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Minnesota State Colleges and Universities Audit Presentation

Year Ended June 30, 2023

Agenda and Objectives

Scope of Assurance Engagements

Financial Statement Audit Results

Federal Awards Audit Progress

Higher Education Trends



Scope of Assurance Engagements

System-wide
Financial
Statement

IT Procedures

Itasca Student
Housing

Revenue Fund

Student Financial
Aid & HEERF

Perkins Close Outs



Financial Statement Audit Results

System Wide

- Unmodified opinion
- No audit adjustments
- No material weakness or significant deficiencies

Revenue Fund

- Unmodified opinion
- No audit adjustments
- No material weakness or significant deficiencies

Itasca Student Housing

- Unmodified opinion
- No material weaknesses
- One significant deficiency for audit adjustments

Governance Communication Letter

Overall

- Purpose is to provide an update on the audit since the planning meeting
- No changes in scope of audit
- Accounting standards implemented
 - GASB 96
 - GASB 94

Estimates

- Several estimates exist in the financial statements
- We are comfortable with management's estimate

Difficulties

- No difficulties encountered
- No disagreements encountered
- No other findings to report

Other

- No audit adjustments
- No uncorrected misstatements
- Management representation letter will be signed at conclusion of engagement



Federal Awards Audit Progress

Student Financial Aid and Higher Education Emergency Relief Funds

Opinion in process

Preliminary results as of today – Student Financial Aid

- No material weaknesses
- Significant deficiencies
 - NSLDS enrollment reporting – timeliness
 - Perkins – missing master promissory notes
 - G5 drawdown – excess funds
 - Title IV awarded for ineligible programs



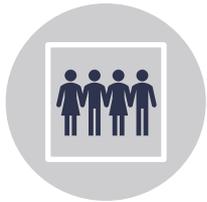
Current Events in Higher Education



Enrollment pressures



Financial sustainability



Turnover and employee retention



Increasing costs – student experience



Cyber Security and technology costs



Negative perception of higher education

Questions and Feedback

We welcome any questions pertaining to the audit, governance communication letter, management letter or other matters related to the engagement

We appreciate the opportunity to serve as the auditors for the Minnesota State Colleges and Universities system and welcome any feedback relative to our performance



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NOVEMBER 14, 2023

**FY2023 and FY2022 Audited
Financial Statement Results**
Board of Trustees
Audit Committee Meeting

SUMMARY OF OVERALL RESULTS

- Unmodified opinion on the systemwide, revenue fund, and MN North College- Itasca student housing financial statements
- GASB 68/75 continues to have a substantial impact on the reported condition of the system colleges and universities
- Overall long-term financial condition remains relatively stable:
 - HEERF funding phasing out in fiscal year 2023
 - Enrollment decreased between fiscal years 2022 and 2023
 - Resulting in the use of a portion of our net position in fiscal year 2023

FISCAL YEARS ADJUSTED FOR LONG-TERM PENSION AND OPEB REPORTING REQUIREMENTS

- Significant adjustments in FY2023
 - FY2023 operating results
 - FY2023 balance sheet
- Impact will continue with all future statements, introducing volatility to the accrual based results
- The impact is distributed across all colleges and universities based on attribution assumptions

GASB STATEMENTS NO. 68 AND NO. 75 EFFECT

- GASB 68 and GASB 75 have 4 components on the Statements of Net Position

GASB STATEMENTS NO. 68 AND NO. 75 EFFECT (\$ in Thousands)		
Fiscal Year	FY2023	FY2022
Net Pension Liability	\$ 374,740	\$ 150,831
Other compensation benefits	72,570	71,437
Deferred inflow of resources	151,486	555,178
Deferred outflows of resources	(203,500)	(233,706)
Total downward impact on net position	\$ 395,296	\$ 543,740

SYSTEMWIDE NET POSITION (UNRESTRICTED)

Unrestricted Net Position (\$ in Thousands)

Components and changes	FY2023	FY2022	Change
Unrestricted net position balance at June 30	\$ 362,618	\$ 266,561	\$ 96,057
Removing GASB Statements 68/75 impact	395,296	543,740	(148,444)
Balance at June 30, without effect of GASB Stmts 68/75	\$ 757,914	\$ 810,301	\$ (52,387)

HEERF EXPENSES/REVENUES FY2020 - 2023

(\$ in Thousands)	
Fiscal Year	Expenses/Revenues
FY2020	\$ 56,955
FY2021	162,115
FY2022	328,745
FY2023	68,377
Total	\$ 616,192

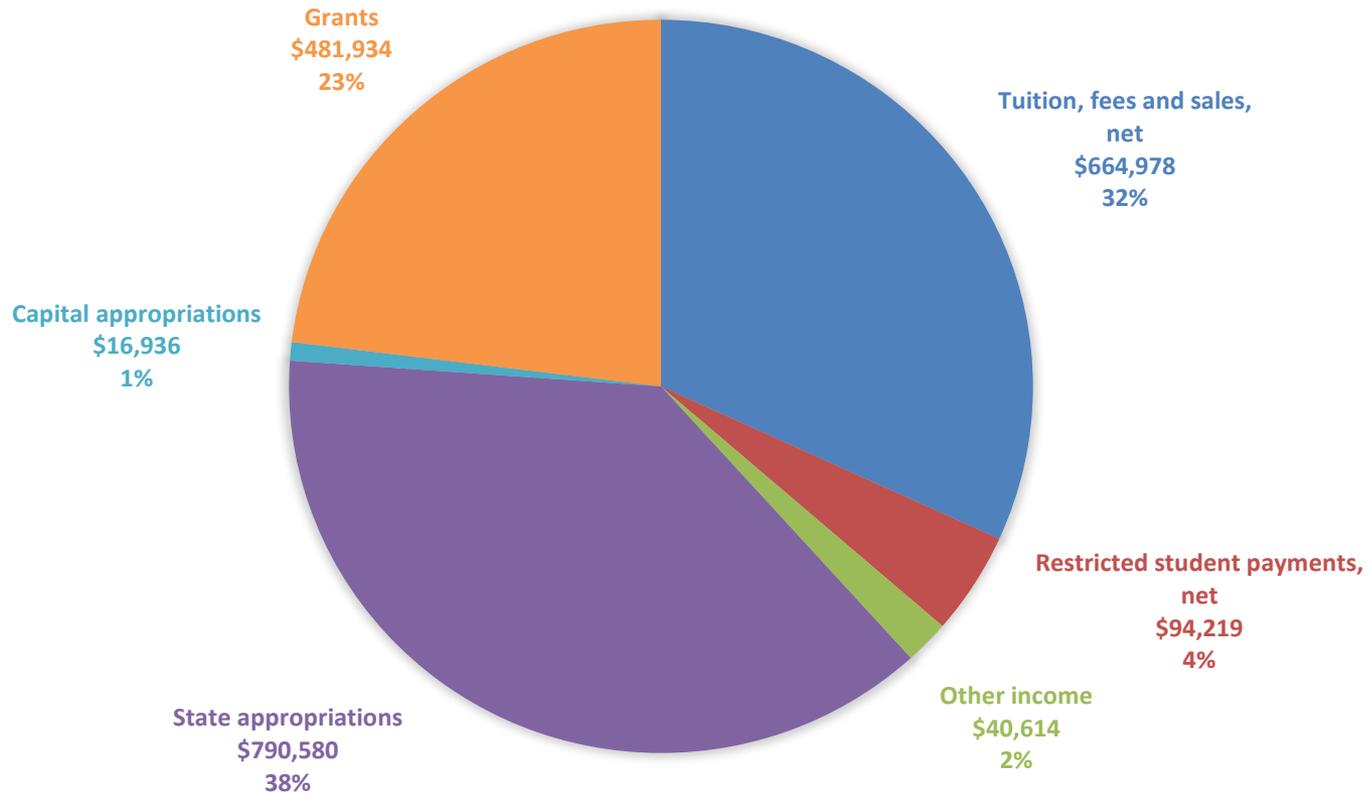
- Very small amount of HEERF funds remain, to be used in fiscal year 2024

SYSTEM'S ENROLLMENT FY2019-FY2025

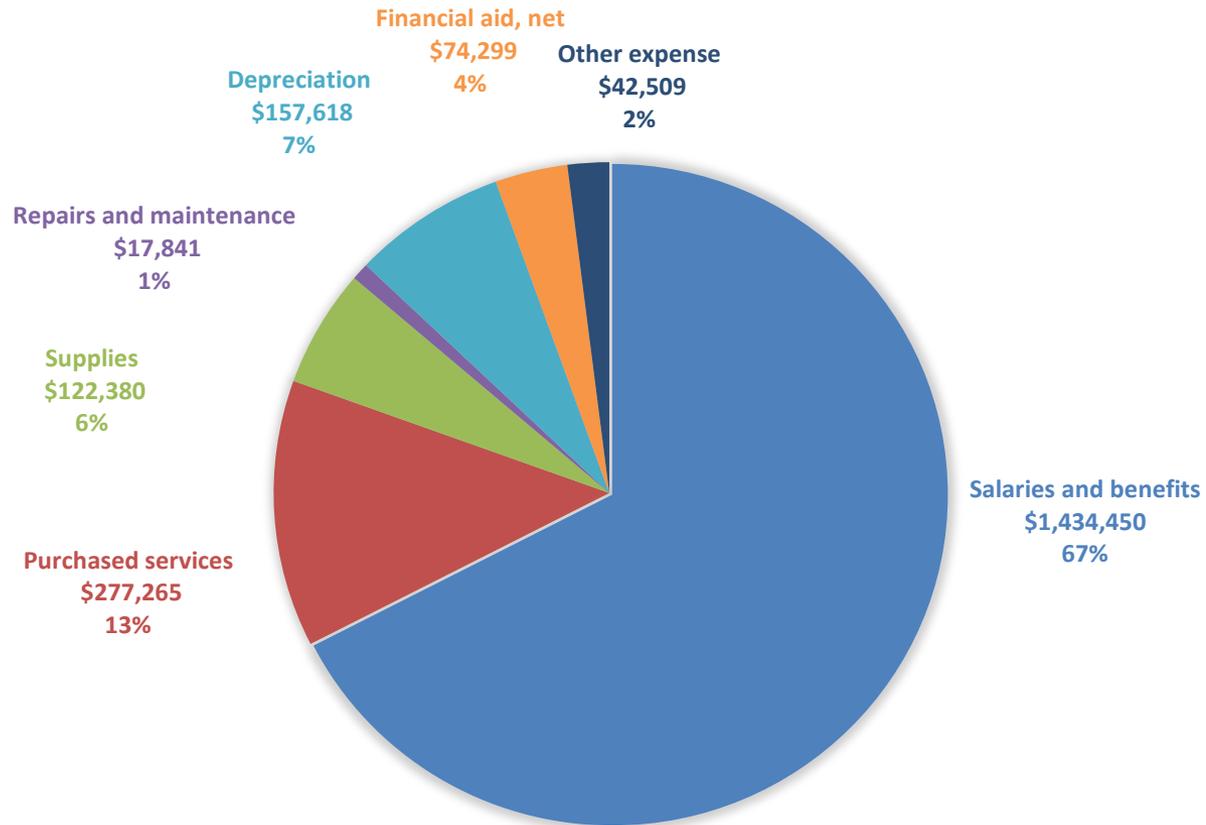
Full Year Equivalent	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 Est	FY2025 Est
Colleges	76,219	74,260	69,472	64,710	63,999	64,760	65,314
Universities	49,874	48,223	46,286	43,323	41,498	41,379	42,089
System	126,094	122,483	115,758	108,034	105,497	106,139	107,403

**FY2019-FY2023 Actual; FY2024-FY2025 Projected*

FISCAL YEAR 2023 REVENUE BY SOURCE (IN THOUSANDS)

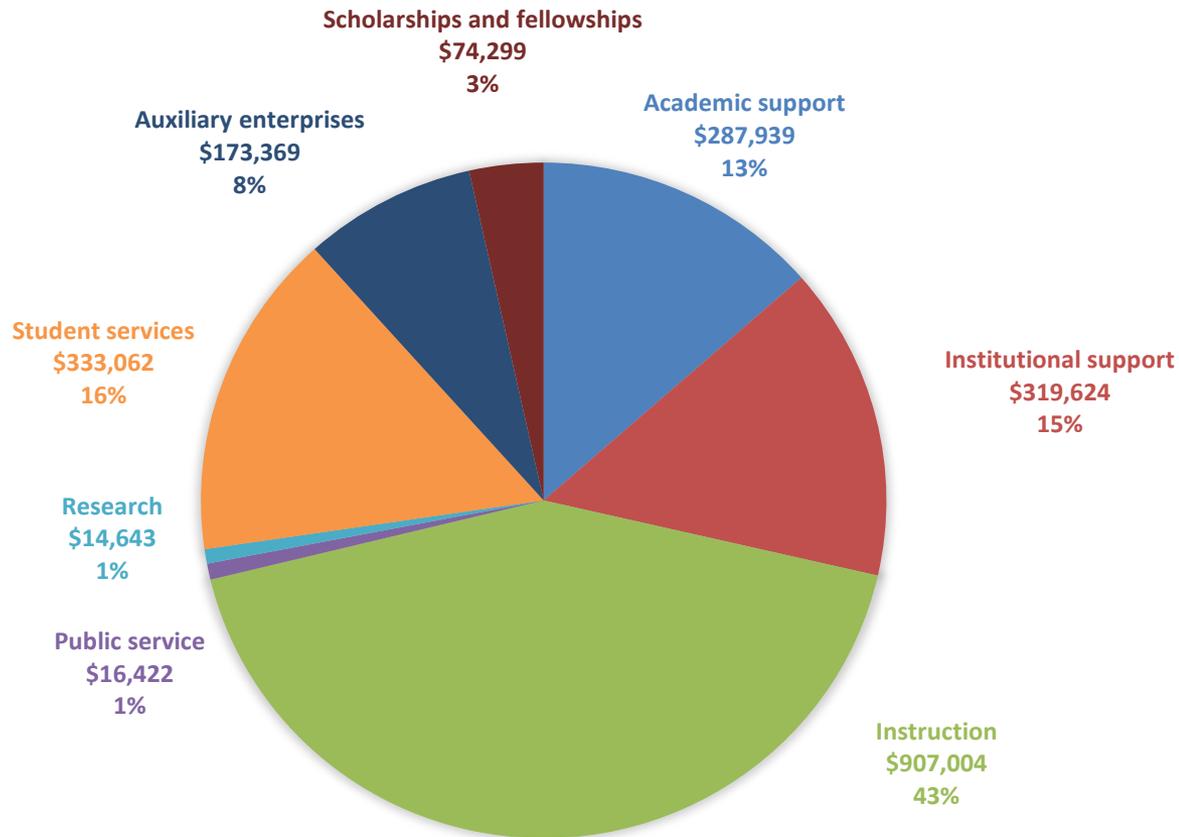


FISCAL YEAR 2023 OPERATING EXPENSES BY NATURAL CLASSIFICATION (IN THOUSANDS)



Excludes the impact of GASB Statements No. 68 and No. 75

FISCAL YEAR 2023 OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION (IN THOUSANDS)



Excludes the impact of GASB Statements No. 68 and No. 75

SYSTEM WIDE OPERATING MARGIN

Operating margin (in Thousands)

Components and changes	FY2023	FY2023 Adjusted	FY2022	FY2022 Adjusted
Student revenue, net	\$ 759,197	\$ 759,197	\$ 737,140	\$ 737,140
State appropriation	790,580	790,580	795,315	795,315
Grants	466,548	466,548	696,313	696,313
Compensation	(1,286,006)	(1,434,450)	(1,179,090)	(1,376,938)
Non-compensation	(691,912)	(691,912)	(833,529)	(831,813)
All other revenues/(expenses), net	23,175	23,175	5,106	5,106
Operating margin	\$ 61,582	\$ (86,862)	\$ 221,255	\$ 25,123

REVENUE FUND

OPERATING MARGIN

Operating margin (in Thousands)

Components and changes	FY2023	FY2023 Adjusted	FY2022	FY2022 Adjusted
Student revenue, net	\$ 98,316	\$ 98,316	\$ 92,318	\$ 92,318
Grants	759	759	7,024	7,024
Compensation	(24,145)	(27,768)	(22,278)	(26,603)
Non-compensation	(73,749)	(73,749)	(71,444)	(71,444)
All other revenues/(expenses), net	4,249	4,249	(1,609)	(1,581)
Operating margin	5,430	1,807	4,011	(286)

CONCLUSION AND NEXT STEPS

- Overall long-term financial condition remains relatively stable
- Results of the Financial Health Indicators, including newly implemented measures, will be shared with the Finance and Facilities committee in January 2024
- What areas of emphasis would Trustees like to see in January to better understand the financial condition of the system and its colleges and universities?