Achieving the Goals of the Board of Trustees

- Preserving and advancing Eastern’s institutional strength and security is a Board of Trustees priority

- A stable financial position is a critical element in support of developing goals, strategies, and actions for Eastern to meet the challenges of the future
Eastern’s Financial Position

- In FY2011 Eastern was in a stable financial position and has continued to grow.

- Eastern consistently meets or exceeds industry measures in balance sheet and income statement indicators.

- Eastern is financially positioned to plan for future investments and manage resources through the coming biennia and potential continued reductions.

- Budget decisions for 2011-13 and beyond will impact the overall financial position of the university and the indicators that are used for industry analysis.
Major impacts include:

- Enrollment demand - increase or decline
- Tuition - tuition increases create incremental revenue if enrollments are stable
- State resources - provide support for operating base
- State capital funding - to build, renovate, and maintain the infrastructure in support of the university’s mission
- Auxiliaries - maintenance or expansion of auxiliaries provides services to students
- Financial aid - university, state, and federal financial aid programs provide access to higher education
A sound financial position assists Eastern in meeting university goals

FY2011 Financial Review
- Enrollment Review
- Financial Aid
- Budget Review
- Balance Sheet Indicators
- Operating Statement

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

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

Student Success
- Access
- Retention
- Degree completion
- Graduation rates

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

Strategic Plan
- EWU expands opportunities for personal transformation through excellence in learning.
- EWU envisions a future of professionally, socially and culturally enriched leaders, citizens, and communities.
ENROLLMENT REVIEW
FY2011

- Student Success
- Academic Programs
- Strategic Plan
- Mission and Vision
- Sound Financial Position
Eastern’s enrollments continue to grow. Future enrollment goals will consider access, revenue opportunities, and fiscal balance within the context of the strategic plan.

Source: HEER Reports, Includes both state & self-support enrollments, without running start. HC may be duplicated.
State Reported Enrollments

Eastern’s state enrollments continue to grow.

Represents 94% of academic year enrollments

Source: HEER Reports
Academic Year Self-Support Enrollments

Self support enrollments are also growing.

Source: HEER Reports
FINANCIAL AID
FY2011

Student Success
Academic Programs
Strategic Plan
Mission and Vision
Sound Financial Position
Financial Aid By Source- FY 2011

Total Aid increased by $12.3 million over 2010. Federal aid increased by $9.97 million over 2010.

- Federal, $84.55 million
- State, $13.34 million
- EWU, $13.94 million
- Third Party, $1.47 million
- Private, $3.87 million
- EWU Foundation, $0.63 million

$ in millions

Source: Financial Aid Office
Total aid increased by $12.3 million over 2010. Pell Grant increased by $2.8 million and student loans increased by $7.2 million over 2010.

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$33.42</td>
</tr>
<tr>
<td>Loans</td>
<td>$66.05</td>
</tr>
<tr>
<td>Work Study</td>
<td>$1.54</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$5.68</td>
</tr>
<tr>
<td>Waivers</td>
<td>$9.64</td>
</tr>
<tr>
<td>Third Party</td>
<td>$1.47</td>
</tr>
</tbody>
</table>

Source: Financial Aid Office
Financial Aid FY2011

- Financial aid applications processed - 14,208
  - 10.3% increase over 2010

- Students receiving financial aid - 9,496
  - 71.2% of Eastern’s students received aid
  - 7.3% increase over 2010
  - Average UG grant = $5,363

- Pell Grant Recipients - 4,399
  - 40% of undergraduate students received Pell Grants
  - 18% increase over 2010

Source: Financial Aid Office
Workstudy Wages

Eastern provides student jobs thru the federal, state, and EWU programs.

FY2009: $1,391
FY2010: $1,549
FY2011*: $1,518

*preliminary

Source: Financial Services
Future Financial Aid Pressures

• Potential cuts to federal financial aid
• State of Washington reduction of need based aid
• Historical investment in institutional aid has increased, impacting ability to fund academic programs and student support services
• Student loan debt at graduation rose 5% nationwide over last year …and may continue to rise
BUDGET REVIEW
FY2011
Budget Process Relationship to Financial Reporting

Budget Process
- Cash Basis for inflows and outflows
- 2 year budget with internal planning for future biennia
- Multi year enrollment planning
- Analysis of reserves
- Strategies to earn revenues and allocate funding to pay for annual or biennial expenditure base

Financial Reporting
- Monthly, quarterly, annual
- Full accrual basis
- Variance reporting in relation to budget plan
- Benchmarking and industry level analysis
Eastern’s total annual operating budget continues to grow, but at a much slower pace. Increases are due to increases in student fees and enrollments, which partially offset declines in state funding.
Continued reductions in state funding have changed the historical balance of Eastern’s operating budget funding sources.
Eastern’s GF-State funding declined by almost $2,500 per FTE student between FY2008 and FY2013.

Source: Data based on GFS allocations and OFM budgeted state enrollments.
2012 & 2013 projections based on original budget and enrollment at 8,734
The 2011 Legislative Session funded Phase 2 of the Patterson Hall Project in 2011-13.

Source: Appropriation schedule - New appropriations only
• Preliminary figures – Eastern’s financial statement audit will be completed by mid January 2012
• Communicating information about the university’s resources and obligations is the primary goal of financial reporting
• Demonstrates an organization is fiscally sustainable
• Public higher education comprehensive financial reports are in compliance with generally accepted accounting principles and utilize the reporting format prescribed by GASB (Government Accounting Standards Board)
• For evaluative purposes across an industry, financial statements must conform to stated principles for recording revenues, expenses, assets and liabilities
• Financial statements are used in the bond rating process by rating agency for current and future issues
BALANCE SHEET AND INDICATORS
FY2011 (PRELIMINARY, UNAUDITED)
What does the Balance Sheet represent?

- University assets and liabilities at a point in time
- A comprehensive view of all that Eastern owns
  - and all that Eastern owes
- Used in peer analysis of performance within an industry
- Used to analyze debt capacity to plan for future capital investments
Balance Sheet Overview

Net assets increased 3.9% over FY 2010

<table>
<thead>
<tr>
<th>All Funds</th>
<th>2010 (millions)</th>
<th>2011 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$361.3</td>
<td>$372.9</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$63.6</td>
<td>$63.7</td>
</tr>
<tr>
<td>Net Assets (at June 30)</td>
<td>$297.7</td>
<td>$309.3</td>
</tr>
</tbody>
</table>

Major components-
Cash and investments $95.6M or 26% of total assets
Capital assets $255M or 69% of total assets
Long term debt $35.2M or 55% of total liabilities
Unrestricted net assets $66.9M or 22% of net assets

Source: EWU Office of Controller
FY11 data is preliminary, unaudited
Cash and Investments by Fund

Cash and investments increased by $11.4M or 12.8% over FY2010 due to an increase in revenues, a spending slowdown, and budget reductions.

Source: EWU Office of Controller
FY11 data is preliminary, unaudited
Key Balance Sheet Indicators

This indicator suggests Eastern is in a relatively better position to make future investments. Some of these investments have been approved in the 2011-13 budget.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2011 Eastern Washington University</td>
<td>0.40</td>
</tr>
<tr>
<td>2010 Eastern Washington University</td>
<td>0.37</td>
</tr>
<tr>
<td>2010 Median WA Public Universities</td>
<td>0.22</td>
</tr>
<tr>
<td>2010 Median A1 Public Universities (industry peers)</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Eastern Washington University Dashboard Indicator: Good

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

Indicates relative advantage in meeting current obligations. This indicator will decrease as the 2011-13 budget plan is implemented with the expenditure of university reserves.

<table>
<thead>
<tr>
<th>Annual Days Cash on Hand</th>
<th>Prelim 2011 Eastern Washington University</th>
<th>201</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010 Eastern Washington University</td>
<td>195</td>
</tr>
<tr>
<td></td>
<td>2010 Median WA Public Universities</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>2010 Median A1 Public Universities (industry peers)</td>
<td>126</td>
</tr>
<tr>
<td>Eastern Washington University Dashboard Indicator</td>
<td>Good</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Financial Services
Peer data is from Moody’s Investor Services*
Key Balance Sheet Indicators

Eastern has consistently remained above the industry baseline with about $3 to cover every $1 of current liabilities.

**Current Ratio: Measure of Liquidity**

- **2008:** 3.35
- **2009:** 3.79
- **2010:** 3.16
- **2011:** 2.91

- **Reallocation from long term to shorter term deposits and investments**
- **Asset reallocation to longer term investments and decrease in receivables**

Source: Financial Services
Key Balance Sheet Indicators

Ability to cover debt is more than twice the level of peer universities. Suggests resources may be available to cover more financed investment.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2011 Eastern Washington University</td>
<td>2.5x</td>
</tr>
<tr>
<td>2010 Eastern Washington University</td>
<td>2.2x</td>
</tr>
<tr>
<td>2010 Median WA Public Universities</td>
<td>0.9x</td>
</tr>
<tr>
<td>2010 Median A1 Public Universities</td>
<td>0.7x</td>
</tr>
</tbody>
</table>

Eastern Washington University Dashboard Indicator: Good

Source: EWU Office of Controller. Peer data is from Moody’s Investor Services
Eastern is well below industry ceiling for debt burden ratio, indicating the university has room to borrow funds to finance future projects. The pending revenue bond issue in Spring 2012 will impact this ratio.

**Financial Debt Burden Ratio:** Measures dependence on debt as a source of financing the mission
**Key Balance Sheet Indicators**

Eastern has sufficient coverage flexibility to leverage the institution with additional debt. The pending revenue bond issue in Spring 2012 will impact this ratio.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelim 2011</td>
<td>3.9</td>
<td>3.0</td>
<td>3.2</td>
<td>2.5</td>
<td>Good</td>
</tr>
<tr>
<td>2010 Eastern Washington University</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Median WA Public Universities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Median A1 Public Universities (industry peers)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Measures actual margin of protection for annual debt service payments from annual operations*
OPERATING STATEMENT

FY2011 (PRELIMINARY, UNAUDITED)
What does the Operating Statement mean?

- At any level of overall university assets, Eastern must live within it’s annual income over time.
- Presents a change in net assets over the prior year
- The operating statement is used to analyze performance of the university across the industry. Of particular note is the increasing dependency on tuition revenue and therefore the impact that enrollment has on revenue.
- The expenditures represent the cost of providing services in support of achieving the institutional mission.
In FY2011 the increase in net assets is primarily from an increase in capital assets, enrollment and revenue increases, and a slowdown in spending.

Source: Financial Services
Note: Change in net assets is not the same as net income or loss. FY2011 figures are preliminary.
Eastern’s revenue increased primarily due to higher student net tuition and fees and a 2.4% growth in enrollments.

Source: Financial Services
Note: Excludes some state capital appropriations and contributions to permanent university endowments. FY2010 state appropriations includes reclassifications between operating and capital. FY2011 figures are preliminary.
### Key Revenue Indicators

**Contribution Ratio**

*Shows portion of revenue by category to support actual operating expenses*

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees</td>
<td>35.0%</td>
<td>38.3%</td>
</tr>
<tr>
<td>State Appropriations – Operating</td>
<td>26.8%</td>
<td>23.0%</td>
</tr>
<tr>
<td>State and Local Grants &amp; Contracts</td>
<td>11.1%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Auxiliary Services</td>
<td>10.1%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>8.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Federal Grants &amp; Contracts</td>
<td>3.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>2.4%</td>
<td>3.0%</td>
</tr>
<tr>
<td>State Appropriations – NCFI</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Non-Governmental Grants &amp; Contracts</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1.0%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

The university continues to rebalance revenues from state funding to student fees.

Source: Financial Services

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

FY2010 state appropriations reclassified between operating and capital.

FY2011 figures are preliminary.
## Key Revenue Indicators

Net tuition continues to grow. Tuition rates and tuition waivers are dependencies.

<table>
<thead>
<tr>
<th>EWU Measure: Net Tuition per Student *</th>
<th>2010 FT tuition rate</th>
<th>2010 Net tuition</th>
<th>2011 FT tuition rate</th>
<th>2011 Net tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Undergraduate</td>
<td>$5,340</td>
<td>$5,209</td>
<td>$6,063</td>
<td>$5,752</td>
</tr>
<tr>
<td>Resident Graduate</td>
<td>$7,476</td>
<td>$5,581</td>
<td>$8,220</td>
<td>$6,170</td>
</tr>
<tr>
<td>Nonresident Undergraduate</td>
<td>$14,058</td>
<td>$7,958</td>
<td>$14,781</td>
<td>$8,786</td>
</tr>
<tr>
<td>Nonresident Graduate</td>
<td>$18,030</td>
<td>$7,371</td>
<td>$18,594</td>
<td>$8,518</td>
</tr>
</tbody>
</table>

Source: Financial Services

- Based on annual average state funded FTES only
- Net of tuition discounts
The university is increasing its reliance on student tuition and fees and financial aid including Pell Grant and State Need Grant (SNG).

### Tuition Dependency Ratio

*Net tuition and fees plus governmental grants to the institution for student tuition divided by the sum of operating and non-operating revenues*

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>43.7%</td>
</tr>
<tr>
<td>FY2010</td>
<td>51.0%</td>
</tr>
<tr>
<td>FY2011</td>
<td>54.7%</td>
</tr>
</tbody>
</table>

Source: Financial Services
Function Definitions

- **Instruction** – Formal instructional activities available to students (Academic depts.)
- **Research** – All research related activities (Turnbull, Biology grants)
- **Public Service** – Activities established primarily to provide non-instructional services beneficial to groups external to the institution (Institute for Public Policy, FM Station, Autism Center, Archeological & Historical Services)
- **Primary Support Services** – Activities organized to provide primary support to instruction, research, and public service (Academic Senate, Dean’s offices, Assessment, Institutional Research)
- **Libraries** – Activities relating to the retention and display of materials and the provision of services which support instruction, research, and public service (Collections, Archives, Riverpoint Library)
- **Student Services** – Social and cultural services and institutional management activities relating directly to students, but not part of formal instruction (Financial Aid, Admissions, Student Life, TRIO, Athletics)
- **Institutional Support** – Activities whose primary purpose is to provide operational support for the ongoing functioning of the institution (Senior Administration, Board of Trustees, Payroll, Accounting, Purchasing, Information Services, Development)
- **Plant Operation and Maintenance** – Activities relating to the operation and maintenance of institutional facilities (Grounds, Custodial Energy Mgmt, Campus Police, Recycling)
Demand by programmatic categories remained relatively stable in FY2011.

<table>
<thead>
<tr>
<th>Demand Ratio</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>34.8%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Research</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Public Service</td>
<td>3.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Academic Support</td>
<td>6.3%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Student Services</td>
<td>8.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>9.4%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>9.5%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Scholarships &amp; Fellowships</td>
<td>9.3%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>14.9%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5.9%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Trend analysis to determine when a particular category of expenses is consuming a growing or dwindling share of total operating revenues.

Source: Financial Services
Note: FY11 data is preliminary
Functional Expenses

FY10 Peer Institution Group Functional Expenses (average)

- 43.0% Instruction
- 12.6% Public service
- 13.2% Student services
- 10.1% Academic support
- 9.6% Institutional support
- 3.2% Scholarships and fellowships
- 1.5% Research
- 0.7% Auxiliary enterprises

FY10 Eastern Washington University Functional Expenses

- 40.5% Instruction
- 18.4% Public service
- 11.0% Student services
- 9.0% Academic support
- 7.4% Institutional support
- 9.5% Scholarships and fellowships
- 3.6% Research
- 0.7% Auxiliary enterprises

Eastern’s FY2010 spending in relation to peers

Less: Instruction, student services, research, academic support, and institutional support

More: Scholarships and fellowships, auxiliary enterprises
Labor costs continue to decrease while benefit costs continue to increase. Expenses grew in other areas such as scholarships and operating costs to support the mission of the University.
Selected Fund Level Information
**Fund Balance – Fund 149 (Operating Fees)**

Policy: The unreserved fund balance will be a target range of 9-11% of expenses, with the expected level to be 10%. This unassigned fund balance will be spent only with the approval of the Board of Trustees.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/11 Fund 149 Unrestricted Net Assets</td>
<td>$32,871,460</td>
</tr>
<tr>
<td>FY11 Unexpended budget CF</td>
<td>(12,587,795)</td>
</tr>
<tr>
<td>6/30/11 Inventory</td>
<td>(41,176)</td>
</tr>
<tr>
<td>FY11 Encumbrances</td>
<td>(280,950)</td>
</tr>
<tr>
<td><strong>Revised balance</strong></td>
<td><strong>$19,961,539</strong></td>
</tr>
<tr>
<td>Approved in 2011-13 budget</td>
<td>(6,882,806)</td>
</tr>
<tr>
<td>Policy level (10% of FY2011 revised budget)</td>
<td>(10,078,733)</td>
</tr>
<tr>
<td><strong>Balance above policy level</strong></td>
<td><strong>$3,000,000</strong></td>
</tr>
<tr>
<td>Approved in 2011-13 budget</td>
<td>(2,000,000)</td>
</tr>
<tr>
<td><strong>Remaining above allocation</strong></td>
<td><strong>$1,000,000</strong></td>
</tr>
</tbody>
</table>
**Instruction-Related, Other than Operating Fees**

**Fund 148**

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

<table>
<thead>
<tr>
<th>Fund 148 – Dedicated Local</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$25.5</td>
<td>$26.5</td>
<td>$30.7</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$20.8</td>
<td>$25.2</td>
<td>$29.3</td>
</tr>
<tr>
<td>Unrestricted Net Assets</td>
<td>$26.1</td>
<td>$27.3</td>
<td>$28.4</td>
</tr>
</tbody>
</table>

**Revenue Base:**

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

\$ in millions

Source: Financial Services
FY2011 Auxiliary Funds

 Generally, the auxiliary units operated in line with annual plans.

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

Source: Financial Services
FY2011 Service Funds
Revenues, Expenditures and Net Assets

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

Source: Financial Services
University Financial Position as a Basis for Student Success

Student Success
- Access
- Retention
- Degree completion
- Graduation rates

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

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

Sound Financial Position
- Campus investments
- Use of debt capacity
- Financial flexibility
- Informed decision making
Looking Forward - Items for Consideration

• Eastern’s 2011-13 budget plan impacts university reserve levels.

• Enrollment planning (market position, demand and capacity) impacts Eastern’s long term financial base. This impact is more significant as the university becomes more dependent on tuition revenue.

• The economic situation at the local, state, and federal levels related to unemployment, the tax base, and available financial aid impacts the university.

• State operating budget reductions are likely to continue.

• The state capital budget capacity impacts the ability to fund capital infrastructure to meet the academic mission.
Summary

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