



# Northern Illinois University

## **Audited Financial Statements and Financial Results for the Year Ended June 30, 2017 (University Only)**

**Finance, Audit, Compliance, Facilities  
and Operations Committee**

June 14, 2018

# FY17 Audited Financial Results



- “Unqualified” audit opinion (best outcome)
- Net position declined by \$30.4 million
- Focus on adjusted net working capital
- Long-term debt position
- Continued commitment to transparency
  - Generally Accepted Accounting Principles (GAAP) versus Budget Discussion

# 2017 Change in Net Position Summary



The following comparative summary illustrates the impact of the declining tuition revenue and reduced general state appropriation on our net position:

	2017 (\$000's)	2016 (\$000's)	\$ change	% change
<u>Operating Activities:</u>				
Tuition and fees, net	\$ 127,256	\$ 138,598	\$(11,342)	-8.2%
Net revenues	148,312	154,364	\$ (6,052)	-3.9%
Net expenses	<u>(559,239)</u>	<u>(547,422)</u>	<u>\$(11,817)</u>	<u>2.2%</u>
Operating loss	\$(283,671)	\$(254,460)	\$(29,211)	11.5%
<u>Nonoperating Activities:</u>				
State appropriation - general	\$ 48,316	\$ 26,424	\$ 21,892	82.8%
State appropriation - on behalf payments	179,204	158,477	\$ 20,727	13.1%
Net other revenues (expenses)	<u>17,940</u>	<u>21,148</u>	<u>\$(3,208)</u>	<u>-15.2%</u>
Other revenue and changes in net position	<u>7,810</u>	<u>2,193</u>	<u>\$ 5,617</u>	<u>256.1%</u>
Increase (Decrease) in net position	<u><u>\$ (30,401)</u></u>	<u><u>\$ (46,218)</u></u>	<u><u>\$ 15,817</u></u>	<u><u>-34.2%</u></u>

As a result, the university's net position declined for a net amount totaling \$76.6 million over the two-year period.

# 2017 Statement of Net Position Summary



A high-level summary comparison of the university's assets, liabilities and net position at June 30, 2017 and June 30, 2016:

	2017 (\$000's)	2016 (\$000's)	\$ change	% change
Current Assets:				
Cash and investments	\$ 8,401	\$ 14,076	\$ (5,675)	-40.3%
Restricted cash and investments	14,775	13,682	\$ 1,093	8.0%
Other current assets	50,094	47,461	\$ 2,633	5.5%
Noncurrent Assets:				
Cash and investments	2,991	29,326	\$(26,335)	-89.8%
Restricted cash and investments	92,888	98,247	\$ (5,359)	-5.5%
Other assets	461,928	468,771	\$ (6,843)	-1.5%
Total Assets	<u>\$ 631,077</u>	<u>\$ 671,563</u>	<u>\$(40,486)</u>	<u>-6.0%</u>
Current liabilities	\$ 62,208	\$ 63,152	\$ (944)	-1.5%
Noncurrent liabilities	374,032	383,173	\$ (9,141)	-2.4%
Total Liabilities	436,240	446,325	\$(10,085)	-2.3%
Net Position	<u>\$ 194,837</u>	<u>\$ 225,238</u>	<u>\$(30,401)</u>	<u>-13.5%</u>
Total Liabilities & Net position	<u>\$ 631,077</u>	<u>\$ 671,563</u>	<u>\$(40,486)</u>	<u>-6.0%</u>

# 2017 Working Capital Focus



Working capital is one common measure of liquidity, efficiency, and overall fiscal health. A comparative summary of adjusted working capital follows:

	2017 (\$000's)	2016 (\$000's)	\$ change
Reported Net Working Capital (current assets – current liabilities)	\$ 11,062	\$ 12,067	\$ (1,005)
Adjustments:			
Current Restricted Cash & Investments	\$ (14,775)	\$ (13,682)	\$ (1,093)
Noncurrent Cash & Investments	\$ 2,991	\$ 29,326	\$ (26,335)
Total Adjustments:	\$ (11,784)	\$ 15,644	\$ (27,428)
Adjusted Working Capital	<u>(722)</u>	<u>27,711</u>	<u>(28,433)</u>
Adjusted Working Capital Ratio (adjusted current assets/adjusted current liabilities)	-0.98	1.44	-2.42

*A good working capital is considered anything between 1.2 and 2.0.*

# 2017 Long-term Debt Position



The following table provides a summary of the University's debt obligations, including performance contracts, notes and revenue bonds, and capital leases for the past five years:

	FY18*	FY17	FY16	FY15	FY14
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Debt obligation payable, beginning of year	\$ 359,365	\$ 369,796	\$ 372,608	\$ 380,244	\$ 378,627
Current year changes:					
New borrowing	2,527	-	5,600	-	20,105
Principal repayment	(9,418)	(10,264)	(9,346)	(7,926)	(20,222)
Change in unamortized bond (premium) discount	(167)	(167)	934	290	1,734
Net change	(7,058)	(10,431)	(2,812)	(7,636)	1,617
Debt obligation payable, end of year	<u>\$ 352,307</u>	<u>\$ 359,365</u>	<u>\$ 369,796</u>	<u>\$ 372,608</u>	<u>\$ 380,244</u>

\* FY18 amounts are unaudited

# Generally Accepted Accounting Principles versus Budget



- Differences between GAAP and Budget
  - GAAP definition
  - Budget definition

	FY17 YTD Actuals (\$000's)
Total Budgetary Excess Revenue over Expenditures	\$ 257
Differences - Budget to GAAP:	
Depreciation	(25,052)
GAAP accruals, deferrals, and other revenue/expense timing differences	(5,606)
Total Decrease in Net Position, as reported in the Audited Financial Statements	\$ (30,401)

*Note: This is a preliminary reconciliation pending further detailed review*

# Continued Commitment to Transparency



- Complete reconciliation from FY17 Budget Results to FY17 Audited Financials
- Review FY18 Budget Results to FY18 Audited Financials to test assumptions
- Apply assumptions and assess impact to the FY 19 Budget to project year end results.
- Apply assumptions to inform FY20 budget build process
- Improved management reporting
  - Quarterly budget analysis and reporting
  - Consideration of quarterly financial statements on a full GAAP basis beginning Q1 – FY2020