Ratio Definitions

- **Primary Reserve**—Measures financial strength of the institution by comparing expendable net assets to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.

- **Viability Ratio**—Measures the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date.

- **Net Operating Revenues**—Measures the profitability for the year.

- **Return on Net Position Ratio**—Measures whether an institution is financially better off than in previous years by calculating total economic return. This measure is more useful over a specific period of time.

- **Composite Ratio**—Measures the combination of the above four ratios into a single score, which again would be a useful indicator over a period of time.
Primary Reserve

Basis for Calculation: "Expendable Net Assets (Unrestricted Net Assets + Restricted Expendable)" divided by "Total Operating Expenses" (Institution and Component Units)

Target Rate: 25–40%
Viability Ratio

Basis for Calculation: "Expendable Net Assets" (Same figure used in Primary Reserve ratio) divided by "Long term Debt current portion + non-current portion"

Target Rate: > 1.0V
Net Operating Revenues

Basis for Calculation: "Operating Income (Loss) + Non-Operating Income (Expenses)" divided by "Total Operating Revenues + Non-Operating Revenues (Excluding Capital Appropriations, Gifts, and Endowments)." (University and Component Unit)

Target Rate: 2-4%
Return on Net Assets

Basis for Calculation: “Change in Total Net Assets” divided by “Net Assets at the beginning of Year”.

Target Rate: 2-4%
Composite Financial Index

Composite

With GASB 68
Without GASB 68

2017  2016
Ratio Definitions

- **Primary Reserve**—Measures financial strength of the institution by comparing expendable net assets to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.

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- **Composite Ratio**—Measures the combination of the above four ratios into a single score, which again would be a useful indicator over a period of time.
Primary Reserve

Primary Reserve with GASB 68

Basis for Calculation: "Expendable Net Assets (Unrestricted Net Assets + Restricted Expendable)" divided by "Total Operating Expenses" (Institution and Component Units)

Target Rate: 25-40%
Primary Reserve

Primary Reserve without GASB 68

Basis for Calculation: “Expendable Net Assets (Unrestricted Net Assets + Restricted Expendable)” divided by “Total Operating Expenses” (Institution and Component Units)

Target Rate: 25–40%
Viability Ratio

Viability with GASB 68

Basis for Calculation: “Expendable Net Assets” (Same figure used in Primary Reserve ratio) divided by “Long term Debt current portion + non-current portion”

Target Rate: > 1.0V
Viability Ratio

Viability without GASB 68

Basis for Calculation: "Expendable Net Assets" (Same figure used in Primary Reserve ratio) divided by "Long term Debt current portion + non-current portion"

Target Rate: > 1.0V
Net Operating Revenues

NOR with GASB 68

Basis for Calculation: "Operating Income (Loss) + Non-Operating Income (Expenses)" divided by "Total Operating Revenues + Non-Operating Revenues (Excluding Capital Appropriations, Gifts, and Endowments)" (University and Component Unit)

Target Rate: 2.4%
Net Operating Revenues

NOR without GASB 68

Basis for Calculation: "Operating Income (Loss) + Non-Operating Income (Expenses)" divided by "Total Operating Revenues + Non-Operating Revenues (Excluding Capital Appropriations, Gifts, and Endowments)." (University and Component Unit)

Target Rate: 2-4%
Return on Net Assets

Return on Net Assets with GASB 68

Basis for Calculation: “Change in Total Net Assets” divided by “Net Assets at the beginning of Year”.

Target Rate: 2-4%
Return on Net Assets

Return on Net Assets without GASB 68

Basis for Calculation: “Change in Total Net Assets” divided by “Net Assets at the beginning of Year”.

Target Rate: 2-4%
Composite Financial Index

Composite Score with GASB 68
Questions & Comments

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