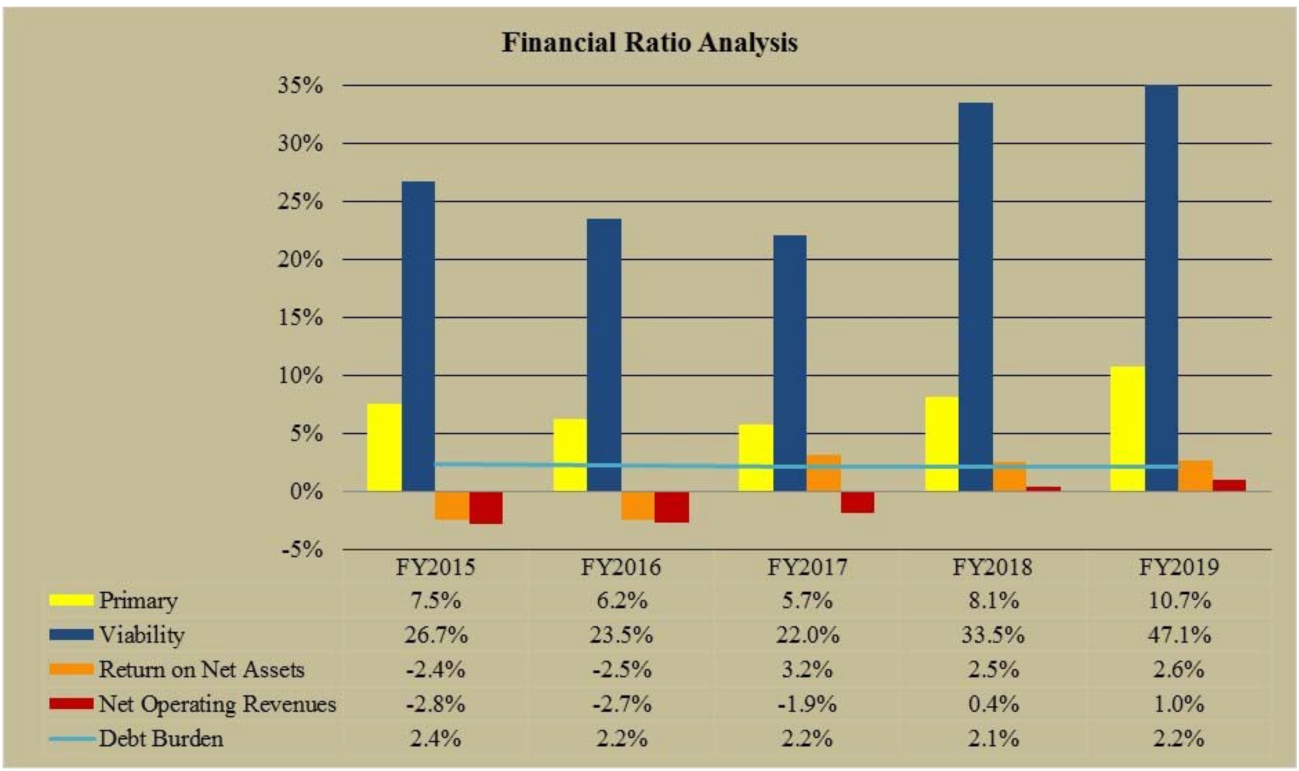
Attachment D

Management's Discussion and Analysis - Continued
(Unaudited)

Ratio Analysis

Ratio analysis is a management tool which indicates the University's effective use of its resources, its overall financial viability, its direction in achieving institutional strategic goals, and its ability to meet short and long-term obligations in a managed fashion. Ratios are also useful in analyzing trends of an institution over time. A one-year fluctuation in a ratio may be indicative of an aberration for that year or may indicate a relevant trend. The ratios presented here are calculated without the inclusion of the University's component units and without factoring in the effect of the implementation of GASB 68 and 75.



	FY2015	FY2016	FY2017	FY2018	FY2019
Primary	7.5%	6.2%	5.7%	8.1%	10.7%
Viability	26.7%	23.5%	22.0%	33.5%	47.1%
Return on Net Assets	-2.4%	-2.5%	3.2%	2.5%	2.6%
Net Operating Revenues	-2.8%	-2.7%	-1.9%	0.4%	1.0%
Debt Burden	2.4%	2.2%	2.2%	2.1%	2.2%

Primary

This ratio provides a snapshot of an institution's financial strength and flexibility. The ratio indicates how long the college could operate using unrestricted and restricted expendable reserves without relying on additional new assets generated by operations. SSU's FY2019 ratio of 10.7% suggests the university could cover expenses from reserves for over one month (10.7% of 12 months = 1.3 months). Trend analysis indicates whether an institution has increased its net worth in proportion to its rate of growth. A negative or decreasing trend indicates a weakening financial condition.

Ratio Calculation = Unrestricted & Restricted Expendable Net Position / Total Operating Expenses plus Interest Expense

Viability

This ratio measures the availability of expendable net assets to pay off long term debt should the university need to settle its obligations as of the balance sheet date. A ratio of 1:1 or greater indicates an institution has sufficient net position to satisfy debt requirements. However, many public institutions can operate effectively at a ratio far less than 1:1. The university's viability ration at FY 2019 grew to 47.1% and has increased 25.1% in the past two years.

Ratio Calculation = Unrestricted & Restricted Expendable Net Position / Total Long-Term Debt

Return on Net Assets

This ratio reports whether an institution's resources are growing and if it is financially better off than in previous years by measuring total economic return. It is important to assess this ratio as a linear trend – an increasing trend indicates an increase in net position and an increased likelihood that the institution is able to set aside financial resources to strengthen future flexibility. Single year events, like a substantial gift or extreme investment performance, can cause significant year-to-year volatility. For the last three fiscal years, the university has had a positive return (2.6% in FY2019, 2.5% for FY2018, and 3.2% for FY2017.)

Ratio Calculation = Increase (Decrease) in Net Position / Beginning of Year Net Position

Net Operating Revenues

This ratio indicates whether operating activities resulted in a surplus or deficit. It measures financial performance by answering the question "Did the university live within its means during a fiscal year?" A positive ratio indicates the university experienced an operating surplus; a continuing decline or pattern of deficits indicates financial problems. In FY2019, Salem State had a positive net operating revenue of 1.0%

Ratio Calculation = Revenue (Loss) before Capital Grants / Adjusted Total Revenues

Debt Burden

This ratio expresses annual debt service payments as a percent of total expenses. It measures an institution's ability to repay debt service on all outstanding debt and its impact on the institution's overall budget.

Ratio Calculation = Annual Debt Service/Total Expenses

This numerator is annual debt service for debt on the university's books only, thus, it excludes debt issued by the Massachusetts State College Building Authority to fund its residence halls operated by the university on our campus. As a general guideline, it is believed that if more than 5% of an institution's budget were devoted to debt service, that institution's flexibility to devote its resources to other needs would be compromised. The university's debt burden ratio for FY19 is 2.2%, where it has hovered over the last four fiscal years.