

## **Selected FY 12-13 Financial Statements and Historical Analytics**

**Source: BDO SC State University Audit Report February 5, 2014**

# South Carolina State University

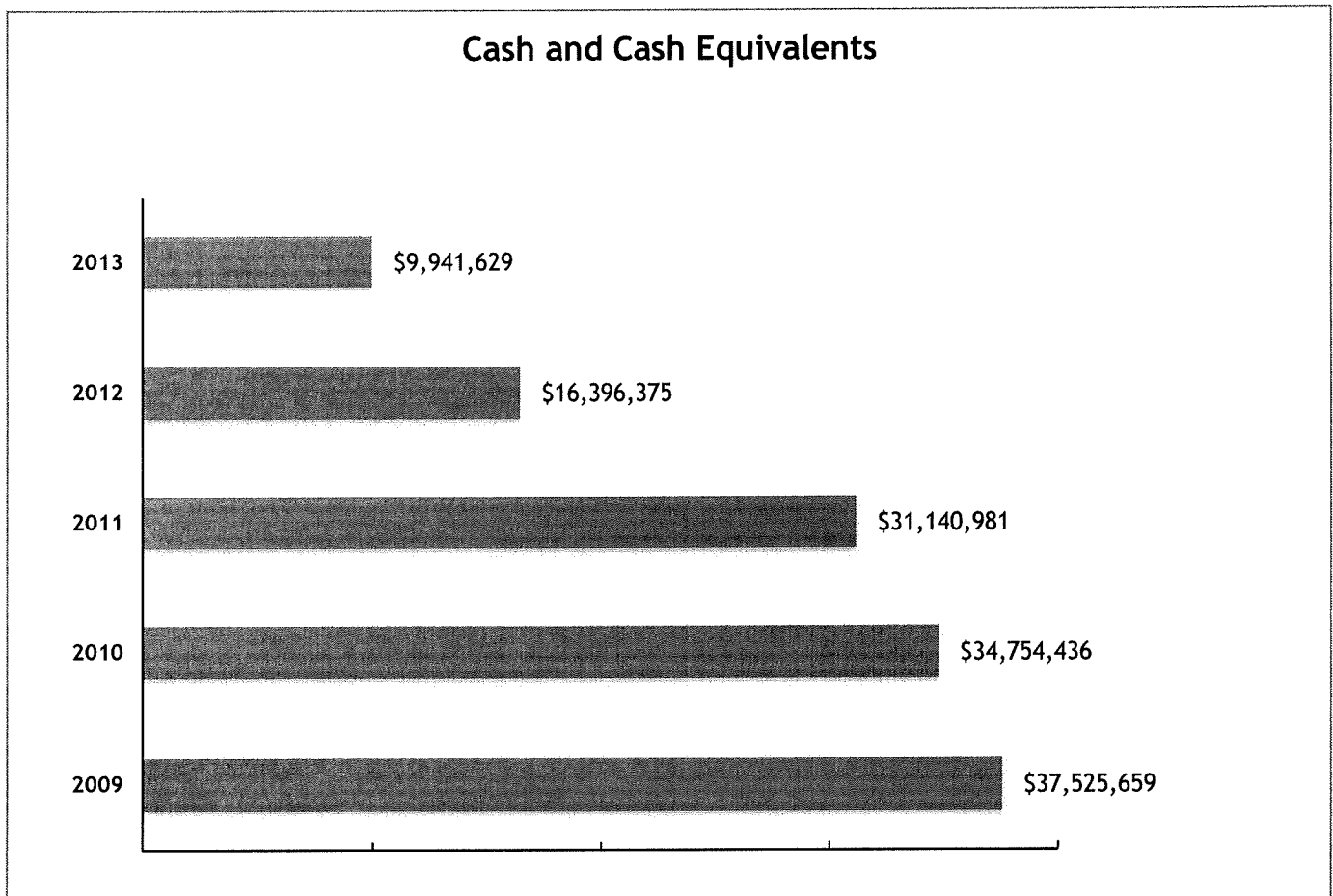
## Audit Results

*Fiscal Year Ended June 30, 2013*

*Covers the 2013 Audit Results through  
February 5, 2014*

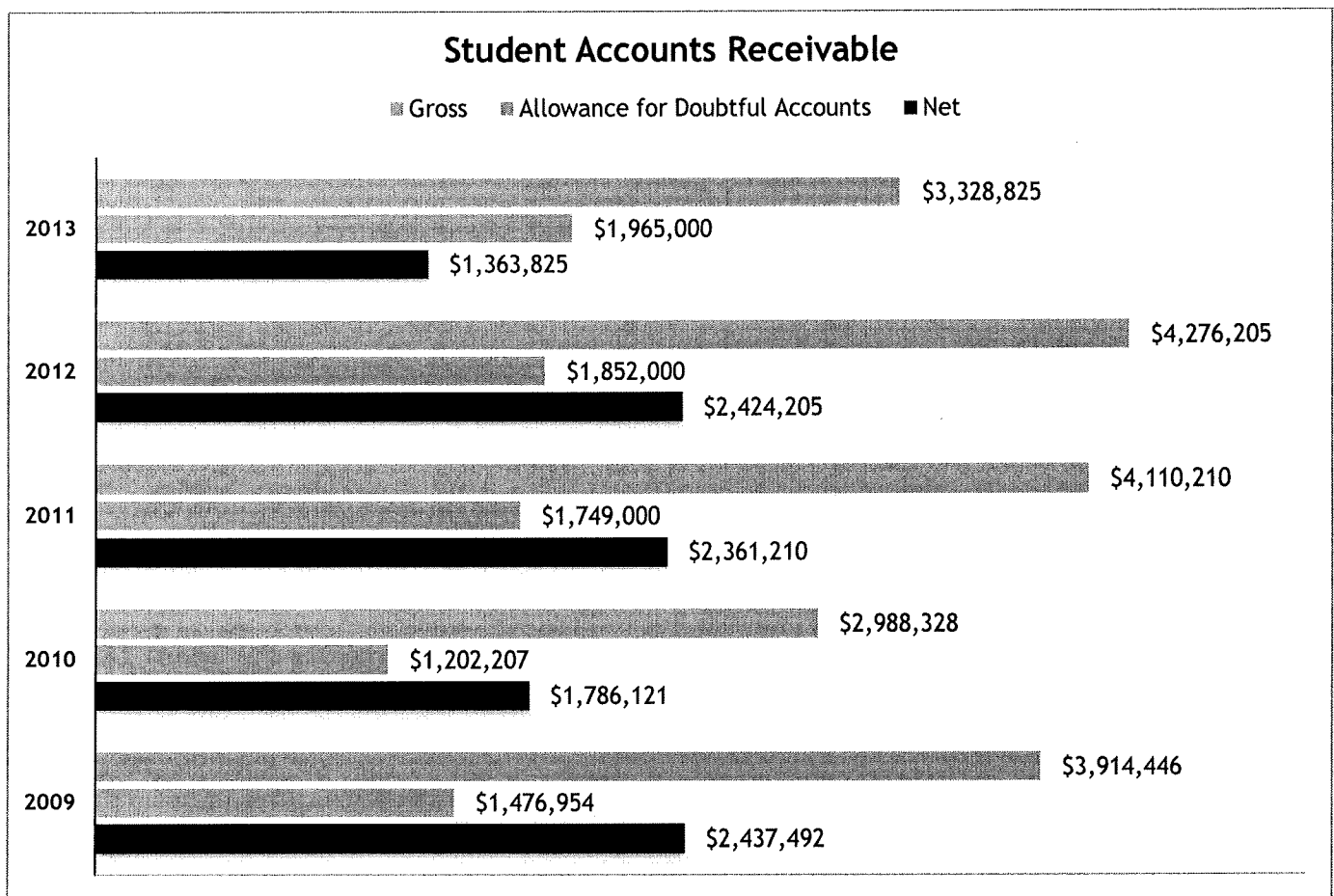


## Overview of 2013 Financial Information



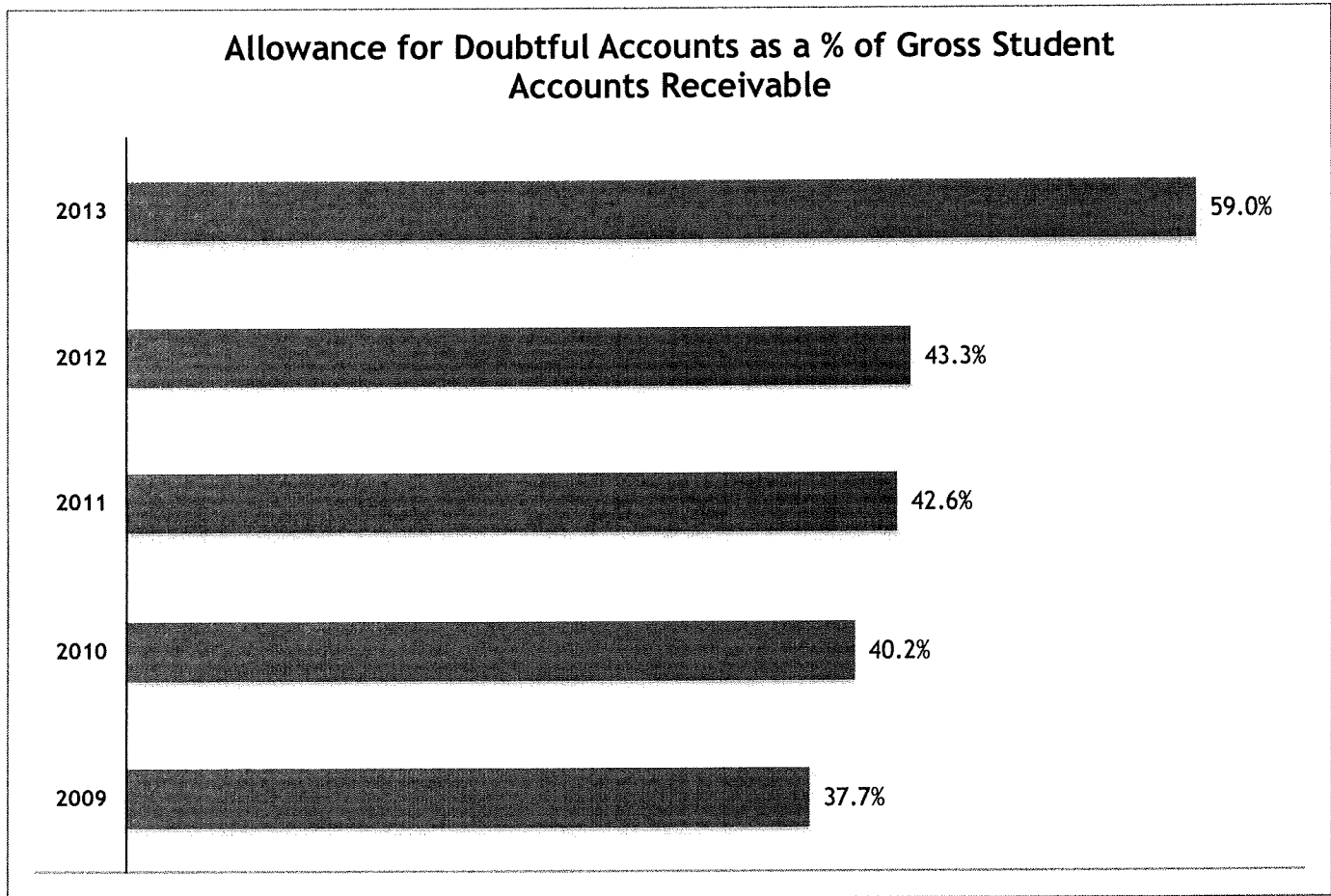
The University's cash and cash equivalents decreased by approximately \$6.5 million from June 30, 2012 to June 30, 2013. This decrease was the net result of cash used by operating activities of approximately \$(25.6) million, cash provided by noncapital financing activities of approximately \$28.3 million, cash used by capital debt and related financing activities of approximately \$(9.4) million, and cash provided by investing activities of approximately \$0.2 million. Though there were a number of factors contributing to the \$6.5 million decrease in cash and cash equivalents, a key driver of this decrease was the \$5.8 million net loss that the University experienced during 2013.

## Overview of 2013 Financial Information (continued)



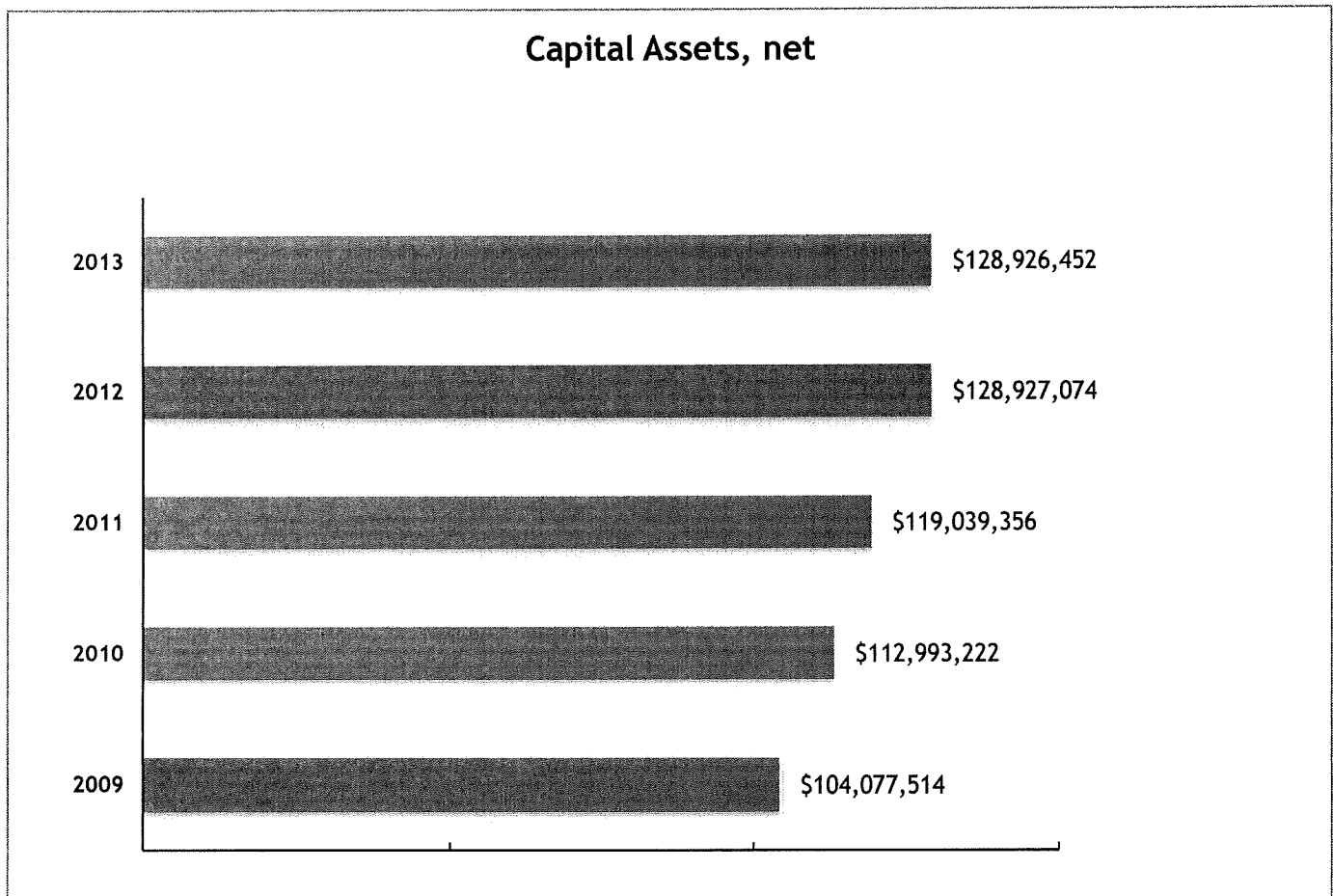
The University's net student accounts receivable decreased by approximately \$1.1 million from June 30, 2012 to June 30, 2013. This decrease was primarily attributable to a decrease in net student tuition and fees during 2013 of approximately 13% and an increase in the allowance for doubtful accounts of approximately \$113,000. Refer to the next 2 pages for additional analysis on student accounts receivable.

## Overview of 2013 Financial Information (continued)



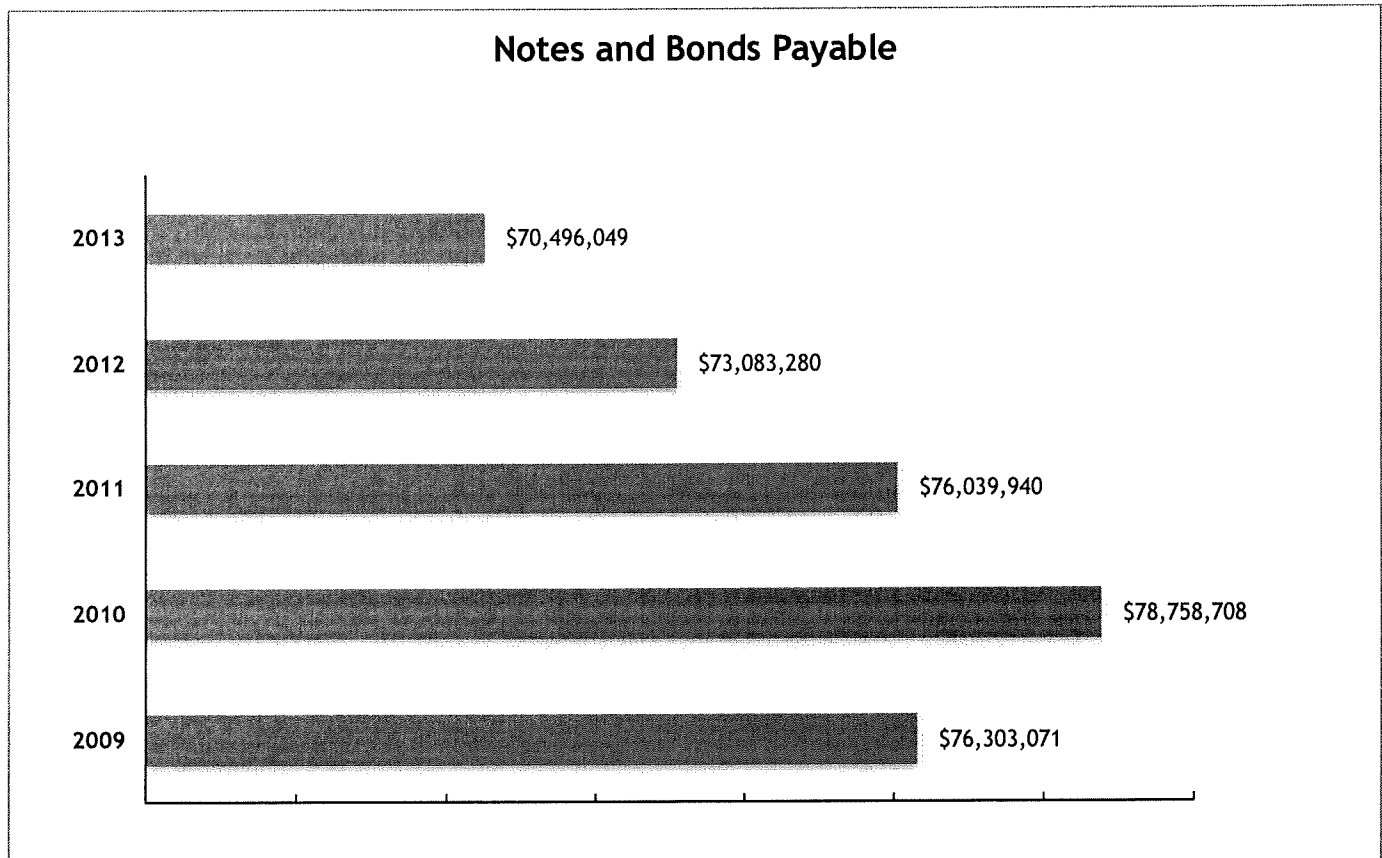
The allowance for doubtful accounts as a percentage of gross student accounts receivable increased by 157 basis points, from 43.3% at June 30, 2012 to 59.0% at June 30, 2013. This increase was primarily attributable to more individual student accounts having been outstanding longer as of June 30, 2013 as compared to June 30, 2012, and thus the University reserved a larger portion of the gross balance as June 30, 2013. In an institution of higher education setting, this trend can be attributable to a number of factors, including, but not limited to, the overall collection efforts of the institution as well as students with outstanding balances being allowed to reenroll at the institution, obtain transcripts, and/or graduate.

## Overview of 2013 Financial Information (continued)



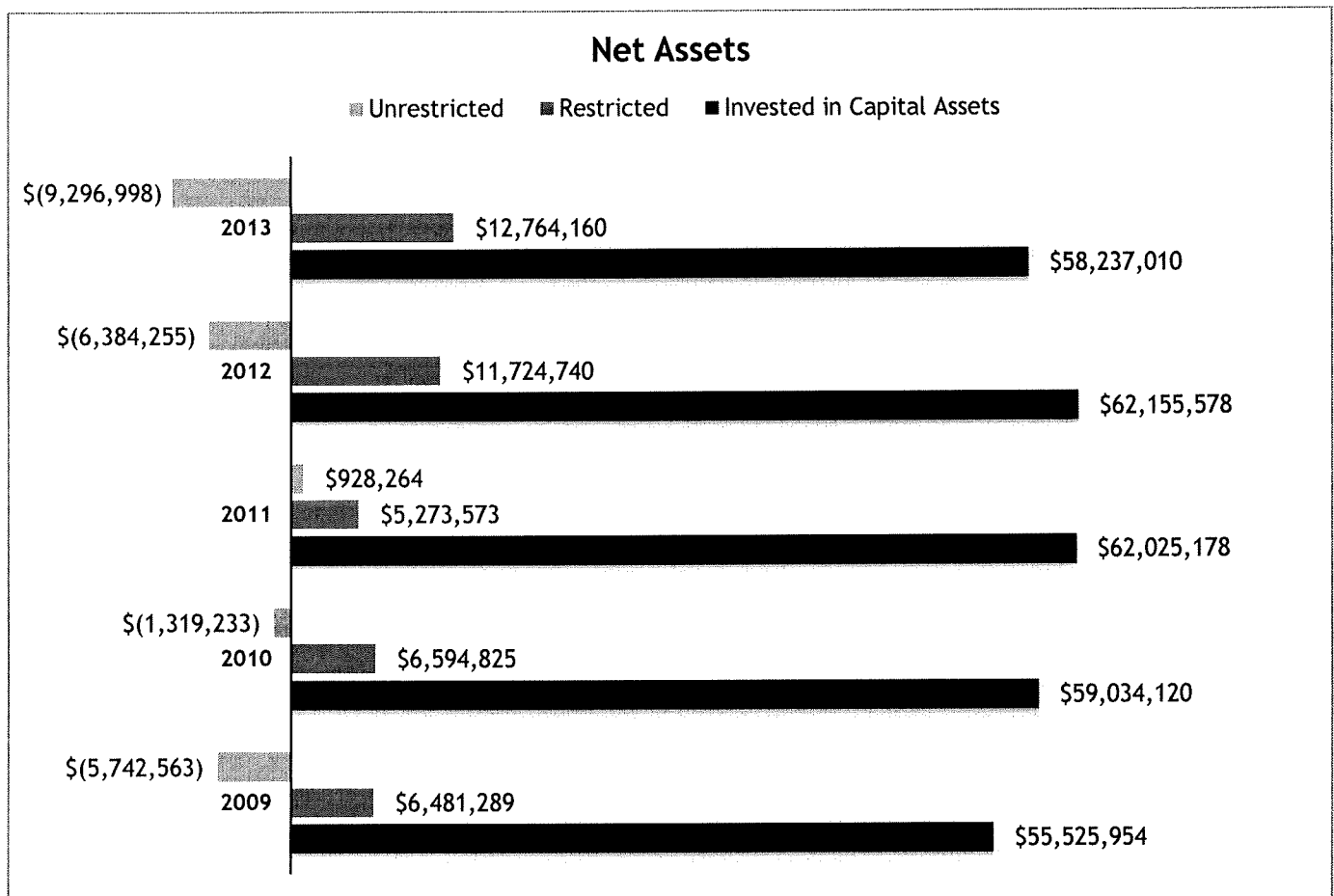
The University's largest asset at June 30, 2013 and 2012 was its capital assets, which comprised approximately 86% and 82% of its total assets, respectively. Capital assets, net balance at June 30, 2013 was consistent with the June 30, 2012 balance. This was attributable to current year capital asset additions of \$5.6 million being offset by \$5.6 million in 2013 depreciation expense.

## Overview of 2013 Financial Information (continued)



The University's largest liability at June 30, 2013 and 2012 was its debt (notes and bonds payable), which comprised approximately 80% and 81% of its total liabilities, respectively. The University's debt balance decreased by approximately \$2.6 million from June 30, 2012 to June 30, 2013. This decrease was directly attributable to approximately \$2.6 million in principal payments made during 2013.

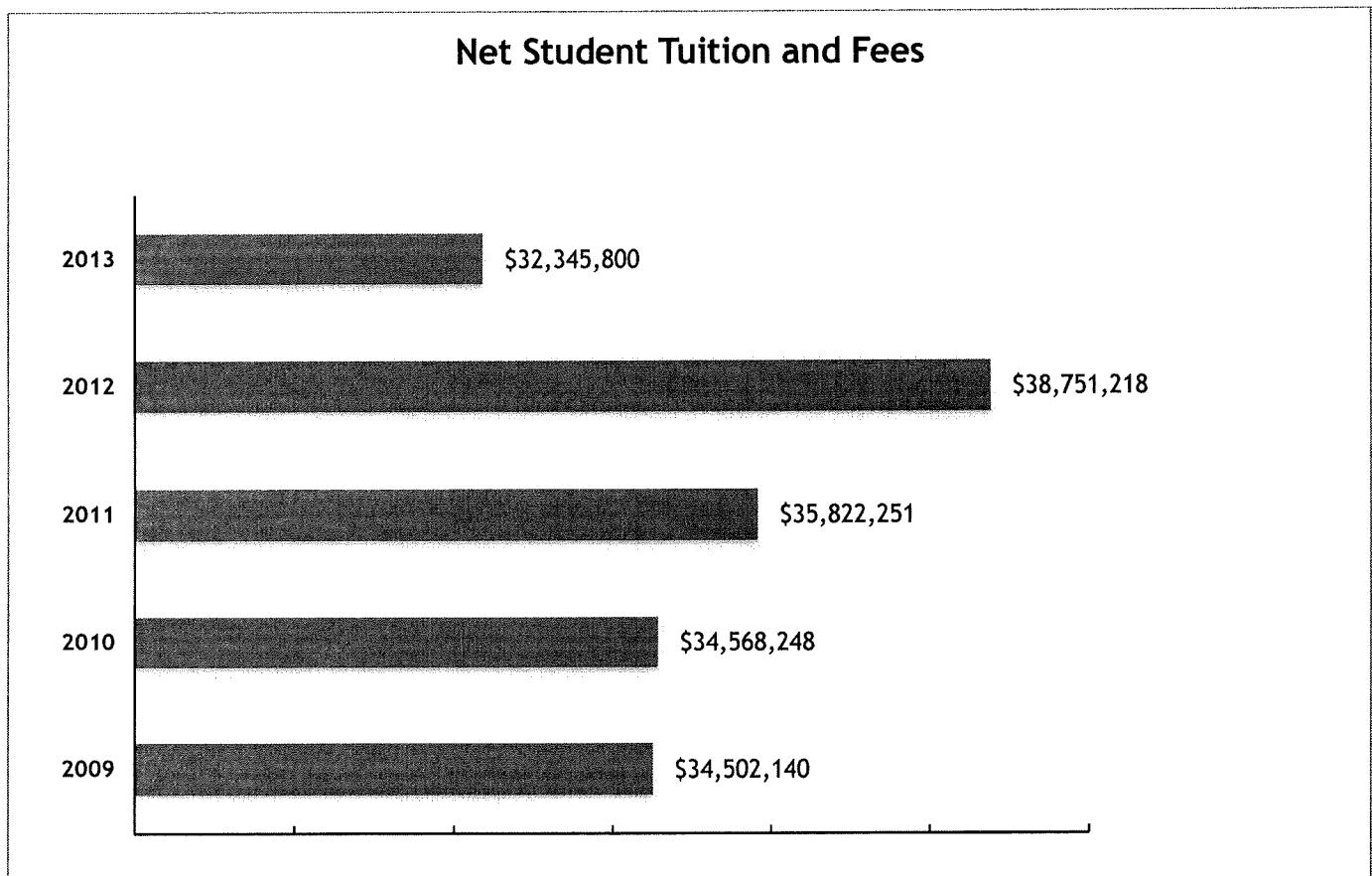
## Overview of 2013 Financial Information (continued)



The University's overall net asset balance decreased approximately \$5.8 million during the fiscal year ended June 30, 2013. The \$5.8 million decrease is the result of \$32.6 million in net operating losses being partially offset by \$26.8 million in net non-operating revenues and state capital appropriations. The approximate \$2.9 million decrease to unrestricted net assets was primarily due to a decrease of net tuition and fees of approximately \$6.4 million partially offset by an increase state appropriations of approximately \$2.8 million.

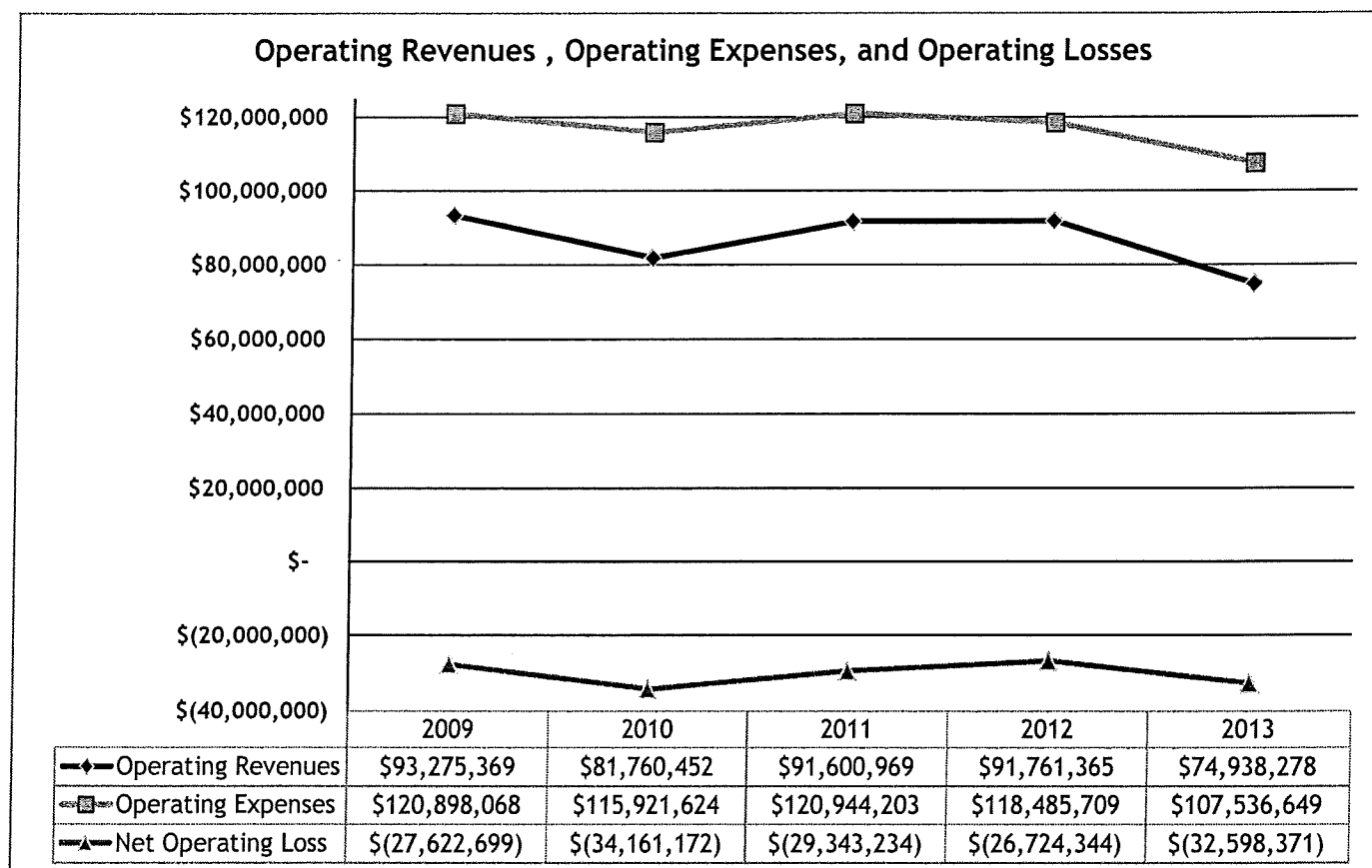


## Overview of 2013 Financial Information (continued)



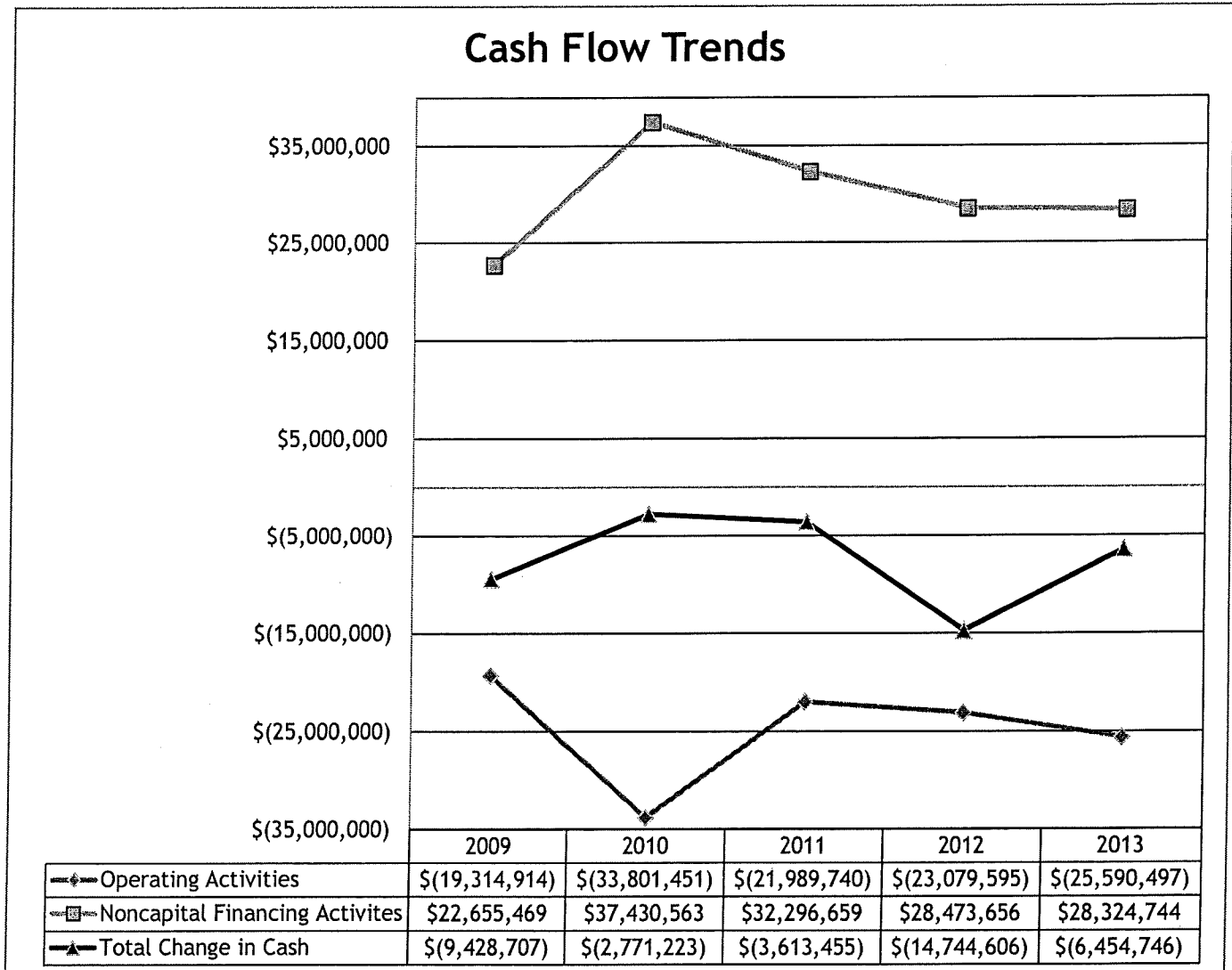
The University's net student tuition and fees decreased by approximately \$6.4 million and 12.5% from 2012 to 2013. This was primarily due to a decrease of enrollment of approximately 11.5% and an increase in scholarship allowances of approximately \$450K from 2012 to 2013.

## Historical Analytics and Ratios



The above trend analysis indicates that the University's operating revenues have continuously been significantly less than its operating expenses and that the University is highly dependent on its net non-operating revenues (state appropriations, etc.) to cover or partially cover its net operating losses.

## Historical Analytics and Ratios (continued)



The above trend analysis indicates that the University's net cash used by operating activities has been the key contributor to the University's total decrease in cash for the past 5 years. The University is highly dependent on cash inflows from non-capital financing activities (state appropriations, federal grants, etc.) to partially offset cash used by its operating activities.

## Historical Analytics and Ratios (continued)

### Composite Financial Index

The Composite Financial Index demonstrates the health of the University by compiling information across key areas. It is established by first calculating four ratios and combining them to create a single score of financial health:

- *Primary Reserve Ratio* - Reflects whether the University has sufficient flexible resources to meet its needs
- *Net Operating Revenues* - Reflects the ability of the University to live within its means on a short-term basis
- *Return on Net Position Ratio* - Reflects the University's ability to generate overall return against all net resources
- *Viability Ratio* - Outstanding long-term obligations against the University's expendable wealth

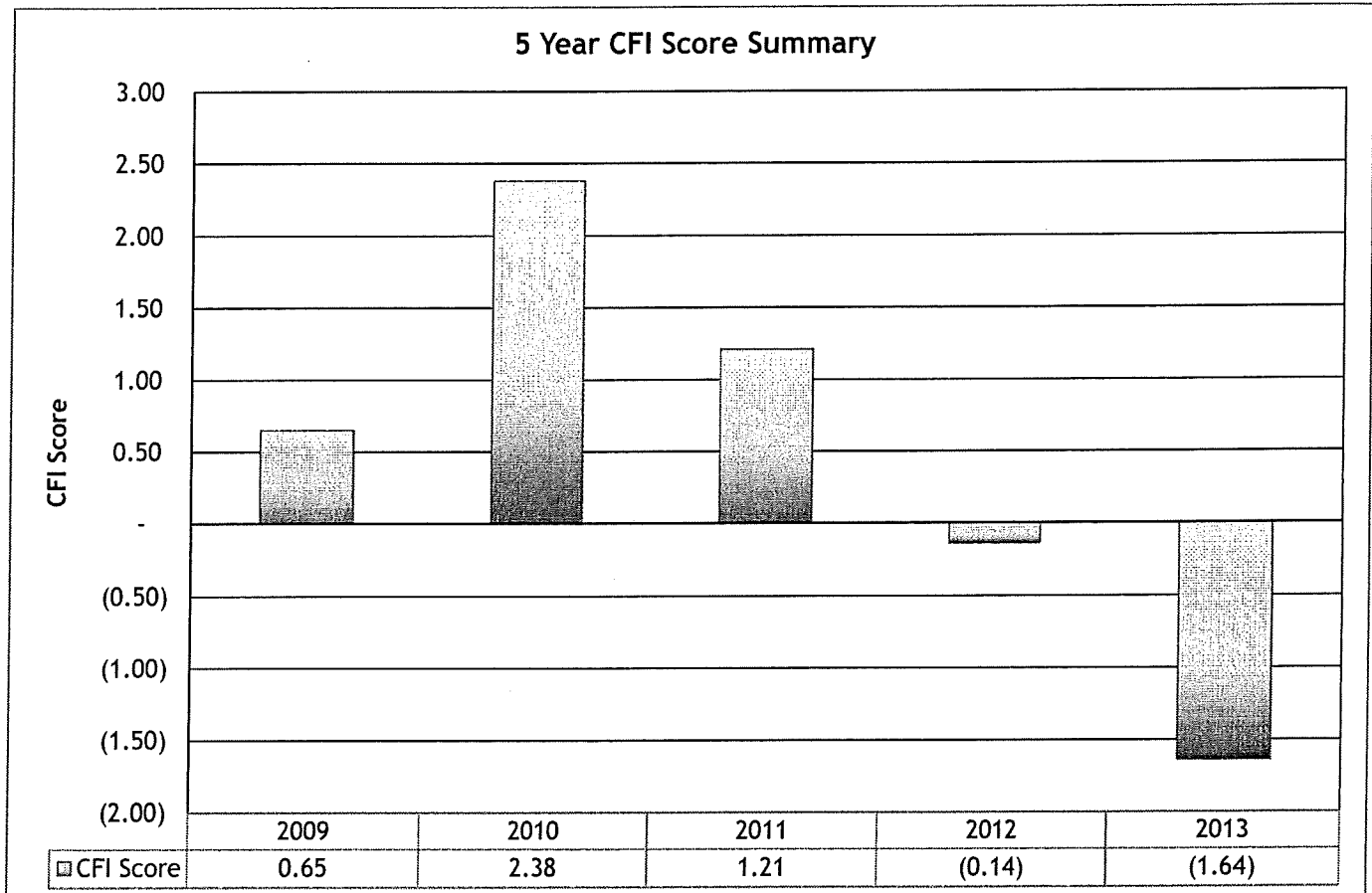
The following tables summarizes the CFI calculation for fiscal 2013:

Ratio Description	Fiscal 2013				
	Ratio	Strength: Divide Ratio	Scoring Scale: Multiply	Weight: Multiply	CFI Score
Primary Reserve	0.0035	/ 0.133	x 1	x 0.35	0.01
Net Operating Revenues	(0.0550)	/ 0.007	x 1	x 0.10	(0.79)
Return on Net Position	(0.0858)	/ 0.020	x 1	x 0.20	(0.86)
Viability	0.00550	/ 0.417	x 1	x 0.35	0.00
CFI Score					(1.64)

## Historical Analytics and Ratios (continued)

### Composite Financial Index

The following table summarizes the University's CFI history for the past five years:



The significant decrease in the University's CFI score from fiscal 2012 to 2013 was primarily attributable to:

- The University had a net loss of approximately \$730,000 in fiscal 2012 compared to a net loss of approximately \$5.8 million in fiscal 2013 (an increase in net loss of 692%).
- The University had an unrestricted net deficit of approximately \$6.4 million at June 30, 2012 compared to a unrestricted net deficit of approximately \$9.3 million at June 30, 2013 (an increase in unrestricted net deficit of 46%)

**NOTE:** The CFI score calculations used in preparing the CFI scores presented as part of our 2012 audit results were updated during our 2013 audit to include ratio inputs, ratio strengthens, and weights that are more representative of the University's financial health. Thus, if you compare the above table to the 2012 table, you will see certain variances that resulted in update.

## Historical Analytics and Ratios (continued)

### *Composite Financial Index*

The following table provides an explanation of the CFI score and key actions for each level of the score.

Scale Level	CFI Scoring Range	Action
1	<0 to 1	Assess viability of institution's survival
2	0 to 2	Reengineer the institution
3	1 to 3	
4	2 to 4	
5	3 to 5	Direct resources toward transformation
6	4 to 6	
7	5 to 7	
8	6 to 8	Focus resources to compete
9	7 to 9	
10	> 9	Experiment with new initiatives
		Experiment with new initiatives; achieve a robust mission
		Deploy resources to achieve a robust mission