
ARKANSAS STATE UNIVERSITY JONESBORO



Quarterly Report to the Board of Trustees

Financial Data

Risk Analysis

Composite Financial Index (CFI)

Capital Expenditures

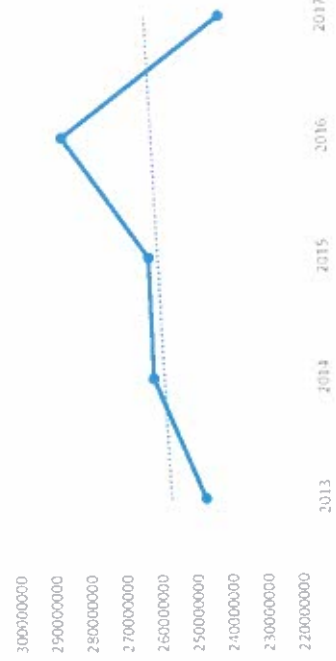
Key Performance Indicators (KPI)

2nd Quarter FY 2017

ARKANSAS STATE UNIVERSITY-JONESBORO
Statement of Net Position
December 31, 2016

| | Educational & General (excluding OPEB and Pensions) | Educational & General (OPEB and Pensions) | Auxiliary | Plant | Other | Total |
|---|---|---|--------------------------|-----------------------|----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | | | | | |
| Cash | \$ 25,420,834 | \$ - | \$ (2,166,741) | \$ 30,299,235 | \$ 7,408,471 | \$ 60,961,799 |
| Investments | \$ 6,299,847 | \$ - | \$ - | \$ - | \$ 13,667,232 | \$ 19,967,079 |
| Accounts Receivable | \$ 3,528,631 | \$ - | \$ 1,874,867.04 | \$ 65,752 | \$ 1,561,761 | \$ 7,031,011 |
| Deposits with Trustees | \$ - | \$ - | \$ - | \$ 5,226,091 | \$ - | \$ 5,226,091 |
| Inventories | \$ 2,179,130 | \$ - | \$ - | \$ - | \$ - | \$ 2,179,130 |
| Prepaid Expenses | \$ 108,568 | \$ - | \$ - | \$ 419,877 | \$ 13,498 | \$ 541,944 |
| Pensions | \$ - | \$ 3,265,596 | \$ - | \$ - | \$ - | \$ 3,265,596 |
| Loans Receivable | \$ - | \$ - | \$ - | \$ - | \$ 5,077,488 | \$ 5,077,488 |
| Capital Assets, Net of Depreciation | \$ - | \$ - | \$ - | \$ 352,039,831 | \$ - | \$ 352,039,831 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 37,537,010 | \$ 3,265,596 | \$ (291,873.68) | \$ 388,050,786 | \$ 27,728,450 | \$ 456,289,968 |
| LIABILITIES AND DEFERRED INFLOWS | | | | | | |
| Accounts Payable | \$ 1,395,920 | \$ - | \$ 547,888 | \$ 1,737,258 | \$ 13,640 | \$ 3,694,706 |
| Debt Payable | \$ - | \$ - | \$ - | \$ 168,958,395 | \$ - | \$ 168,958,395 |
| Compensated Absences | \$ 6,914,398 | \$ - | \$ 591,150 | \$ - | \$ - | \$ 7,505,548 |
| Other Post Employment Benefits | \$ - | \$ 9,382,516.00 | \$ - | \$ - | \$ - | \$ 9,382,516 |
| Refundable Federal Advances | \$ - | \$ - | \$ - | \$ - | \$ 4,246,498 | \$ 4,246,498 |
| Unearned Revenue | \$ - | \$ - | \$ - | \$ - | \$ 2,566,403 | \$ 2,566,403 |
| Pensions | \$ 1,413,456.04 | \$ 15,247,752.00 | \$ - | \$ - | \$ - | \$ 15,247,752 |
| Deposits | \$ - | \$ - | \$ 336,800 | \$ - | \$ - | \$ 1,750,256 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | \$ 9,723,774 | \$ 24,630,268 | \$ 1,475,838.22 | \$ 170,695,653 | \$ 6,826,541 | \$ 213,352,073 |
| NET POSITION | \$ 27,813,236 | \$ (21,364,672) | \$ (1,767,711.90) | \$ 217,355,133 | \$ 20,901,909 | \$ 242,937,895 |

Net Position as of December 31 (Qtr 2) by Fiscal Year



*Net position declined significantly from Q2 FY 16 to Q2 FY 17 due to fully recognizing the other post-employment benefit and pension liabilities as of 6-30-16.

ARKANSAS STATE UNIVERSITY-JONESBORO
Actual and Budgeted Revenues, Expenses and Changes in Net Position
For the Quarter Ending December 31, 2016

| | Educational & General (excluding OPEB and Pensions) | | Educational & General (OPEB and Pensions) | | Auxiliary | | Plant | | Other | | Total | |
|--|---|---------------------|---|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|
| | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date |
| OPERATING REVENUE | | | | | | | | | | | | |
| Student tuition & fees | \$ 93,356,854 | \$ 50,992,311 | | | | | | | | | | \$ 50,992,311 |
| Federal and county appropriations | | | | | | | | | | | | 184,495 |
| Grants and contracts | 1,020 | 1,020 | | | | | | | | | | 7,567,416 |
| Salaries/services of educational departments | 1,336,581 | 952,308 | | | | | | | | | | 975,676 |
| Insurance plan | | | | | | | | | | | | 2,070,130 |
| Auxiliary enterprises | | | | | | | | | | | | 16,951,282 |
| Other operating revenues | 1,018,095 | 870,015 | | | | | | | | | | (563,452) |
| TOTAL OPERATING REVENUES | \$ 95,712,549 | \$ 52,815,654 | | | \$ 35,967,454 | \$ 16,951,282 | \$ 43,984 | \$ 9,258,589 | \$ 79,069,508 | | | \$ 79,069,508 |
| OPERATING EXPENSES | | | | | | | | | | | | |
| Compensation & benefits | \$ 101,511,071 | \$ 46,574,120 | | | \$ 10,161,741 | \$ 4,866,111 | | \$ 902,698 | \$ 52,342,929 | | | \$ 52,342,929 |
| Supplies & services | 30,936,762 | 11,976,956 | | | 13,172,644 | 7,978,163 | | 2,947,693 | 23,690,331 | | | 23,690,331 |
| Scholarships & fellowships | 22,232,853 | 11,881,009 | | | 5,930,174 | 2,983,238 | | 17,120,550 | 31,984,797 | | | 31,984,797 |
| Insurance plan | | | | | | | | | | | | 8,417,269 |
| Depreciation (estimate) | | | | | | | | | | | | 9,400,000 |
| Other | | | | | | | | | | | | 1,127,600 |
| Contingency | | | | | 474,837 | | | | | | | |
| TOTAL OPERATING EXPENSES | \$ 154,680,686 | \$ 70,432,085 | | | \$ 29,739,396 | \$ 15,827,512 | | \$ 10,187,520 | \$ 29,410,980 | \$ 125,858,097 | | \$ 125,858,097 |
| OPERATING INCOME (LOSS) | \$ (58,968,136) | \$ (17,616,431) | | | \$ 6,228,058 | \$ 1,123,770 | | \$ (38,000) | \$ (20,152,392) | \$ (46,788,589) | | \$ (46,788,589) |

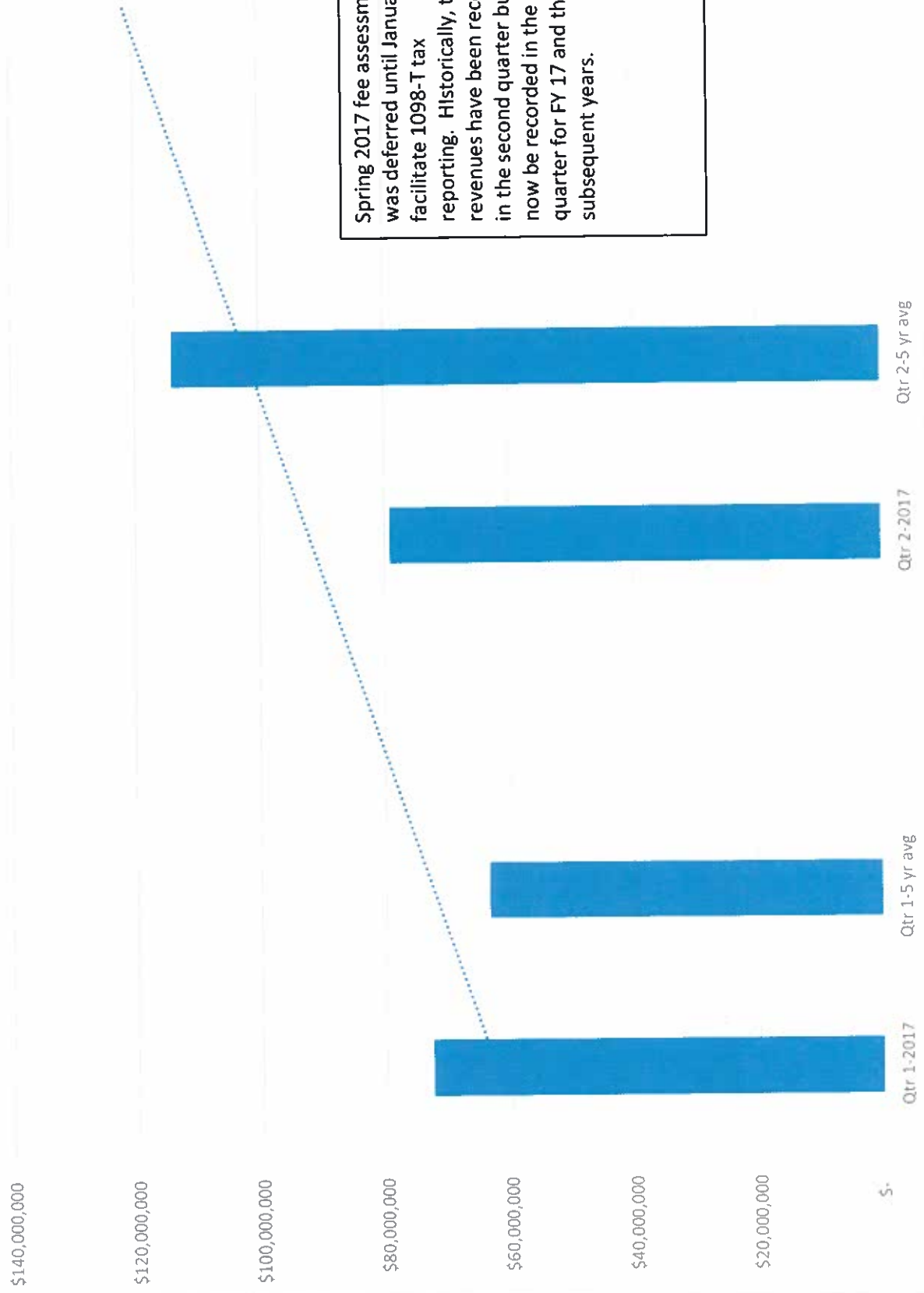
| | Educational & General (excluding OPEB and Pensions) | | Educational & General (OPEB and Pensions) | | Auxiliary | | Plant | | Other | | Total | |
|--|---|---------------------|---|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|
| | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date | Annual Budget as of End of Q. | Actual Year-to-Date |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | | | | | |
| State appropriations | \$ 62,806,778 | \$ 30,464,617 | | | | | | | | | | \$ 33,388,141 |
| Property & sales tax | | | | | | | | | | | | 16,637,930 |
| Grants | 641,271 | 602,803 | | | | | | | | | | 664,147 |
| Gifts | 400,000 | 169,359 | | | | | | | | | | 220,551 |
| Investment income | (268,232) | (118,378) | | | | | | | | | | (2,624,024) |
| Interest on capital asset related debt | (753,271) | (618,193) | | | (28,110) | (11,989) | | | | | | 1,636,434 |
| Other | 62,826,546 | 30,500,208 | | | \$ (28,110) | \$ (11,989) | | \$ (166,797) | \$ 19,601,757 | \$ 49,923,178 | | \$ 49,923,178 |
| NET NON-OPERATING REVENUES | \$ 3,858,410 | \$ 12,883,777 | | | \$ 6,199,948 | \$ 1,111,780 | | \$ (10,310,333) | \$ (550,635) | \$ 2,029,761 | | \$ 2,029,761 |
| OTHER CHANGES IN NET ASSETS | | | | | | | | | | | | |
| Capital appropriations | | | | | | | | | | | | \$ 26,908 |
| Capital gifts and grants | (316,345) | (323,640) | | | | | | | | | | 76,500 |
| Interagency transfers | (1,345,699) | 615,949 | | | (108,323) | | | | | | | (326,268) |
| Other | (1,662,244) | 292,309 | | | (108,323) | | | | | | | (1,107,460) |
| TOTAL OTHER CHANGES | \$ (3,324,588) | \$ (32,000) | | | \$ (108,323) | \$ - | | | | | | \$ (1,107,460) |
| TRANSFERS IN (OUT) | | | | | | | | | | | | |
| Debt Service | (3,572,354) | (1,696,415) | | | \$ (8,473,013) | \$ (2,261,621) | | \$ 3,958,035 | | | | \$ - |
| Other | (12,432,881) | (7,236,418) | | | 2,381,388 | (690,210) | | 7,695,407 | | | | 231,220 |
| TOTAL TRANSFERS IN (OUT) | \$ (16,005,235) | \$ (8,932,833) | | | \$ (6,091,625) | \$ (2,951,831) | | \$ 11,653,442 | | | | \$ 231,220 |
| INCREASE IN NET POSITION | \$ (33,809,070) | \$ 4,245,254 | | | \$ - | \$ (1,840,050) | | \$ (8,926,020) | | | | \$ (9,054,520) |
| BEGINNING NET POSITION | | \$ 23,569,982 | | | | \$ 72,338 | | \$ 216,881,154 | | | | \$ 242,592,414 |
| ENDING NET POSITION | | \$ 27,815,236 | | | | \$ (1,767,712) | | \$ 207,955,133 | | | | \$ 233,537,895 |

ARKANSAS STATE UNIVERSITY-JONESBORO
Actual and Budgeted Revenues, Expenses and Changes in Net Position
Auxiliary Unit Details
For the Quarter Ending December 31, 2016

| | Athletics | | Housing | | Food Service | | Bookstore | | Other | | TOTAL | |
|---------------------------------|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|---------------------|---------------------|
| | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Actual Year-to-Date | Actual Year-to-Date |
| OPERATING REVENUE | | | | | | | | | | | | |
| Auxiliary enterprises: | | | | | | | | | | | | |
| Athletics | \$ 12,907,458 | 36.2% | \$ 15,125,052 | 51.1% | \$ 1,455,444 | 43.0% | \$ 309,000 | 52.0% | \$ 6,170,500 | 60.8% | \$ 4,677,067 | \$ 7,734,383 |
| Housing | | | | | | | | | | | | |
| Food Service | | | | | | | | | | | | |
| Bookstore | | | | | | | | | | | | |
| Other auxiliary enterprises | | | | | | | | | | | | |
| TOTAL OPERATING REVENUES | \$ 12,907,458 | 36.2% | \$ 15,125,052 | 51.1% | \$ 1,455,444 | 43.0% | \$ 309,000 | 52.0% | \$ 6,170,500 | 60.8% | \$ 3,753,921 | \$ 16,951,282 |
| OPERATING EXPENSES | | | | | | | | | | | | |
| Compensation & benefits | \$ 6,104,854 | 49.6% | \$ 2,607,518 | 42.9% | \$ 17,204 | 8.383 | | | \$ 1,432,165 | 49.5% | \$ 709,019 | \$ 4,866,111 |
| Supplies & services | 6,185,210 | 68.4% | 4,435,234 | 51.6% | 225,327 | 192,434 | | | 2,259,872 | 53.4% | 1,206,191 | 7,978,163 |
| Scholarships & fellowships | 5,896,129 | 50.2% | 34,045 | 53.1% | | #DW/01 | | | | 4,425 | | 2,983,238 |
| Insurance plan | | | | | | | | | | | | |
| Depreciation | | | 361,974 | | | | | | 112,863 | | | |
| Contingency | | | 7,438,771 | 46.1% | 242,531 | 200,817 | | | 3,804,900 | 50.5% | 1,919,635 | 15,827,512 |
| TOTAL OPERATING EXPENSES | \$ 18,186,194 | 56.2% | \$ 7,438,771 | 46.1% | \$ 242,531 | 200,817 | | | \$ 3,804,900 | 50.5% | \$ 1,919,635 | \$ 15,827,512 |
| OPERATING INCOME (LOSS) | \$ (5,278,736) | 105.0% | \$ 7,686,281 | 56.1% | \$ 1,212,913 | 42.2% | \$ 242,000 | 41.3% | \$ 2,365,600 | 77.5% | \$ 1,834,285 | \$ 1,123,770 |

| | Athletics | | Housing | | Food Service | | Bookstore | | Other | | TOTAL | |
|---|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|---------------------|---------------------|
| | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Annual Budget as of End of Q | % of Budget Realized | Actual Year-to-Date | Actual Year-to-Date |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | | | | | |
| Gifts | | | | | | | | | | | | |
| Investment income | | | | | | | | | | | | |
| Interest on capital asset-related debt | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| NET NON-OPERATING REVENUES | \$ - | | \$ (26,459) | 42.2% | \$ - | | \$ - | | \$ (1,651) | 50.0% | \$ (825) | \$ (11,989) |
| INCOME (LOSS) BEFORE OTHER REV/EXP | \$ (5,278,736) | 105.0% | \$ 7,659,822 | 56.1% | \$ 1,212,913 | 35.0% | \$ 242,000 | 41.3% | \$ 2,363,949 | 77.6% | \$ 1,833,460 | \$ 1,111,780 |
| OTHER CHANGES IN NET ASSETS | | | | | | | | | | | | |
| Capital appropriations | | | | | | | | | | | | |
| Capital gifts and grants | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| TOTAL OTHER CHANGES | \$ (26,332) | | \$ (20,000) | 0.0% | \$ (31,991) | | \$ - | | \$ (30,000) | 0.0% | \$ - | \$ - |
| TRANSFERS IN (OUT) | | | | | | | | | | | | |
| Debt Service | | | | | | | | | | | | |
| Other | \$ 1,267,591 | -0.6% | \$ (6,864,513) | 29.1% | \$ 47,417 | 100.0% | \$ (1,000) | | \$ (1,608,500) | 16.6% | \$ (266,750) | \$ (2,261,621) |
| TOTAL TRANSFERS IN (OUT) | \$ 1,267,591 | -0.6% | \$ (7,603,821) | 34.1% | \$ 47,417 | 100.0% | \$ (1,000) | | \$ 237,822 | -6.5% | \$ (386,693) | \$ (690,210) |
| INCREASE IN NET POSITION | \$ (4,037,477) | 137.5% | \$ (3,633) | 46620.3% | \$ 1,228,339 | 38.4% | \$ 241,000 | 41.0% | \$ 2,571,771 | 56.3% | \$ 1,446,767 | \$ (1,840,050) |

Operating Revenues for FY 2017 with 5 year average comparison (FY 2012 - 2016)



Spring 2017 fee assessment was deferred until January to facilitate 1098-T tax reporting. Historically, these revenues have been recorded in the second quarter but will now be recorded in the third quarter for FY 17 and the subsequent years.

Operating Expenses for FY 2017 with 5 year average comparison (FY 2012 - 2016)

\$180,000,000

\$160,000,000

\$140,000,000

\$120,000,000

\$100,000,000

\$80,000,000

\$60,000,000

\$40,000,000

\$20,000,000

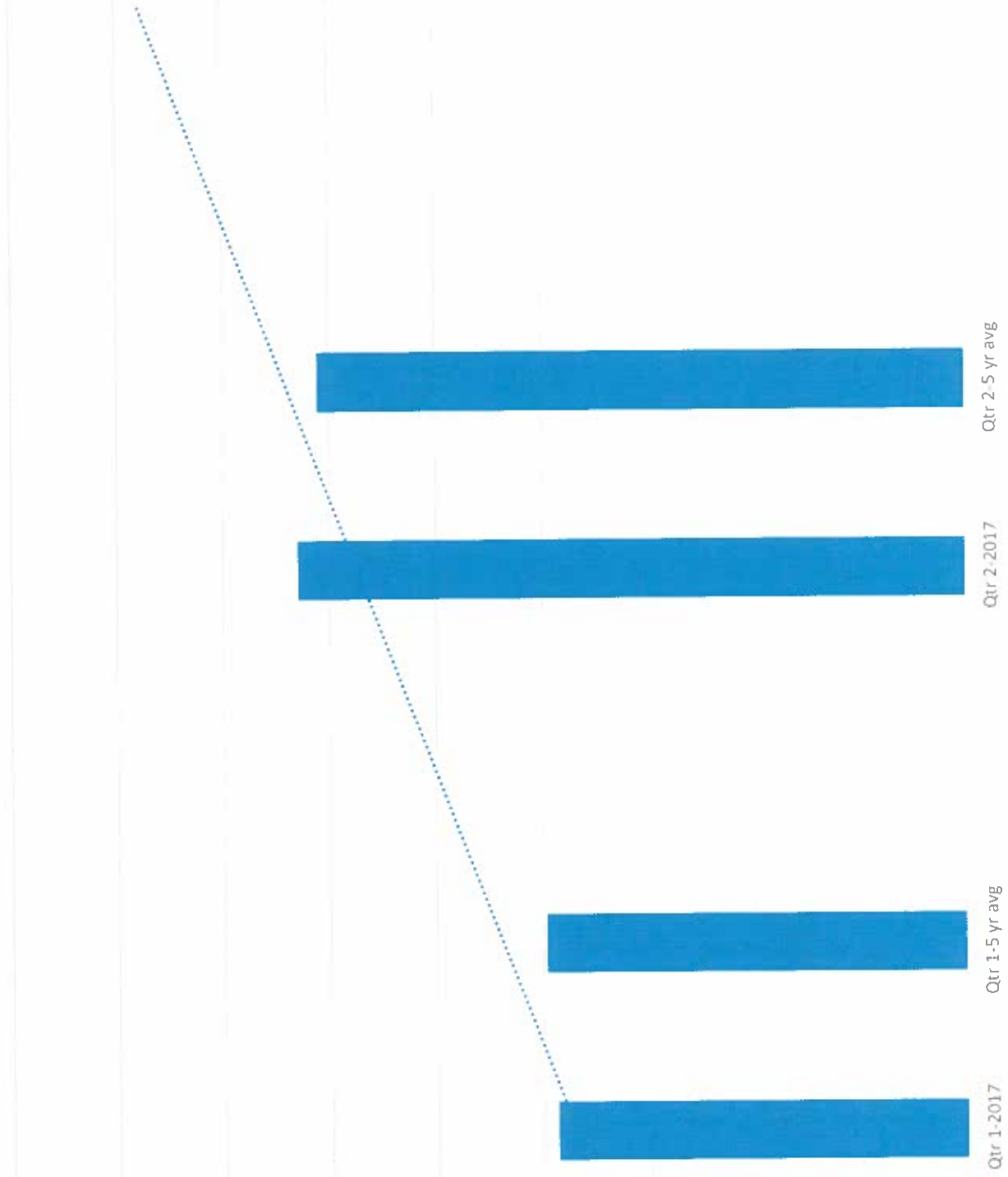
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Qtr 1-2017

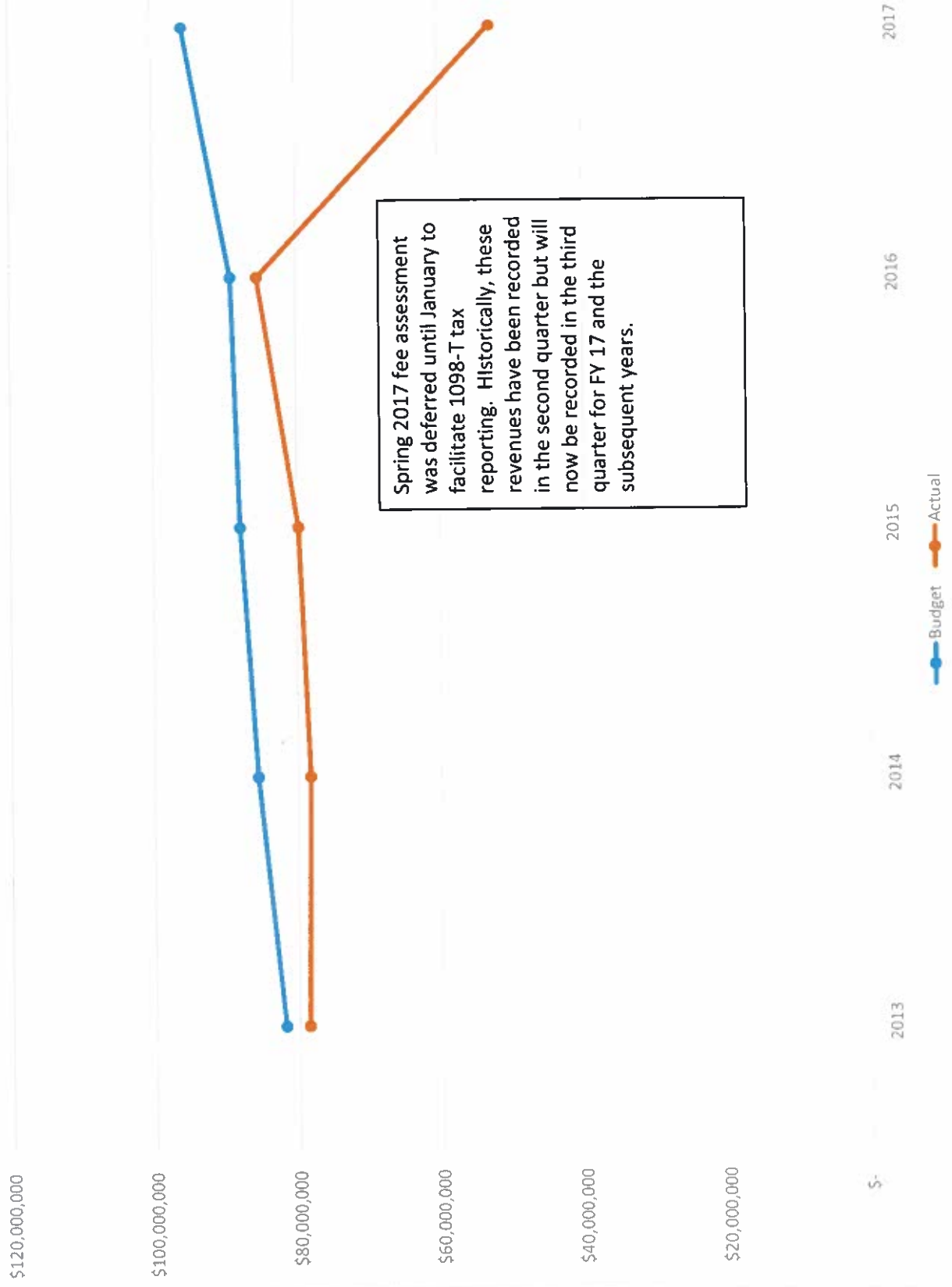
Qtr 1-5 yr avg

Qtr 2-2017

Qtr 2-5 yr avg



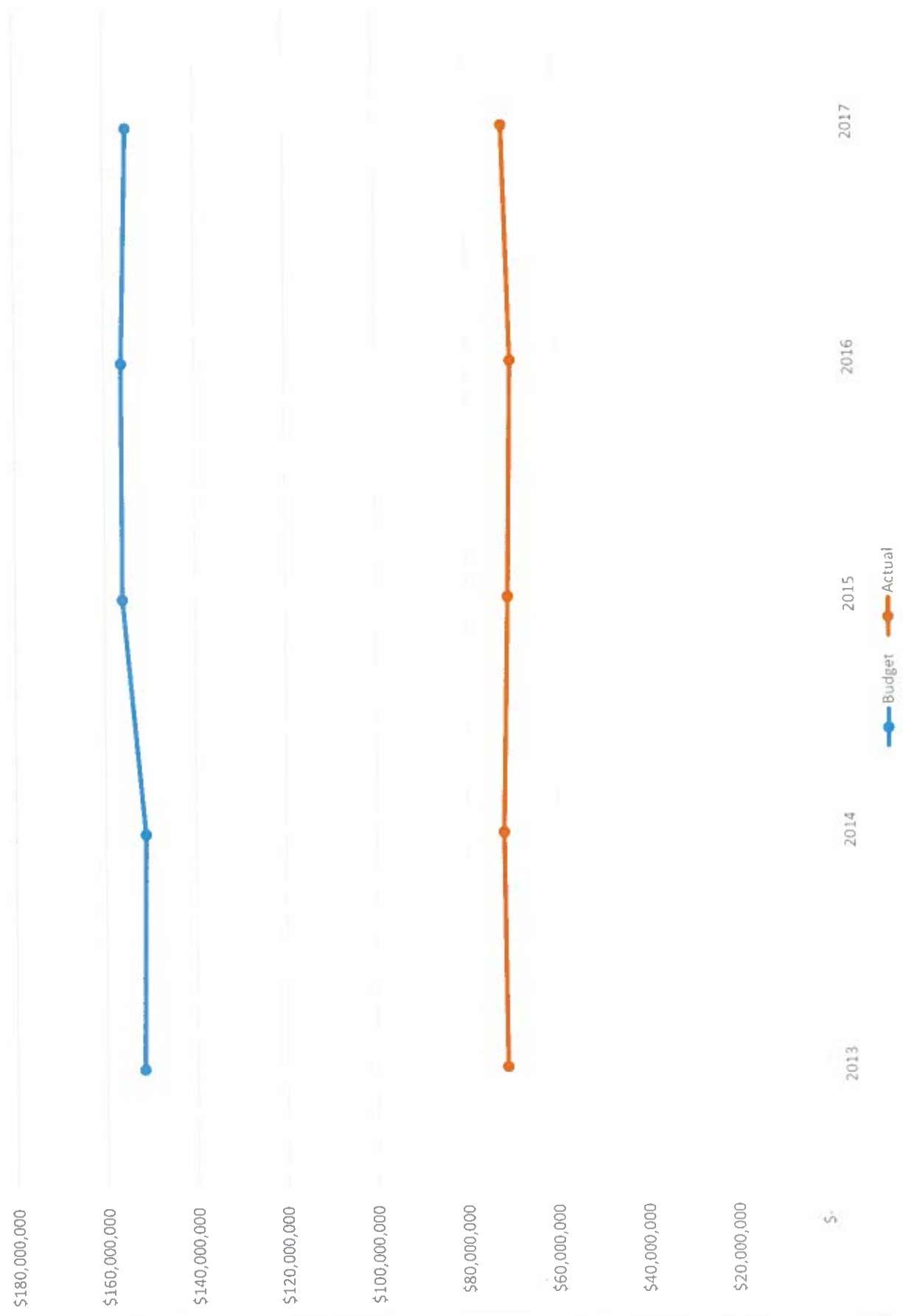
E & G Operating Revenues Compared to Budget (Quarter 2 by Fiscal Year)



Spring 2017 fee assessment was deferred until January to facilitate 1098-T tax reporting. Historically, these revenues have been recorded in the second quarter but will now be recorded in the third quarter for FY 17 and the subsequent years.

*Operating revenues for Q2 FY 17 show a decline when compared to the 5 year average/operating budget. This is due to a timing difference of calculating Spring tuition and fee revenue.

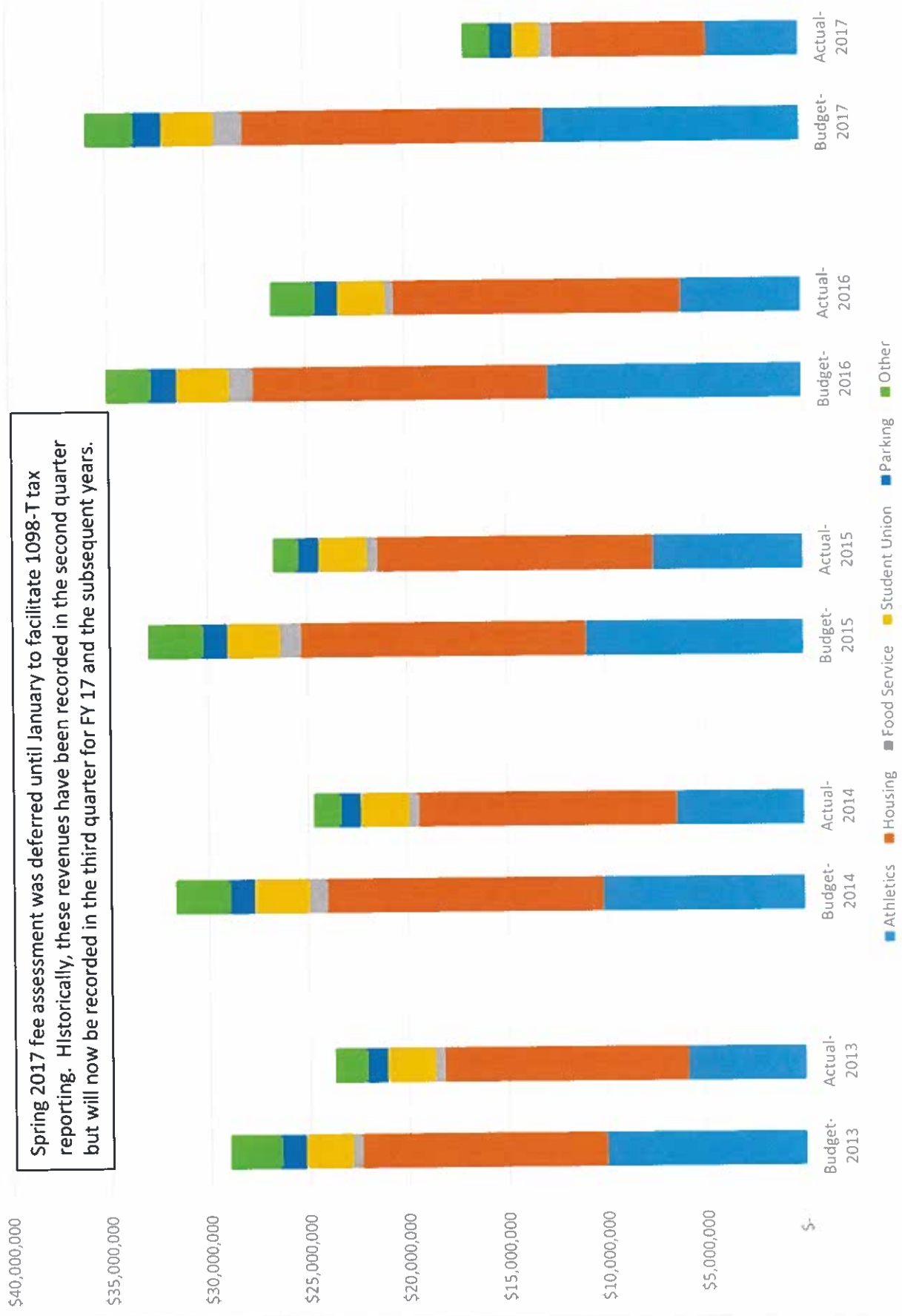
E & G Operating Expenses Compared to Budget (Quarter 2 by Fiscal Year)



*Operating expenses for Q2 FY 17 are running slightly above the 5 year average/operating budget. This appears to be consistent with the budget.

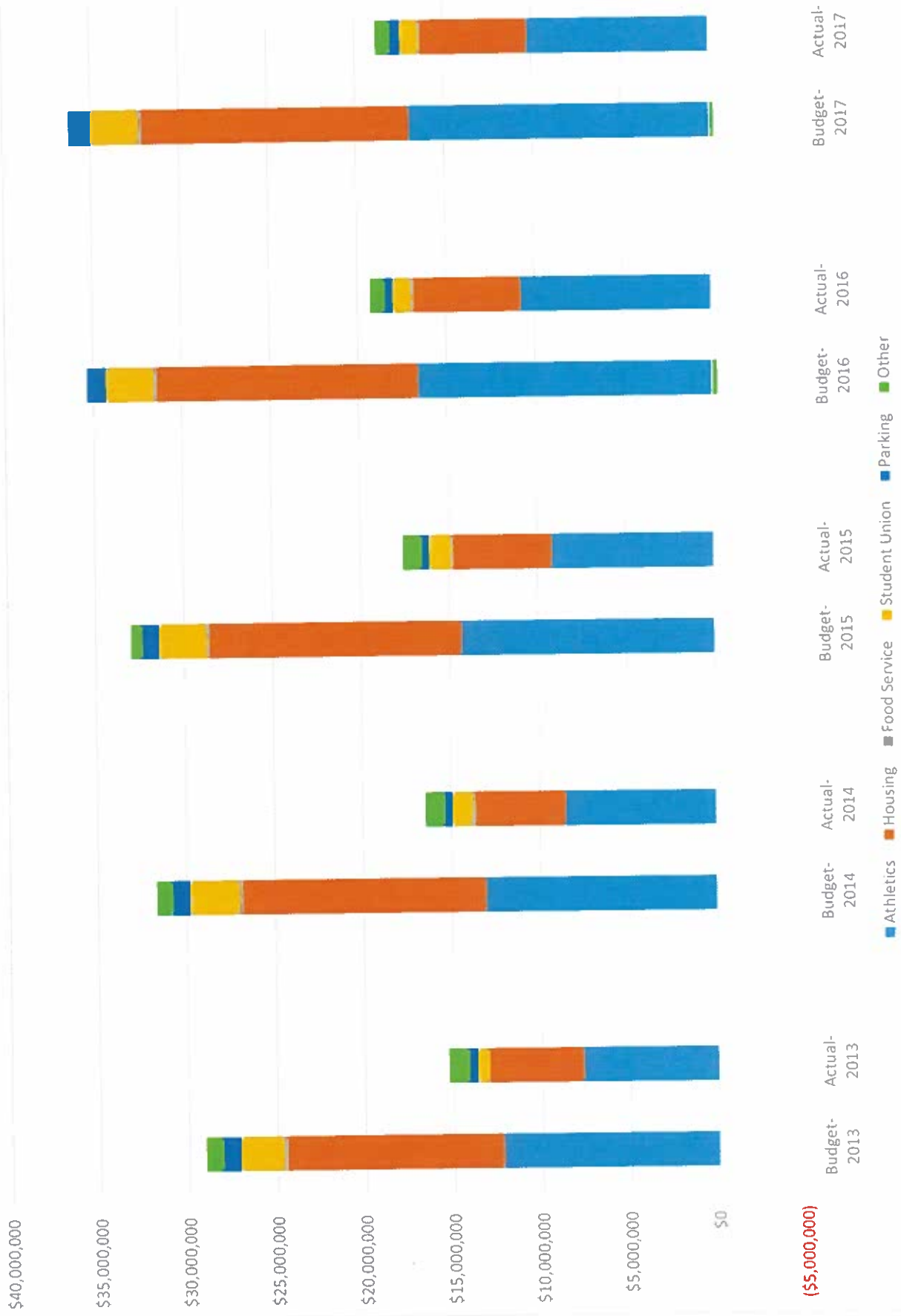
Auxiliary Revenues Compared to Budget (Quarter 2 by Fiscal Year)

Spring 2017 fee assessment was deferred until January to facilitate 1098-T tax reporting. Historically, these revenues have been recorded in the second quarter but will now be recorded in the third quarter for FY 17 and the subsequent years.



* Auxiliary revenues for Q2 FY 17 show a decline when compared to the operating budget. This is due to a timing difference of calculating Spring tuition and fee revenue.

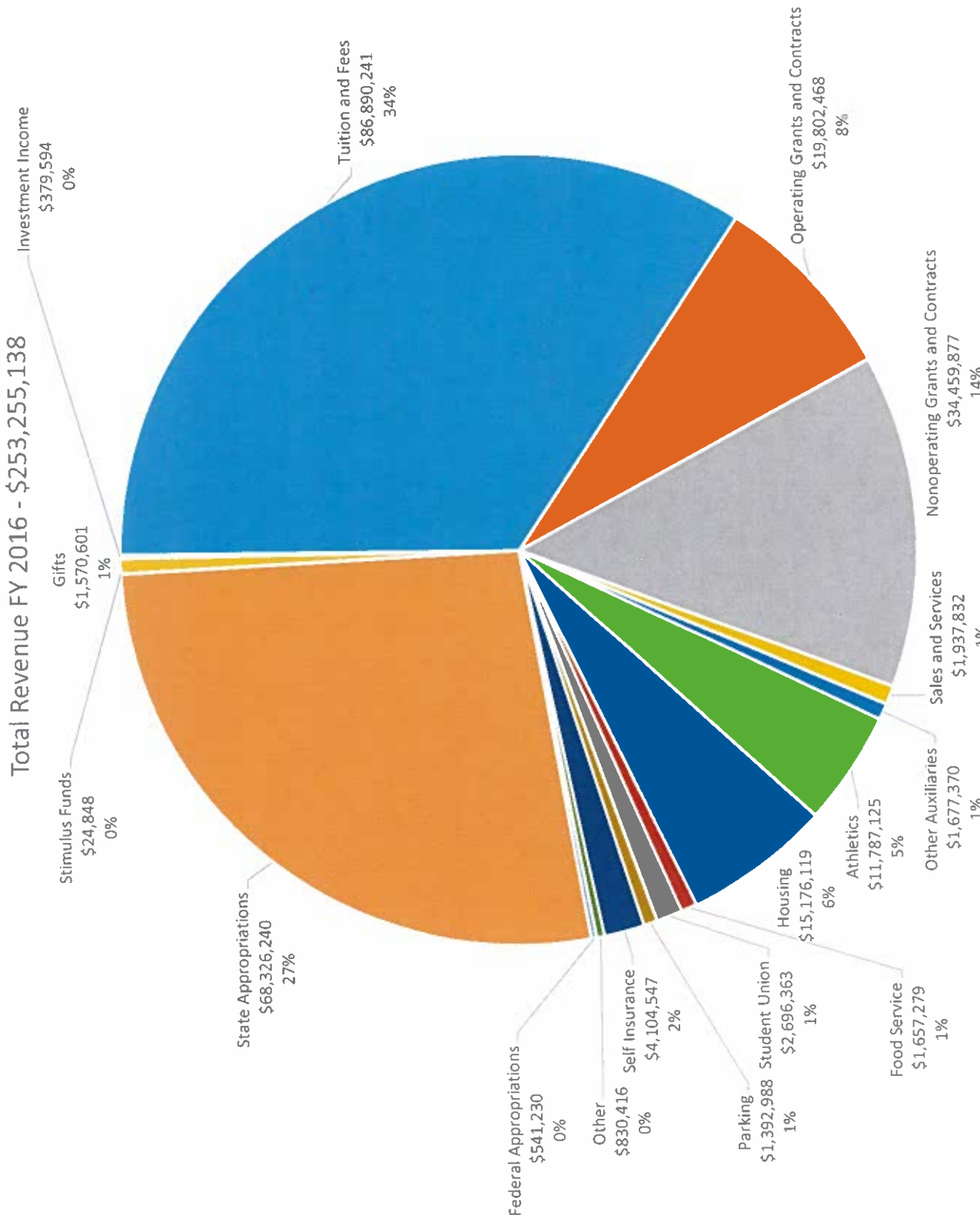
Auxiliary Expenses Compared to Budget (Quarter 2 by Fiscal Year)



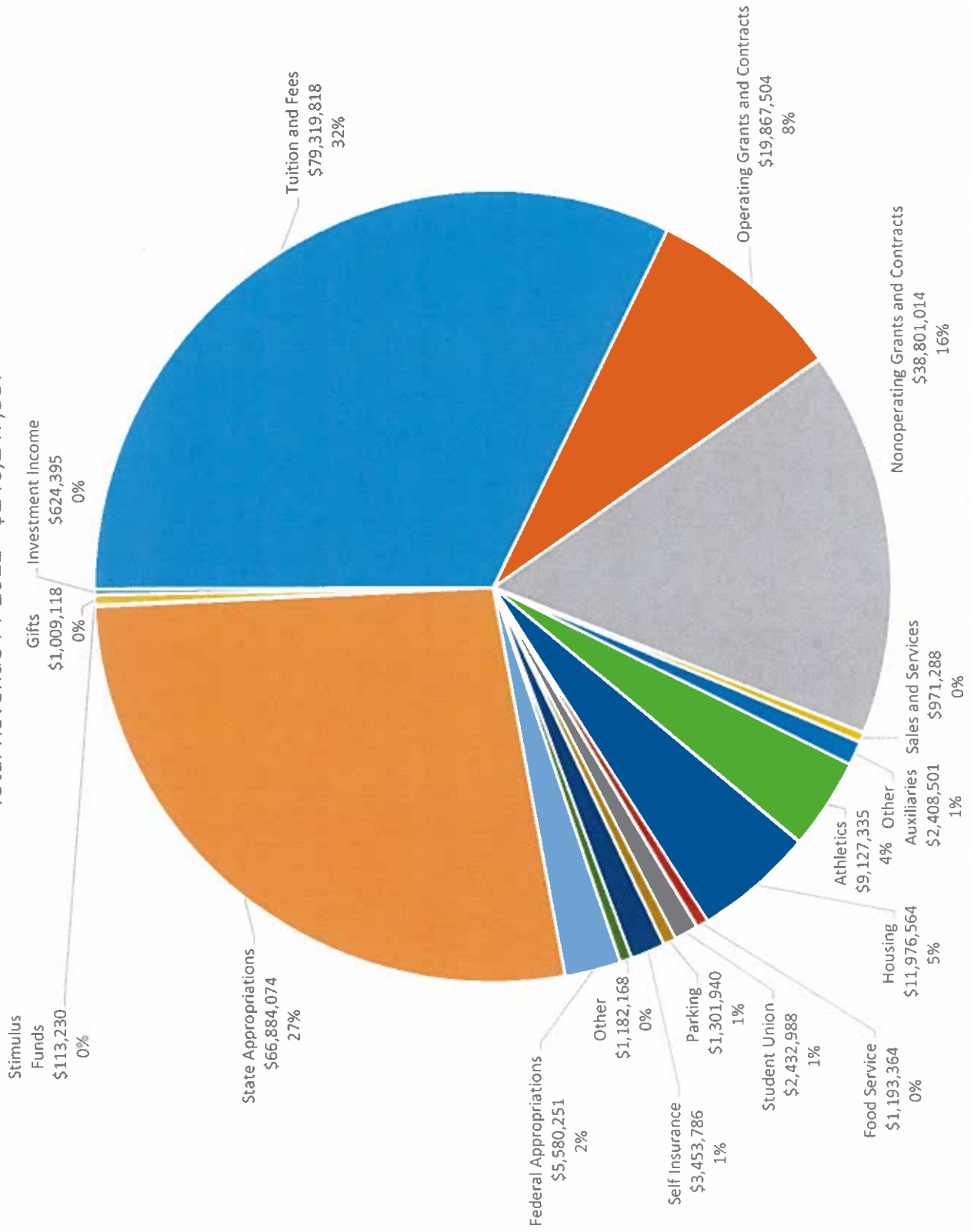
(\$5,000,000)

*Actual auxiliary expenses for Q2 FY 17 are running slightly below Q2 FY 16 actual auxiliary expenses.

Total Revenue FY 2016 - \$253,255,138



Total Revenue FY 2012 - \$246,247,337



Revenue Summary

- Risk
- ✓ Mitigation

2016 Tuition and Fee revenue equals \$86.9 million or 34% of the University's total revenue

- Decline in enrollment
- Change in enrollment mix
- Disruption in ability to provide service
- ✓ Budget tuition and fee revenue conservatively
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance

2016 State Appropriations total \$68.3 million or 27% of the University's total revenue

- Reduction in state funding
- New funding formula
- ✓ Closely monitor state funding trends
- ✓ Budget conservatively
- ✓ Continue to seek other revenue sources
- ✓ Increase reserves

2016 Nonoperating Grants and Contracts (Federal and State financial aid/scholarships) totaled \$34.5 million or 14% of the University's total revenue

- Reduction in federal/state funding
- Change in enrollment mix
- ✓ Closely monitor enrollment trends, government funding, and institutional scholarship trends
- ✓ Continue to develop private scholarship funding
- ✓ Maintain compliance

2016 Operating Grants and Contracts totaled \$19.8 million or 8% of the University's total revenue

- Reduction in federal/state funding
- Decline in funded research activity
- Noncompliance with regulations/standards
- ✓ Continue to encourage and incentivize funded research
- ✓ Maintain compliance efforts
- ✓ Intensity grant identification and application efforts

2016 Housing revenue totaled \$15.2 million or 6% of the University's total revenue

- Decline in demand for on-campus housing/competition
- Aging facilities/deferred maintenance
- Disruption in ability to provide service
- ✓ Closely monitor on-campus housing and competitive trends
- ✓ Review current housing price structure
- ✓ Address deferred maintenance issues
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance
- ✓ Consider ancillary housing revenue opportunities

2016 Athletic revenue totaled \$11.8 million or 5% of the University's total revenue

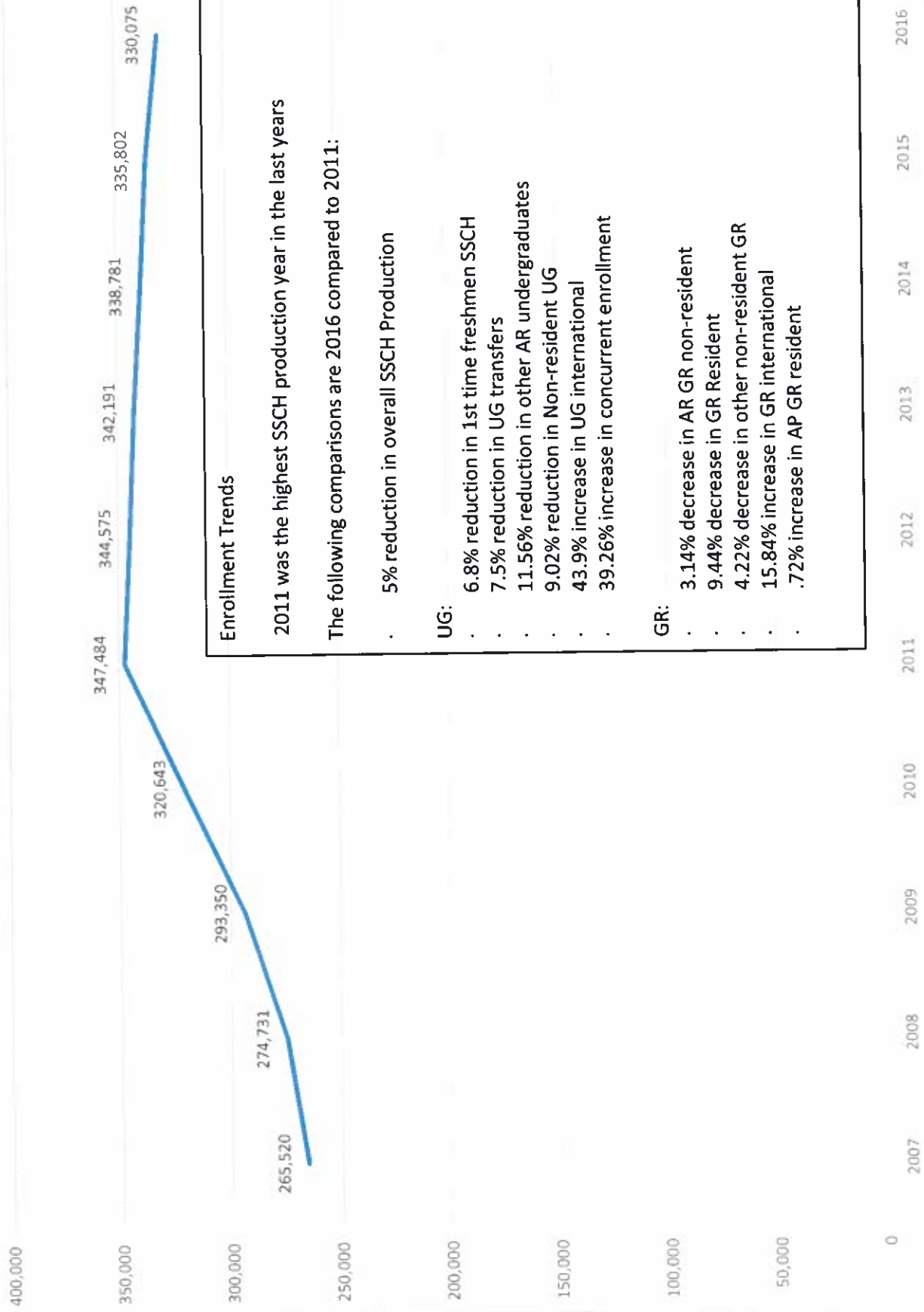
- Reduction in game guarantees
- Inability to meet current revenue targets
- Reduction in demand
- Enrollment mix impact on athletic fee
- Disruption in ability to provide service
- Inability of Red Wolves Foundation to meet obligations
- ✓ Consider additional game guarantees
- ✓ Consider extending athletic fee to all system campuses
- ✓ Review application of athletic fee to enrollment mix
- ✓ Continue to closely monitor athletic expenses
- ✓ Delay/suspend athletic capital projects
- ✓ Carefully monitor RWF financial activity
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance
- ✓ Continue to carefully monitor E & G and other auxiliaries ability to supplement athletics

All other revenues during 2016 totaled \$16.8 million or 6% of the University's total revenue

- ✓ Continue to identify and develop alternative revenue sources and entrepreneurial activities

Total revenue percentages in 2016 compared to 2012 remained consistent.

SSCH by Fiscal Year



Enrollment Trends

2011 was the highest SSCH production year in the last years

The following comparisons are 2016 compared to 2011:

- 5% reduction in overall SSCH Production

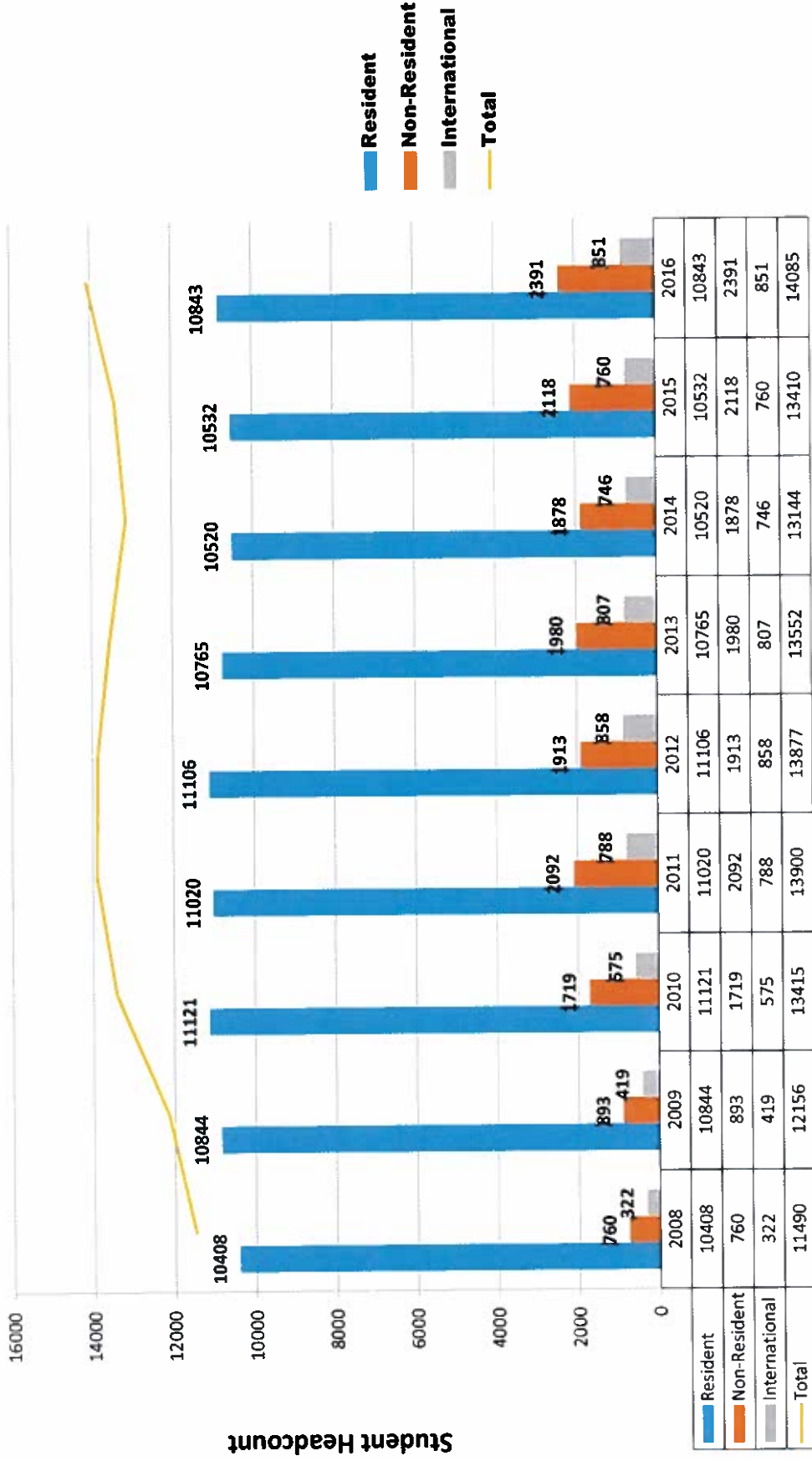
UG:

- 6.8% reduction in 1st time freshmen SSCH
- 7.5% reduction in UG transfers
- 11.56% reduction in other AR undergraduates
- 9.02% reduction in Non-resident UG
- 43.9% increase in UG international
- 39.26% increase in concurrent enrollment

GR:

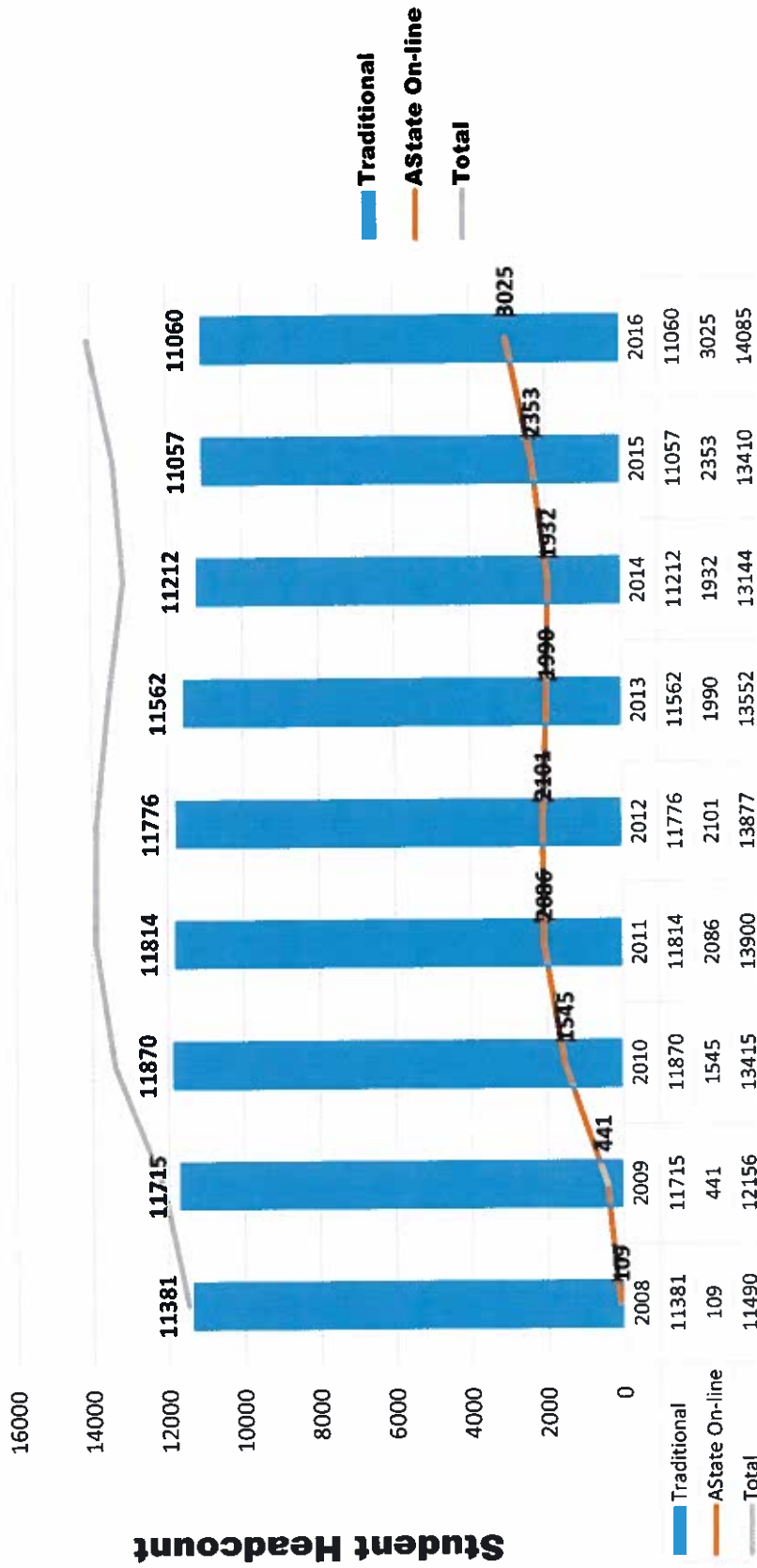
- 3.14% decrease in AR GR non-resident
- 9.44% decrease in GR Resident
- 4.22% decrease in other non-resident GR
- 15.84% increase in GR international
- .72% increase in AP GR resident

Enrollment Trend 2008-2016



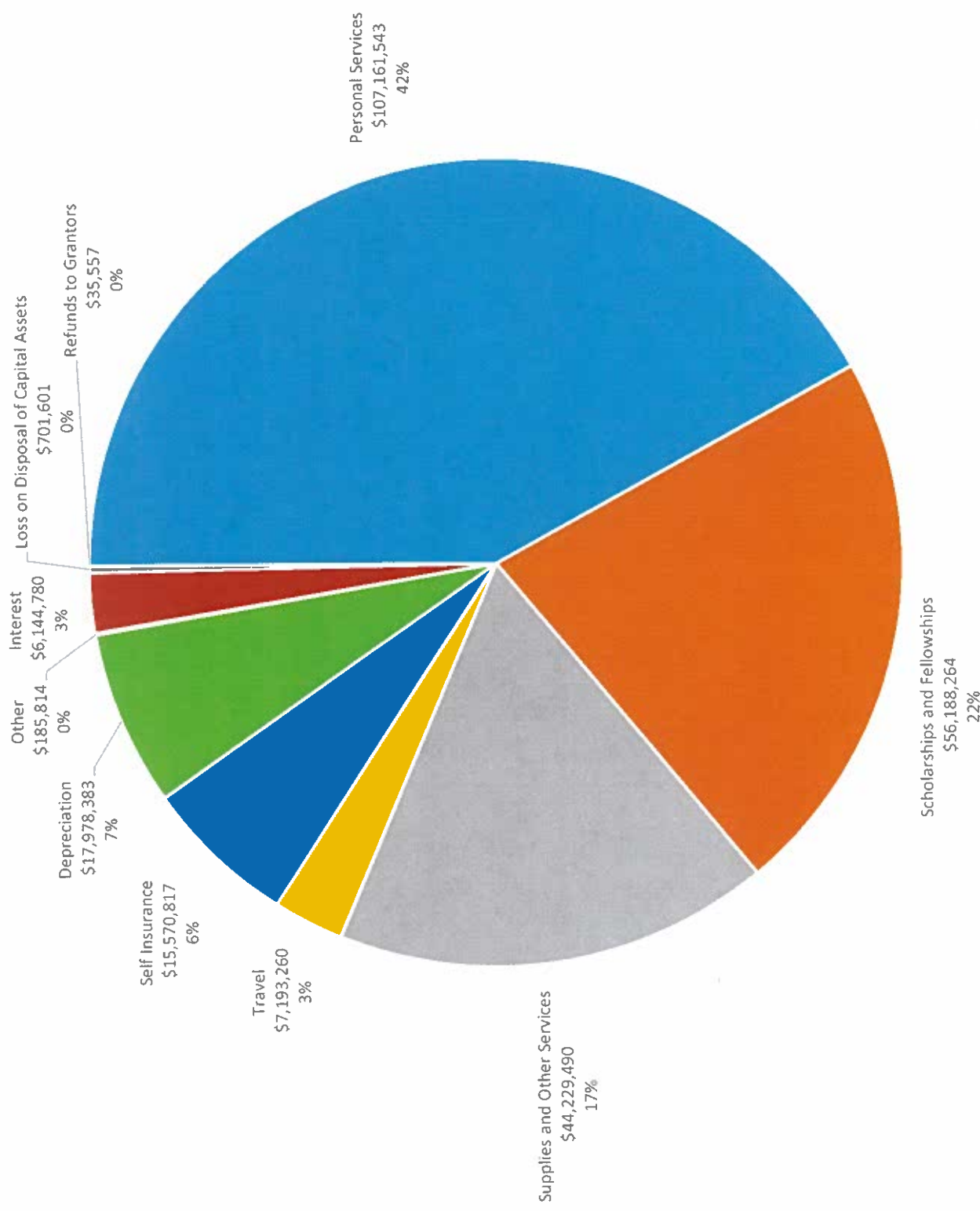
Fall Semester

Enrollment Trend 2008-2016

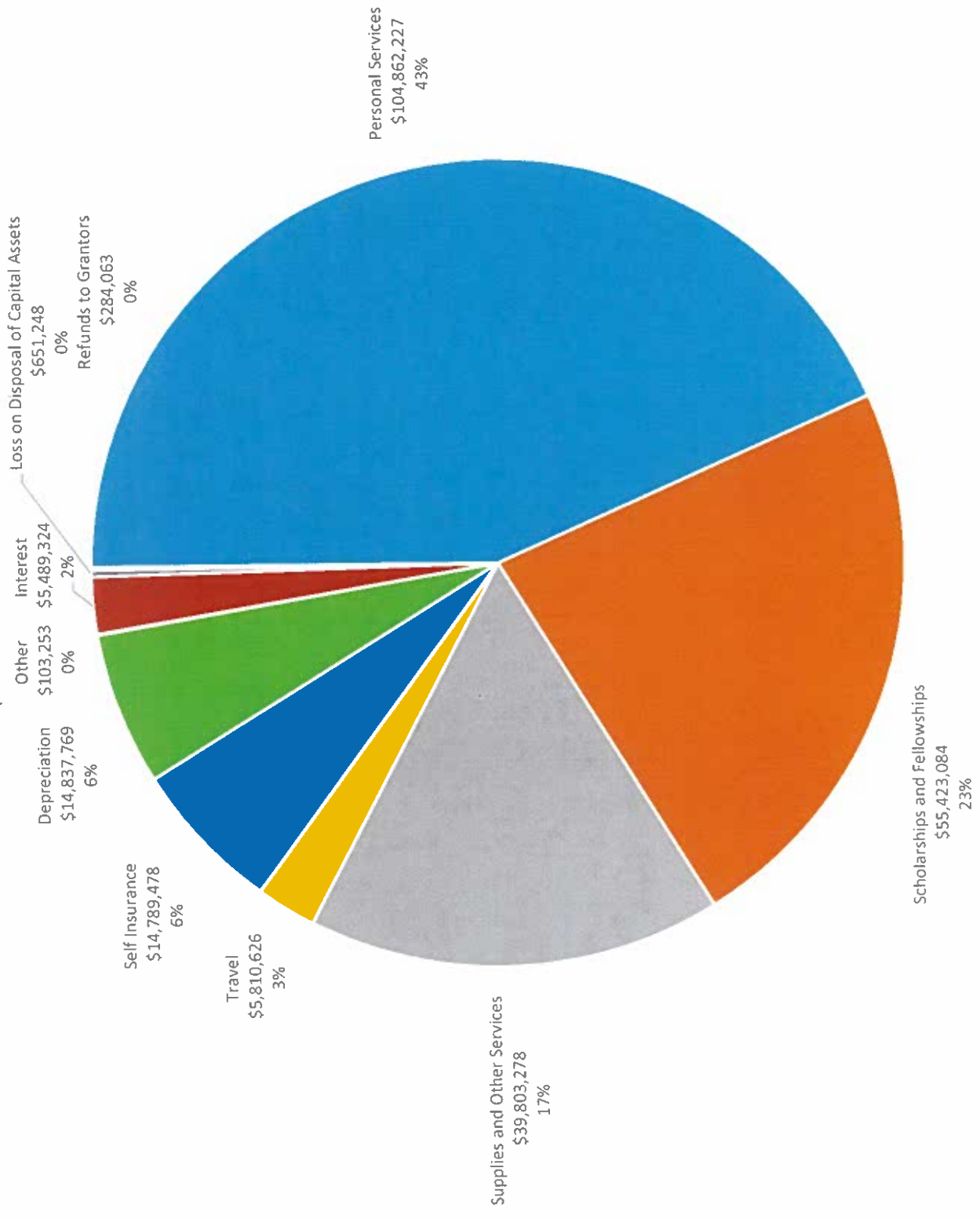


Fall Semester

Total Expenses FY 2016 - \$255,389,509



Total Expenses FY 2012 - \$242,054,350



Expense Summary

- Risk
- ✓ Mitigation

2016 Personal Services equaled \$107.2 million or 42% of the University's total expenses

- Uncontrolled changes in fringe benefit liabilities
- Mandated minimum wage increases
- Payroll tax increases
- Filling vacant positions
- Salary increases
- Consider effects on recruitment, retention and morale
- ✓ Consider fringe benefit mix
- ✓ Review employee tuition discount policy
- ✓ Review OPEB and pension obligations
- ✓ Closely monitor position and salary requests
- ✓ Continue to consider outsourcing/insourcing opportunities
- ✓ Review University contributions to employee insurance
- ✓ Consider early retirement incentives
- ✓ Consider appropriateness of staffing levels
- ✓ Consider strategic priority of salary increases

2016 Scholarships and Fellowships totaled \$56.2 million or 22% of the University's total expenses

- \$20.4 million Federal
- \$15.6 million Institutional
- \$14 million State
- \$5.4 million Auxiliary
- \$0.8 million Private
- Competition
- Uncontrolled growth/reduction in net tuition revenue
- ✓ Closely monitor competitor offerings
- ✓ Carefully consider mix of institutional scholarships
- ✓ Consider capping institutional scholarships

2016 Supplies and Other Services totaled \$44.2 million or 17% of the University's total expenses

- Inflation
- Change in sales tax laws
- Confirming requisitions/unauthorized purchases
- ✓ Closely monitor budget to actual expenses
- ✓ Budget conservatively
- ✓ Retain sales tax consultants
- ✓ Eliminate confirming requisitions and unauthorized purchases

2016 Depreciation totaled \$18.0 million or 7% of the University's total expenses

- Not funding depreciation through strategic investments in capital assets and deferred maintenance
- ✓ Continue to make strategic investments in capital assets and deferred maintenance
- ✓ Periodically review capitalization and depreciation policy
- ✓ Include depreciation expense in budget planning

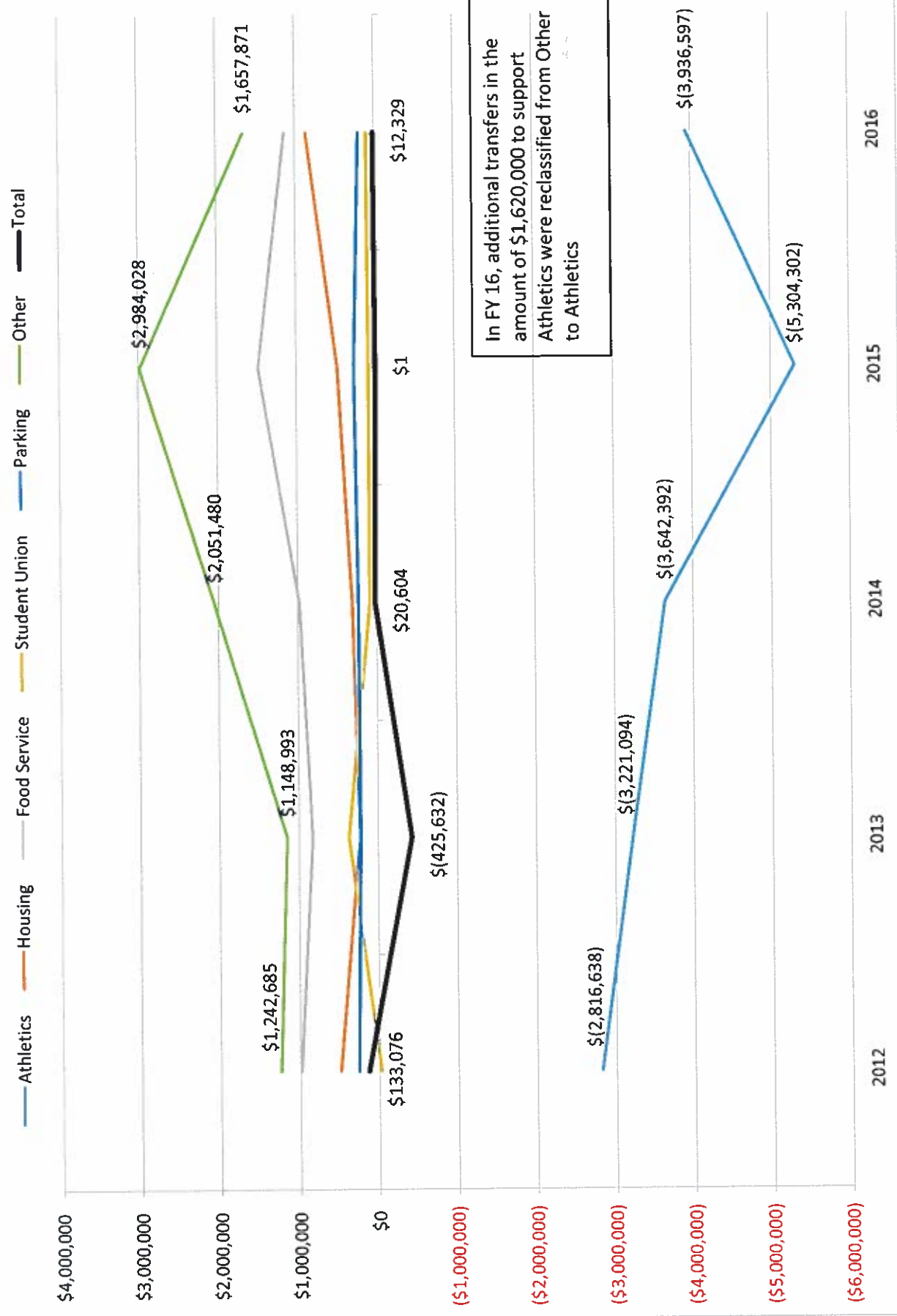
2016 Self Insurance totaled \$15.6 million of 6% of the University's total expenses

- Managed at the System level
- Increase in high dollar claims; increase in number of claims
- Uncontrolled growth in costs
- ✓ Continue to closely monitor claims and administrative expenses
- ✓ Actively promote preventive care
- ✓ Build self insurance reserves
- ✓ Review reinsurance levels

All other expenses totaled \$14.2 million or 6% of the University's total expenses

Total expense percentages in 2016 compared to 2012 remained consistent.

Auxiliary Net Profit (Loss) by Category FY 2012 - 2016



In FY 16, additional transfers in the amount of \$1,620,000 to support Athletics were reclassified from Other to Athletics

Auxiliary Summary

- Risk
- ✓ Mitigation

2016 Athletics net loss totaled \$3.9 million

- Athletic expenses will continue to outpace athletic revenue
- Athletic deficit will equal or exceed all other auxiliary net profits combined
- Reduction in game guarantees
- Inability to meet current revenue targets
- Reduction in demand
- Enrollment mix impact on athletic fee
- Disruption in ability to provide service
- Inability of Red Wolves Foundation to meet obligations
- Change in athletics legislation governing E & G support of Athletics
- Increasing pressure to compensate student athletes
- ✓ Consider additional game guarantees
- ✓ Consider extending athletic fee to all system campuses
- ✓ Review application of athletic fee to enrollment mix
- ✓ Continue to closely monitor athletic expenses
- ✓ Delay/suspend athletic capital projects
- ✓ Carefully monitor RWF financial activity
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance
- ✓ Continue to carefully monitor E & G and other auxiliaries ability to supplement athletics
- ✓ Continue to explore viability of changing conferences

2016 Housing net profit totaled \$861,785

- Housing must continue to maintain a significant profit margin to support Athletics
- Decline in demand for on-campus housing/competition
- Aging facilities/deferred maintenance
- Disruption in ability to provide service
- Shift from University owned housing to private providers
- ✓ Closely monitor on-campus housing and competitive trends/revenue opportunities
- ✓ Review current housing price structure
- ✓ Address deferred maintenance issues
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance
- ✓ Consider ancillary housing
- ✓ Housing should continue to closely control expenses

2016 Food Service net profit totaled \$1.1 million

- Food Service must continue to maintain a significant profit margin to support Athletics
- Provided by a third party contract; source of revenue is commissions
- Early contract termination would require significant repayment of capital investments
- Food Service operation highly dependent on Housing
- Disruption in ability to provide service
- ✓ Continue to actively manage third party contract
- ✓ Closely monitor pricing structure
- ✓ Continue to consider delivery location other than the Union (example food trucks, kiosks, second cafeteria, additional food court locations)
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance

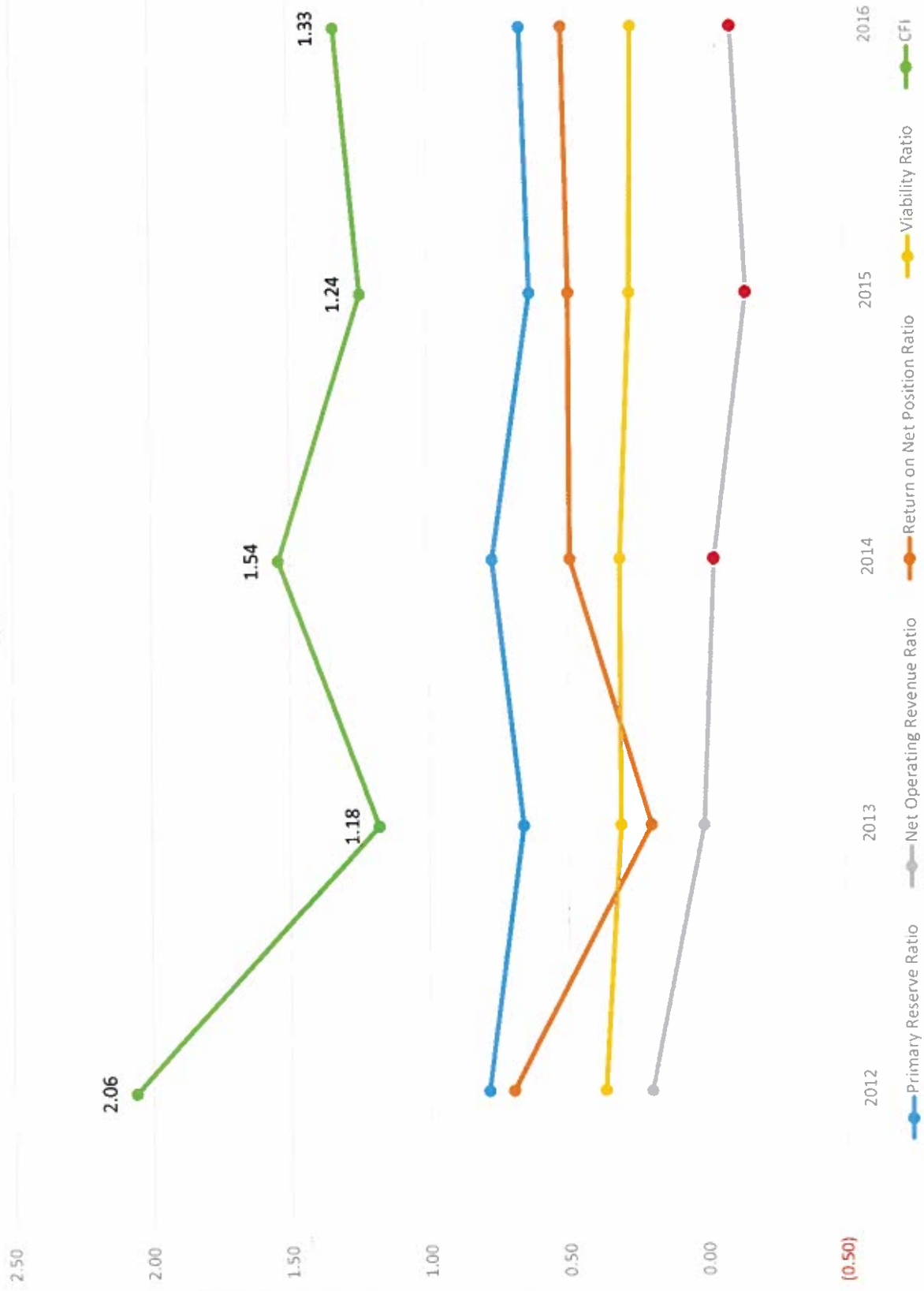
2016 Other net profits totaled \$2 million

- Convocation Center
- Disruption in ability to provide service
- Decline in demand/competition
- Aging facilities/deferred maintenance
- Scheduling constraints due to mixed use of building
- Competition with newer facilities (2 convention centers)
- ✓ Continue to aggressively recruit events
- ✓ Proactively address deferred maintenance issues as identified
- ✓ Continually review pricing structure in comparison to competition
- ✓ Continue to consider privatization options
- ✓ Maintain and test the business contingency plan
- ✓ Consider business interruption insurance
- ✓ Consider designating Convocation Center a strictly E & G activity (public service)

ASU
OTHER AUXILIARY PROFIT (LOSS)
FOR THE YEAR ENDED JUNE 30, 2016

| FUND | AUX | REV | EXP | TRANS | FUND BAL ADJ | NET PROFIT (LOSS) |
|-------------------------------|----------------------|-------------------------|-------------------------|------------------------|-----------------------|------------------------|
| 310025 | HOUSING | \$ 14,410,875.52 | \$ 5,908,995.84 | \$ 7,659,489.98 | \$ (14,306.95) | \$ 856,696.65 |
| 310031 | DELTA ZETA | \$ 149,274.80 | \$ 13,406.67 | \$ 135,868.13 | \$ - | \$ (0.00) |
| 310032 | CHI OMEGA | \$ 166,118.34 | \$ 11,438.11 | \$ 149,591.79 | \$ - | \$ 5,088.44 |
| 310033 | ZETA TAU ALPHA | \$ 146,000.04 | \$ 14,580.00 | \$ 131,420.04 | \$ - | \$ - |
| 310034 | ALPHA OMICRON PI | \$ 149,675.00 | \$ 12,829.70 | \$ 136,845.30 | \$ - | \$ - |
| 310035 | ALPHA GAMMA DELTA | \$ 154,175.49 | \$ 15,682.97 | \$ 138,492.52 | \$ - | \$ - |
| 310050 | FOOD SERVICE | \$ 1,657,279.10 | \$ 180,992.35 | \$ 57,292.11 | \$ 287,310.89 | \$ 1,131,683.75 |
| 310075 | STUDENT UNION | \$ 2,696,363.43 | \$ 1,398,820.83 | \$ 1,200,683.43 | \$ (934.96) | \$ 97,794.13 |
| 310100 | BOOKSTORE | \$ 307,615.13 | \$ 60,716.00 | | \$ (75,962.00) | \$ 322,861.13 |
| 310125 | STUDENT ORGS | \$ 142,484.12 | \$ 140,627.07 | | \$ 693.72 | \$ 1,163.33 |
| 320025 | FARMS | \$ 58,161.29 | \$ 31,503.54 | \$ - | \$ - | \$ 26,657.75 |
| 320050 | VENDING | \$ 244,155.19 | \$ 6,075.94 | | \$ (88,913.74) | \$ 326,992.99 |
| 320075 | CONVOCATION | \$ 1,069,621.78 | \$ 1,489,131.13 | \$ (886.59) | \$ (31,460.95) | \$ (387,161.81) |
| 320100 | POST OFFICE | \$ 17,116.75 | | | | \$ 17,116.75 |
| 320150 | PARKING | \$ 1,392,987.59 | \$ 605,320.27 | \$ 587,020.68 | \$ 854.07 | \$ 199,792.57 |
| 320200 | PROPERTY MGMT | \$ 113,905.00 | \$ 2,123.14 | | | \$ 111,781.86 |
| 350000 | UNDESIGNATED* | | \$ 385,553.65 | \$ (1,624,012.65) | | \$ 1,238,459.00 |
| TOTAL | | \$ 22,875,808.57 | \$ 10,277,797.21 | \$ 8,571,804.74 | \$ 77,280.08 | \$ 3,948,926.54 |
| 310000 ATHLETICS | | \$ 11,787,124.69 | \$ 18,612,866.66 | \$ (2,797,435.00) | \$ (91,709.78) | \$ (3,936,597.19) |
| TOTAL | | \$ 34,662,933.26 | \$ 28,890,663.87 | \$ 5,774,369.74 | \$ (14,429.70) | \$ 12,329.35 |
| TO LINE 13--OTH AUX PROFIT | | | | | | \$ 3,936,597.19 |
| | | | | | | \$ 3,936,597.19 |
| CHECK | | | | | | |
| | FY 2015 FUND BALANCE | | \$ 60,009.00 | | | |
| | FY 2016 ACTIVITY | | \$ 12,329.35 | | | |
| | FY 2016 FUND BALANCE | | <u>\$ 72,338.35</u> | | | |
| | FUND BAL | | \$ 72,338.35 | | | |
| | CHECK | | \$ 0.00 | | | |
| *Rivervale Endowment | | \$ 39,201.00 | | | | |
| Card Readers | | \$ 385,553.65 | | | | |
| Transfer from Housing | | \$ 436,575.00 | | | | |
| Athletic Scholarship Transfer | | \$ 762,683.00 | | | | |
| | | <u>\$ 1,624,012.65</u> | | | | |

Composite Financial Index (CFI) 5 Year History (Without Foundation and With GASB 68 Adjustments)



(0.50)

Composite Financial Index (CFI) Information and Methodology

The Composite Financial Index (CFI) provides a more complex picture of the financial health of the institution at a point in time than is possible by simply comparing multiple indicators.

Examining the trend of an institution's CFI score over an extended period offers a more stable long-term view of an institution's financial performance, given fluctuations in institutional conditions, and external circumstances, such as market performance.

The CFI Methodology

This method was developed by KPMG, Prager, Sealy & Co., LLC, and Bearing Point, Inc. The CFI includes four commonly used financial ratios:

- Primary Reserve Ratio – A measure of the level of financial flexibility
- Net Operating Revenues Ratio – A measure of the operating performance
- Return on Net Position Ratio – A measure of overall asset return and performance
- Viability Ratio – A measure of the ability to cover debt with available resources

Once each of the four ratios is calculated, the relative strength of the score, or strength factor, and its importance in the mix of creating a composite score, or weight, are computed. The result is one weighted score for each indicator that when added together produces the Composite Financial Index. The strength factors and CFI score are standardized scores that fall along a scale of -4 to 10.

Financial Indicator Process

The Higher Learning Commission (HLC) reviews accredited and candidate institutions' financial information to determine whether an institution operates with integrity in its financial functions.

Each year, institutions provide data to HLC through the Institutional Update. The Institutional Update includes financial data, which is reviewed through HLC's Financial Indicator Process.

The financial data submitted in the Institutional Update generate a Composite Financial Index (CFI). For private institutions, HLC uses the financial ratios required by the U.S. Department of Education and for public institutions, HLC relies on the financial ratios recommended in *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC.

HLC's Financial Composite Index Evaluation Table illustrates the Composite Index Ratio zones that flag an institution for further review.

Composite Financial Index Evaluation Table

| Zones | Private Institutions Composite Index Range | Public Institutions Composite Index Range | Financial Panel Review |
|----------------|--|---|---|
| ABOVE THE ZONE | 1.5 to 3.0 | 1.1 to 10.0 | No review |
| IN THE ZONE | 1.0 to 1.4 | 0 to 1.0 | Review if flagged two or more consecutive years, request additional financial documents |
| BELOW THE ZONE | -1.0 to 0.9 | -1.0 to -0.1 | Review and request additional financial documents |

Definitions:

Composite Index Range – The range of ratios based on institution-type that may result in additional review.

2015

2016

| Financial Ratios | | | | | |
|--|---|-----------------|---------------|-------------|--------------|
| Primary Reserve Ratio Calculation: | | | | | |
| | | Data | Strength | Weight | CFI |
| Institution unrestricted net assets | + | 45,686,897.0 | | | |
| Institution expendable restricted net assets | + | 3,421,286.0 | | | |
| C.U. unrestricted net assets | + | 2,418,922.0 | | | |
| C.U. temporary restricted net assets | + | 4,734,662.0 | | | |
| C.U. net investment in plant | - | 985,017.0 | | | |
| Numerator Total | | 55,276,750.0 | | | |
| Institution operating expenses | + | 200,809,737.0 | | | |
| Institution non-operating expenses | + | 5,827,941.0 | | | |
| Elimination of inter-entity amounts | + | 0.0 | | | |
| C.U. total expenses | + | 3,911,431.0 | | | |
| Denominator Total | | 210,549,109.0 | | | |
| Primary Reserve Ratio = | + | 0.263 | 1.974 | 0.35 | 0.69 |
| Net Operating Revenue Ratio Calculation: | | | | | |
| Institution operating income (loss) | + | (104,976,315.0) | | | |
| Institution net non-operating revenues | + | 100,989,779.0 | | | |
| C.U. change in unrestricted net assets | + | (60,297.0) | | | |
| Elimination of inter-entity amounts | + | 0.0 | | | |
| Numerator Total | | (4,046,833.0) | | | |
| Institution operating revenues | + | 95,833,422.0 | | | |
| Institution non-operating revenues | + | 106,817,720.0 | | | |
| C.U. total unrestricted revenues | + | 3,926,839.0 | | | |
| Elimination of inter-entity amounts | + | 0.0 | | | |
| Denominator Total | | 206,577,981.0 | | | |
| Net Operating Revenue Ratio = | + | -0.020 | -1.507 | 0.10 | -0.15 |
| Return on Net Assets Ratio Calculation: | | | | | |
| Change in net assets + C.U. change in net assets | | 4,072,983.2 | | | |
| Total net assets + C.U. total net assets (beginning of year) | | 277,303,019.2 | | | |
| Return on Net Assets Ratio = | + | 0.015 | 0.734 | 0.20 | 0.15 |
| Viability Ratio Calculation: | | | | | |
| Expendable net assets | | 55,276,750.0 | | | |
| Institution long-term debt (total project related debt) | + | 193,370,188.0 | | | |
| C.U. long-term debt (total project related debt) | + | 0.0 | | | |
| Denominator Total = | | 193,370,188.0 | | | |
| Viability Ratio = | + | 0.286 | 0.686 | 0.35 | 0.24 |
| COMPOSITE FINANCIAL INDICATOR SCORE (CFI) | | | | | 0.93 |

| | Data | Strength | Weight | CFI |
|--|-----------------|----------|--------|-------|
| | 45,686,897.0 | | | |
| | 3,421,286.0 | | | |
| | 2,418,922.0 | | | |
| | 4,734,662.0 | | | |
| | 985,017.0 | | | |
| | 55,276,750.0 | | | |
| | 203,527,887.7 | | | |
| | 7,554,766.8 | | | |
| | 0.0 | | | |
| | 3,911,431.0 | | | |
| | 214,994,085.6 | | | |
| | 0.257 | 1.933 | 0.35 | 0.68 |
| | (108,337,224.7) | | | |
| | 99,262,953.2 | | | |
| | (60,297.0) | | | |
| | 0.0 | | | |
| | (9,134,568.6) | | | |
| | 95,833,422.0 | | | |
| | 106,817,720.0 | | | |
| | 3,926,839.0 | | | |
| | 0.0 | | | |
| | 206,577,981.0 | | | |
| | -0.044 | -3.401 | 0.10 | -0.34 |
| | 8,724,055.4 | | | |
| | 276,660,260.2 | | | |
| | 0.032 | 1.577 | 0.20 | 0.32 |
| | 55,276,750.0 | | | |
| | 190,578,308.1 | | | |
| | 0.0 | | | |
| | 190,578,308.1 | | | |
| | 0.290 | 0.696 | 0.35 | 0.24 |
| | | | | 0.90 |

Notes:

2015 has been adjusted from the statements; the GASB 68 entries were eliminated for comparison (highlighted in yellow)

| | |
|---|------------------|
| Amounts in green include debt after 6-30-15 | |
| DO School | \$ 8,000,000.00 |
| Performance Contract | \$ 15,226,080.00 |
| ARRA Loans | \$ 1,204,000.00 |
| Centennial Loan | \$ 17,000,000.00 |

This debt and the corresponding assets were added to the FY 15 audited amounts.
 The FY 16 projection is a projection holding all other amounts equal and adding the depreciation and repayment of debt for the above.

ASU Jonesboro
Capital Projects
As of 1-27-17

| Project | Total Projected Cost | Prior Year Funding | FY 17 Funding | | Funding Source |
|---|----------------------|----------------------|---------------------|-------------------|--|
| | | | Planned | Unplanned Pending | |
| Energy Performance Contract | \$ 15,216,080 | \$ 15,216,080 | | | Capital Lease |
| Marion Berry-University Loop Extension | \$ 1,540,000 | \$ 679,848 | \$ 150,000 | \$ 710,152 | University Reserves |
| Convocation Center Fire Alarm/Fire Protection | \$ 943,250 | \$ 571,084 | | | University Reserves |
| IT Services Communications Room Fire Suppression | \$ 180,000 | \$ 116,856 | \$ 745,880 | \$ 1,754,120 | University Reserves |
| Football Stadium Drainage System | \$ 2,500,000 | | | \$ 200,000 | Insurance/University Reserves |
| Armory Roof Replacement | \$ 200,000 | | | | Not Yet Identified |
| Village Apartments Repairs and Modifications | \$ 6,343,509 | \$ 6,343,509 | | | University Reserves |
| Aggie Road Resurface/New Curb and Shoulder | \$ 850,000 | | \$ 834,210 | | University Reserves |
| Library Envelope Waterproofing/Roof Repair | \$ 585,564 | | \$ 574,470 | | University Reserves |
| Track Resurface | \$ 549,994 | \$ 549,994 | | 11,171 | University Reserves |
| Collegiate Park Repairs | \$ 520,521 | \$ 520,521 | | | Auxiliary Funds |
| Fowler Center Envelope Waterproofing/Roof Repair | \$ 300,000 | \$ 15,000 | \$ 11,000 | \$ 274,000 | University Reserves |
| Ed Leadership HVAC | \$ 290,800 | \$ 290,800 | | | GIF/University Reserves |
| ABI Sterilization Replacement | \$ 273,461 | \$ 273,461 | | | ABI Appropriation |
| Parking Deck Repairs | \$ 243,617 | \$ 130,000 | \$ 113,617 | | Auxiliary Funds |
| HPESS Roof | \$ 225,000 | \$ 222,310 | \$ 6,000 | \$ 219,000 | University Reserves/Deferred Maintenance Funds |
| E W Smith Hall Step Replacements | \$ 220,000 | \$ 15,000 | | \$ 205,000 | Deferred Maintenance Funds |
| Kays House Restoration | \$ 226,500 | | \$ 226,500 | | University Reserves |
| Aggie Circle | \$ 180,000 | \$ 180,000 | | | ANCRC Grant/Foundation Transfer |
| IT Services Server Room HVAC Replacement | \$ 170,000 | | | \$ 170,000 | Humanities Bond Funds |
| Convocation Center Generator Replacement | \$ 130,000 | \$ 133,477 | | | University Reserves |
| Math and Computer Science Roof Replacement | \$ 127,818 | \$ 127,818 | | | University Reserves |
| Parking Lot and Roadway Maintenance | \$ 100,000 | | \$ 1,420 | | GIF |
| College of NHP Cadaver Lab | \$ 95,000 | \$ 95,000 | | | Annual Budget Allocation from E & G |
| Math Exterior Envelope and Interior Renovations | \$ 90,000 | \$ 30,000 | \$ 2,928 | \$ 57,072 | University Reserves |
| ABI Exhaust Fans Replacement | \$ 63,071 | \$ 66,633 | | | Deferred Maintenance Funds |
| Repair Red Wolf Brick and Pipe | \$ 50,000 | | \$ 49,101 | | ABI Appropriation |
| Athletic Buildings Key Re-core | \$ 50,000 | | | \$ 50,000 | University Reserves |
| Ed Leadership Carpet Replacement | \$ 50,000 | | | \$ 50,000 | Deferred Maintenance Funds |
| Fowler Center-Riceland Hall | \$ 40,000 | | | \$ 40,000 | Deferred Maintenance Funds |
| FY 17 Planned Capital and Maintenance Projects | \$ 32,576,495 | \$ 25,577,391 | \$ 2,715,126 | \$ 11,171 | \$ 3,729,344 |
| Watkins House Demolition | \$ 24,316 | \$ 23,898 | | \$ 418 | University Reserves |
| RV Stations-Baseball Parking Lot | \$ 60,000 | \$ 10,000 | | \$ 50,000 | University Reserves |
| Agri Parking Lot | \$ 9,400 | \$ 9,400 | \$ 62,305 | | Deferred Maintenance Funds/Parking Lot Funds |
| Bradbury Museum Remodel | \$ 99,842 | \$ 88,042 | | \$ 11,800 | Foundation Transfer/Deferred Maintenance Funds |
| COB Rm 201 Renovations | \$ 55,073 | \$ 20,000 | | \$ 35,073 | Departmental Budget |
| Driver Street | \$ 10,000 | | | \$ 10,000 | University Reserves |
| College of Business Sidewalks | \$ 8,890 | \$ 8,890 | | \$ 8,890 | Deferred Maintenance Funds |
| Women Business Leadership Ctr-117 | \$ 81,030 | \$ 81,030 | | \$ 81,030 | Foundation Transfer |
| ARC Flash Requirements | \$ 10,000 | \$ 10,000 | | \$ 10,000 | Deferred Maintenance Funds |
| Collegiate Park Rm 618 Remediation | \$ 72,418 | \$ 72,418 | | \$ 72,418 | Auxiliary Funds |
| Agri Bldg AHU Replacement | \$ 7,000 | \$ 7,000 | | \$ 7,000 | Deferred Maintenance Funds |
| Kays House Roof | \$ 31,388 | \$ 31,388 | | \$ 31,388 | Deferred Maintenance Funds |
| Football Field Parking | \$ 42,456 | \$ 42,456 | | \$ 42,456 | Auxiliary Funds/Deferred Maintenance Funds/Parking Lot Funds |
| Collegiate Park-114 | \$ 17,363 | \$ 17,363 | | \$ 17,363 | Auxiliary Funds |
| Village-Pine 11 | \$ 13,859 | \$ 13,859 | | \$ 13,859 | Auxiliary Funds |

| Project | Total Projected Cost | Prior Year Funding | | FY 17 Funding | | Funding Source |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|-------------------------------------|
| | | Planned | Unplanned | Pending | | |
| Library Speaker | \$ 15,000 | | \$ 15,000 | | | Deferred Maintenance Funds |
| Zeta House Repairs | \$ 7,290 | | \$ 7,290 | | | Auxiliary Funds |
| Village Houses Roof Repair | \$ 39,888 | | \$ 39,888 | | | Auxiliary Funds |
| Innovation Center | \$ 32,558 | | \$ 32,558 | | | University Reserves |
| Fine Arts ADA Restrooms | \$ 30,000 | | \$ 30,000 | | | Deferred Maintenance Funds |
| Union Coolers-Freezers, Phase II | \$ 20,000 | | \$ 20,000 | | | Departmental Budget |
| Fine Arts Recital Hall | \$ 32,100 | | \$ 32,100 | | | Deferred Maintenance Funds |
| Village-Aspen Water Damage | \$ 38,162 | | \$ 38,162 | | | Auxiliary Funds |
| Ed Comm Rm 141 | \$ 16,900 | | \$ 16,900 | | | Departmental Budget |
| Art Annex Security Cameras | \$ 6,000 | | \$ 6,000 | | | University Reserves |
| Red Wolf Center Gym Floor | \$ 12,582 | | \$ 12,582 | | | Departmental Budget |
| Residence Hall Wireless Upgrade | \$ 665,265 | | \$ 665,265 | | | Internal Loan to Residence Life |
| Kays Hall Roof Repair | \$ 88,595 | | \$ 88,595 | | | Auxiliary Funds |
| HPESS Shower Repairs | \$ 10,000 | | \$ 10,000 | | | Deferred Maintenance Funds |
| Fac Mgmt Roof and Concrete Work | \$ 13,000 | | \$ 13,000 | | | Deferred Maintenance Funds |
| Library Carpet Replacement | \$ 29,931 | | \$ 29,931 | | | Departmental Budget |
| Arkansas Hall-Fan Coil Units | \$ 2,375 | | \$ 2,375 | | | Auxiliary Funds |
| University Hall-Fan Coil Units | \$ 2,375 | | \$ 2,375 | | | Auxiliary Funds |
| Collegiate Park Clubhouse | \$ 1,500 | | \$ 1,500 | | | Auxiliary Funds |
| Classroom Projects-FY 17 | \$ 100,000 | | \$ 100,000 | | | Deferred Maintenance Funds |
| Misc Projects under \$10,000-FY 17 | \$ 50,000 | | \$ 50,000 | | | Deferred Maintenance Funds |
| B, G and F-FY 17 | \$ 30,000 | | \$ 30,000 | | | Annual Budget Allocation from E & G |
| Operations-FY 17 | \$ 35,000 | | \$ 35,000 | | | Deferred Maintenance Funds |
| FY 17 Unplanned Capital and Maintenance Projects | \$ 1,821,554 | \$ 151,340 | \$ 1,670,214 | \$ - | | |
| Total Projects | \$ 34,398,049 | \$ 25,728,731 | \$ 2,777,431 | \$ 1,681,385 | \$ 3,729,344 | |

Projects that are funded at a different amount than projected