



Leadership Series Finance Update

March 4, 2021

Joe Smith, CPA
Chief Financial Officer
GU Class of 2001

Discussion Outline

- **How We Think About Resource Allocation**
- **A Review of Operating Sources and Uses**
- **Measures of Institutional Financial Health**
- **Trends in Enrollment and Pricing**
- **University Outcomes**
- **Recent Financial Achievements**
- **The Impact of COVID-19**
- **Final Thoughts**

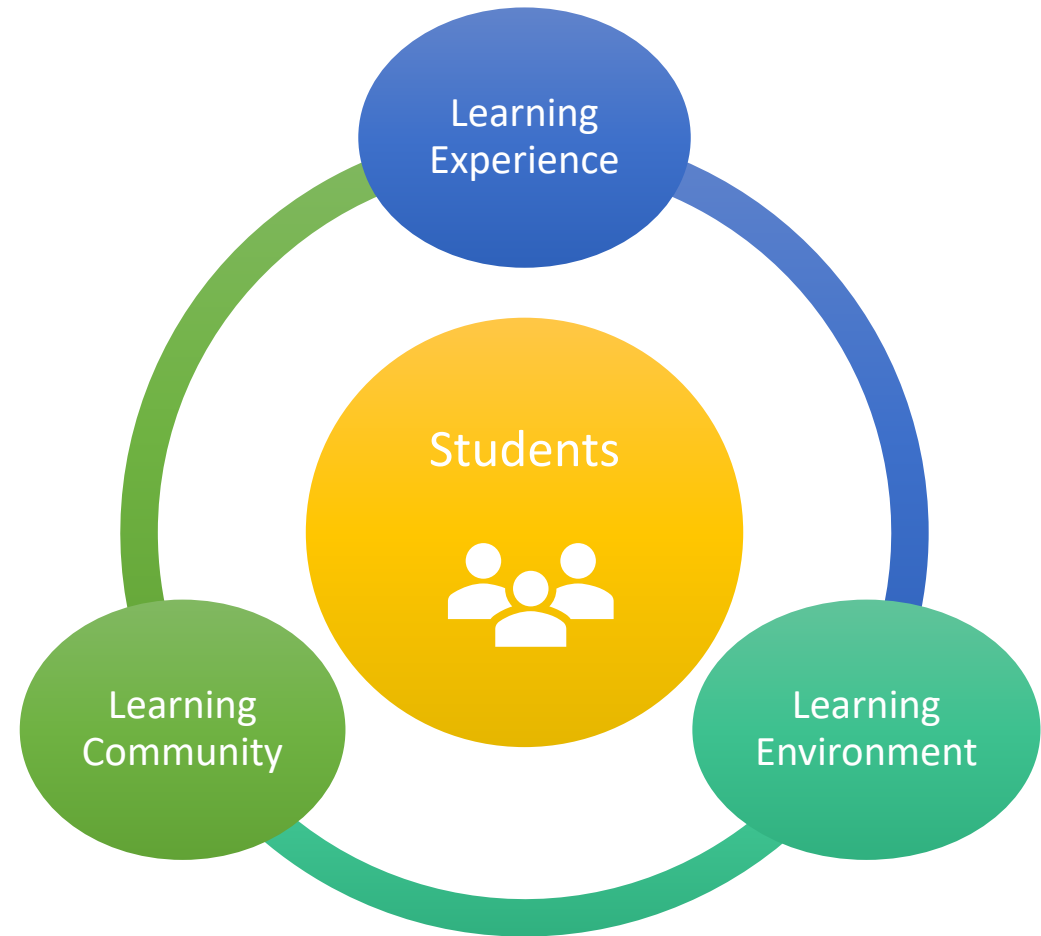
Why We Are Here?

Gonzaga University...

**...educates students for
lives of leadership and
service for the common
good...**

**...the Gonzaga Community
carries out this mission
with responsible
stewardship of our
physical, financial, and
human resources.**

Excerpts from Gonzaga University Mission Statement



External Forces

We are surrounded by external forces that we cannot always control or influence...

...we can, however, control how we respond and adapt to such forces.

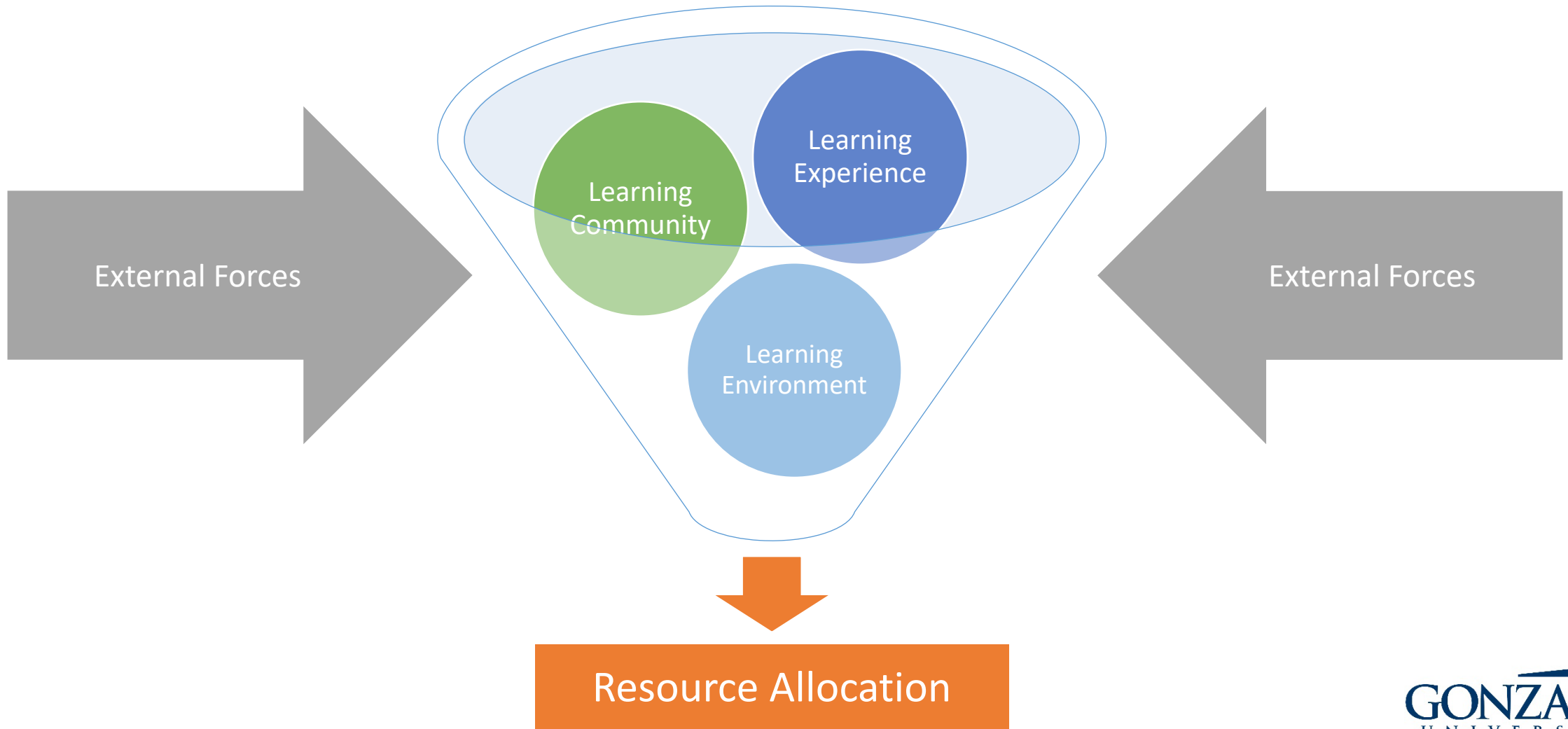


External Forces

Our resource allocation plan must adapt and respond to changing external forces and serve the needs of our GU Community

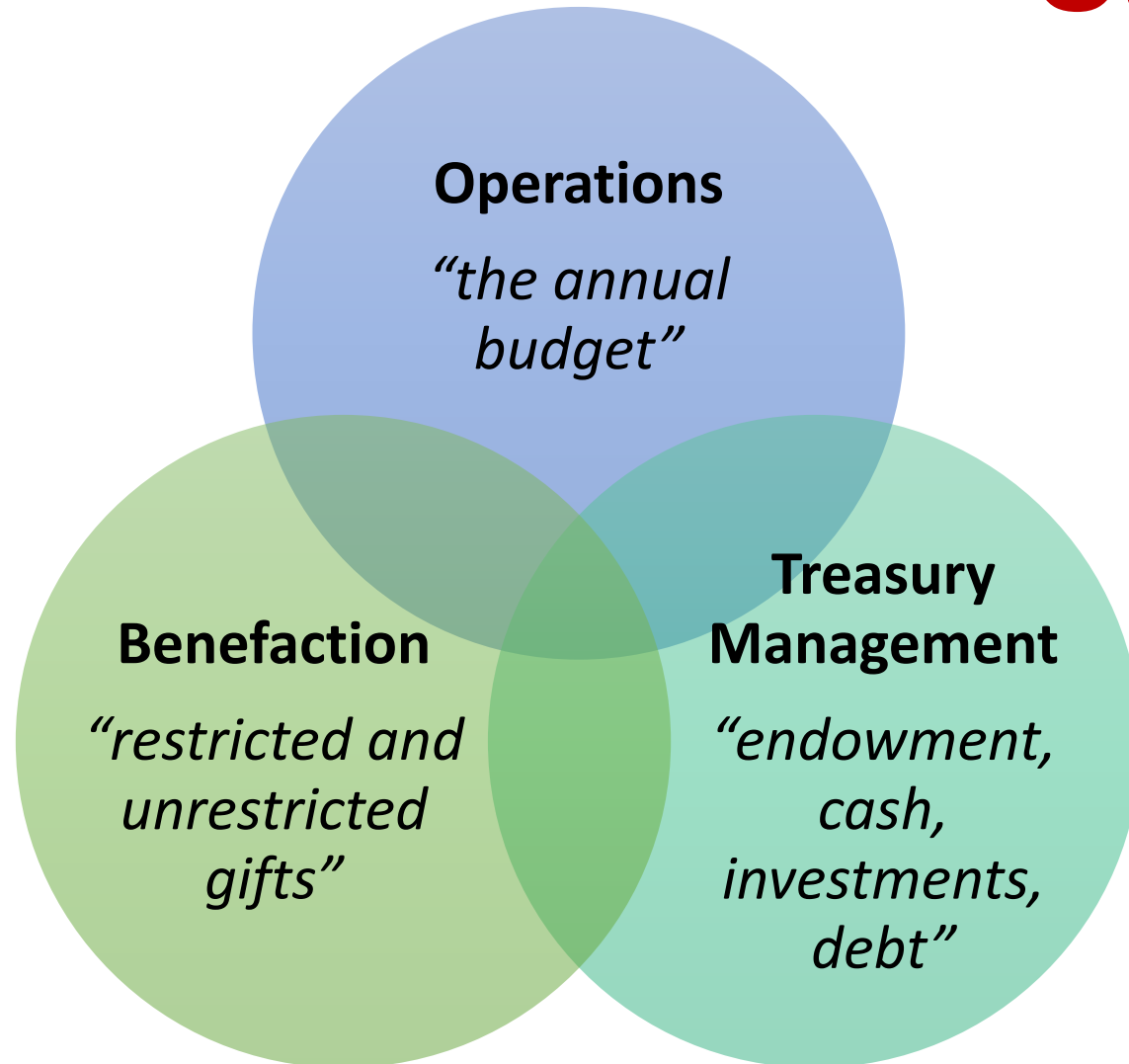


Bringing It All Together

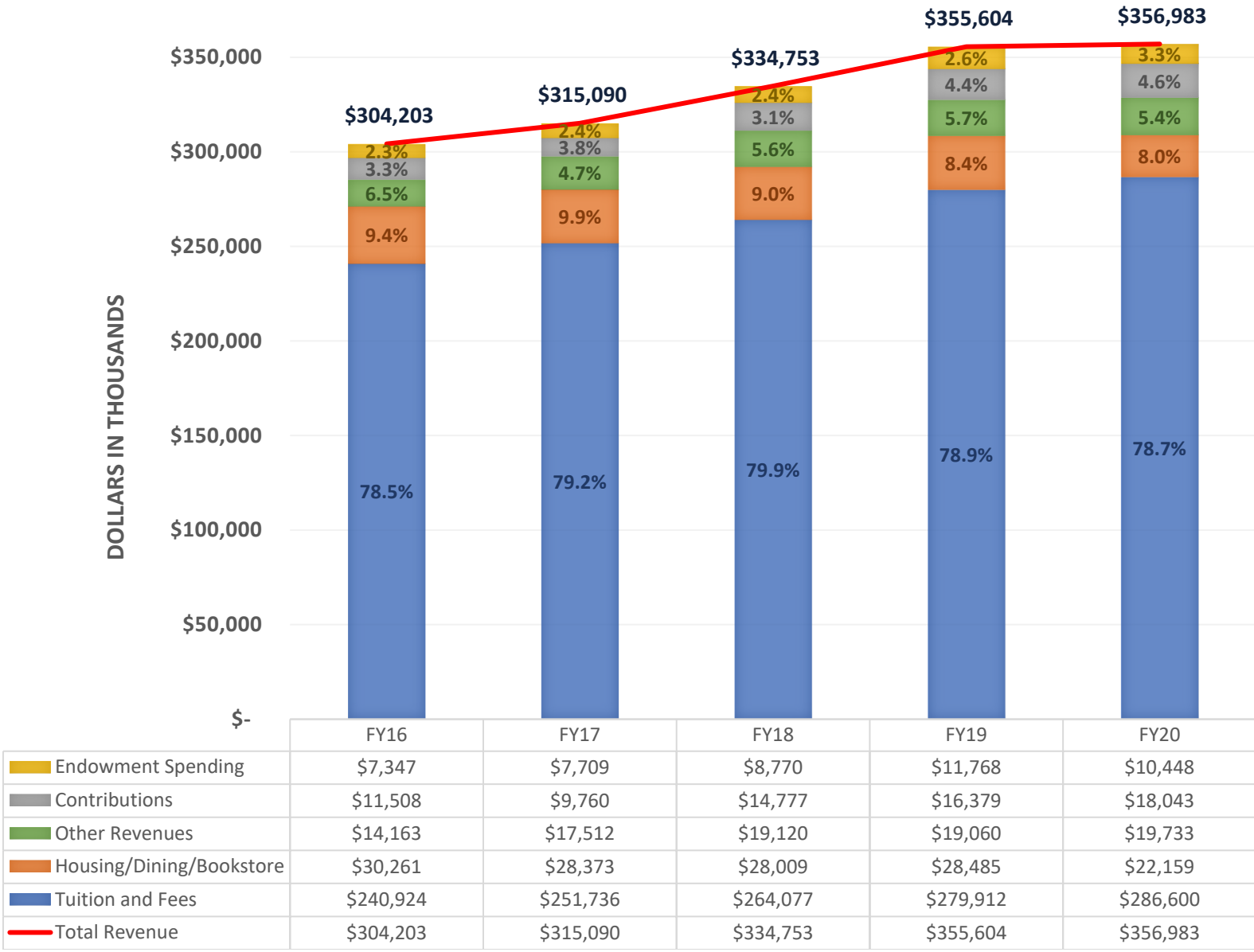


Our Financial Engines

**Each “engine”
contributes financial
resources to fund
the activities of the
University**



Operating Sources - \$357M



Figures above are derived from audited financial statements

For every dollar of revenue...



...86¢ comes from tuition, housing, and dining (operations)

...6¢ comes from other sources, such as athletics (operations)

...5¢ of every dollar comes from donor contributions (benefaction)

...3¢ comes from endowment spending (treasury)

For every dollar of revenue



**...41¢ funds our people
(salaries and benefits)**

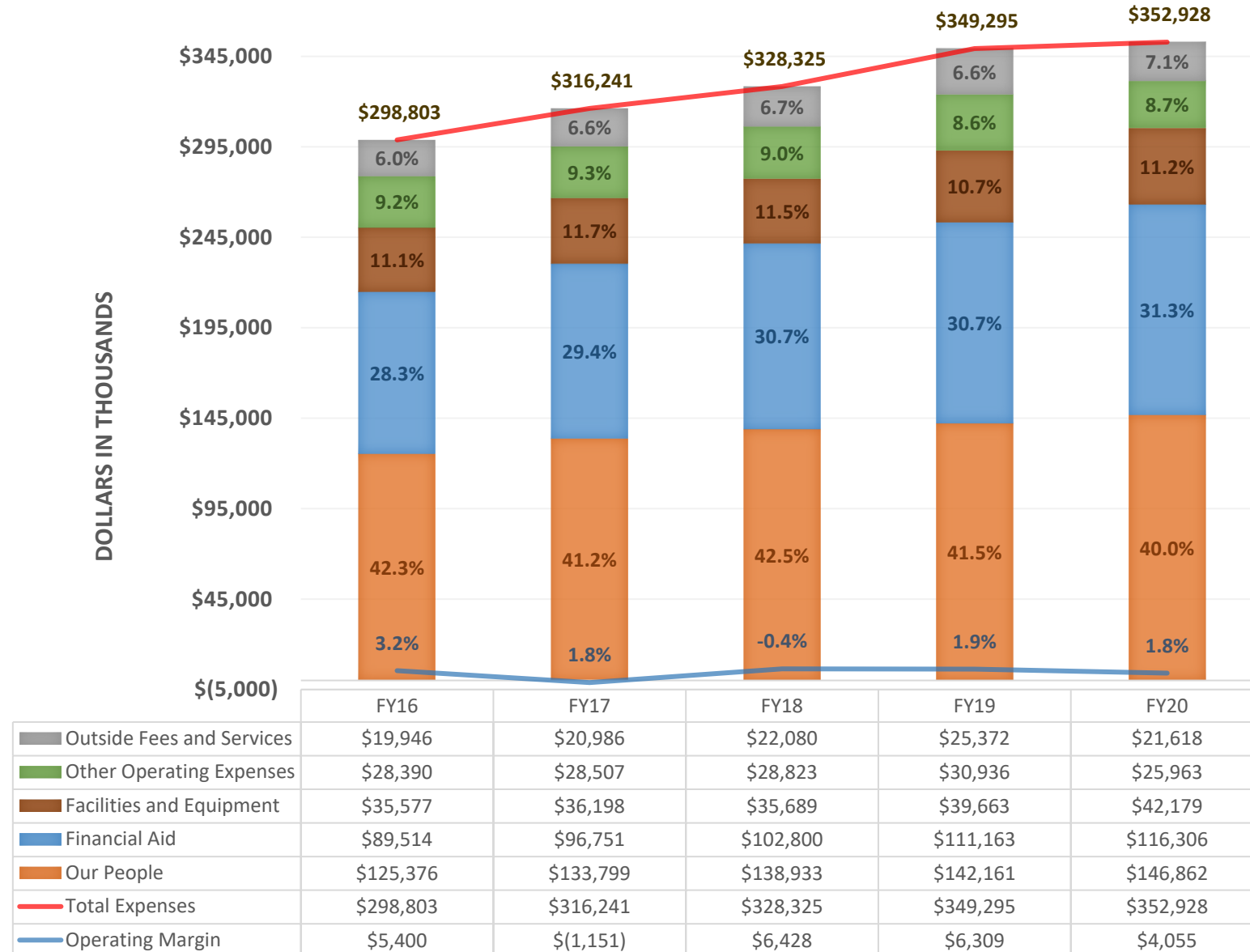
**...33¢ is returned to
students as institutional
financial aid**

**...13¢ funds operating
expenses**

**...12¢ funds facilities and
equipment**

**...1¢ funds reserves
(operating margin)**

Operating Uses - \$353M



Figures above are derived from audited financial statements

Measures of Institutional Financial Health

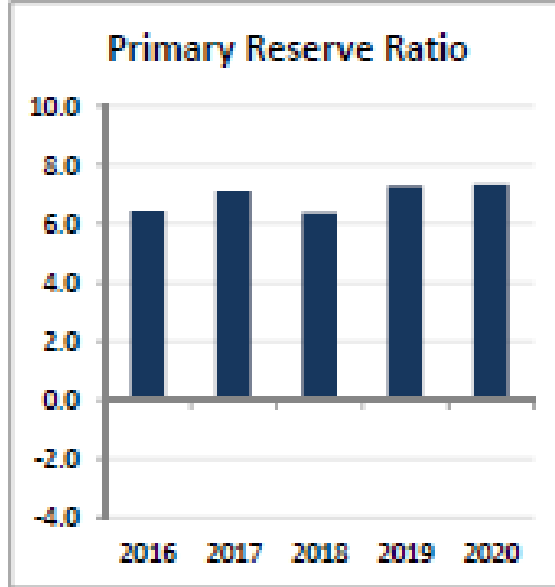
Composite Financial Index (CFI)

Measures four financial ratios to develop a composite measure of qualitative trends.

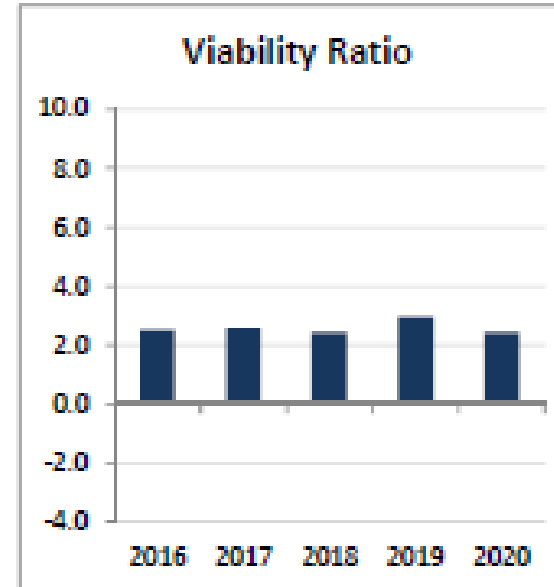
1. Primary Reserve Ratio – Are financial resources sufficient and flexible enough to support the mission?
2. Viability Ratio – Are debt resources managed strategically to advance the mission?
3. Return on Net Assets Ratio – Does asset performance and management support the strategic direction?
4. Net Operating Revenue Ratio – Do operating results indicate the institution is living within available resources?

CFI Ratios

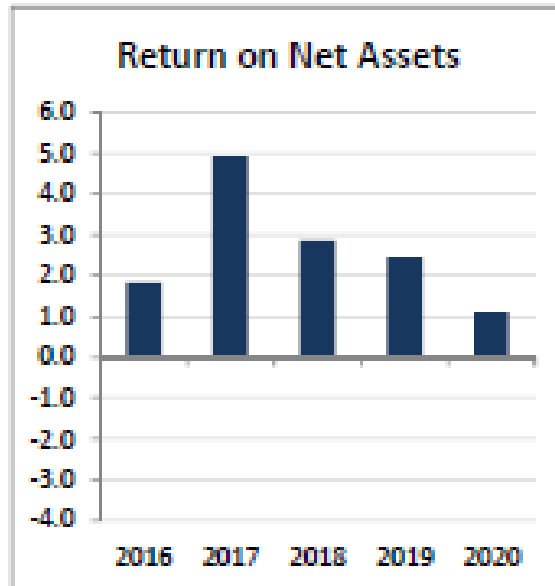
Financial
Resources



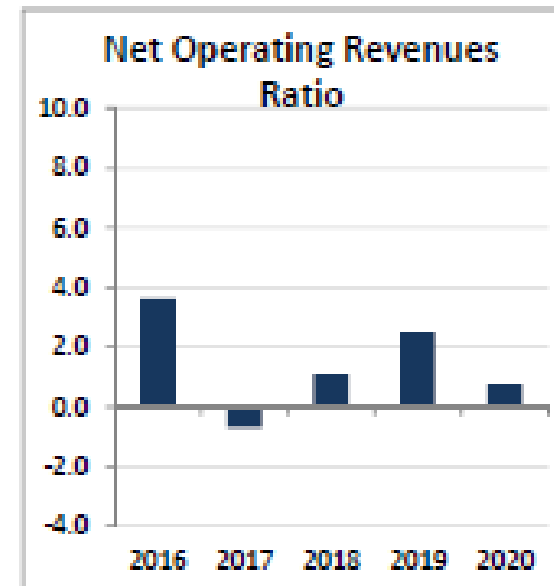
Debt
Resources



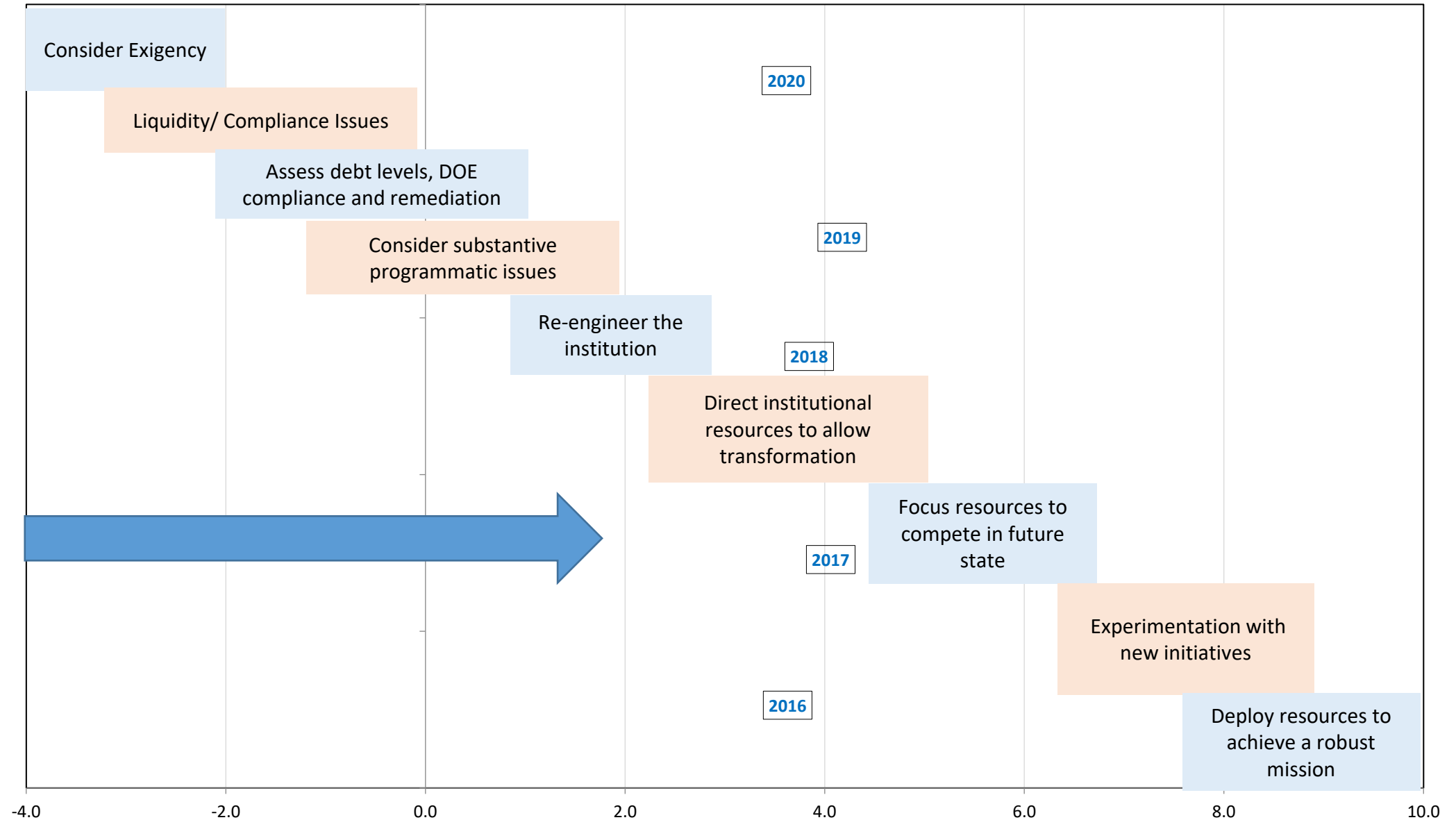
Investment
Performance



Operating
Results



CFI Qualitative Considerations



University Outcomes

**“National University”
ranked in top 21% (80th
overall)¹**

**Top 5% for best
undergraduate teaching
(18th overall)¹**

**No. 21 best value among
private universities, No. 62
best value among all
universities in the US²**

**95.5% of graduates
employed, continuing
education, or serving as
volunteer within a year of
graduation**

**94% freshmen-to-
sophomore retention rate**

**85% of undergrads
graduate within six years**

¹US News and World Report, 2021

²Kiplinger's Personal Finance Magazine, 2019

Recent Financial Achievements

Credit ratings¹ with each Moody's and Fitch was increased from A3 to A2 and A to A+, respectively – both maintain a “positive” outlook

Endowment investment performance² is in top 10% in the nation for each the 3, 5, and 10 year annualized periods, 12th percentile for 1 year period

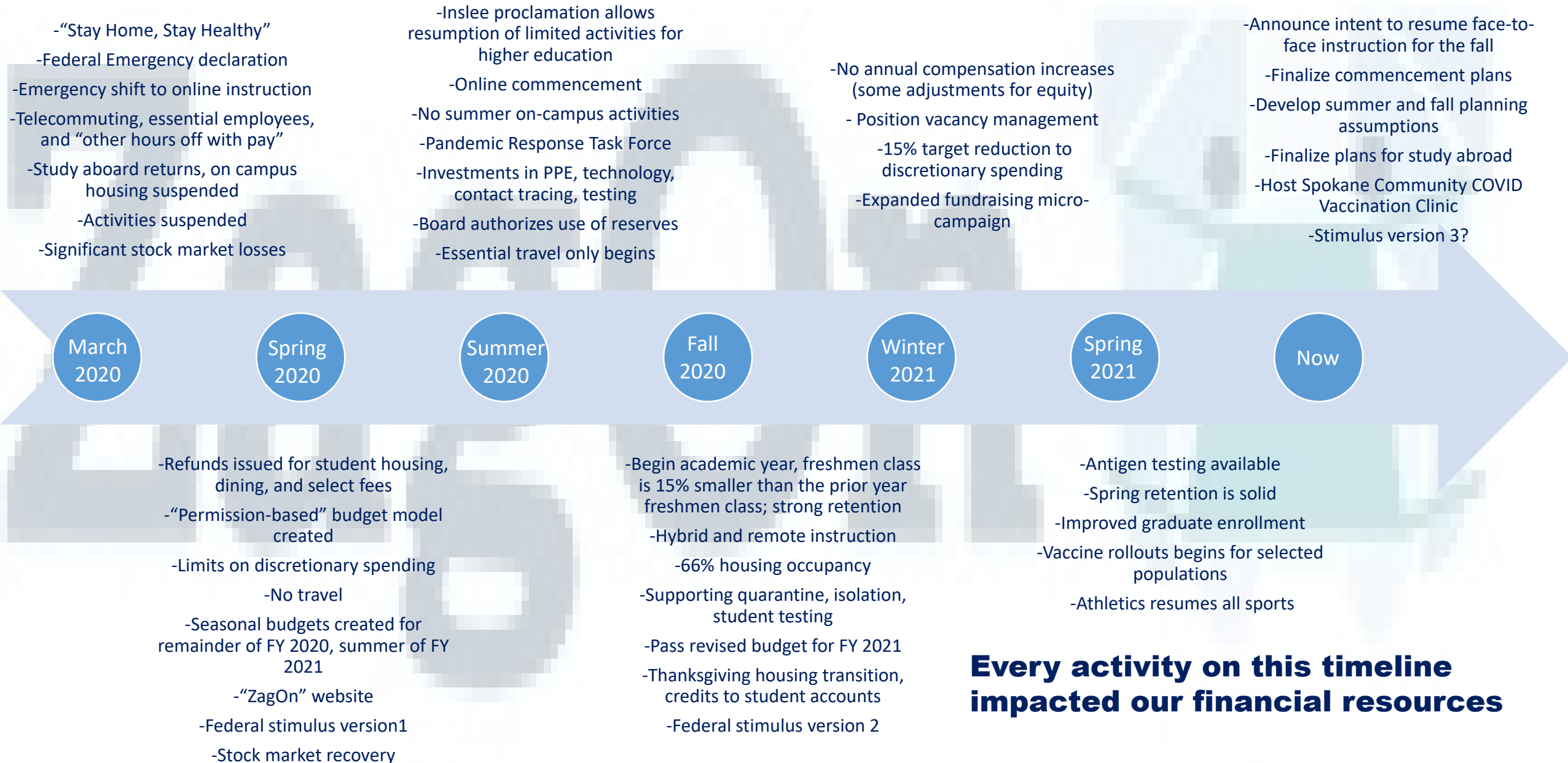
**Nearing completion of the Integrated Science and Engineering Facility, slated to open in Fall 2021
~83,000 square feet,
\$49.7M construction cost**



¹Moody's Investors Service and Fitch Ratings, September 2019

²NACUBO-TIAA Study of Endowments, February 2021

The Road We Have Traveled Together



Guiding Principles During COVID

- Promote the health and well-being of our students, faculty, and staff;
- Support the education of students through “remote and digital,” as well as “face-to-face/in-person,” modes in a timely and effective manner;
- Support our students, those nearby and far away, in the transition to this changed living and learning environment, guided by our mission values;
- Secure our physical and financial resources;
- Support adaptive enrollment, student retention, and advancement strategies; and
- Maintain fiscal capacity and nimbleness to manage, respond, and recover from the impacts of the pandemic.

The Financial Impacts to Date

Category	FY 2020 (last year, actual dollars)	FY 2021 (this year, projected dollars)
Lost Net Revenue	\$8.3M from housing and dining refunds, event refunds, and loss of athletic revenues	~\$_____ from decrease in undergrad enrollment, expanded financial aid, loss of study abroad revenues, loss of events and activities, housing and dining refunds post-Thanksgiving
Expense Savings and Other Offsets	\$_____, largely from reductions in travel, events, activities and other discretionary savings	~\$_____, largely from reductions in travel, activities and discretionary spending. \$_____ estimated savings from vacancy management, no compensation increases, no furloughs or reductions in force
Direct COVID Expenses	\$300K, largely for software and other tech to support distance education	~\$_____, about half of which relates to student testing
Benefits from Federal Stimulus (Institutional Use)	\$1.35M from stimulus v1, carried forward to FY 2021	<ul style="list-style-type: none"> • \$591K from Spokane County • \$1.35M from stimulus v1, carried forward to FY 2021 • \$2.7M from stimulus v2, carry forward to next fiscal year
Use of reserves	None	Up to \$6M approved, projected use of ~\$4M
New Revenues	None	\$_____ from expanded benefaction, of which \$_____ is attributable to athletic appeals

Closing Observations

- We are grateful to all those in the GU community that make this work possible**
- There is so much more we can do as a university if we continue to work together**
- Your investment, however you choose to serve or give, changes lives**

