HIGHER EDUCATION COORDINATING COMMISSION

FINANCIAL CONDITION ANALYSIS OF OREGON PUBLIC UNIVERSITIES

2020

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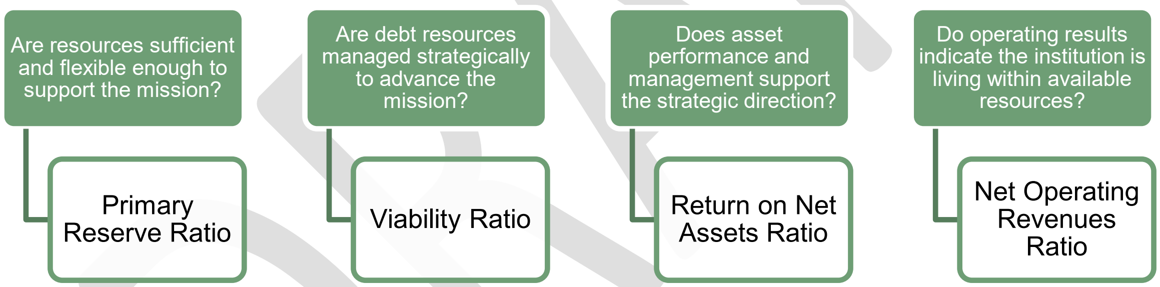
OVERVIEW

This report contains a broad financial evaluation of each of Oregon's seven public universities. The objective of this report is to identify institutions in which the potential for financial stress exists. It is important to note that other key performance indicators must be taken into account to gain a more complete indication of institutional strength, we are focusing only on financial analysis. The process starts with the identification of relevant financial indicators after which standards are defined. The extent to which an institution meets all the standards will then provide an indication as to whether the institution could potentially experience financial stress in the future. The best analysis is to compare an institution to itself over time, rather than peer to peer analysis.

FINANCIAL ANALYSIS IN HIGHER EDUCATION

The overall financial health of an institution can be assessed via two dimensions of inquiry. First, is the institution financially capable of successfully carrying out its current programs? Second, is the institution able to carry out its intended programs well into the future? Along those two dimensions, four key financial questions need to be asked. A financial ratio is designed to measure the answer for each question.



Primary Reserve Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

This ratio measures the financial strength and flexibility of the institution by comparing expendable net assets to total expenses, providing a snapshot of how long the institution could continue operating without additional revenue. A decline in the primary reserve ratio indicates expenses are growing faster than revenues and certainly faster than the growth in expendable net assets.

Viability Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

The viability ratio measures one of the most basic elements of financial health: expendable net assets available to cover debt should the institution need to immediately settle its obligations. This ratio is similar to a coverage ratio used in the private sector to indicate the ability of an organization to cover its long term debt. Expendable net assets are those resources that are readily available to the institution. They are not restricted physically like capital assets or legally like donor assets that are restricted for a specific purpose. Ideally, an institution would have enough expendable resources available to more than cover debt.

Return on Net Assets Ratio

$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

This ratio measures total economic return during the fiscal year. It answers the question "are they better off financially than they were a year ago?" It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investments. A temporary decline in this ratio could be reasonable should it reflect a strategy to improve the institution's condition.

Net Operating Revenues Ratio

$$\frac{\text{Net Operating Income}}{\text{Total Operating Revenue}}$$

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. Continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

Composite Financial Index

A widely accepted metric called the Composite Financial Index (CFI) is often used to address these four key questions. The CFI blends the four core financial ratios into one metric, providing a more balanced view of an institutions finances. Measuring the index over time provides a glimpse as to the progress institutions are making toward achieving financial goals.

We have calculated the CFI for Oregon's seven public universities for the past three fiscal years (2017, 2018, 2019). Over time we hope to gain more of an understating of the financial health of each institution, and be in a position to better recognize when an institution is in financial stress.

BENCHMARKS

Ratio	Benchmark
Primary Reserve Ratio	>0.4
Viability Ratio	>1.0
Return on Net Assets	>6%
Net Operating Revenues	>4%
Composite Financial Index	No Benchmark
Adjusted CFI*	>3.0
*adjusted to remove pension and OPEB related liabilities	

GASB/FASB

Changes in accounting practice can affect the calculations. For example, Governmental Accounting Standards Board (GASB) Statements No. 68, 71 and 75 attempt to improve financial reporting by accounting for pension-related and other postemployment benefit (OPEB) liabilities. The impact of these statements was the reduction in expendable net assets leading to a reduction in both the primary reserve and viability ratios as well as higher benefits expense leading to a reduction in the net operating revenues ratio. The additional liability is significant, accounting for approximately one third of total liabilities. We have calculated the CFI both with these liabilities and also adjusted to remove them. The value of pension and OPEB liabilities is actuarially determined and subject to a number of assumptions driven by demographics and other factors. The discount rate assumption is particularly sensitive; each 1% change equals a 25-30% change in net liability.

Effective for FY2019, new guidance was issued by the Financial Accounting Standards Board (FASB) in Accounting Standards Update (ASU) 2016-14 (topic 958) which altered the categories of net assets presented for the foundations. Consequently, the calculation of expendable net assets was affected. Two ratios use the expendable net assets.

ENROLLMENT

Consistent enrollments are considered integral to financial health. Fluctuations in enrollment can cause volatility in formula funding. Also, tuition and fee revenue is dependent on enrollment since charges are normally applied on a per credit hour basis.

The Strategic Capital Development Plan states that "barring significant changes in recruitment or retention, Oregon's public four-year institutions will see very little change in FTE enrollments between 2018-19 and 2029-30, peaking with just over 1,800 additional FTE in 2025-26 before experiencing a rather abrupt decline over just a couple of years." Statewide, institutions are fairly equally dependent on state funding and tuition for their continuing financial stability. In FY2019, 57% of total education revenue was student tuition. This means that overall, our public universities need to look to increase enrollment to prepare for potential decreases in state funding.

Enrollment data for all seven institutions is included in the appendix.

DATA SOURCES

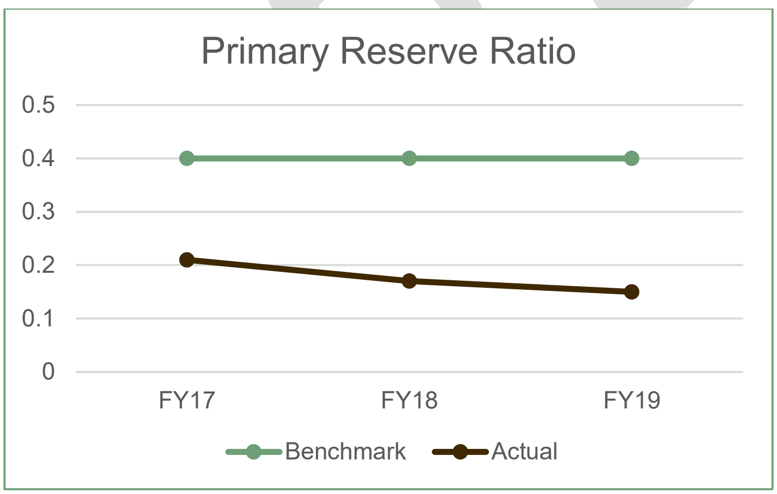
Data for the calculations in this report came from the Audited Financial Reports published by each institution, as well as the Audited Financial Statements published by each university's foundation(s). Enrollment data came from HECC's Office of Research and Data.

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.15	0.17	0.21	>0.4
Viability Ratio	0.41	0.44	0.49	>1.0
Return on Net Assets	2.2%	3.8%	-0.2%	>6%
Net Operating Revenues	-3.9%	-8.3%	-2.9%	>4%
Composite Financial Index	0.66	0.56	0.72	No Benchmark
Adjusted CFI*	4.14	2.20	4.14	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

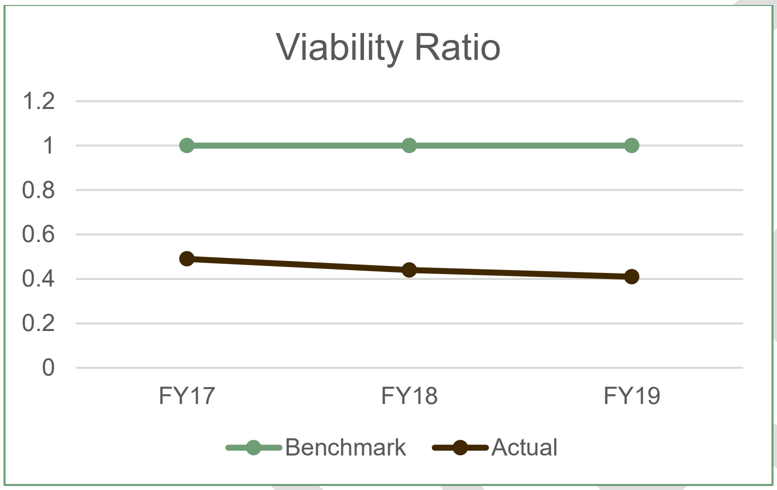


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$12,284	$10,268	$9,302
University/Foundation	*$6,355/$5,929*	*$2,925/$7,343*	*$3,305/$5,997*
Expenses	$58,004	$59,887	$62,597

EOU's primary reserve ratio has declined over the past three years, likely due to the drop in expendable net assets, and is below the benchmark. A low primary reserve ratio indicates that available resources are not sufficient or flexible enough to support the institution's mission. This could leave the institution without the means to invest in new programs or opportunities without additional revenue.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

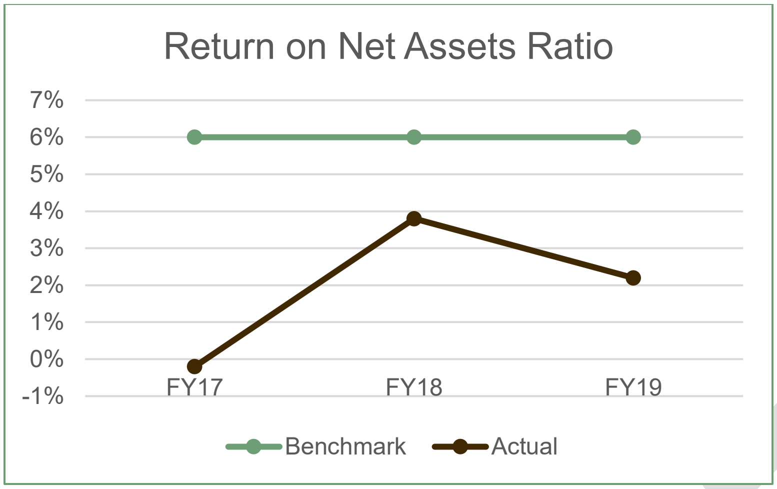


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$12,284	$10,268	$9,302
Total Long-Term Debt	$25,014	$23,474	$22,823

EOU's viability ratio has decreased over the past three years and is below the benchmark. The value of total expendable net assets has decreased by 24.2% from FY 17 to FY 19. The most significant factors in this were salary increases and benefit increases in PERS and health care rates, both of which occurred largely in FY 18. EOU's viability ratio has declined from FY 17 to FY 19 to the point where they can cover 41 cents out of every dollar currently owed. A viability ratio at this level indicates the institution needs to consider the use of debt in service of its mission.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

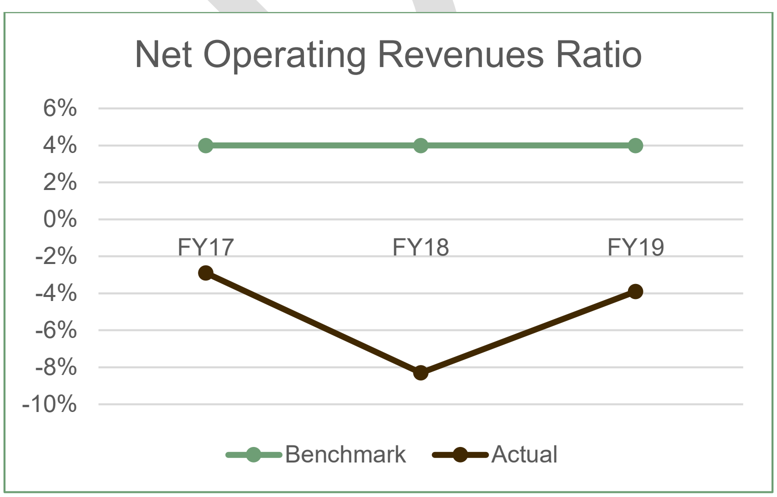


Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	($145)	$2,603	$1,568
Total Beginning Net Position	$68,992	$68,274	$70,877

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investments. EOU showed slight improvement in this ratio over the past three years, although it is not much above 0%.

NET OPERATING REVENUES RATIO

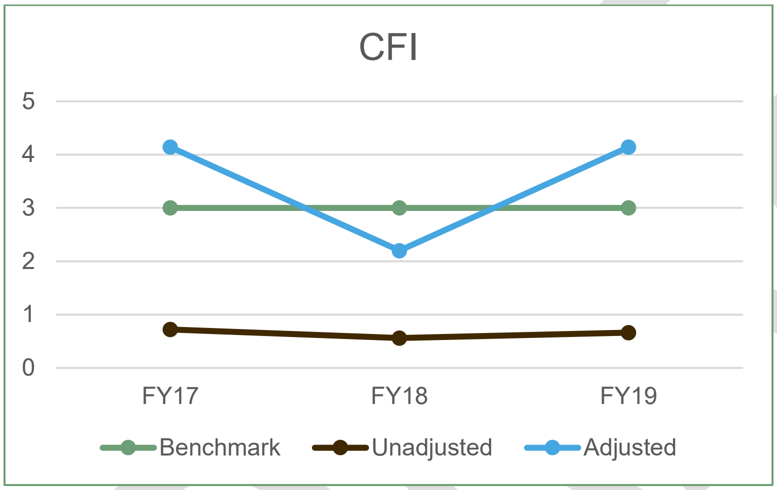
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($1,622)	($4,586)	($2,322)
Total Operating Revenues	$55,635	$55,301	$60,275

EOU's net operating revenues ratio remained relatively stable the past three years, although negative during all three years. Continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

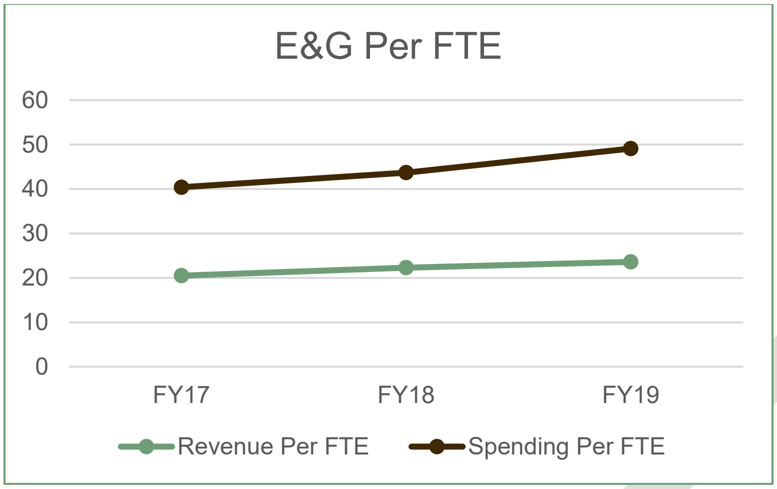
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, EOU is in a stable financial position. EOU deserves credit for stabilizing their institution coming out of the financial conditions placed on them at the time of their board's creation in 2015. Still, EOU's financial position is potentially precarious and sensitive to enrollment changes as well as the balance between state formula revenues and other sources of revenue.

EDUCATION AND GENERAL

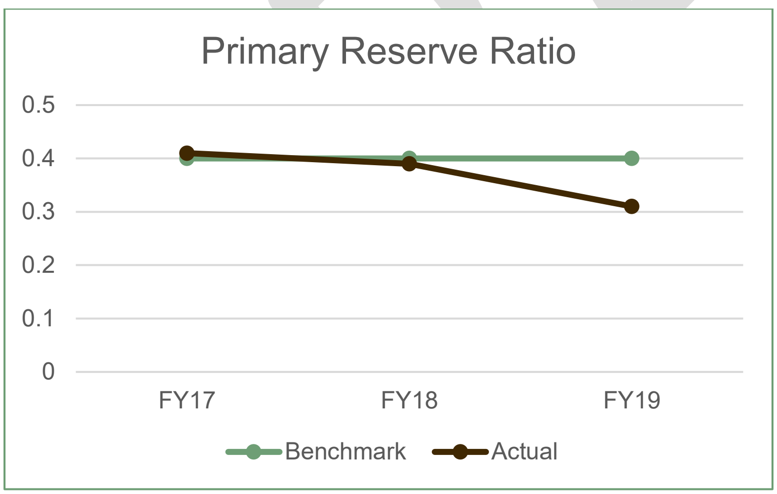


FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.31	0.39	0.41	>0.4
Viability Ratio	0.73	0.83	0.79	>1.0
Return on Net Assets	10.6%	8.0%	8.2%	>6%
Net Operating Revenues	-3.9%	-8.6%	2.1%	>4%
Composite Financial Index	2.18	1.85	2.73	No Benchmark
Adjusted CFI*	3.09	2.74	4.76	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

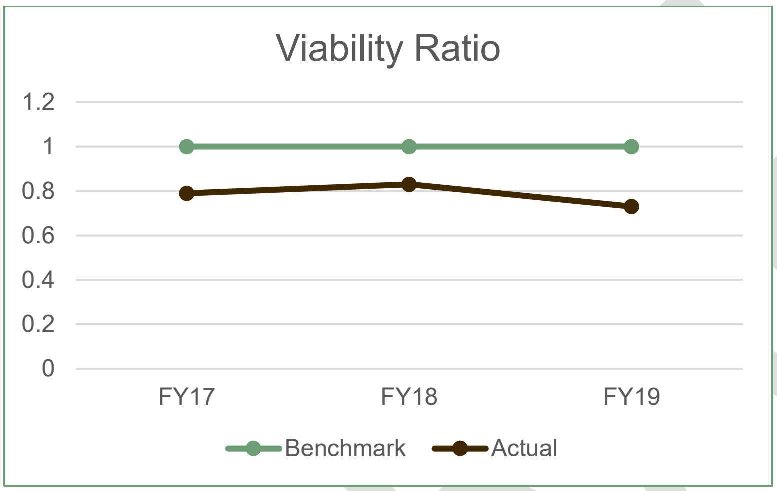


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$32,300	$32,538	$30,386
University/Foundation	*$16,678/$15,622*	*$13,098/$19,440*	*$10,313/$20,073*
Expenses	$78,147	$84,064	$98,770

OIT's primary reserve ratio had been right at the benchmark in FY 17 and FY 18 but fell in FY 19. OIT staff indicate this is partially due to increases in expenses related to the Oregon Manufacturing Innovation Center (OMIC) which is a component of the overall expense base. With no other significant, extraordinary draws on reserves, OIT is maintaining its reserves at a reasonable level by balancing expenses with revenues. Still, this could leave the institution without the means to invest in new programs or opportunities without additional revenue.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

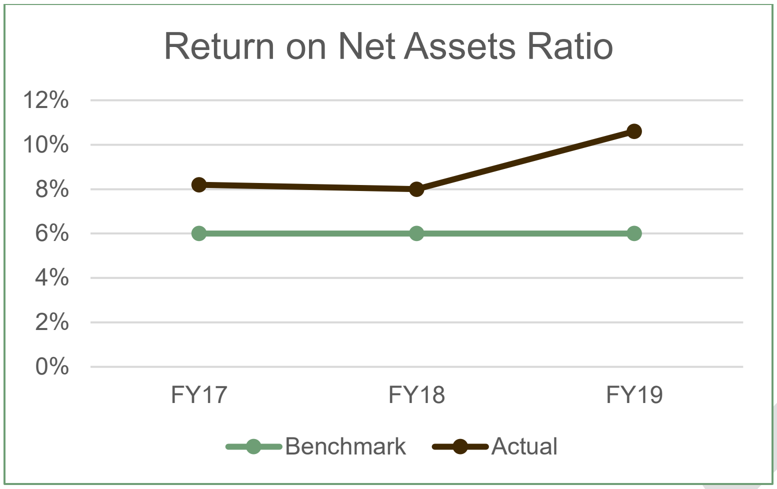


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$32,300	$32,538	$30,386
Total Long-Term Debt	$41,091	$39,343	$41,840

OIT's expendable net assets fell 5.9% from FY 17 to FY 19 with this drop occurring entirely in FY 19. By the same token, OIT's viability ratio increased slightly between FY 17 and FY 18 and decreased in FY 19 to the point where it could cover just under three fourths of every dollar currently owed with currently available assets. As a result, and although their viability ratio is below the benchmark, it appears the institution is in a relatively stable position.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

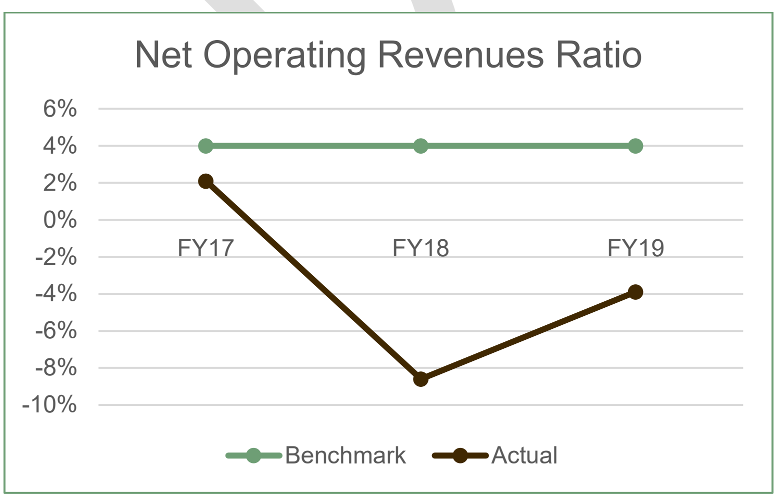


Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$7,754	$8,121	$11,618
Total Beginning Net Position	$94,403	$101,391	$109,512

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. OIT's performance on this ratio was both stable and above the established benchmark during the past three years.

NET OPERATING REVENUES RATIO

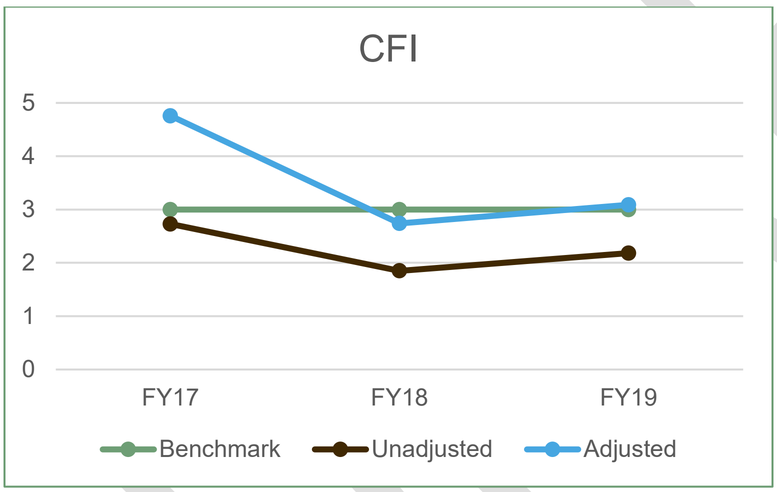
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	$1,612	($6,787)	($3,700)
Total Operating Revenues	$77,782	$78,980	$95,070

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. OIT's net operating revenues ratio has been negative the past three years and has decreased slightly since FY 17. Although the losses are relatively small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

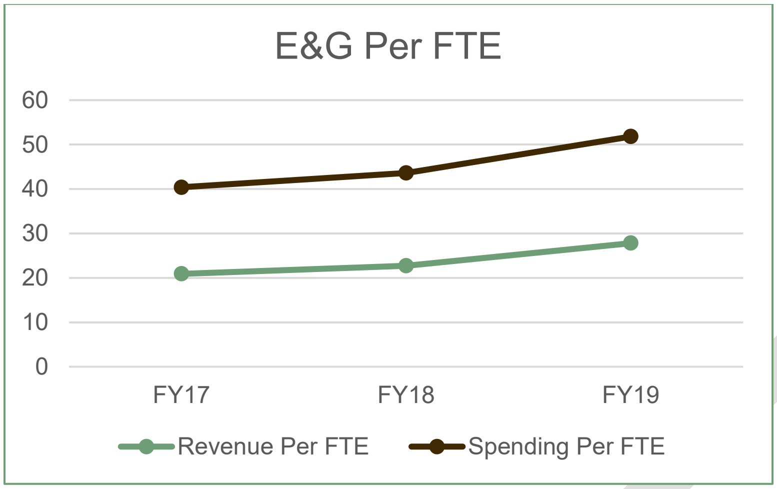
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, OIT remains financially stable with a relatively strong financial position. Short-term declines in their financial ratios in the past year, due in part to extraordinary OMIC expenses, are not likely indicative of any longer term financial risk.

EDUCATION AND GENERAL

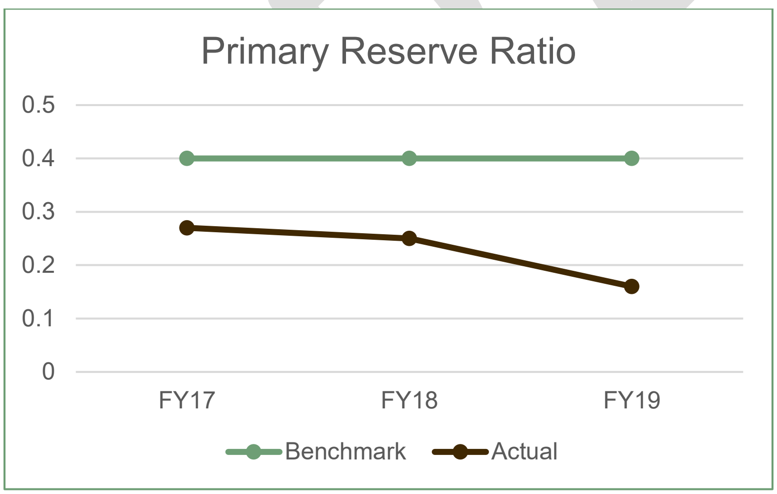


FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.16	0.25	0.27	>0.4
Viability Ratio	0.33	0.63	0.71	>1.0
Return on Net Assets	4.0%	3.4%	4.2%	>6%
Net Operating Revenues	-2.6%	-4.6%	-2.3%	>4%
Composite Financial Index	0.89	1.18	1.54	No Benchmark
Adjusted CFI*	2.10	2.40	4.57	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

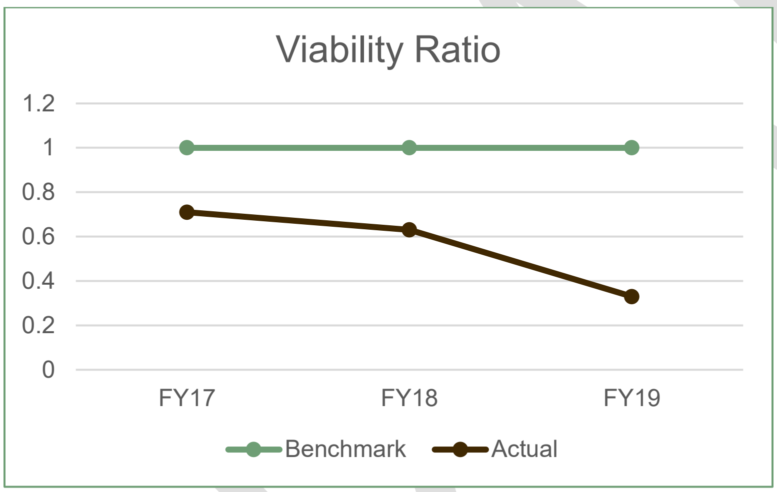


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$330,750	$329,397	$213,682
University/Foundation	*$37,551/$293,199*	*$2,087/$327,310*	*($38,736)/$252,418*
Expenses	$1,235,207	$1,306,489	$1,356,898

OSU's primary reserve ratio was relatively steady from FY 17 to FY 18 and dropped significantly in FY 19, at a level well short of the established benchmark. Overall, OSU's expendable net assets dropped 35.4% from FY 17 to FY 19, with almost all of that drop occurring from FY 18 to FY 19. The reasons for this drop are largely twofold. First, accounting rule changes on foundation assets, which principally impacted the much larger of OSU's two foundations, OSU's main foundation, saw a $70M drop in expendable assets even as foundation assets overall increased. It did not have as much of an impact on OSU's second foundation, its agricultural research foundation, whose assets are a small fraction of the main foundation's to begin with. Second, OSU's capital assets increased $70M from FY 18 to FY 19 as projects were completed, an increase which is subtracted out of their expendable net assets. Overall, OSU's primary reserve ratio equates to two months' worth of expenses, which puts them at some risk if revenues were to decline. However, OSU's positon may be somewhat stronger than this as their foundation assets actually increased, indicating that they may have some more flexibility than it might appear at first.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

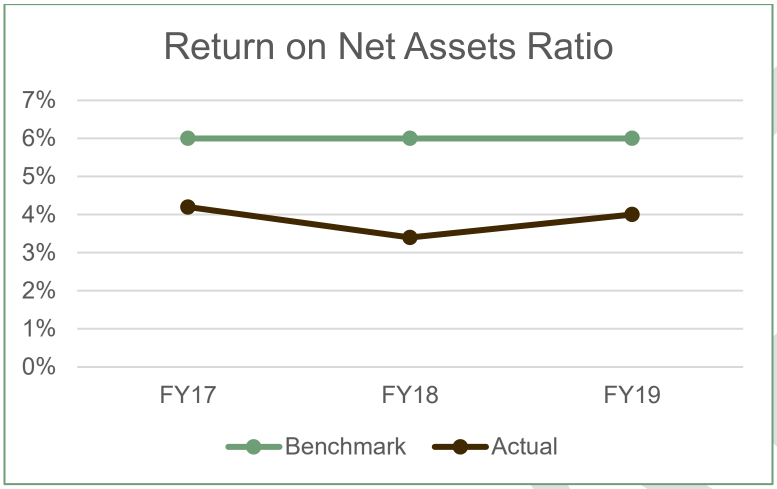


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$330,750	$329,397	$213,682
Total Long-Term Debt	$467,324	$521,425	$642,982

OSU's viability ratio decreased slightly from FY 17 to FY 18 before a sharp 30% drop from FY 18 to FY 19. This drop was due to three factors. First, as with the primary reserve ratio there was a $70M increase in capital assets. Second, again as with the primary reserve ratio, there was a $70M drop in foundation expendable assets due to accounting rule changes even as foundation assets as a whole grew. Third, OSU increased its long term debt by $60M from FY 17 to FY 18 and by $124M from FY 18 to FY 19. At this point, OSU could cover just thirty three cents of every dollar owed with currently available assets. As a result, OSU should strongly consider limiting new debt until this picture improves. However, as with the primary reserve ratio, the re-classification of OSU's foundation assets may make their performance on this ratio appear worse than it actually is.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

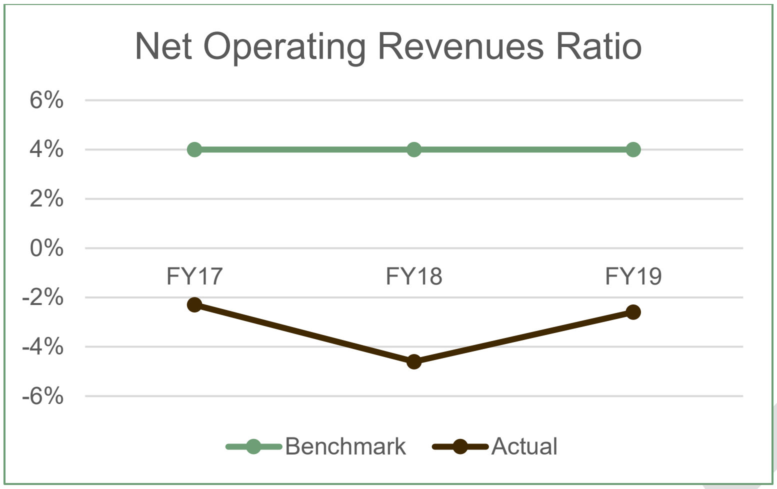


Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$58,610	$49,281	$59,560
Total Beginning Net Position	$1,389,112	$1,434,877	$1,484,158

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. OSU's performance on this ratio was stable at a level just below the benchmark the past three years, indicating they may have some additional resources to invest should this trend continue.

NET OPERATING REVENUES RATIO

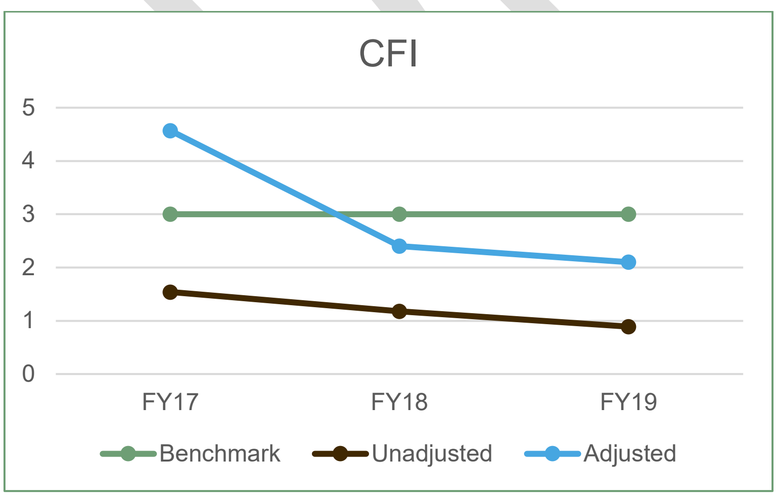
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	$1,612	($6,787)	($3,700)
Total Operating Revenues	$77,782	$78,980	$95,070

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. OSU's net operating revenues ratio has been negative the past three years and at relatively stable levels since FY 17. Although the losses are relatively small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

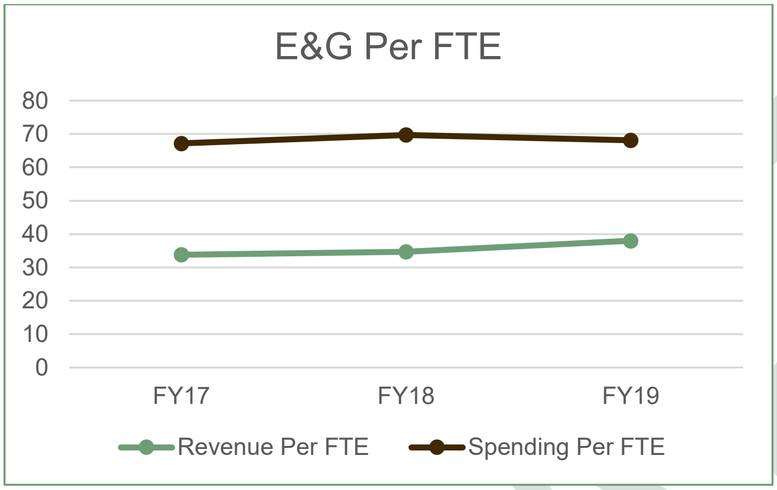
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, OSU's finances are in a relatively stable position. Although there was a sharp drop between FY 17 and FY 18, it stabilized between FY 18 and FY 19. OSU remains well positioned financially to fulfill its mission and carry out its fiduciary responsibilities.

EDUCATION AND GENERAL

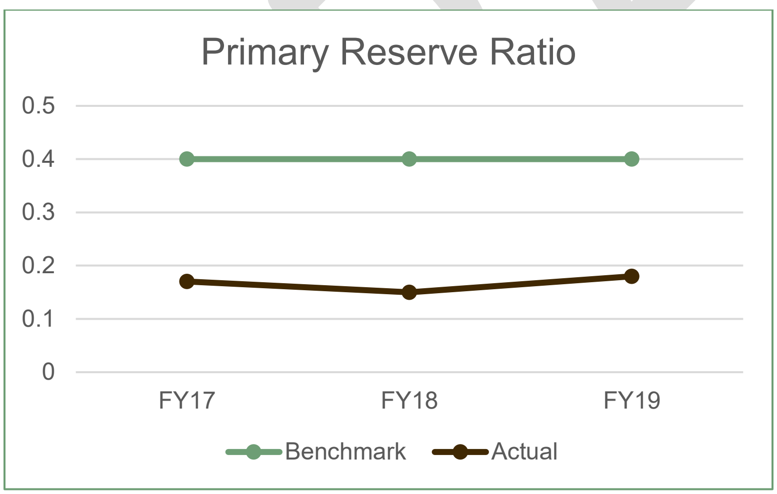


FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.18	0.15	0.17	>0.4
Viability Ratio	0.43	0.35	0.35	>1.0
Return on Net Assets	15.9%	2.7%	16.9%	>6%
Net Operating Revenues	0.8%	-3.9%	1.1%	>4%
Composite Financial Index	2.48	0.66	2.51	No Benchmark
Adjusted CFI*	3.19	1.40	3.81	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

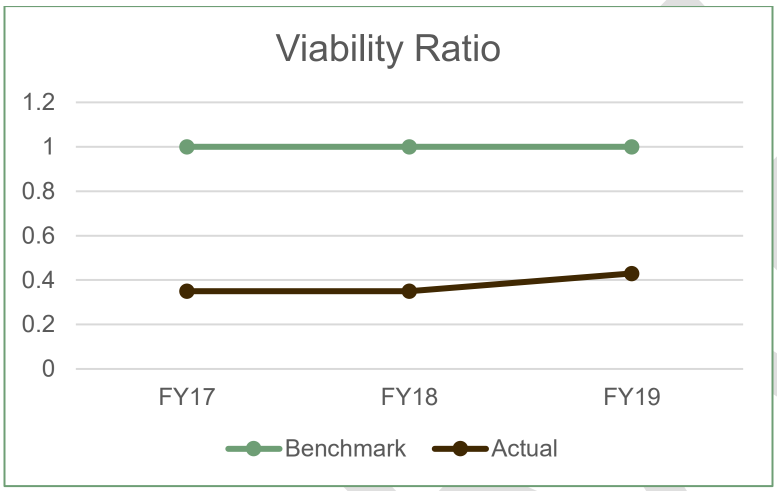


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$91,855	$85,976	$102,522
University/Foundation	*$31,486/$60,369*	*$17,772/$68,204*	*$29,609/$72,913*
Expenses	$543,840	$568,512	$569,354

PSU's primary reserve ratio was relatively steady from FY 17 to FY 19, although at a level well below the established benchmark. Overall, PSU's expendable net assets increased 11.6% from FY 17 to FY 19, with the entire increase coming from FY 18 to FY 19. This was due to a $9M decrease in pension expenses, which is likely to be a one-time event in the short to mid-term, and a slight increase in foundation assets. Overall, PSU's primary reserve ratio equates to just over two months' worth of expenses, which puts them at some risk if revenues were to decline.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

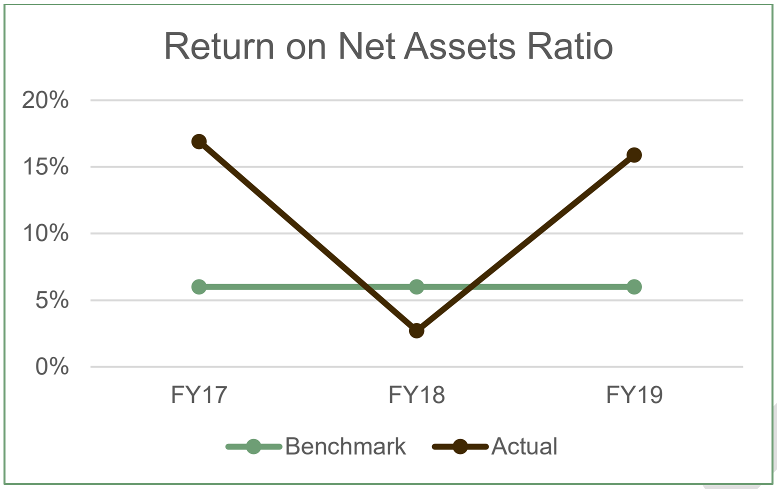


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$91,855	$85,976	$102,522
Total Long-Term Debt	$265,020	$247,472	$239,001

PSU's viability ratio was stable from FY 17 to FY 18 before an 8% increase from FY 18 to FY 19. This increase was due largely both to the $9M decrease in pension expense that fueled the increase in primary reserve ratio as well as an $8M drop in long term debt. Despite this improvement, at this point, PSU could cover just four three cents of every dollar owed with currently available assets. As a result, PSU should strongly consider limiting new debt until this picture improves

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

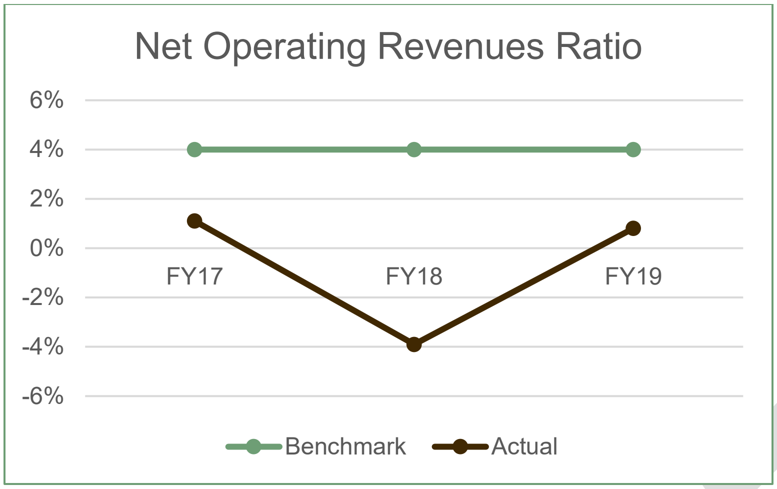


Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$67,987	$12,419	$75,704
Total Beginning Net Position	$401,586	$465,136	$477,555

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. PSU's performance on this ratio was well above the benchmark in FY 17 and FY 19 and dropped to about half the benchmark for FY 18. These swings were due primarily to the completion of large capital projects in FYs 17 and 19, which increased PSU's net position. A return on net assets ratio at this level indicates that PSU may have some additional resources to invest should this trend continue.

NET OPERATING REVENUES RATIO

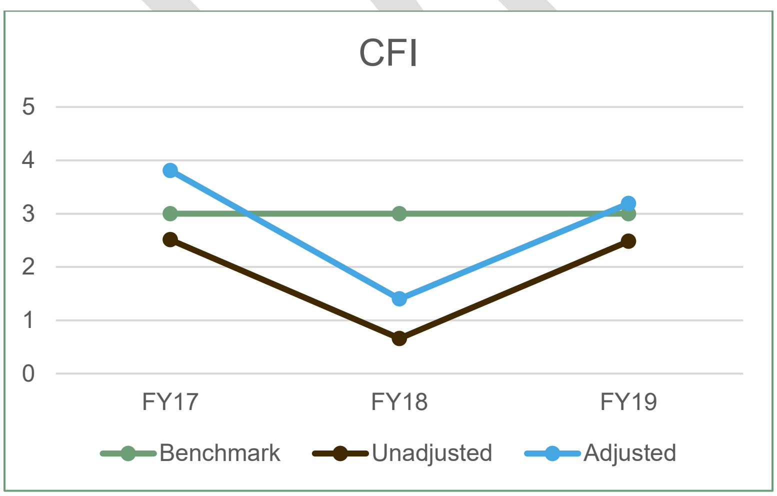
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	$5,859	($21,345)	$4,867
Total Operating Revenues	$554,980	$554,132	$578,400

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. PSU's net operating revenues ratio was just above zero in FYs 17 and 19 and slightly negative in FY 18. Although was positive in the prior year, a barely positive operating revenues ratio may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

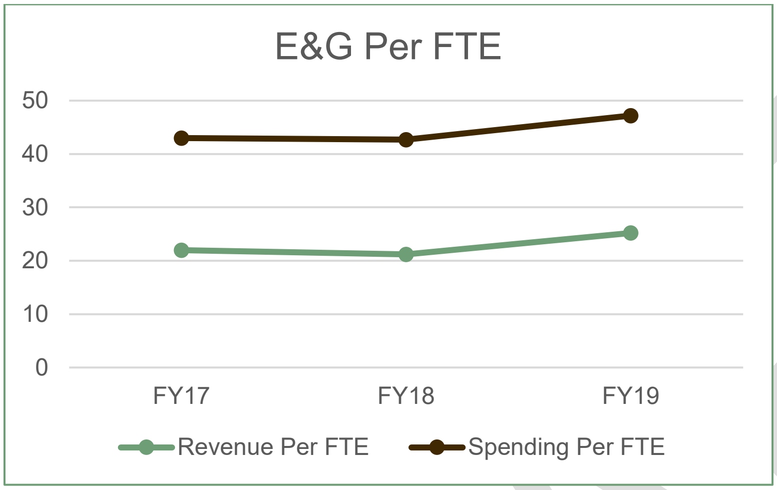
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, PSU's finances have been largely stable despite the one year drop in FY 18. PSU had an unadjusted CFI of above 3 in two of three years examined in this report, indicating that its finances are in a relatively strong position and that it is not likely to be unable to meet is fiduciary responsibilities in the near term.

EDUCATION AND GENERAL

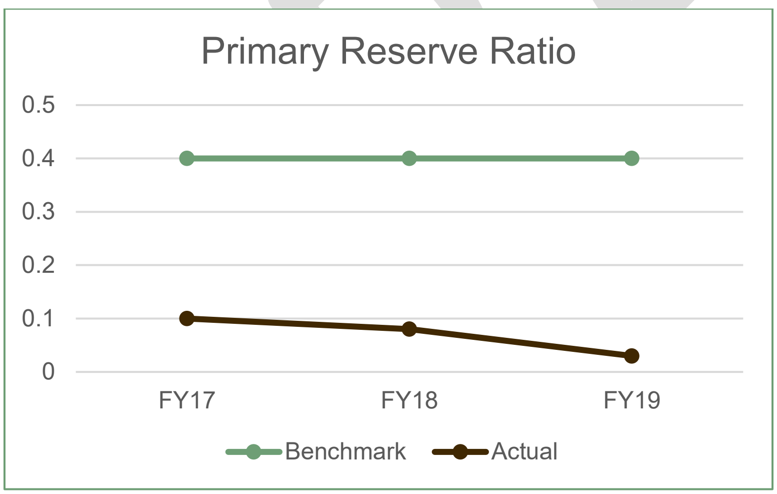


FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.03	0.08	0.10	>0.4
Viability Ratio	0.07	0.16	0.21	>1.0
Return on Net Assets	2.9%	15.3%	11.2%	>6%
Net Operating Revenues	-9.3%	-3.7%	-4.1%	>4%
Composite Financial Index	-0.86	1.59	1.25	No Benchmark
Adjusted CFI*	1.17	3.53	4.24	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

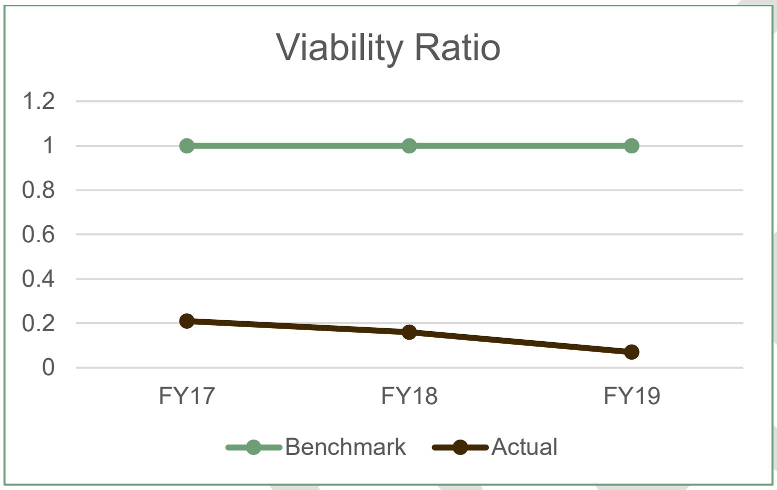


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$10,275	$7,553	$3,137
University/Foundation	*$1,861/$8,414*	*($3,480)/$11,033*	*($8,560)/$11,697*
Expenses	$98,187	$95,756	$101,930

SOU's primary reserve has fallen substantially over the past three years and is now just above zero in FY19. A low primary reserve ratio indicates that available resources may be not sufficient or flexible enough to support the institution's mission. In SOU's case, they had less than half a month's worth of primary reserve at the end of the last fiscal year.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

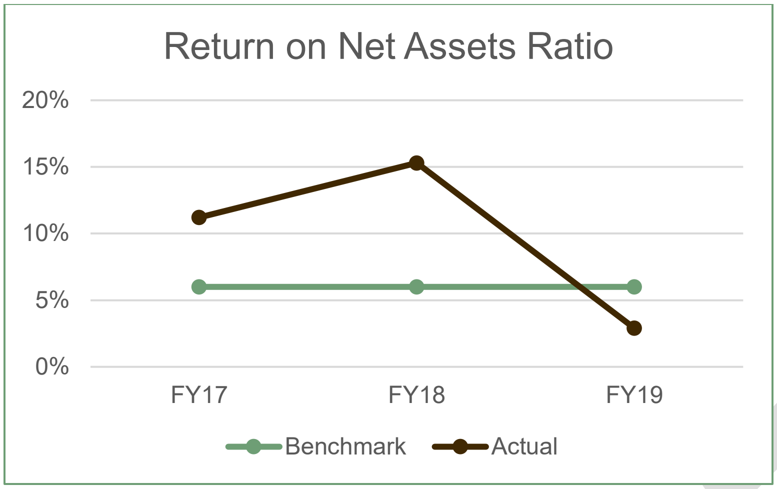


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$10,275	$7,553	$3,137
Total Long-Term Debt	$48,679	$45,935	$43,580

The value of total expendable net assets has declined 69.5% since FY17. As a result, SOU's viability ratio has declined from FY 17 to FY 19 to the point where they can only cover seven cents of every dollar owed for debt with expendable assets. This is primarily due to a combination of increasing expenses and declining revenues.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?



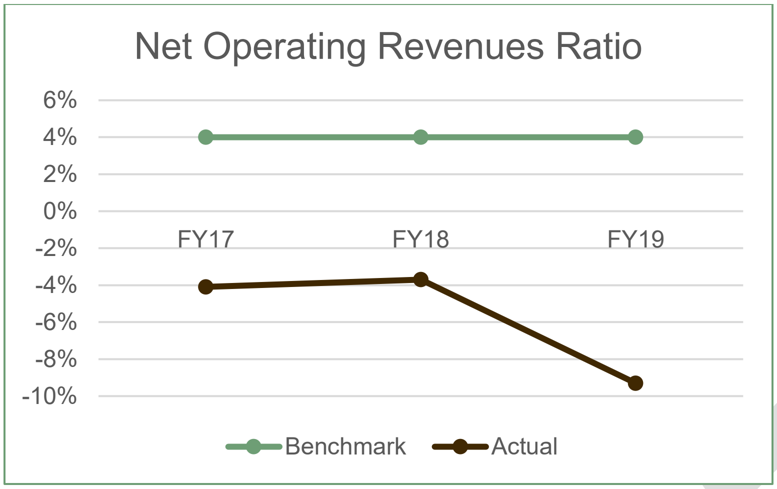
Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$11,419	$17,415	($3,728)
Total Beginning Net Position	$130,289	$113,648	$130,289

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future.

SOU's performance on this ratio had been positive, and above the benchmark in FY 17 and FY 18, but was slightly negative in FY 19 due to substantial expense increases coupled with revenue declines. If this ratio is negative in future years, it could limit SOU's financial flexibility going forward.

NET OPERATING REVENUES RATIO

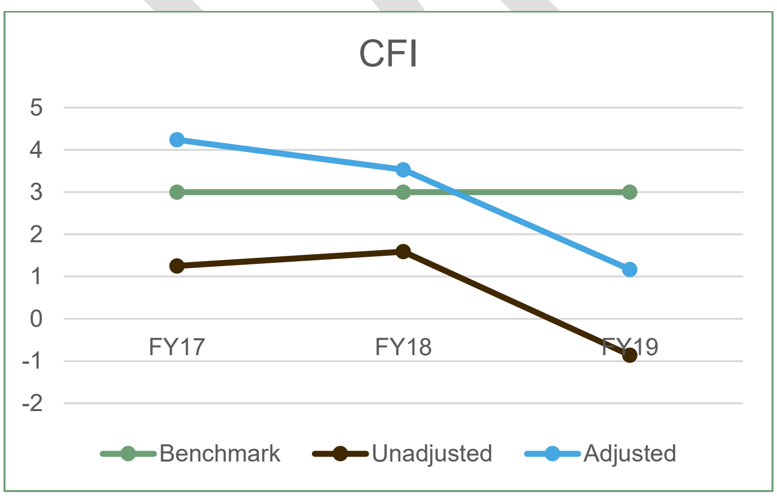
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($3,851)	($3,454)	($8,655)
Total Operating Revenues	$93,151	$92,302	$93,275

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. SOU's net operating revenues ratio has been increasingly negative the past three years even with sizable tuition increases. Continued negative operating revenues may indicate an institution does not have the capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

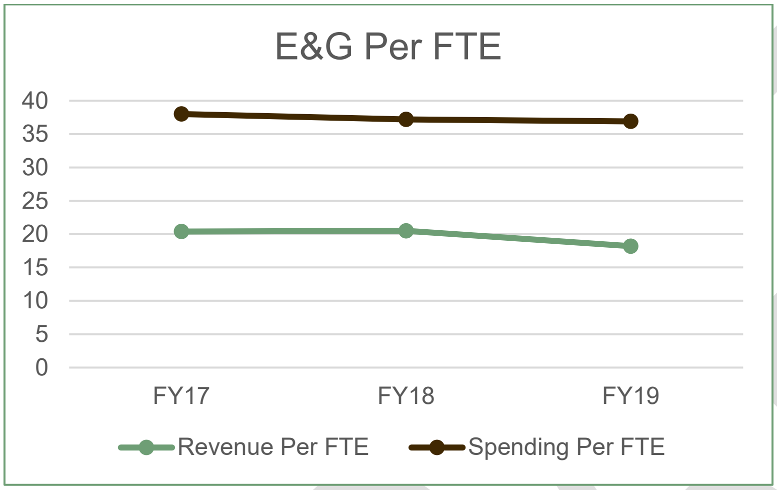
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, SOU faces a challenging financial future with limited flexibility. Given declining enrollment and increasing expenses, the need remains clear to further reengineer the institution to identify opportunities while preserving academic quality. Hopefully the current proposed 4% cut in spending and Presidential Task Force on Financial Sustainability will allow SOU to make some much needed headway.

EDUCATION AND GENERAL

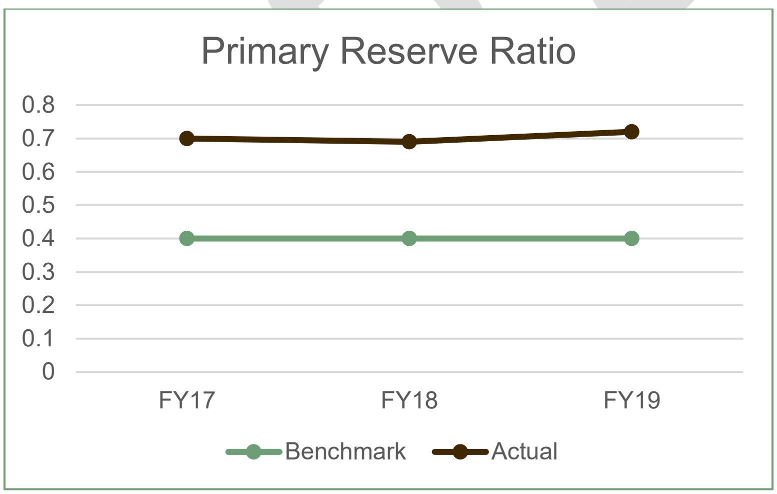


FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.72	0.69	0.70	>0.4
Viability Ratio	1.12	0.96	1.10	>1.0
Return on Net Assets	9.1%	3.0%	29.2%	>6%
Net Operating Revenues	-2.0%	-4.7%	-4.0%	>4%
Composite Financial Index	3.58	2.58	5.38	No Benchmark
Adjusted CFI*	4.64	3.74	7.25	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

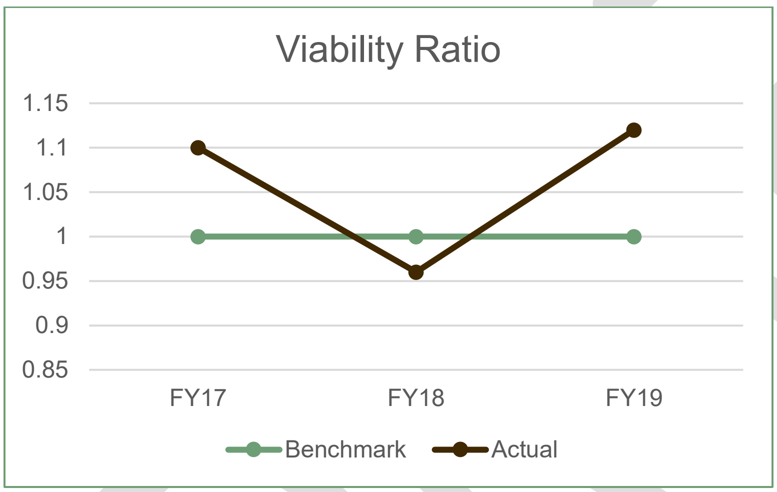


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$757,194	$764,401	$831,506
University/Foundation	*$41,151/$716,043*	*$2,593/$761,808*	*($36,425)/$867,931*
Expenses	$1,080,401	$1,103,329	$1,160,391

UO's primary reserve ratio was relatively steady from FY 17 to FY 19, at a level that was well above the established benchmark. Overall, UO's expendable net assets increased 9.8% from FY 17 to FY 19. This increase was due to a substantial increase in foundation assets over this time period, which more than offset increases in expenses. Overall, UO's primary reserve ratio equates to just under eight months' worth of expenses which puts them in a good position if revenues were to suddenly decline. However, this is due to almost entirely to foundation assets which are restricted but expendable. Indeed, without foundation assets, UO's expendable net position is in FY 19 would have bene negative, indicating that they likely do not have the same flexibility it may first appear.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

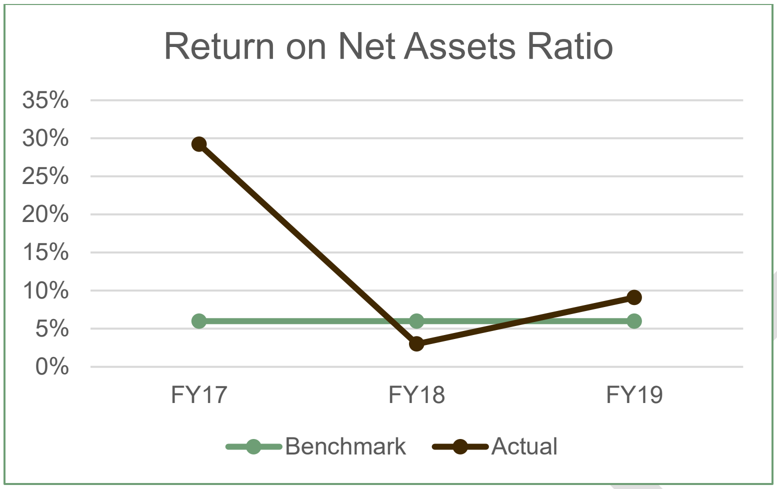


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$757,194	$764,401	$831,506
Total Long-Term Debt	$751,454	$793,529	$744,041

UO's viability ratio was stable from FY 17 to FY 19 at a level just below the benchmark due to strong overall expendable revenues and relatively low long term debt. As with the primary reserve ratio, this strong performance on the viability ratio has been bolstered primarily by significant assets held by the UO foundation. At this point, UO could cover slightly more than the full cost of every dollar in debt owed with currently available assets. This indicates that UO would be in a good position to issue additional debt to finance improvements, should it so choose. However, once again this is due to the UO's foundation assets. Without these assets, UO would be in a significantly worse position.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

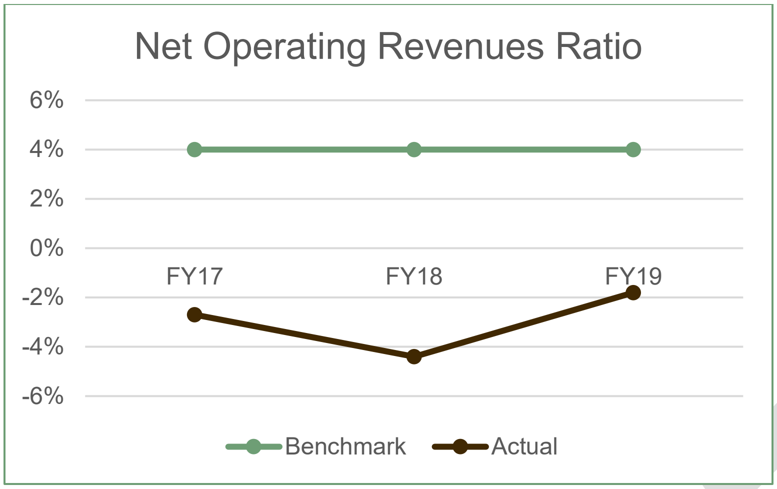


Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$543,785	$72,183	$224,878
Total Beginning Net Position	$1,860,764	$2,390,144	$2,462,327

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. UO's performance on this ratio was well above the benchmark in FY 17 and FY 19 and dropped to about half the benchmark for FY 18. These swings were due primarily to increases in foundation assets in FY 17 and FY 19. A return on net assets ratio at this level indicates that UO may have some additional resources to invest should this trend continue.

NET OPERATING REVENUES RATIO

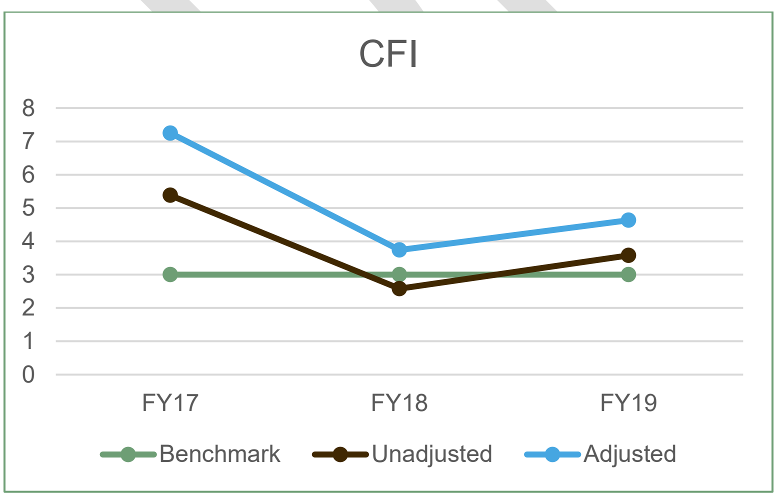
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($42,114)	($49,050)	($23,296)
Total Operating Revenues	$1,555,742	$1,127,112	$1,262,608

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. UO's net operating revenues ratio was slightly negative from FY 17 to FY 19. Although these losses were small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

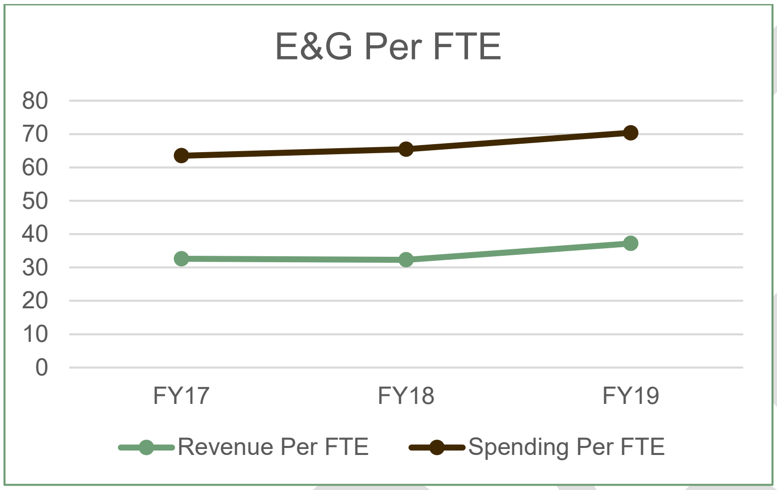
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, UO is a relatively strong financial position. Its CFI has been above the 3.0 benchmark all three years and, with the exception of a negative operating revenues ratio, all of its overall trends are positive. Hopefully, UO can leverage its considerable foundation assets, in particular, in order to be able to further meet both its fiduciary responsibilities and its mission.

EDUCATION AND GENERAL

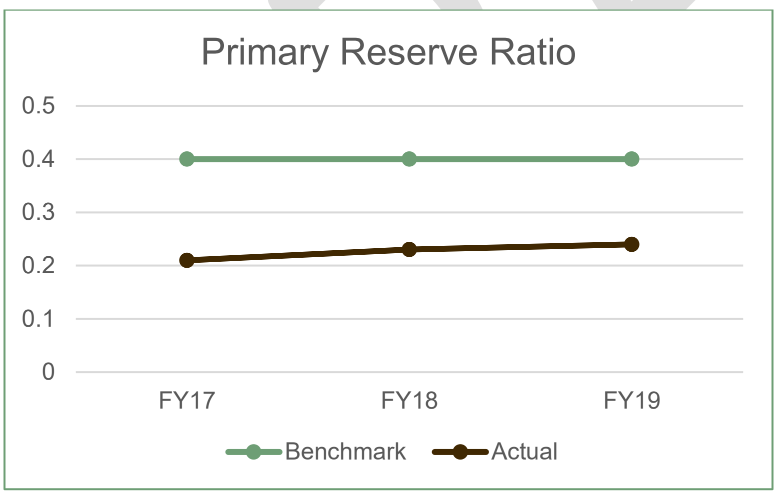


FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.24	0.23	0.21	>0.4
Viability Ratio	0.48	0.47	0.42	>1.0
Return on Net Assets	7.2%	7.3%	-2.5%	>6%
Net Operating Revenues	-1.3%	-1.8%	-5.6%	>4%
Composite Financial Index	1.65	1.58	0.22	No Benchmark
Adjusted CFI*	2.67	3.04	4.59	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

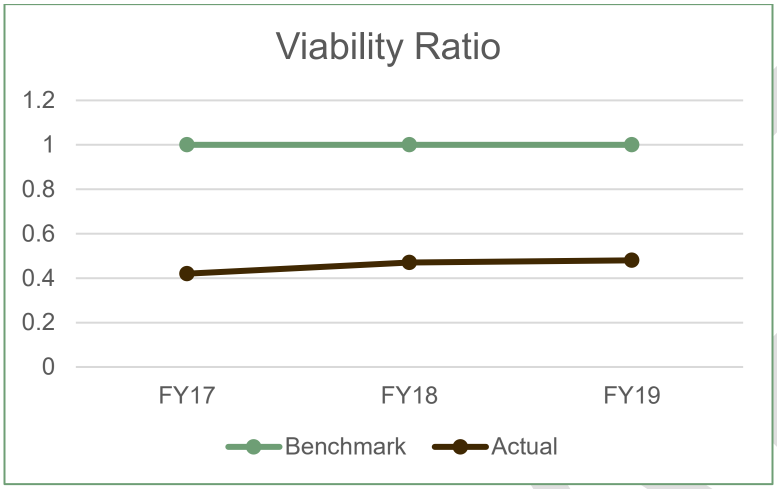


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$24,267	$24,716	$26,676
University/Foundation	*$18,487/$5,780*	*$18,692/$6,024*	*$19,949/$6,727*
Expenses	$115,215	$112,452	$112,157

WOU's primary reserve ratio has been largely stable over the past three years, although short of the benchmark. This indicates that although WOU has been successfully balancing revenues with expenses, its relatively small reserves may be it at risk if institutional finances worsen.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

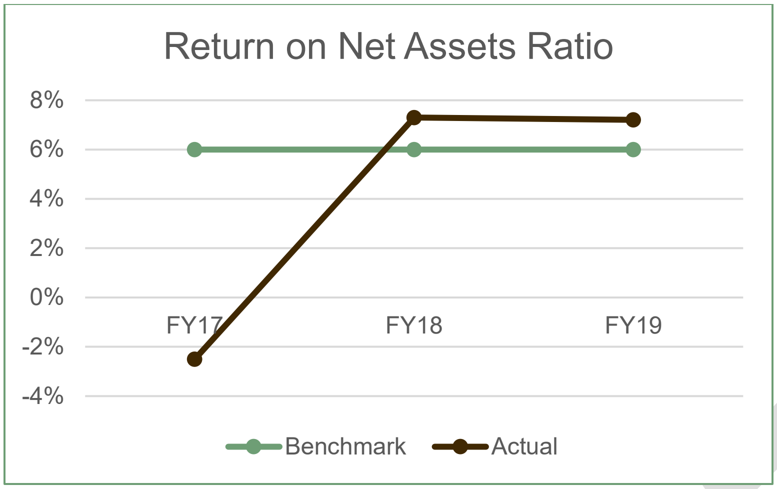


Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$24,267	$24,716	$26,676
Total Long-Term Debt	$58,040	$55,184	$55,205

WOU's expendable net assets have increased 9.9% since FY 17, a promising sign for an institution that two years ago had been in a far more precarious financial position. Ideally, an institution would have enough expendable resources available to more than cover debt. WOU's viability ratio has increased from FY 17 to FY 19 to the point where they can cover just under half of every dollar currently owed. WOU's viability ratio, its trend and the related increase in expendable net assets indicate the institution is in a stable position.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

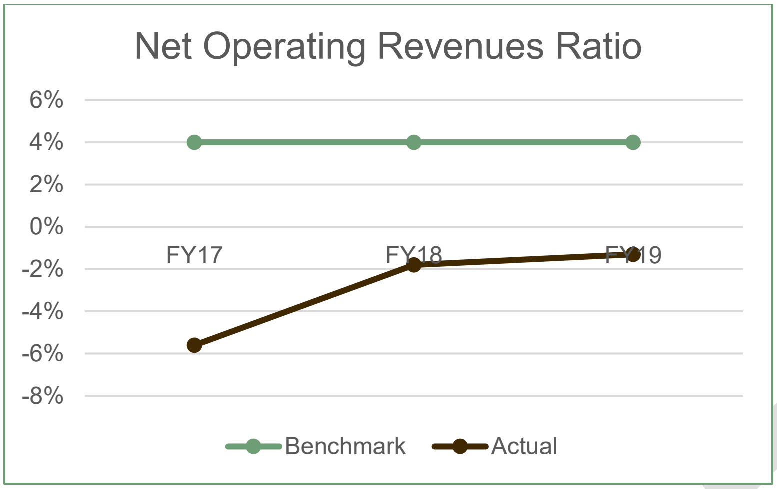


Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	($2,367)	$6,670	$7,043
Total Beginning Net Position	$95,277	$91,651	$98,321

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investments. WOU showed substantial improvement in this ratio from FY 17 to FY 18, which was sustained in FY 19, both of which were just above the established benchmark. This indicates that WOU may have additional assets to invest should this trend continue.

NET OPERATING REVENUES RATIO

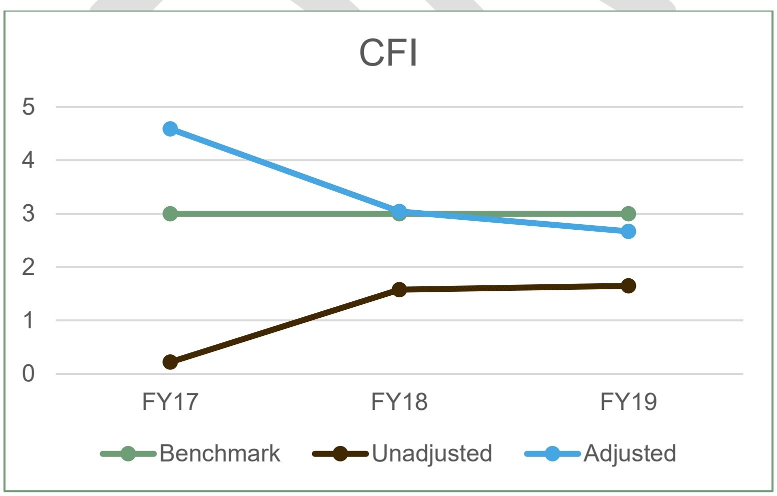
Do operating results indicate the institution is living within available resources?



Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($6,102)	($1,973)	($1,419)
Total Operating Revenues	$108,287	$110,479	$110,738

WOU's net operating revenues ratio has increased since FY 17, although they have posted an operating loss the past three years. Although the losses are relatively small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

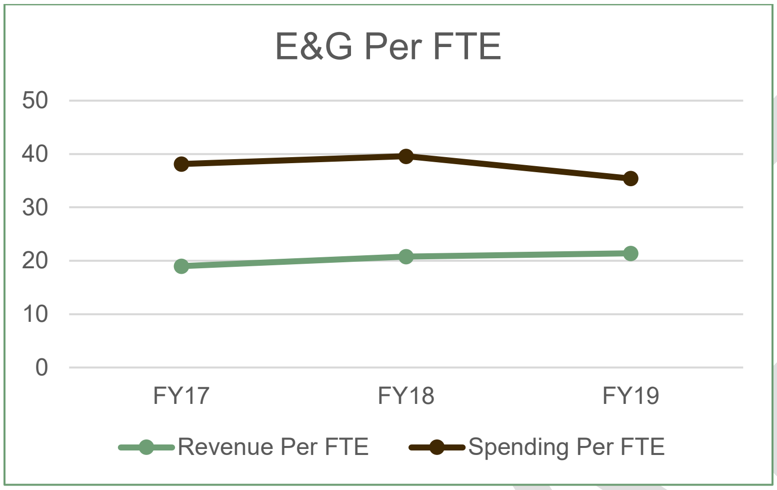
COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, WOU's finances have seen quite the turnaround over the past two years. WOU deserves a lot of credit for improving their financial position, especially in an environment with declining enrollment. Continued improvement could make WOU better positioned to weather potential future financial shocks.

EDUCATION AND GENERAL



APPENDIX A - ENROLLMENT

Year	EOU	OIT	OSU	PSU	SOU	UO	WOU	Total
2010-11	2,838	2,576	21,994	20,476	4,524	22,631	5,049	80,090
2011-12	2,906	2,624	23,066	20,459	4,678	23,450	5,127	82,309
2012-13	2,903	2,809	23,957	20,226	4,573	23,378	5,106	82,953
2013-14	2,694	2,941	25,023	20,270	4,351	23,230	4,974	83,483
2014-15	2,392	2,905	25,431	20,214	4,347	22,832	4,761	82,883
2015-16	2,274	3,108	25,878	20,162	4,408	22,598	4,513	82,941
2016-17	2,221	3,239	26,527	19,721	4,293	22,629	4,529	83,159
2017-18	2,152	3,236	26,865	19,563	4,383	22,207	4,452	82,857
2018-19	2,171	3,218	26,779	19,252	4,204	22,081	4,310	82,015
2019-20	2,133	3,247	27,120	18,816	4,029	22,105	4,068	81,520

HIGHER EDUCATION
COORDINATING COMMISSION