>Explanation of CFI Components and Computed Values</u>	
<u>CFI Component & Values</u>	<u>Explanation</u>
<p>Primary Reserve Ratio</p> <p>Base strength factor = .133 Weighting factor = 0.35 CFI value = (actual value/.133)*.35 = weighted value</p>	<p>The base strength factor ratio of .133 represents 1.6 months of operating expense coverage while a ratio of 0.40 represents nearly 5 months of operating expense coverage. A ratio of .40 (or higher) is regarded by <i>Strategic Financial Analysis for Higher Education</i> to be a sufficient level of internal resources to meet short-term cash needs through existing resources, maintain a reasonable investment level in repairs and maintenance, and manage moderate, unforeseen, adverse circumstances.</p> <p>The weighting factor of 0.35 places a significant emphasis on this particular measure of financial health (a measure of balance sheet strength) in the calculation of the CFI value.</p>
<p>Return on Net Assets Ratio</p> <p>Base strength factor = 0.02 Weighting factor = 0.20 CFI value = (actual value/.02)*.20 = weighted value</p>	<p>The base strength factor ratio of 0.02 represents a level of growth in net assets that is flat, or perhaps even negative, after inflation (i.e., the “real” rate of return is flat or negative) and would not allow replenishment of reserves that may be spent down. A ratio of 0.06 (or higher) is regarded by <i>Strategic Financial Analysis for Higher Education</i> to be adequate to allow for a .03 or .04 real rate of return. This higher level provides a reasonable degree of financial protection against year-to-year volatility in earnings and should build balance sheet strength.</p> <p>The weighting factor of 0.20 places somewhat less emphasis on this particular measure of financial health (a measure of single year operating strength) in the calculation of the CFI value.</p>
<p>Viability Ratio =</p> <p>Base strength factor = 0.417 Weighting factor = 0.35 CFI benchmark value = (1.25/.417)*.35 = 1.05</p>	<p>The base strength factor of 0.417 represents very marginal ability to assume additional debt. The viability ratio is primarily a measure of an organization’s capacity to incur additional debt, and the perspective is that of the lender. The base strength value of .0417 suggests less debt capacity at a higher interest rate. The benchmark level of 1.25 represents much greater institutional flexibility to incur debt at reasonable rates in support of strategic objectives.</p> <p>The weighting factor of 0.35 places a significant emphasis on this particular measure of financial health (a measure of balance sheet strength) in the calculation of the CFI value.</p>
<p>Operating Margin Ratio =</p> <p>Base strength factor = 0.007 Weighting factor = 0.10 CFI benchmark value = (.02/.007)*.10 = 0.30</p> <p>Note: This ratio is termed Net Operating Revenues Ratio in <i>Strategic Financial Analysis for Higher Education</i>.</p>	<p>The base strength factor of 0.007 represents an institution whose operations are just barely breaking even. The results of a single year are less important than the trend over a number of years, but operating consistently below this base level likely suggests that mission cannot be sustained. A ratio of 0.02 is regarded by <i>Strategic Financial Analysis for Higher Education</i> to be adequate to keep pace with or slightly exceed the growth in operating expenses.</p> <p>The weighting factor of 0.10 places relatively light emphasis on this particular measure of financial health (a measure of single year operating strength) in the calculation of the CFI value.</p>

Fiscal Year 2008 Financial Trends and Highlights
Preparation Guidelines—Attachment D
Margin & Unrestricted Net Asset Trends

The lower right section on the trends and highlights template, shows the trends of both operating margin and change in unrestricted net assets. A sustainable, positive operating margin over a period of years is the primary method through which an institution can build greater financial health and program flexibility. An institution making significant investments in new programs will see these ratios responding to the planned spend-down.

The sample graph below shows how this might look using sample values; both operating margin and unrestricted net assets show positive growth. It is unlikely this improvement “just happened;” a number of steps were planned and then implemented to achieve the results. The informal presentation should include a discussion of the significant planned and unplanned economic factors responsible for the results, good or bad.

While the sample graph below shows positive growth, your institution may have worked very hard to maintain an existing level of margin and unrestricted net assets, or you may have worked very hard to minimize a downward financial trend. Regardless of your exact financial health and the trends in such health, what key variables were at play and what did you do to maximize the positives and minimize the negatives?



It is expected that each college and university will engage in a more formal integrated planning process over the next several years; in fact, several institutions are quite far advanced. This planning process will more closely link an institution’s planning for mission with financial resource needs. That is, multi-year financial planning will reflect the mission priorities of the institution while at the same time financial health will impact mission based on the institution’s assessment of affordability. Each college and university should be able to explain material economic events and multi-year trends that link mission and financial health.

Fiscal Year 2008 Financial Trends and Highlights
Financial Performance Narrative Preparation Guidelines—Attachment E
“Summary of Financial Expectations and Performance”

The outline below provides guidelines to be used in writing a brief narrative to be provided as part of the Fiscal Year 2008 Financial Trends and Highlights report. Avoid “boilerplate” comments; focus on the few key positive and negative factors.

Discuss Current Financial Health

Assess how current financial health positively or negatively impacted core college mission in Fiscal Year 2008. As applicable:

- Summarize factors having significant impact on financial results and financial position, including comparisons against expectations for the year. Were there pleasant or unpleasant surprises? To what extent were such factors the result of planned actions compared to events largely beyond the college’s control?
- Describe current financial health in terms of impacts on students, on academic programs, on staff, etc. What is and is not adequately supported and how will this impact the future?
- Did unrestricted net assets change significantly and if so to what extent was this part of an intentional financial plan?
- Comment on the fixed assets performance measures, in particular comment on how the level of investment in fixed assets, including operations and maintenance expenditures, supports (or fails to support) the college’s mission and strategic plans.

Discuss Plans that will Impact Future Financial Health

Discuss the appropriateness of the college’s mission and strategic goals in light of current financial health, steps designed to increase financial health, programs expected to be funded by expendable net assets (i.e., reserves), etc. In other words, forecasting forward from early Fiscal Year 2009, how well matched are mission, strategic goals and financial resources? What steps are planned to bring about better alignment?

- Summarize financial plans and expectations for FY2009 and beyond. Include comments on the economic variables that are believed most likely to have significant impacts on financial health and what if any steps are planned to manage these variables. For example, what programmatic or other changes are planned in conjunction with the System’s Strategic Plan 2008 – 2012, and are such changes likely to have significant economic implications? How well do financial resources match up with strategic plans?
- Identify how planned changes are expected to impact performance measures including identifying targeted financial ratios and projected CFI (individual component) values. Use your institution’s historical performance measure values as benchmarks. Will expected future operating results strengthen or weaken the balance sheet (i.e., net assets) and why?

Fiscal Year 2008 Financial Trends and Highlights
Where to Find Performance Measure Adjustments—Attachment F

Source file: "FY08 CAP Financial Statements.xls", which colleges should have received in September. For all three adjustments listed below, the school column in the Excel file named above is indicated by the institutions fundware and ISRS school ID and is the same on all tabs, the row name is indicated in each of the adjustment pieces below:

1. **CAP Depr Exp**- tab "OS 6.30.08" row "Depreciation"
2. **GO Bond Debt Beg**- tab "BS 6.30.07 HC", total of rows "Bonds Payable Current" and "Bonds Payable Non-current." The two ending FY07 pieces added together equal the beginning balance for FY08.
3. **CAP R&M**- tab "OS 6.30.08", row "R&M"

Fiscal Year 2008 Financial Trends and Highlights
Sample—Attachment G

[Insert college name]
Fiscal Year 2008 Financial Trends and Highlights

Template

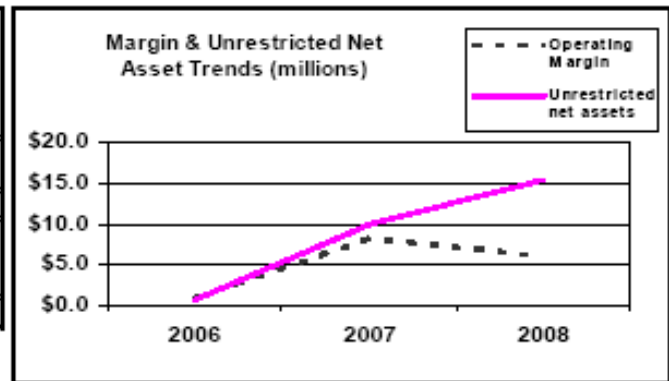
Per Full Year Equivalent Student Data				Composite Financial Index		
	2008	2007	2006	2008	2007	2006
Total Operating Expense				Primary reserve		
Direct Student Expense				Return on net assets		
Percent direct student expense				Viability		
Student-based Revenue				Operating margin		
% of total revenue*				Composite		
Appropriation Revenue						
% of total revenue*						
Operating Margin**						
% Change In student FYE						

* Excluding all capital appropriation for capitalized projects.
** Add back HEAPR revenue equal to HEAPR projects expensed

Note: The values above are all weighted values and have been modified for GO Bonds/Capital Appropriation

Capital Assets--Investment, Age and Maintenance			
Ratios:	2008	2007	2006
Additions to beginning depreciable cost (Investment)			
Ending accumulated depreciation to depreciation expense (age)			
Facilities maintenance ratio			
Operations and Maintenance expense per square foot*			

*Est. x.x, y.y and z.z million sq.ft. for 2008 - 2006, respectively.



Summary of Financial Expectations and Performance

Discuss Current Financial Health

Assess how the college's or university's current financial health has positively or negatively impacted core mission in fiscal year 2008. Did financial health, as measured by the Composite Financial Index performance indicators and other indicators on the financial trends and highlights summary, improve or deteriorate and why? See the *Fiscal Year 2008 Financial Trends and Highlights Preparation Guidelines* for additional suggestions.

Discuss Plans that will Impact Future Financial Health

Discuss the appropriateness of the college's or university's mission and strategic goals in light of current financial health, steps designed to increase financial health, programs expected to be funded by expendable net assets (i.e., reserves), etc. In other words, looking ahead from early fiscal year 2008, how well matched are mission, strategic goals, and financial resources? If necessary, what steps are planned to bring about better alignment? See the *Fiscal Year 2008 Financial Trends and Highlights Preparation Guidelines* for additional suggestions.