



NOVEMBER 16, 2022

**FY2022 and FY2021 Audited
Financial Statement Results**
Board of Trustees
Audit Committee Meeting

PRESENTATION OVERVIEW

- Summary of Minnesota State FY2022 and FY2021 results
- Impact of Higher Education Emergency Relief Funds (HEERF) on FY2022 results
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* impacts on financial reporting
- Excluding the effects of GASB 68 & 75, Minnesota State FY2022 and FY2021 results*

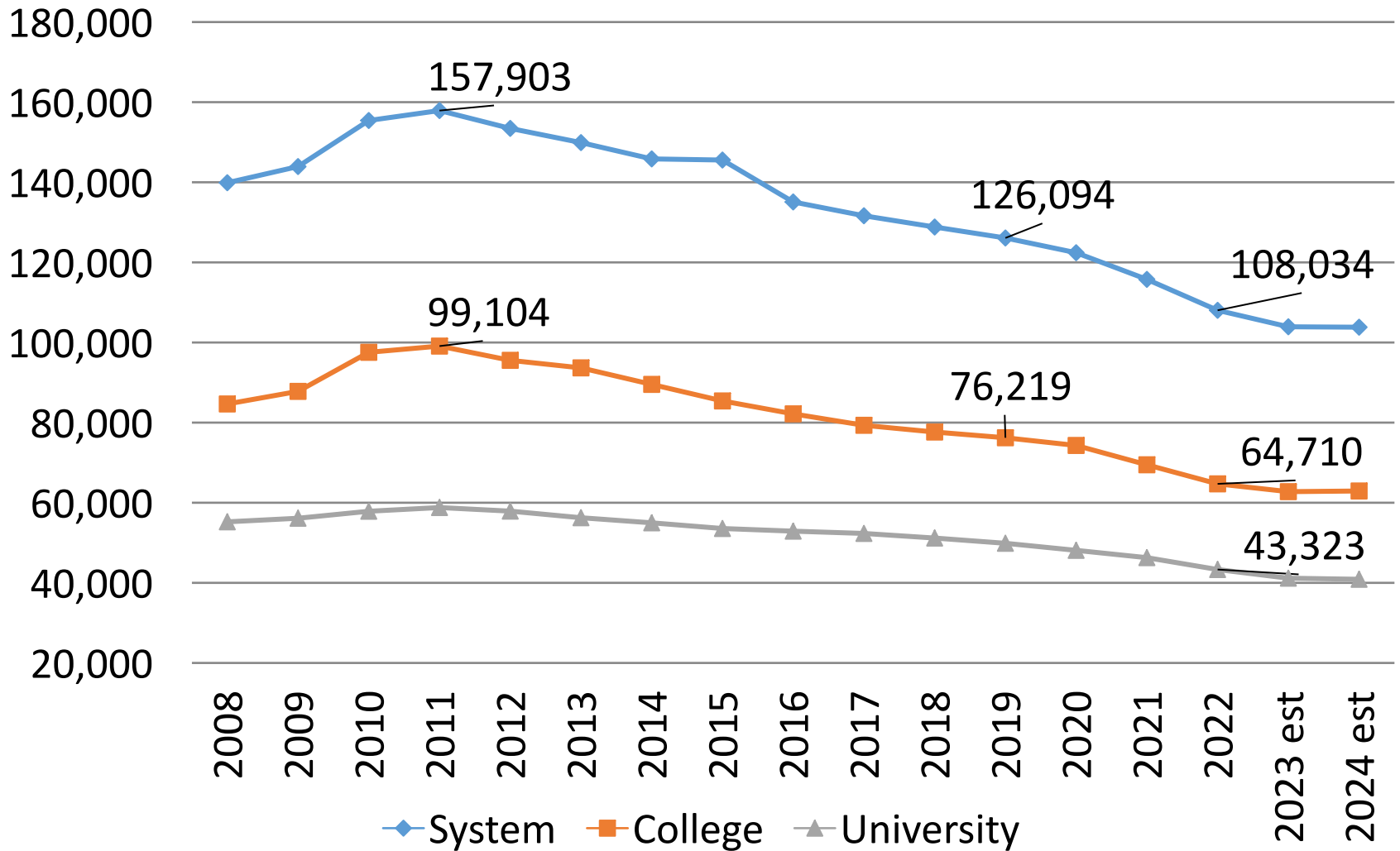
* Data in green excludes the effects of GASB 68/75 activity



OVERALL PICTURE

- Unmodified opinion on the systemwide, revenue fund, and 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 financial condition remained stable due to:
 - HEERF funding covering a portion of lost revenue that was due to declining enrollment and covering some expenses related to the pandemic
 - Management of overall operating expenses

STUDENT FULL YEAR EQUIVALENT (FYE) ENROLLMENT HISTORY & PROJECTIONS



HEERF EXPENSES/REVENUES FY2022 - FY2020

(\$ in Thousands)	
Fiscal Year	Expenses/ Revenues
FY2020	\$ 56,955
FY2021	162,115
FY2022	328,745
Total	\$ 547,815

- Remaining HEERF funds to be received and spent in fiscal year 2023 are approximately \$60M

SYSTEMWIDE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Revenues, Expenses and Net Position (\$ in Thousands)			
Fiscal Year	FY2022	FY2021	FY2020
Total Revenues	\$2,292,711	\$2,087,036	\$2,114,724
Total Expenses	2,036,082	2,076,496	2,088,956
Change in Net Position	\$256,629	\$10,540	\$25,768

- Total revenues increased in fiscal year 2022 by \$205.7M
- Total expenses decreased in fiscal year 2022 by \$40.4M primarily due to a \$232.5M decrease in compensation expense coupled with a \$127.4M increase in financial aid expense
- Excluding GASB 68/75, total expenses increased by \$169.1M which is primarily due to increase of HEERF financial aid disbursements to students
- Excluding GASB 68/75 effect, fiscal year 2022 resulted in a \$60.5M increase to net position in FY2022 compared to a \$23.9M increase in FY2021

CHANGES IN NET POSITION

FY2022 - FY2020

Revenues/(Expense) (in Thousands)

Components and changes	FY2022	FY2021	FY2020
Revenue from students, net of financial aid	\$ 737,140	\$ 730,373	\$ 774,502
State appropriation revenue	795,315	767,931	762,135
Federal and state grant revenue	678,075	504,990	442,482
Compensation Expense	(1,179,090)	(1,411,613)	(1,420,716)
All other revenues/(expenses), net	(774,811)	(581,141)	(532,635)
Change in Net Position	\$ 256,629	\$ 10,540	\$ 25,768

- Compensation expense decrease in fiscal year 2022 includes a decrease of \$197.8M, or 14.0 percent, related to GASB Statements No. 68 & 75
- Excluding GASB 68/75 effect, the change in fiscal year 2022 compensation expense was a decrease of \$21.3M, or 1.5 percent

SYSTEMWIDE

STATEMENTS OF NET POSITION

Assets, Liabilities and Net Position (\$ in Thousands)			
Fiscal Year	FY2022	FY2021	FY2020
Total Assets	\$3,349,466	\$3,320,668	\$3,302,097
Deferred Outflows of Resources	235,309	163,598	381,278
Total Assets and Deferred Outflows of Resources	3,584,775	3,484,266	3,683,375
Total Liabilities	1,102,928	1,324,980	1,326,134
Deferred Inflows of Resources	572,695	506,763	715,258
Total Liabilities and Deferred Inflows of Resources	1,675,623	1,831,743	2,041,392
Total Net Position	\$1,909,152	\$1,652,523	\$1,641,983

- Total assets remained relatively stable, increasing by \$28.8M, or 0.9 percent in fiscal year 2022
- Total liabilities decreased in fiscal year 2022 by \$222.1M, or 16.8 percent following a \$1.2M decrease in fiscal year 2021
 - Long term obligations decreased \$47.3M in fiscal year 2022
 - Net pension liability decreased by \$193.9M in fiscal year 2022

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

- Significant adjustments in FY2022
 - FY2022 operating results
 - FY2022 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	FY2022	FY2021
Net Pension Liability	\$ 150,831	\$ 344,746
Other compensation benefits	71,437	67,263
Deferred inflow of resources	555,178	489,638
Deferred outflows of resources	(233,706)	(161,775)
Total downward impact on net position	\$ 543,740	\$ 739,872

SYSTEMWIDE NET POSITION (UNRESTRICTED)

Unrestricted Net Position (\$ in Thousands)			
Components and changes	FY2022	FY2021	Change
Unrestricted net position balance at June 30	\$ 266,561	\$ (4,389)	\$ 270,950
Removing GASB Statements 68/75 impact	543,740	739,872	(196,132)
Balance at June 30, without effect of GASB Stmts 68/75	\$ 810,301	\$ 735,483	\$ 74,818

- Increase in unrestricted net position was \$74.8M in fiscal year 2022
- Increase is primarily attributable to:
 - HEERF funding provided to reduce the need to utilize college and university fund balances for pandemic related expenses

REVENUE FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Revenues, Expenses and Net Position (\$ in Thousands)

Fiscal Year	FY2022	FY2021	FY2020
Total Revenues	\$104,904	\$104,087	\$107,409
Total Expenses	99,955	101,269	109,096
Change in Net Position	\$4,949	\$2,818	(1,687)

- Total revenues were nearly identical to fiscal year 2021 levels increasing by \$0.8M in fiscal year 2022
 - Revenues shifted from non-operating HEERF revenue in fiscal year 2021 to operating revenues in fiscal year 2022 as revenue fund activity increased
- Excluding GASB 68/75, total expenses increased by \$3.2M or 3.2 percent in fiscal year 2022
- Excluding GASB 68/75 effect, the result is a \$0.7M increase in net position in fiscal year 2022 compared to a \$3.1M increase in FY2021

REVENUE FUND

STATEMENTS of NET POSITION

Assets, Liabilities and Net Position (\$ in Thousands)			
Fiscal Year	FY2022	FY2021	FY2020
Total Assets	\$494,103	\$522,753	\$537,354
Deferred Outflows of Resources	6,060	4,333	8,877
Total Assets and Deferred Outflows of Resources	500,163	527,086	546,231
Total Liabilities	230,773	263,754	286,039
Deferred Inflows of Resources	14,708	13,599	13,277
Total Liabilities and Deferred Inflows of Resources	245,481	277,353	299,316
Total Net Position	\$254,682	\$249,733	\$246,915

- Total assets decreased \$28.6M in FY2022 following a \$14.6M decrease in FY2021
- Total liabilities decreased in FY2022 by \$33.0M following a \$22.3M decrease in FY2021
 - Long-term obligations decreased by \$29.1M in FY2022
 - Net pension liability decreased by \$3.5M in FY2022

SUMMARY FINANCIAL RESULTS

(EXCLUDING THE EFFECTS of GASB 68 & 75)

- Excluding the effects of GASB 68 & 75, the system reports a \$25.1M gain, an improvement of \$31.7M from FY2021
- Excluding the effects of GASB 68 & 75, total operating/nonoperating expenses increased primarily due to increase of HEERF financial aid disbursements to students
- Adjusted operating margins remained close to “breakeven” in both FY2022 and 2021
 - FY22 operating margin of \$25.1M or 1.1% of operating expenses
 - FY21 operating margin of \$(6.6M) or (0.3%) of operating expenses

OVERALL PICTURE

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