

**FY22 University of Northern Colorado  
Notes to FY22 Unaudited Financial Statements  
November 1, 2022**

Highlights of the FY22 financial results are presented below:

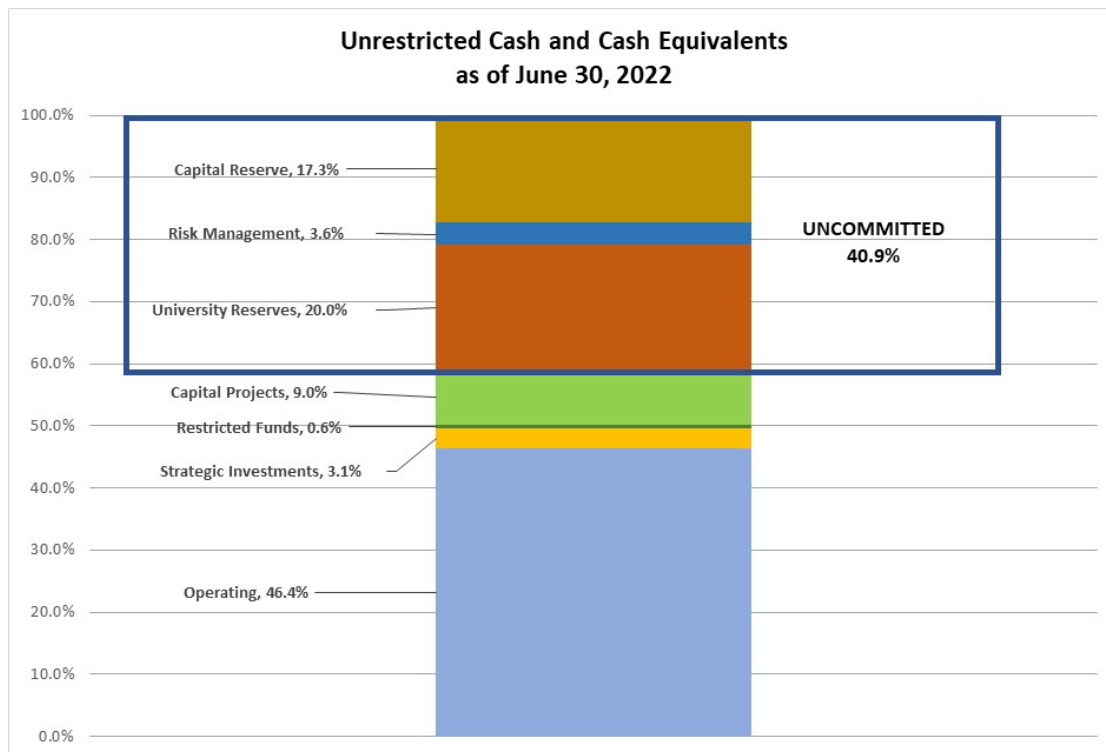
**Adoption of Accounting Pronouncements**

Per GASB guidance, the University implemented GASB 87, *Leases* in fiscal year 2022. GASB 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**Statement of Net Position**

- A. Year-end cash balances increased from \$56.5 million at June 30, 2021 to \$74.4 million at June 30, 2022 (\$17.9 million). This is primarily attributed to the receipt of unbudgeted federal COVID-19 Relief funding from the Higher Education Emergency Relief Fund (HEERF) for institutional support in the amount of \$16.3 million during FY22.

<b>University of Northern Colorado</b>			
<b>Unrestricted Cash and Cash Equivalents</b>			
<b>as of June 30,</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Operating</b>			
Committed Operating	\$ 36,880,126	\$ 24,324,421	\$ 12,555,705
Uncommitted University Reserves	14,920,752	10,281,476	4,639,276
Uncommitted Risk Management Reserves	2,650,000	2,650,000	-
Total Operating Cash	<u>54,450,878</u>	<u>37,255,897</u>	<u>17,194,981</u>
<b>Capital</b>			
Committed Capital Projects	6,679,135	4,799,206	1,879,929
Uncommitted Capital Reserves	12,864,338	16,803,783	(3,939,445)
Total Capital Cash	<u>19,543,473</u>	<u>21,602,989</u>	<u>(2,059,516)</u>
<b>Restricted Funds</b>			
Committed Restricted	424,873	(2,398,545)	2,823,418
Total Restricted Cash	<u>424,873</u>	<u>(2,398,545)</u>	<u>2,823,418</u>
Total unrestricted cash and cash equivalents	<u>\$ 74,419,224</u>	<u>\$ 56,460,341</u>	<u>\$ 17,958,883</u>



- B. The asset balance in loans to students of \$2.7 million relates to Perkins loans receivable. The Perkins loan program was not renewed, effective October 1, 2017. The funds must be remitted back to the US Department of Education as the outstanding loans are collected. UNC recorded a liability of \$1.9 million for the return of program funds. Each year in the future, when payment is made, the liability will be reduced. UNC recorded nonoperating expenditures, related to the Perkins loan program liability, of \$77,990.
- C. The decrease in restricted cash and cash equivalents of \$1.2 million is due to the final drawdown of the Campus Commons bond proceeds for construction.
- D. As a result of the implementation of GASB 87, *Leases*, the University, serving in a lessor capacity, recognized a lease receivable and a deferred inflow of resources for certain lease transactions totaling \$4.7 million as of July 1, 2021. At June 30, 2022, right-to-use assets receivable totaled \$4.5 million and deferred inflows on right-to-use assets totaled \$4.5 million (See TABLE 1.).
- E. Capital assets are reported net of accumulated depreciation. Depreciation expense for FY22 is \$18.5 million.
- F. As required by GASB 65, which was implemented FY14, deferred outflows/inflows of resources on debt refundings are the difference between the price of new bonds and the net carrying value of the old debt. A loss is reported as a deferred outflow and a gain is reported as a deferred inflow. The amounts are then amortized over the remaining economic life and are reported as a noncash component of interest expense.
- G. As required by GASB 68, which was implemented FY15, UNC's proportionate share of the unfunded pension liability (PERA) is represented on the Statement of Net Position as three classifications:
- *Net pension liability* - The proportionate share of the unfunded pension liability FY22 is \$59.0 million.
  - *Deferred amount on pensions as a deferred outflow of resources* - The impacts of investment results, experience results, and contributions made after the measurement date (12/31) are reported as the deferred outflow of resources; FY22 is \$5.3 million.

- *Deferred amount on pensions as a deferred inflow of resources* - The deferred inflow of resources is an actuarial change to the total PERA unfunded liability and recalculation of UNC's proportional share of the liability, which amounted to \$31.5 million in FY22.
    - The total impact to net position was (\$85,163,359) for FY22 and (\$107,092,369) for FY21.
- H. As required by *GASB 75: Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, (OPEB) which was implemented FY18, UNC's proportionate share of the unfunded OPEB liability (PERA Health Care Trust Fund) (HCTF) is represented on the Statement of Net Position as three classifications:
- *Net OPEB liability* - The proportionate share of the unfunded OPEB liability FY22 is \$2.3 million.
  - *Deferred amount on OPEB as a deferred outflow of resources* - The impacts of experience results and contributions made after the measurement date (12/31) are reported as the deferred outflow of resources; FY22 is \$0.2 million.
  - *Deferred amount on OPEB as a deferred inflow of resources* - The deferred inflow of resources is from the investment results, and the change in UNC's proportional share of the HCTF liability, which amounted to \$2.1 million in FY22.
    - The total impact to net position was (\$4,280,914) for FY22 and (\$4,942,443) for FY21.
- I. Accounts payable and accrued liabilities fluctuate primarily based on the normal timing of accrued salaries and payroll expenses and amounts due to outside vendors. The increase of \$1.5 million from FY21 to FY22 is directly attributable to an increase in accounts payable of \$1.6 million.
- J. Bonds include both the current and noncurrent portion. The decrease to bonds payable of \$4.9 million resulted from a decrease of \$5.6 million due to current year principal payments and amortization, and a \$0.7 million increase from the issuance of the Series 2021A bonds.
- K. As a result of the implementation of GASB 87, *Leases*, financing for the Energy Performance Contract issued in January 2016 was reclassified to Notes payable effective July 1, 2021, with an outstanding balance of \$5.5 million at June 30, 2022. Leases payable for FY22 include \$1.6 million in newly recognized lease liabilities for leases of right-to-use lease assets (buildings and equipment) which were added as of July 1, 2021, while being offset by \$0.5 million in current year lease payments, resulting in an outstanding balance of \$1.1 million at June 30, 2022.

**Statement of Revenue, Expenses and Changes in Net Position**

- L. Net student tuition and fees decreased \$0.4 million in FY22. The slight decrease in revenue is the result of enrollment declines and an increase in scholarship allowances offset by an increase of \$7.4 million in College Opportunity Fund (COF) revenue received from the Colorado Department of Higher Education (CDHE). Tuition and fee revenue is shown net of scholarship allowances of \$35.8 and \$31.3 million, respectively, for FY22 and FY21. Scholarship allowances are those portions of the University's tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid and general institutional scholarships.
- Fall 2021 undergraduate FTE decreased 12.5% and graduate FTE decreased 0.4% while FY22 undergraduate tuition and fee rates increased 7.0% and graduate tuition and fee rates increased 3.0%.
- M. During fiscal year FY22, the Colorado Department of Higher Education (CDHE) provided the University \$51.7 million in College Opportunity Fund (COF) and Fee-For-Service (FFS) contract revenue, an increase of \$31.9 million over the FY21 appropriation of \$19.8 million. COF is included in tuition revenue (per above) and FFS has a separate line on the financial statements.
- State FFS contract revenue increased \$24.5 million in FY22, from \$13.3 million in FY21 to \$37.8 million in FY22. These funds help to support graduate and specialized undergraduate education services.

- The College Opportunity Fund (COF) provides a stipend to qualified undergraduate students, who use the stipend to pay for a portion of their tuition. The COF stipend provided to students increased from \$40 to \$94 per credit hour from FY21 to FY22, resulting in an increase in COF funding from \$6.5 million in FY21 to \$13.9 million in FY22.
- N. Nongovernmental grants and contracts are reimbursed on a monthly basis. The decrease of \$0.7 million relates to a slight decrease in use of foundation funds for University programs and scholarships during FY22.
- O. Auxiliary operating revenue increased \$4.1 million in FY22 due to increases in the following areas as the campus gradually resumed normal operations:
- a. \$2.7 million in housing and dining revenue
  - b. \$1.8 million in athletic revenue
  - c. \$0.5 million in parking permits and fines
- P. Other operating revenue decreased \$0.3 million. Other operating revenue includes \$1.2 million conferences, workshops, theatre tickets; \$1.6 million foundation scholarship support; \$1.1 million service fees (application, transcript, orientation, etc.); and \$0.5 million loan and accounts receivable collection charges and fines.
- Q. Faculty and staff wages increased \$1.5 million from FY21 to FY22. Effective July 1, 2021, salaries were increased with an overall 3.0% salary pool for faculty, exempt and state classified positions. In addition, effective January 1, 2022, all full-time faculty, exempt and state classified staff received a \$1,500 increase to their base salary. For part-time staff the increase was prorated. The minimum wage for staff was increased to \$15/hour as well and the minimum wage for student employees was increased to \$14/hour. Fringe benefits increased \$16.3 million with \$16.4 million due to increases in GASB 68 and GASB 75 related expenses.
- R. Operating expenses (purchased services, supplies, utilities, etc.) and cost of sales increased \$9.6 million from FY21 to FY22 due to increases in the following areas as the campus gradually resumed normal operations:
- a. \$1.0 million in cost of sales
  - b. \$5.8 million in purchased services
  - c. \$1.2 million in utilities
  - d. \$1.9 million in other current expenses
- S. Travel expenses increased \$2.7 million from FY21 to FY22 as COVID-19 restrictions eased and operations gradually return to normal.
- T. The University reported an investment loss of \$2.7 million for FY22, which includes Colorado Treasury interest and a year-end adjustment of treasury holdings based on the fair market value resulting in an unrealized loss associated with treasury holdings of \$3.2 million.
- U. In FY21, the University was awarded funding totaling \$34.7 million through the Higher Education Emergency Relief Fund (HEERF) provisions of both the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP). The CRRSAA award of \$12.6 million and the ARP award of \$22.1 million included provisions for emergency grants to students impacted by the coronavirus of \$3.8 million and \$11.2 million, respectively. The remaining awarded funds of \$8.8 million and \$10.9 million, respectively, were to be used by the institution to “defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) and make additional emergency grants to students.”

- During FY21, \$2.9 million in HEERF emergency grants was distributed to students impacted by the coronavirus pandemic while \$3.0 million in HEERF funding was used by the University to offset lost auxiliary revenues from FY21.
  - During FY22, \$12.1 million in HEERF emergency grants was distributed to students impacted by the coronavirus pandemic while \$16.7 million in HEERF funding was used by the University to offset lost auxiliary and tuition revenues from FY21. All federal HEERF funding awarded the University was expended as of June 30, 2022.
- V. The State of Colorado committed to fully funding the pension plan within 30 years and is required to contribute \$225 million each year to PERA starting on July 1, 2018. Direct distributions to the pension plan of \$225 million were made during FY19 and FY20, with the University being allocated \$882,458 and \$787,639, respectively, of those distributions. However, House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State’s 2020-21 fiscal year and therefore no allocation was received by UNC for FY21. The direct distributions to the pension plan of \$225 million was restored for FY22, with the University being allocated \$613,471. This allocation is reflected as both nonoperating revenue and fringe benefit expense.
- W. The University expended \$1.7 million in capital appropriations in FY22. This included \$0.6 for the Michener fire sprinkler project and \$0.8 million for the heating plant boiler replacement.
- X. Capital grant and gifts include restricted capital grants/gifts from third parties. In FY22, the Foundation contributed \$3.0 million towards improvements and renovations in Campus Commons, Candelaria Hall, Kepner Hall, and Nottingham Field.

<b>TABLE 1. Right-To-Use Leases Receivable (per GASB 87)</b>			
<b>Lessee</b>	<b>Lease Term</b>	<b>Payment Provisions</b>	<b>Amount Receivable @ 6/30/22</b>
<b>New Cingular Wireless PCS, LLC</b> - to lease space on rooftop of Turner Hall for the placement of a communication facility commencing 3/29/22	Initial lease term is five (5) years, afterwhich the lease will automatically renew for five (5) additional five (5) year terms	Lease requires monthly payments to UNC of \$4,000 with rent payments increasing two percent (2.0%) on an annual basis	\$1,466,445
<b>Bank of Colorado</b> - to become title sponsor of Bulter-Hancock sports arena and obtain certain advertising and/or signage rights on or around Nottingham Field commencing 12/19/14	Agreement shall continue in full force and effect for approximately fifteen and one-half (15 1/2) years through 6/30/30	Agreement requires annual fixed payments to UNC of \$100,000	\$771,450
<b>T-Mobile West, LLC</b> - to lease space on rooftop of Lawenson Hall for the placement of an antenna facility commencing 7/1/17	Initial lease term is five (5) years, with four (4) additional five (5) year renewal options at T-Mobile’s sole discretion	Lease requires monthly payments to UNC of \$5,941 with rent payments increasing three percent (3.0%) on an annual basis	\$1,668,569
<b>Sprint Spectrum Realty Company, LLC</b> - to lease space on rooftop of Lawenson Hall for the placement of an antenna facility commencing 7/1/18	Initial lease term is five (5) years, afterwhich the lease will automatically renew for two (2) additional five (5) year terms	Lease requires monthly payments to UNC of \$4,156 with rent payments increasing two and one-half percent (2.5%) on an annual basis	\$595,420
<b>Wells Fargo Bank, N.A.</b> - to lease space in the University Center for the placement of an ATM facility commencing 7/1/21	Initial lease term is five (5) years, with one (1) additional five (5) year renewal options upon written notice from Wells Fargo	Lease requires fixed monthly payments to UNC of \$1,000	\$47,461
<b>Total Right-To-Use Leases Receivable</b>			<b>\$4,549,345</b>

**University of Northern Colorado**  
**Statement of Net Position**  
**as of June 30, 2022**  
**(Preliminary and Unaudited)**

	Notes	2022	2021	Variance	% Change
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	A	\$ 74,419,224	\$ 56,460,341	\$ 17,958,883	31.8%
Student accounts receivable, net		5,175,827	5,489,857	(314,030)	-5.7%
Right-to-use leases receivable, current portion	D	231,001	-	231,001	100.0%
Other receivables, net		9,219,043	9,060,160	158,883	1.8%
Inventories		1,184,972	1,160,744	24,228	2.1%
Loans to students, net, current portion	B	206,850	262,766	(55,916)	-21.3%
Other assets		235,287	259,550	(24,263)	-9.3%
Total Current Assets		<u>90,672,204</u>	<u>72,693,418</u>	<u>17,978,786</u>	<u>24.7%</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	C	-	1,169,021	(1,169,021)	-100.0%
Restricted investments		470,808	509,229	(38,421)	-7.5%
Right-to-use leases receivable, noncurrent portion	D	4,318,344	-	4,318,344	100.0%
Loans to students, net, noncurrent portion	B	2,523,890	2,781,140	(257,250)	-9.2%
Capital assets, net	E	272,769,396	273,024,984	(255,588)	-0.1%
Total Noncurrent Assets		<u>280,082,438</u>	<u>277,484,374</u>	<u>2,598,064</u>	<u>0.9%</u>
<b>Total Assets</b>		<u>370,754,642</u>	<u>350,177,792</u>	<u>20,576,850</u>	<u>5.9%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on debt refundings	F	2,447,509	2,035,866	411,643	20.2%
Deferred amount on pensions	G	5,291,213	10,609,119	(5,317,906)	-50.1%
Deferred amount on other post-employment benefits	H	192,380	161,747	30,633	18.9%
<b>Total Deferred Outflows of Resources</b>		<u>7,931,102</u>	<u>12,806,732</u>	<u>(4,875,630)</u>	<u>-38.1%</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	I	10,134,483	8,623,574	1,510,909	17.5%
Unearned revenue		9,828,956	9,999,365	(170,409)	-1.7%
Bonds payable, current portion	J	5,600,000	5,145,000	455,000	8.8%
Notes payable, current portion	K	576,929	-	576,929	100.0%
Leases payable, current portion	K	481,296	645,390	(164,094)	-25.4%
Perkins liquidation liability, current portion	B	788,200	935,852	(147,652)	-15.8%
Other current liabilities		2,369,348	2,484,587	(115,239)	-4.6%
Total Current Liabilities		<u>29,779,212</u>	<u>27,833,768</u>	<u>1,945,444</u>	<u>7.0%</u>
<b>Noncurrent Liabilities</b>					
Unearned revenue		-	-	-	
Bonds payable, noncurrent portion	J	128,924,828	134,272,064	(5,347,236)	-4.0%
Notes payable, noncurrent portion	K	4,918,150	-	4,918,150	100.0%
Leases payable, noncurrent portion	K	652,697	5,495,079	(4,842,382)	-88.1%
Other noncurrent liabilities		1,262,154	1,036,444	225,710	21.8%
Net pension liabilities	G	58,983,574	86,476,674	(27,493,100)	-31.8%
Net other postemployment benefits liabilities	H	2,351,885	3,031,644	(679,759)	-22.4%
Perkins liquidation liability, noncurrent portion	B	1,133,488	1,668,520	(535,032)	-32.1%
Compensated absence liabilities		4,292,977	4,527,138	(234,161)	-5.2%
Total Noncurrent Liabilities		<u>202,519,753</u>	<u>236,507,563</u>	<u>(33,987,810)</u>	<u>-14.4%</u>
<b>Total Liabilities</b>		<u>232,298,965</u>	<u>264,341,331</u>	<u>(32,042,366)</u>	<u>-12.1%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amount on debt refundings	F	672,250	709,770	(37,520)	-5.3%
Deferred amount on right-to-use assets	D	4,488,602	-	4,488,602	100.0%
Deferred amount on pensions	G	31,470,998	31,224,814	246,184	0.8%
Deferred amount on other postemployment benefits	H	2,121,409	2,072,546	48,863	2.4%
<b>Total Deferred Inflows of Resources</b>		<u>38,753,259</u>	<u>34,007,130</u>	<u>4,746,129</u>	<u>14.0%</u>
<b>NET POSITION</b>					
<b>Total Net Position</b>		<u>\$ 107,633,520</u>	<u>\$ 64,636,063</u>	<u>\$ 42,997,457</u>	<u>66.5%</u>

GASB 68 requirement for reporting unfunded PERA liability. Total impact on net position was (\$85,163,359) in FY22 and (\$107,092,369) in FY21.

GASB 75 requirement for reporting unfunded OPEB liability. Total impact on net position was (\$4,280,914) in FY22 and (\$4,942,443) in FY21.

**University of Northern Colorado**  
**Statement of Revenues Expenses and Changes in Net Position**  
**as of June 30, 2022**  
**(Preliminary and Unaudited)**

	Notes	2022	2021	Variance	% Change
<b>Operating Revenues</b>					
Student tuition and fees, net	L	\$ 87,478,291	\$ 87,846,945	\$ (368,654)	-0.4%
Federal grants and contracts		6,641,868	5,922,980	718,888	12.1%
State and local grants and contracts		11,207,708	10,010,074	1,197,634	12.0%
State Fee-For-Service contract	M	37,813,185	13,290,665	24,522,520	184.5%
Nongovernmental grants and contracts	N	10,880,703	11,588,441	(707,738)	-6.1%
Sales and services of educational activities		393,826	333,406	60,420	18.1%
Auxiliary operating revenue	O	24,224,416	20,127,011	4,097,405	20.4%
Other operating revenue	P	4,466,586	4,732,184	(265,598)	-5.6%
Total Operating Revenues		<u>183,106,583</u>	<u>153,851,706</u>	<u>29,254,877</u>	<u>19.0%</u>
<b>Operating Expenses</b>					
Faculty and staff wages	Q	94,325,696	92,860,507	1,465,189	1.6%
GA/TA stipends and waivers		10,427,360	10,242,193	185,167	1.8%
Fringe benefits	Q	4,127,974	(12,200,009)	16,327,983	133.8%
Operating expenses & cost of sales	R	40,743,504	31,154,844	9,588,660	30.8%
Travel	S	3,825,574	1,122,230	2,703,344	240.9%
Student scholarships		16,173,206	15,619,831	553,375	3.5%
Depreciation	E	18,476,328	18,369,273	107,055	0.6%
Total Operating Expenses		<u>188,099,642</u>	<u>157,168,869</u>	<u>30,930,773</u>	<u>19.7%</u>
<b>Operating Income (Loss)</b>		<u>(4,993,059)</u>	<u>(3,317,163)</u>	<u>(1,675,896)</u>	<u>-50.5%</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income, net of investment expense	T	(2,707,719)	(618,965)	(2,088,754)	-337.5%
Interest on capital asset related debt		(4,791,598)	(5,405,717)	614,119	11.4%
Federal grants and contracts revenue		9,476,007	10,311,251	(835,244)	-8.1%
Federal grants and contracts revenue - COVID-19 Relief	U	28,804,736	32,391,390	(3,586,654)	-11.1%
Perkins return of federal loan program contributions (expense)	B	(77,990)	(211,056)	133,066	63.0%
Other nonoperating revenue (expense)		5,165,108	279,466	4,885,642	1748.2%
Net Nonoperating Revenues (Expenses)		<u>35,868,544</u>	<u>36,746,369</u>	<u>(877,825)</u>	<u>-2.4%</u>
<b>Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)</b>		30,875,485	33,429,206	(2,553,721)	-7.6%
State support for pensions	V	613,471	-	613,471	100.0%
Capital appropriations	W	1,723,435	2,609,593	(886,158)	-34.0%
Capital grants and gifts	X	2,957,976	350,920	2,607,056	742.9%
Student capital fee revenue		6,827,090	7,405,075	(577,985)	-7.8%
Gain (Loss) on disposal of capital assets		-	-	-	0.0%
<b>Total Other Changes</b>		<u>12,121,972</u>	<u>10,365,588</u>	<u>1,756,384</u>	<u>16.9%</u>
<b>Increase (Decrease) in Net Position</b>		42,997,457	43,794,794	(797,337)	-1.8%
<b>Net Position</b>					
Beginning of year, as previously reported		64,636,063	20,841,269	43,794,794	210.1%
<b>Net Position, End of Year</b>		<u>\$ 107,633,520</u>	<u>\$ 64,636,063</u>	<u>\$ 42,997,457</u>	<u>66.5%</u>

See notes to the financial statements

GASB 68 and 75 require that current year fringe benefit expense be increased (decreased) as the unfunded pension liability increases (decreases). For the fourth year in a row, UNC saw a decrease in the unfunded pension liability for FY22. As a result of that decrease, fringe benefit expenses were also reduced. If the expense changes from GASB 68 and 75 were removed for FY22 and FY21, fringe benefit expense would show a decrease of \$108,901 or 0.4%. (FY22 Fringe benefit expense without GASB \$26,718,513; FY21 Fringe benefit expense without GASB \$26,827,414).

## Attachment 1 – Composite Financial Index

The Composite Financial Index (CFI) is a tool developed by KPMG and Prager, Sealy and Co., LLC to help institutions monitor their financial health relative to strategic actions over time. The CFI includes four basic ratios to address resource sufficiency (Primary Reserve), operating results (Net Operating Revenues), debt management (Viability) and asset performance (Return on Net Assets). The ratios are then translated to a “strength factor” on a 1-10 scale and then weighted to come up with a single CFI. We believe it is a useful tool, but not a definitive indicator.

There are a few notable caveats. First, the tool is intended to be used as a relative indicator over time, giving consideration to strategic intentions. As we have discussed, while we are intentionally and strategically investing in improving student success, the use of reserves necessarily results in reduced ratios. Second, the calculations include both UNC and the UNC Foundation financial results, thus financial market performance has a significant effect on the net operating revenue and return on net asset ratios. Third, we exclude the GASB68 and GASB75 non-cash pension and OPEB expense and pension and OPEB liabilities from our calculations.

As shown in table 1, our FY22 preliminary CFI of 2.68 is based upon the four raw ratios, converted to a 1-10 scale strength factor and weighted as prescribed by the developers of the CFI.

Table 1. FY22 CFI Calculation

2022				
RATIO	RATIO VALUE	STRENGTH FACTOR	WEIGHTING FACTOR	SCORE
Primary Reserve	0.4962	3.73	35%	1.31
Net Operating Revenues	0.0666	5.12	10%	0.51
Viability	0.7627	1.83	35%	0.64
Return on Net Assets	0.0218	1.09	20%	0.22
Composite Financial Index 2022				2.68

Table 2 and Figure 1 on the next page show a ten-year history of the CFI, with each of the four strength factors. The FY22 CFI decreased from 3.15 to 2.68.

Table 2. Ten-year CFI and Strength Factor History

CFI Factor - Unweighted	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Primary Reserve 35%	3.67	3.74	3.21	2.80	2.48	2.37	1.94	1.86	2.64	3.46	3.73
Net Oper Rev 10%	1.63	-1.24	-3.15	-4.36	-4.04	-3.98	-2.14	-1.27	0.96	3.29	5.12
Viability 35%	1.55	1.63	1.50	1.40	1.23	1.08	0.97	0.96	1.27	1.54	1.83
Return on Net Asset 20%	0.03	1.55	0.26	-1.26	-2.27	2.93	3.99	-0.16	1.66	5.34	1.09
<b>Composite Financial Index</b>	<b>2.00</b>	<b>2.07</b>	<b>1.39</b>	<b>0.78</b>	<b>0.44</b>	<b>1.40</b>	<b>1.60</b>	<b>0.83</b>	<b>1.80</b>	<b>3.15</b>	<b>2.68</b>



Attachment 1 – Composite Financial Index

Figure 1.

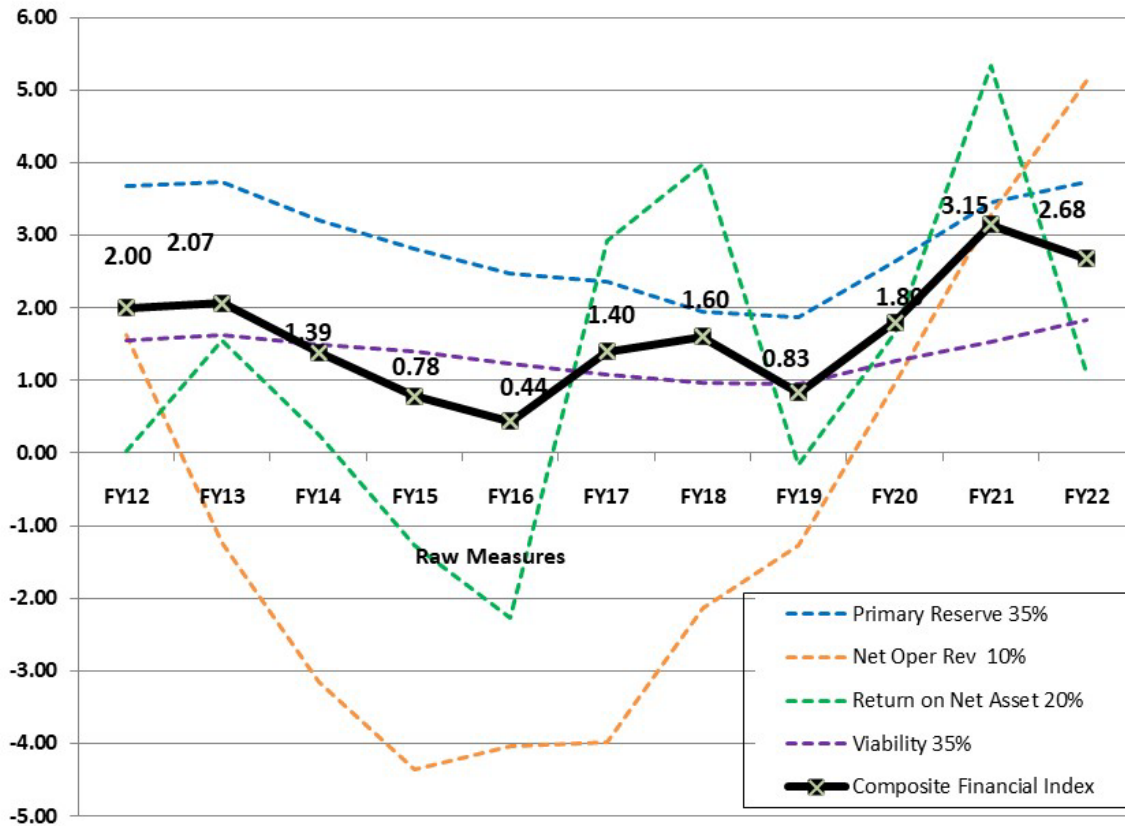


Figure 2 is the recommended graphical representation of UNC’s CFI, showing how each of the factors (in red) on a 1-10 scale compare to a square of 3.0 strength factors (in blue). The 3.0 levels are used as threshold measures for normal levels of financial health.

Figure 2.

