

To: Faculty Senate
From: Malcolm P. Frisbie
Date: 30 November 2009
Re: Regent's Report

16 November 2009 Board of Regents' Finance and Planning Committee Meeting

The Finance and Planning Committee met on Monday, 16 November. This was a bit unusual in that Board committee meetings are generally held in conjunction with the full Board meetings. However, it was not possible to convene the Committee close to the September Board meeting date. This mid-quarter meeting time actually worked out well in several respects: 1) the additional time allowed EKU's auditors and internal financial staff to prepare reports after having closed the 2008-09 books and 2) because there were no additional committee or board meetings scheduled, there was time to delve more deeply into information presented to the Committee.

One major order of business was to receive the yearly audit report from EKU's external auditors, Deloitte and Touche. The Committee will recommend that the full Board accept the report at its next meeting. Deloitte gave the University a clear audit. This means that they found no substantial errors in reporting and tracking university finances and they found no significant deficiencies in our internal financial procedures. Deloitte did make some recommendations for modifications to our internal procedures, as they have in prior years. They noted that we have corrected procedures that were noted as areas of concern in past reports and we have already implemented changes in response to their current suggestions.

In 2008-09, the University increased its total assets by \$32.5M (to \$333.2M), but our liabilities increased by \$35.7M. Thus, our net assets decreased by \$3.2M to \$217.3M. In light of a mid-year reduction of \$1.5M in state funding and a loss of \$6.4M in investment income, the financial health of the University was remarkably stable in 2008-09. The University Foundation had assets valued at \$21.3M at the end of the year.

The second major order of business for the Committee was to hear a financial update from VP Debbie Newsom and the EKU financial staff. We appear to be on track in terms of revenue and expenditures relative to revenue and expenditures at this time last year. Last year we finished the year having overspent by a bit more than \$2M. A big chunk of our over expenditure last year (about \$4.5M) was generated by financial aid expenditures. These included institutional employment, employee scholarships, Beacon scholarships, and merit/entitlement scholarships. We made up for our over expenditures by using some carry forward monies, realizing some savings in other parts of the budget, and drawing upon our uncommitted funds. This year, expenditures for financial aid are being closely monitored. The budget includes an additional \$800,000 for employee scholarships. New guidelines are being developed for recruiting and retention associated with Beacon scholarships. Because recruiting has already begun for students who will begin at EKU in FY 2010, these new strategies will take effect in FY 2011. In addition, we are locked into some scholarship expenditures due to commitments we have made to students who are already here. Thus, the financial aid over expenditure situation will not disappear this year, but the University is moving to correct the problem. Overall, we look to be on track to maintain an uncommitted fund of about \$6.4M, so we are in good financial shape, with a reasonable cushion.

The Committee also heard from Academic Affairs (Provost Janna Vice, Associate Provost/VP Jim Conneely, and Associate VP/Dean for Enrollment Linda Fossen) about efforts on the recruitment/retention front. The Committee had asked to see data pertaining to recruiting yield. We have admitted 66-70% of those applying over the last 5 years. Of those admitted, 52-57% chose to enroll at EKU. (A national average for this statistic is 46%.) Last year we spent \$93/student on recruiting costs. The national average at state regional universities is about \$450/student. The Committee also wished to see data concerning effectiveness of scholarship expenditures relative to retention and graduation of students. Data are available so far only for merit-based recipients. It is reassuring that our merit-based scholarship recipients tend to stay in school (90-94% retention rates over the last 4 years) and graduate

(79%, 5-year graduation rate; general student population graduation rate was 33%). The Committee also heard about ongoing and planned recruiting and retention efforts.

The Board will next convene for a regular quarterly meeting on 29 January 2010.

Please feel free to contact me for further information about any of these items or to discuss topics of concern to you.

Respectfully submitted,
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