

Wright State University
Financial Governance Policy
DRAFT 0.2 – Revised After Comments
April 26, 2017

A. Overview

Wright State University is committed to transforming the lives of its students and the communities it serves. In order to accomplish this mission, Wright State University must remain financially strong with consistently positive operating margins and responsible levels of reserves. Maintaining a strong financial position yields multiple benefits, among the most important of which include:

1. Ensuring Wright State University maintains sufficient and flexible resources for supporting its mission including its obligations to students, faculty, staff, and other stakeholders;
2. Protecting the University from unanticipated financial stress such as from funding shortfalls or excessive operating expenses;
3. Providing the University with responsible levels of reserves to absorb short term financial shocks;
4. Maintaining a growing investment portfolio which allows strategic investments for the future;
5. Providing access to capital markets at favorable interest rates.

The financial strength and credit rating of Wright State University are also strongly influenced by a number of non-financial factors including the quality of management and governance, student enrollment and retention, strength of research programs, and the institution's ability to attract and retain high quality faculty and staff. The level and consistency of state support is also an important factor in determining financial policy.

The Board of Trustees is responsible for ensuring Wright State University operates in a fiscally responsible manner. It performs this task primarily through the annual budgeting process and ongoing financial reviews through a Finance Committee. The purpose of this governance policy is to provide a framework through which the Board exercises its fiduciary duty regarding the overall financial health of the University.

B. Policy Objective

The objective of this policy is to document guidelines for Wright State University's Board of Trustees to employ in exercising governance oversight of the University's financial affairs. The Board's fiduciary responsibility is to ensure financial resources are used responsibly in support of the University's mission and that cash reserves are sufficient to protect against unexpected downturns in financial circumstances and to take advantage of strategic opportunities. Accordingly, this policy:

1. Defines roles and responsibilities of the WSU Finance Committee;
2. Establishes performance benchmarks against which financial performance will be evaluated;
3. Establishes key indicators of financial performance for assessing overall financial health and long term trends;

Commented [DAF1]: New draft version 2.0 dated April 26th.

Commented [DAF2]: Added language to make clear that robust financial health is a critical component for achieving WSU's mission.

Commented [DAF3]: Added to note that the quality of management and board governance are also non-financial factors with a strong impact on financial strength.

Commented [DAF4]: Added to note that robust reserves may also be used to take advantage of unforeseen opportunities which may arise from time to time.

4. Provides direction to the President or his/her designees regarding the Board's financial expectations for strategic investments, normal operating purchasing/expenditures, and actions to be taken when reserves fall below minimum levels;
5. Requires the Board of Trustees to approve the University's investment strategy by adopting and regularly reviewing an Investment Policy Statement and actual investment results over time;
6. Sets a policy for minimum funding levels required to start capital projects and establishes a reporting/approval requirement for non-base budgeted strategic projects which exceed prescribed levels;
7. Sets reporting and policy review guidelines.

Commented [DAF5]: Added to ensure the Finance Committee is charged with reviewing actual investment results.

Commented [DAF6]: Original draft required reporting/approval at \$500,000. This change allows that the dollar threshold may change over time, either up or down, as conditions may warrant. Need to ensure the current proscribed level is appropriately documented.

C. Finance Committee

The WSU Finance Committee is the Board of Trustee's primary means of overseeing University financial affairs.

1. Membership

The chairperson of the Board of Trustees will appoint the chair and membership of the Finance Committee. The committee shall consist of at least three members of the Board of Trustees who shall be voting members. In addition:

Commented [DAF7]: Added to define that only committee members who are trustees are considered voting members of the Finance Committee.

a) At least one member of the Committee should be a financial professional. This is a person who has an understanding of concepts of commercial finance, generally accepted accounting principles, financial statements, budget management, investing, or related skills, with experience in applying such principles in a working environment. The financial professional may be a non-Board member who meets the criteria to serve in an advisory capacity but who shall not be a voting member.

b) One member should be a representative of the Faculty Senate as recommended by faculty leadership. This person will be a non-voting member from the Faculty Senate Finance Committee to lend faculty perspective to the Board of Trustees regarding university financial matters.

c) One member should be a representative of the Classified and/or Unclassified Staff Councils. These person(s) will be non-voting member(s) to lend staff perspective to the Board of Trustees regarding university financial matters.

Commented [DAF8]: Representatives from the Faculty Senate and staff councils will be non-voting committee members to enhance university commitment to shared governance.

2. Administrative Liaison

The Vice President of Business and Finance will serve as primary liaison to the Finance Committee. Other members of the Division of Business and Finance may assist the Finance Committee in its work.

Commented [DAF9]: Added to ensure a commitment to shared governance by providing that members of Faculty Senate and staff councils will be non-voting committee members.

3. Meetings

The Finance Committee shall meet at least nine times per fiscal year, and may convene additional meetings as circumstances require or to align with the University's budgeting and planning cycle. Meeting agendas will be prepared and provided in advance to members and participants along with appropriate briefing materials. A written summary of each meeting will be prepared and provided to the Board of Trustees.

4. Duties and Responsibilities

Duties and Responsibilities of the Finance Committee include, but are not limited to, the following:

- a) Engaging in long-range strategic financial planning;
- b) Recommending the annual budget to the full board for approval;
- c) Regular reviewing of the University’s current and historical financial position including cash position, current and projected operating revenue and expenses as compared to board-approved budgets, other financial performance measurements as appropriate, etc.
- d) Receive the University’s audited annual financial statements and related documents such as a management letter of recommendation or other related reports as a result of an external audit;
- e) Reviewing and making appropriate recommendations to the Board of Trustees regarding financial governance policies;
- f) Ensuring that sound financial controls are in place;
- g) Recommending capital budgets for approval to the full board and reviewing actual expenditures on such projects;
- h) Reviewing substantial expenditures according to current policy and, when appropriate, making recommendations to the Board of Trustees for approval of such expenditures;
- i) Reviewing and making recommendations to the Board of Trustees for approval of the issuance of debt for capital and other projects
- j) Overseeing University investments and the board-approved Investment Policy Statement;
- k) Reporting on committee activities to the Board of Trustees;
- l) At the discretion of the chair the Finance Committee may consider other University financial matters as may arise from time to time;
- m) Reviewing key financial metrics.

Commented [DAF10]: Added as additional Finance Committee responsibilities.

Commented [DAF11]: Added to be more precise regarding the committee’s duty to evaluate operating revenue.

Commented [DAF12]: Added as additional responsibilities of the Finance Committee.

D. Financial Performance Benchmarks

The Board of Trustees directs the President to efficiently operate the University in a way that maximizes its academic mission while maintaining a responsible level of financial health. The benchmarks in this section provide guidelines to assist the Board in evaluating financial resources, debt levels and cash reserves available for serving the strategic and long term interests of Wright State University and its stakeholders.

- 1. *Minimum Credit Rating:* Wright State University will manage its financial affairs to maintain a minimum Moody’s credit rating of A2 – Stable.
- 2. *Composite Financial IndexSM:* In order to evaluate WSU’s overall financial health in support of its mission and to assess the future prospects of the institution, the university will adopt and track the Composite Financial Index (CFI) as developed by KPMG, LLC and Prager, McCarthy, & Sealy LLC. This index assists in understanding the institution’s current financial position and

Commented [DAF13]: Taken from Strategic Financial Analysis in Higher Education – Seventh Edition (2010) by KPMG and Prager, McCarthy & Sealy, LLC).

provides insight into future prospects. WSU will strategically manage its financial health with at a CFI score of 3.0 or higher.

3. *Operating Performance:* Revenues and expenses should be matched so that the average annual operating surplus runs between 2% and 4% percent of total revenues. Higher surpluses may be required when reserves fall below minimum levels as required by this policy.
4. *Minimum Reserve Levels:* Unrestricted reserves are critical for maintaining a financial buffer against uncertainty, unexpected financial downturns, short term financial losses, as well as providing resources for unanticipated opportunities. Accordingly, Wright State University will maintain unrestricted reserves at a level that will result in a Primary Reserve Ratio no less than 0.4.
5. *Debt:* Wright State University's direct and indirect debt (the amount of debt attributed to the University by ratings agencies as a result of its relationship with third parties) should be maintained to produce a viability ratio that does not fall below 1.25. While there may be strategic reasons for a viability ratio below 1.25, in these instances it will be WSU's objective to return to 1.25% within a reasonable period of time. In addition, the University will manage its debt levels such that the Viability Ratio will not fall below 1.25.
6. *Liquidity:* Wright State University will monitor its liquidity position according to a short term (one year) and intermediate term (three year) liquidity ratio. Short term liquidity will be maintained at a ratio of at least 1.15 and intermediate term will be maintained at a ratio of at least 1.0.
7. *Cash Flow:* Wright State University will manage its financial performance to produce positive cash flow (cash inflows exceed cash outflows) each operating year. The Board of Trustees may approve exceptions when sufficient reserves are on hand in order to take advantage of strategic opportunities in support of overall mission.

The Board of Trustees directs the President or his/her designee to submit an annual report to the board via the Finance Committee describing the university's most recent performance in these benchmark areas. In the event any of the above benchmarks are not being achieved the Board of Trustees directs the President to submit a written plan for achieving these benchmarks to the board through the Finance Committee.

E. Key Indicators of Financial Performance

The Board of Trustees will monitor key financial indicators over time to assess long term financial trends. Primary indicators will be tracked in the following areas: Financial Health, Debt Position, and Market Demand. Secondary indicators will also be reviewed to provide further insight into financial performance. The Board will make these financial indicators available for review by the University community. A list of primary and secondary indicators are included in Appendices A and B.

F. University Reserves

The Board of Trustees will monitor levels of reserves as described in this policy. In circumstances when unrestricted reserves fall below minimum guidelines (see Financial Benchmarks, above), the President will suspend spending of business unit carryovers and/or include accumulation of new reserves in the annual operating budget until minimum reserve levels for the University are met.

Commented [DAF14]: Strengthened to reflect best practices in higher education.

Commented [DAF15]: A primary reserve ratio of 0.1 as originally written indicates expendable reserves on hand could cover approximately 36 days of expenses. The best practice target is 0.4, an amount equal to approximately 150 days expenses. The primary reserve ratio (see appendix) should include both unrestricted net assets, expendable restricted net assets, and the Foundation's unrestricted net assets (net of investment in plant) and temporarily restricted net assets.

Commented [DAF16]: Suggested by N. Krawitz as a best practice threshold.

Commented [DAF17]: Liquidity ratios measure the ability of the institution to convert financial assets into cash to pay operating and capital expenses. Setting the appropriate levels of liquidity depends upon term and level of risk and may be altered from time to time. While excess liquidity may negatively impact returns on net assets, too little liquidity may be catastrophic. In no case should the institution's liquidity fall below 1.0, which means sufficient liquidity exists to cover expected cash needs over a given period of time.

Commented [DAF18]: Added to note require that in a typical operating year cash inflows should exceed cash outflows. Exceptions may be approved but only with approval of the Board of Trustees.

G. Governance of Strategic Investments

The Board of Trustees recognizes the benefit of making strategic investments in projects that further the University's mission, and that such projects may at times require use of unrestricted reserves or debt capacity. Because of the unfunded nature of such projects the Board directs the President to report expenditures of non-base budgeted funds with a total expected (project) cost of \$100,000 or more to the Board accompanied by a robust cost/benefit analysis. Further, expenditures (projects) with a total expected cost of \$250,000 or more must be approved by the Board of Trustees prior to being started.

Guidelines for evaluating such projects and/or expenditures should include, but are not limited, to evaluations of the following:

1. The relationship of each investment to the University's Strategic Plan and its potential for helping achieve WSU's academic mission;
2. The potential to enhance the student academic and student experience and/or increase enrollment and retention;
3. The extent to which an investment is required to maintain the condition of the campus and its facilities;
4. The long term (3-5 year) expected financial impact of the project including effect on primary financial performance indicators, revenue-generating potential, and expenses which will become part of future budgets;
5. The relationship of each investment to University research priorities.

Commented [DAF19]: Added to highlight the importance of the student experience when evaluating strategic uses of cash.

H. Governance of Purchases and Expenditures

In order to exercise stewardship over financial resources, the Board of Trustees directs the President to develop a policy requiring the following with regard to single purchase transactions in a single fiscal year to a single vendor:

1. Notification to the Finance Committee of purchases between \$150,000 and \$249,999;
2. Approval by the Finance Committee of purchases between \$250,000 and \$499,999; and
3. Approval by the Board of Trustees of purchases of \$500,000 or more.

In addition, the administration will provide a list of the following expenditures at least annually:

1. A list of external consultants paid more than \$50,000.00 per fiscal year;
2. A list of all stipends/allowances/bonuses paid by the university.

Commented [DAF20]: This is a notification requirement only. Pre-authorization of these amounts by Finance Committee or the Board of Trustees is not required unless the cost of any individual item exceeds the amounts listed above.

The actual amount of individual purchases approved by the Board of Trustees or Finance Committee may vary by 10% without further Board or Committee action, however the Finance Committee should be informed of any overruns. Purchases approved which exceed the approved amount by more than 10% must be re-approved by the Board of Finance Committee. Should a single project require the use of multiple vendors/suppliers, the aggregate amount spent should be reported/approved based upon the criterion defined above.

For capital projects, cost overruns exceeding 5% of approved projections are to be reported to the Board of Trustees through the Finance Committee with a plan on how the overruns are to be funded. For cost overruns applicable to plant and facilities the Board's Building and Grounds Committee shall also be notified.

I. Investment Policy Statement

The Board of Trustees will adopt an Investment Policy Statement to effectively define, monitor, and evaluate the University's investment strategy. The purpose of the Investment Policy Statement is to ensure University funds are invested in a prudent manner to maximize returns in asset classes that do not exceed policy guidelines for risk. The Finance Committee will review the Investment Policy Statement at least annually and make policy modification recommendations to the Board of Trustees as may be appropriate.

J. Debt Policy Statement

The Board of Trustees will adopt a Debt Policy Statement that establishes guidelines for the management and oversight of external debt. Debt management guidelines will provide a framework for implementing the University's debt issuances, imposing discipline on capital financing and operating budget decisions, managing interest rate risk and assisting in the continued investment in University facilities. The goal of the debt policy is to ensure adequate financial strength to service existing and proposed debt, to maintain leverage within acceptable risk tolerance while investing in strategic capital initiatives, and to enhance a strong financial profile to ensure continued access to capital and money markets. The Finance Committee will review the Debt Policy annually and make policy modification recommendations to the Board of Trustees as may be appropriate.

K. Use of Reserves for Capital Projects

In order to maintain University unrestricted financial resources at responsible levels, the Board of Trustees directs the President to enforce a Wright Way Policy that requires 100% of project funding to be in hand prior to beginning capital projects. During times of financial stress where unrestricted reserves are below minimum levels as described in this policy, the Board may require higher amounts of project funding be on hand prior to beginning projects. The President may request the Board of Trustees to make exceptions to this policy as conditions warrant.

L. Financial Reporting

The Board of Trustees, through the Finance Committee, will review annual audited financial statements and interim financial reports throughout each fiscal year. Accordingly, the President or his/her designee will present the following financial reports to the Finance Committee as such become available during each fiscal year:

1. Audited fiscal-year ending financial statements;
2. Monthly Cash Report including sources and uses of cash and fiscal-year ending cash projections;
3. Monthly Revenue/Expense Report including year-to-date actual versus budgeted revenues and expenses and fiscal year-ending actual versus budgeted revenue and expense projections;
4. 5-Year trends for annual financial performance benchmarks and other financial data (see Appendix D).

Commented [DAF21]: The original version did not speak to board policies for acquiring and managing external debt. This version requires a separate debt policy statement, similar to the investment policy statement.

Commented [DAF22]: The original version of 90% has been increased to 100% based upon input of several commenters.

L. Policy Review

This financial governance policy will be reviewed by the Finance Committee of the Board of Trustees at least annually.

Appendix A: Primary Financial Performance Indicators (Annual Indicators)

Financial Health Indicators

Primary Reserve Ratio

Purpose: Measures the financial strength of the institution by comparing expendable net assets to total expenses. One of four ratios (weighted at 35%) used to determine the Composite Financial Index.

Target: 0.40 or higher

Calculation: Expendable Net Assets
Divided By: Total operating expenses

Return on Net Assets Ratio

Purpose: Determines whether the institution is financially better off than in previous years by measuring total economic return. One of four ratios (weighted at 20%) used to determine the Composite Financial Index.

Target:

Calculation: Change in Net Assets
Divided By: Total Net Assets

Viability Ratio (%)

Purpose: Measures adequacy of reserves to cover total debt. One of four ratios (weighted at 30%) used to determine the Composite Financial Index.

Target: 1.25 or higher

Calculation: Expendable net assets
Divided by: Total debt

Net Income Ratio (%)

Purpose: Measures whether the University is operating at a gain or a loss. Third of three ratios (weighted at 20%) used to determine composite Senate Bill 6 score.

Target: .02 - .04

Calculation: Change in total net assets
Divided by: total operating revenues

Liquidity Ratio

Purpose: Measures liquid resources available to meet expected and potential demands on cash. Measured for both the short term (one year) and intermediate term (three years).

Commented [DAF23]: Several new ratios were added to both Primary Financial Performance Indicators and Secondary Indicators to provide a more complete and nuanced view of WSU's financial performance as it relates to strategy and mission.

Target: 1.15 (short term) and 1.0 (intermediate term). Targets may evolve based on risk tolerance, reliability/confidence in cash projections, and changes in operating environment.

Calculation Sources of Liquidity
Divided by: Uses of liquidity

Cash Flow Ratio (%)
Purpose:

Measures how much of total revenue is returned to the institution in cash. It eliminates the effects of accrual accounting (which recognizes non-cash income and expenses) to determine how much net cash is flowing into or out of the institution. This is one of the ratios used in the FB score discussed in Appendix E.

Target: > 0.0% (Cash flow positive)

Calculation: Operating Cash Flow
Divided by: Total Revenue

Debt Position Indicators

Debt Burden Ratio
Purpose:

Examines the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with total expenditures.

Target: < 6.0%

Calculation: Debt Service
Divided by: Total Expenditures

Debt Coverage Ratio
Purpose:

Measures the excess of income over adjusted expenses available to cover annual debt service payments. It determines whether the institution has a net income stream available to meet its debt burden.

Target: TBD

Calculation: Adjusted Change in Net Assets
Divided by: Debt Service

Leverage Ratio
Purpose:

Determines the proportion of debt contained in the institution's capital structure.

Target: TBD

Calculation: Available Net Assets
Divided by: Long Term Debt

The numerator includes unrestricted and temporarily restricted net assets. Denominator includes all long term debt.

Age of Facility Ratio

Purpose: Measures the average age of total plant facilities by measuring the relationship of current depreciation to total depreciation. It provides a sense of the age of facilities and the potential need for future resources to be invested in plant to cover deferred maintenance.

Target: Typically 10 years or less. However, a low ratio is better as it indicates less need for investment in facilities. A high ratio signifies the potential need for significant expenditure for plant facilities in the near future.

Calculation: Accumulated Depreciation
Divided by: Depreciation Expense

Market Demand Indicators

Total Applications Received

Purpose: Measures the total number of applications to attend WSU. May be subdivided into graduate, undergraduate, domestic, international, or other important.

Target N/A

Calculation: Total applications received.

Selectivity Ratio (%)

Purpose: Measures the number of students who the university accepts relative to how many apply..

Target: TBD

Calculation: Number of acceptances
Divided by: Number of applicants

Matriculation (Yield) Ratio (%)

Purpose: Measures the number of students enrolling as a percentage of acceptances.

Target: TBD

Calculation: Number of students enrolling

Divided by: Number of acceptances

Total Tuition Discount Rate (%)

Purpose: Measures the rate at which the institution subsidizes students on average relative to published tuition and fees..

Target: TBD

Calculation: The sum of:
Scholarship discounts, fee waivers, and allowances paid by the institution in exchange for attendance.
Plus scholarship expense
Divided by: gross tuition and fee revenue

University-Provided Financial Aid (%)

Purpose: Measures the percentage of full tuition forgiven by the university in exchange for attendance.

Target: TBD

Calculation: Scholarship discounts, allowances, and fee waivers paid from the WSU operating budget to reduce tuition for students in exchange for attendance
Divided by: Gross tuition and fee revenue.

Appendix B: Secondary Financial Performance Indicators

Senate Bill 6 Composite Score

Purpose: A composite score used by the State of Ohio to assess the University's overall financial health. A score below 1.75% for two consecutive years places an institution on fiscal watch.

Calculation: See table in Appendix D.

Fichtenbaum-Bunsis (FB) Score

Purpose: A composite score similar to the Senate Bill 6 Composite Score but that also includes a cash flow component (cash flow as a percentage of total revenues) with different weighting. The cash flow component produces a more conservative composite score by not including non-cash incomes based upon accruals.

Calculation: See table in Appendix E

Commented [DAF24]: A new calculation added which augments Senate Bill 6 scores with a cash flow component. The AAUP uses this scoring method to evaluate an institution's financial strength. As a university with AAUP faculty it is important for the board to understand how its collective bargaining partners assess financial health.

Unrestricted Financial Resources/Debt (%)

Purpose: Measures the University's most liquid funds as compared to outstanding debt.

Target: TBD

Calculation: The sum of:
Unrestricted reserves
Divided by: Total debt

Debt Service Coverage (x)

Purpose: Measures cash available to make principle and interest payments on University debt from annual operations.

Target: The median ratio of Moody's A2 universities.

Calculation: The sum of:
Annual operating surplus (deficit)
Plus: non-cash depreciation expense
Plus: Interest expense
Divided by: Total of principal and interest payments on direct and indirect debt.

Total financial resources per student (\$)

Purpose: Measures the amount of money from all sources available to the University per FTE student.

Target: N/A

Calculation: The sum of:
Unrestricted net assets
Plus: restricted expendable net assets
Plus: restricted nonexpendable net assets
Plus: foundation total net assets less foundation net investment in plant
Divided by: Total FTEs

Resource Sources (%)

Purpose: Measures financial resources received from the following areas:

- Tuition & Fees
- State Appropriations
- Contracts and Grants
- Auxiliary Activities
- Endowment and Investment Income
- Gifts
- Departmental Sales & Services
- Other

Target: N/A

Calculation: Total resources received from each area measured
Divided by: Total resources received

Spending per FTE Student
By Standard Expense Category (\$)

Purpose: Measures University spending per FTE student in each of the following standard categories:

- Instruction
- Academic Support
- Student Services
- Research
- Net Scholarships & Fellowships
- Institutional Support
- Public Service
- Operations & Maintenance

Target: N/A

Calculation: Expenses for each category
Divided by: Total FTE

Note:

Average Operating Margin (%)

Purpose: Measures average operating margin over the previous three fiscal years. Allows a longer term view of profitability not affected by results (positive or negative) from a single year.

Target: N/A

Calculation: The sum of:
Last three years Operating Margin
Divided by: Last three years of operating revenue

Net Tuition per Student (%)

Purpose: Measures the actual amount students pay to attend WSU. Does not include amounts paid via scholarship or forgiven via discounts and allowances.

Target: N/A

Calculations: The sum of:
Gross tuition and fees revenue
Less Scholarship discount and allowances
Less Scholarship expense
Divided by total FTEs

Appendix C: Composite Financial Index (CFI)¹

Wright State University will use the Composite Financial Index (CFI) developed by Prager, Sealy & Co. LLC, as its primary means of analyzing financial position and in assessing future prospects. In this regard the CFI functions as an “affordability index” for the institution’s strategic plan.

The methodology for calculating the CFI requires calculating four core financial ratios (Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Assets Ratio, and Viability Ratio), applying a strength factor, and then a weighting factor to arrive at the composite score.

The strength factor used as a threshold level for WSU is based on threshold levels recommended by Prager, Sealy & Co. for public institutions. A strength factor of “3” on each ratio indicates that an institution is relatively financially healthy, that nearly 150 days of annualized expenses are retained in expendable resources, the net operating revenues generated are sufficient to keep pace with and likely exceed the growth of moderate expense levels, and expendable net assets exceed institutional debt levels (although not be excessive amounts). This is the relative mid-point on a range of strength factors between a floor of -4 and a ceiling of +10.

Weightings are based on recommendations for institutions with long-term debt.

The formula for calculating the index:

1. Calculate the value of each core ratio
2. Divide each core ratio value by the threshold strength factor
3. Multiply the result by the weighting factor
4. Add the resulting scores together to arrive at the total CFI

The example below is for the 2016 Fiscal Year ending June 30, 2016

Ratio	Ratio Value	Strength Factor	Weighting Factor	Score
Primary Reserve	0.10	0.133	35%	0.0875
Net Operating Revenues	0.470	0.417	10%	0.113
Return on Net Assets	-.093	.013	20%	-0.000
Viability	-.09246	.02	35%	-0.9246
			Total Score:	(0.8371)

¹ (Prager, Sealy, LLC and KPMG, 2010)

Appendix D: Senate Bill 6 Composite Score Calculation

Wright State University's Senate Bill 6 Composite Score calculation is the primary measure of financial health from the State of Ohio. The score is determined by weighting the scores for the Viability Ratio, Primary Reserve Ratio, and Net Income Ratio according to the following table:

Ratio Scores	0	1	2	3	4	5
Viability Ratio	<0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	> 2.5 or N/A
Primary Reserve Ratio	< -0.1	-.1 to .049	.05 to 0.99	.10 to .249	.25 to .49	.5 or greater
Net Income Ratio	< -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater

The composite score equals the sum of the assigned viability score multiplied by 30%, the assigned primary reserve score multiplied by 50%, and the assigned net income score multiplied by 20%.

Note: A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch. The highest composite score possible is 5.00.

Appendix E: Fichtenbaum-Bunsis (FB) Score

The Fichtenbaum-Bunsis Score is a composite scoring index similar to the Senate Bill 6 Composite Score calculation except that it includes a cash flow ratio in the calculation. The score is determined by weighting scores for the Viability Ratio, Primary Reserve Ratio, Net Income Ratio, and Cash Flow Ratio according to the following table:

Ratio Scores	0	1	2	3	4	5
Viability Ratio	<0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	> 2.5 or N/A
Primary Reserve Ratio	< -0.1	-.1 to .049	.05 to 0.99	.10 to .249	.25 to .49	.5 or greater
Net Asset Ratio	< -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater
Cash Flow Ratio	< -5%	-5% to 0.00%	0.00% to 0.99%	1.0% to 2.99%	3.0% to 4.99%	> 5.00%

The composite score equals the sum of the assigned viability score multiplied by 22.5%, the assigned primary reserve score multiplied by 45%, the net asset ratio at 12.5%, and the cash flow ratio at 20%.

Appendix F: Financial Trends Summary

Wright State University Financial Trends Report					
Primary Financial Indicators					
Indicator:	FY 2012	FY2013	FY2014	FY2015	FY2016
Composite Financial Index					
Primary Reserve Ratio					
Return on Net Assets Ratio					
Viability Ratio					
Net Income Ratio					
Liquidity Ratio – Short Term					
Liquidity Ratio – Intermediate Term					
Cash Flow Ratio					
Debt Burden Ratio					
Debt Coverage Ratio					
Leverage Ratio					
Age of Facility Ratio					
Total Applications Received					
Selectivity Ratio					
Matriculation (Yield) Ratio					
Total Tuition Discount Rate					
University- Provided Financial Aid					
Secondary Financial Indicators					
Senate Bill 6 Composite Score					
Fichtenbaum-Bunsis Score					
Unrestricted Financial Resources to Debt %					
Debt Service Coverage Ratio					
Total Financial Resources per Student					
3-Year Average Operating Margin					
Net Tuition per FTE Student					
Total Tuition Discount %					
Operating Expenses per Student					
State Appropriations per Student					
Other Performance Data					
Total FTE Enrollment					
Total Financial Resources					
Total Direct Debt					
Total Operating Revenue					
Reliance on Tuition/Auxiliary Revenue as % Op. Revenue					
Reliance on State Appropriate Revenue as % of Op. Revenue					

