



THE COUNCIL OF  
INDEPENDENT COLLEGES

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# Financial Indicators Tool (FIT)

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*July 2016*

**Point Loma Nazarene  
University**

Prepared by **The Austen Group**,  
a Division of Ruffalo Noel Levitz

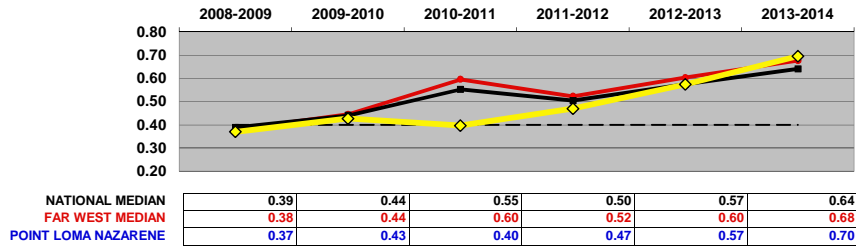
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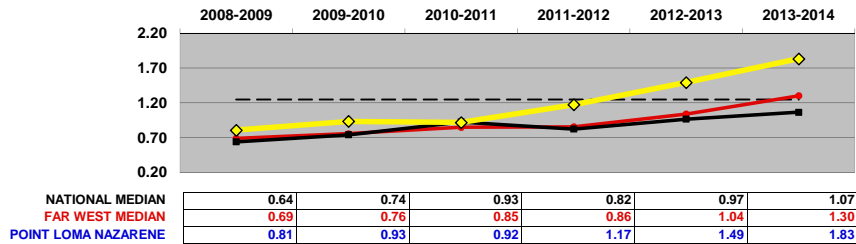
# Point Loma Nazarene University

## FIT TRENDS

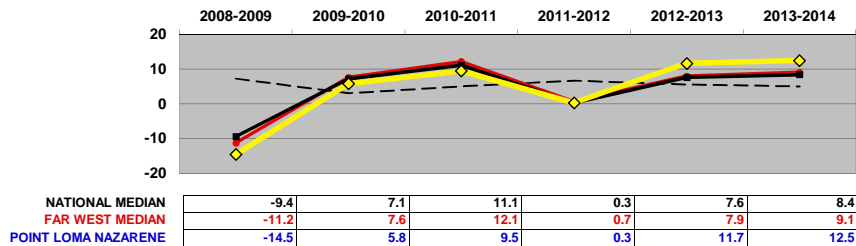
### Resource Sufficiency: Primary Reserve Ratio



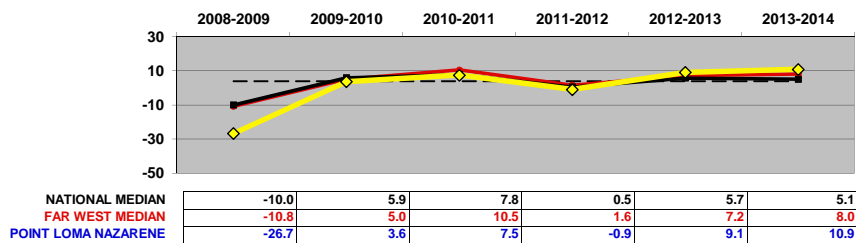
### Debt Management: Viability Ratio



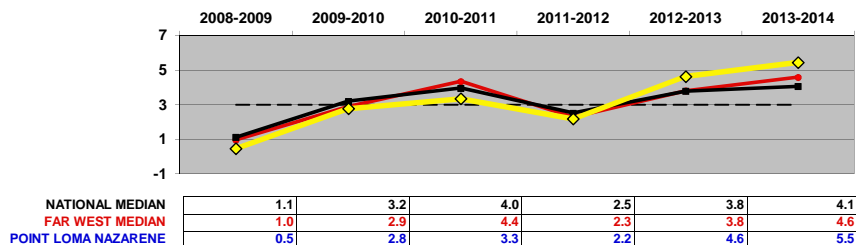
### Asset Performance: Return on Net Assets Ratio (%)



### Operating Results: Net Operating Revenues Ratio (%)



### Overall Financial Health: The Composite Financial Index (CFI)



## CORE RATIOS FOR FINANCIAL HEALTH

### Point Loma Nazarene University

Resource Sufficiency:	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Primary Reserve Ratio</b>	0.37	0.43	0.40	0.47	0.57	0.70
<p><b>Definition:</b> Measures financial strength by comparing expendable net assets to total expenses. The ratio represents the portion of a year the institution could meet financial obligations with assets readily available.</p> <p><b>Calculation:</b> Expendable net assets divided by total expenses.</p> <p><b>Threshold: .40</b> -- Below .15 (15% of a year, or 1.8 months) indicates possible short-term borrowing and struggling to find reserves for reinvestments; .40 (40% of a year, or 4.8 months) indicates sufficient cash for short-term needs, facilities maintenance, and contingency reserves; 1.0 and greater indicates reserves available to cover at least one year of expenses with no additional revenue.</p>						

Debt Management:	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Viability Ratio</b>	0.81	0.93	0.92	1.17	1.49	1.83
<p><b>Definition:</b> Measures the ability of the institution to meet its entire debt obligation with assets readily available.</p> <p><b>Calculation:</b> Expendable net assets divided by long-term debt.</p> <p><b>Threshold: 1.25</b> -- A ratio of less than 1.0, where debt obligation and expendable assets are equal, is poor and may identify the institution as a credit risk; greater than 2.0 is a strong indicator of financial health.</p>						

Asset Performance:	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Return on Net Assets Ratio (%)</b>	-14.5	5.8	9.5	0.3	11.7	12.5
<p><b>Definition:</b> Indicates whether the institution's total assets, restricted and unrestricted, are increasing or decreasing.</p> <p><b>Calculation:</b> Change in net assets divided by total net assets at the beginning of the fiscal year.</p> <p><b>Threshold: 3 to 4% above the inflation rate</b> -- If, for example, the CPI is 3%, a healthy return on net assets ratio would be around 6 to 7%. Plant investment, a capital campaign, or a poor stock market can all affect this ratio in any given year, but a positive trend is desirable.</p>						

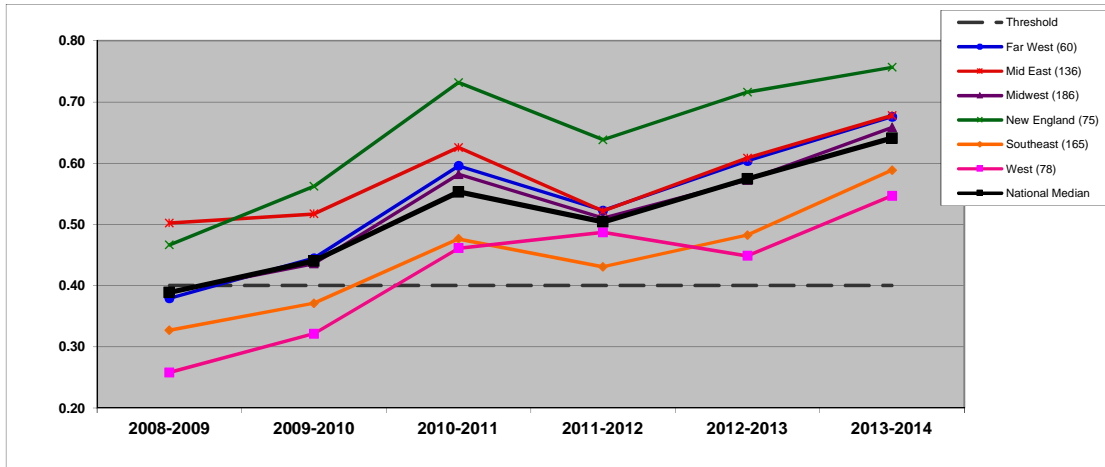
Operating Results:	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Net Operating Revenues Ratio (%)</b>	-26.7	3.6	7.5	-0.9	9.1	10.9
<p><b>Definition:</b> Indicates whether institutional operations resulted in a surplus or a deficit for the year.</p> <p><b>Calculation:</b> Change in unrestricted net assets divided by total unrestricted revenue.</p> <p><b>Threshold: 4%</b> -- A deficit in a single year is not necessarily a problem, but deficits over a number of years indicate trouble and suggest the need for restructuring.</p> <p>Note: There are two methods for computing the Net Operating Revenues Ratio. This report uses the change in unrestricted net assets method that can be calculated from publicly available IPEDS and IRS Form 990 data.</p>						

## PRIMARY RESERVE RATIO: BY REGION

**DEFINITION:** Measures financial strength by comparing expendable net assets to total expenses. The ratio represents the portion of a year the institution could meet financial obligations with assets readily available. A ratio of .40 is considered the threshold for financial health.

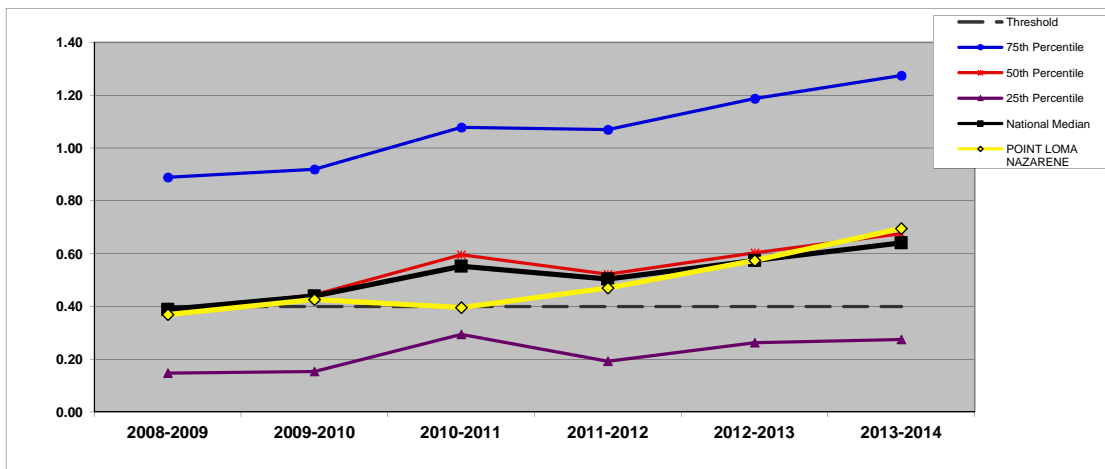
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>POINT LOMA NAZARENE</b>	0.37	0.43	0.40	0.47	0.57	0.70

**NATIONAL: BY REGION (n=700).** This chart displays the median values of the ratio by year for each geographic region, as well as the national median.



	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Far West (60)	0.38	0.44	0.60	0.52	0.60	0.68
Mid East (136)	0.50	0.52	0.63	0.52	0.61	0.68
Midwest (186)	0.39	0.44	0.58	0.51	0.57	0.66
New England (75)	0.47	0.56	0.73	0.64	0.72	0.76
Southeast (165)	0.33	0.37	0.48	0.43	0.48	0.59
West (78)	0.26	0.32	0.46	0.49	0.45	0.55
National Median	0.39	0.44	0.55	0.50	0.57	0.64

**FAR WEST REGION (n=60).** In addition to the median, or 50th percentile, this chart shows the 25th and 75th percentiles for your region.



	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
75th Percentile	0.89	0.92	1.08	1.07	1.19	1.27
50th Percentile	0.38	0.44	0.60	0.52	0.60	0.68
25th Percentile	0.15	0.15	0.29	0.19	0.26	0.27
National Median	0.39	0.44	0.55	0.50	0.57	0.64
<b>POINT LOMA NAZARENE</b>	0.37	0.43	0.40	0.47	0.57	0.70

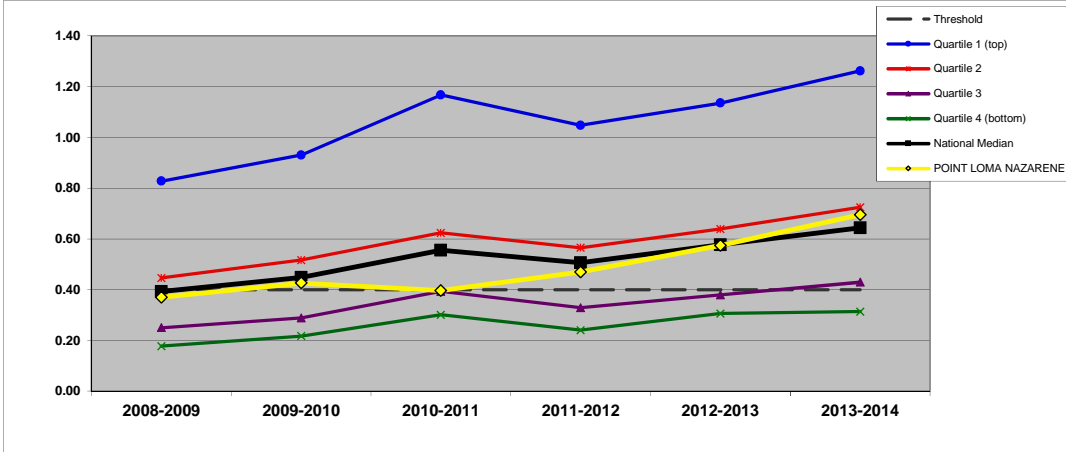
## PRIMARY RESERVE RATIO: BY FINANCIAL RESOURCES AND BY SIZE

**DEFINITION:** Measures financial strength by comparing expendable net assets to total expenses. The ratio represents the portion of a year the institution could meet financial obligations with assets readily available. A ratio of .40 is considered the threshold for financial health.

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
POINT LOMA NAZARENE	0.37	0.43	0.40	0.47	0.57	0.70

FINANCIAL RESOURCES QUARTILE
2

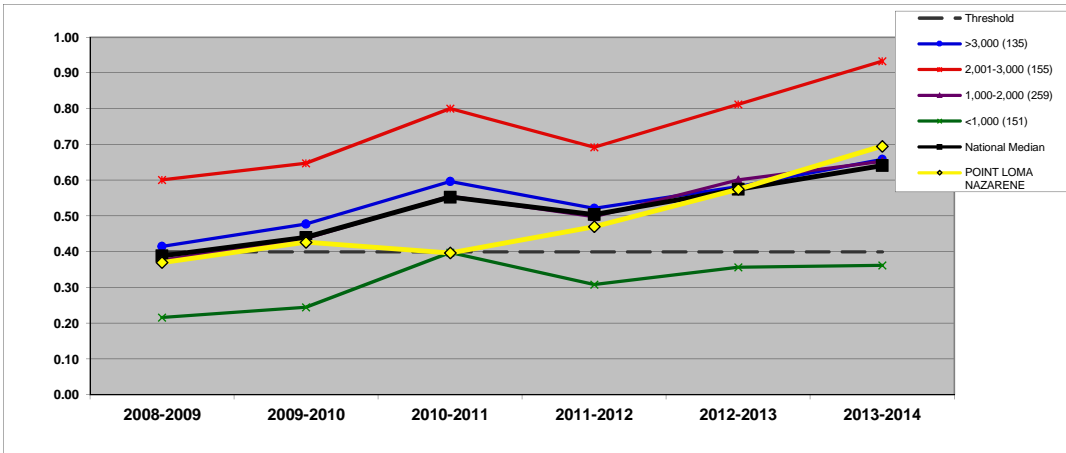
**NATIONAL: BY FINANCIAL RESOURCES (n=695).** This chart displays the median values of the ratio by year for each Financial Resources Quartile as defined in CIC's Key Indicators Tool (KIT), as well as the national median.



	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Quartile 1 (top)	0.83	0.93	1.17	1.05	1.13	1.26
Quartile 2	0.45	0.52	0.62	0.56	0.64	0.72
Quartile 3	0.25	0.29	0.39	0.33	0.38	0.43
Quartile 4 (bottom)	0.18	0.22	0.30	0.24	0.31	0.31
National Median	0.39	0.45	0.56	0.51	0.58	0.64
POINT LOMA NAZARENE	0.37	0.43	0.40	0.47	0.57	0.70

ENROLLMENT SIZE
2,001-3,000

**NATIONAL: BY ENROLLMENT SIZE (n=700).** This chart displays the median values of the ratio by year for four size groupings based on full-time equivalent (FTE) enrollment, as well as the national median.



	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
>3,000 (135)	0.41	0.48	0.60	0.52	0.58	0.66
2,001-3,000 (155)	0.60	0.65	0.80	0.69	0.81	0.93
1,000-2,000 (259)	0.38	0.44	0.56	0.50	0.60	0.65
<1,000 (151)	0.22	0.24	0.40	0.31	0.36	0.36
National Median	0.39	0.44	0.55	0.50	0.57	0.64
POINT LOMA NAZARENE	0.37	0.43	0.40	0.47	0.57	0.70

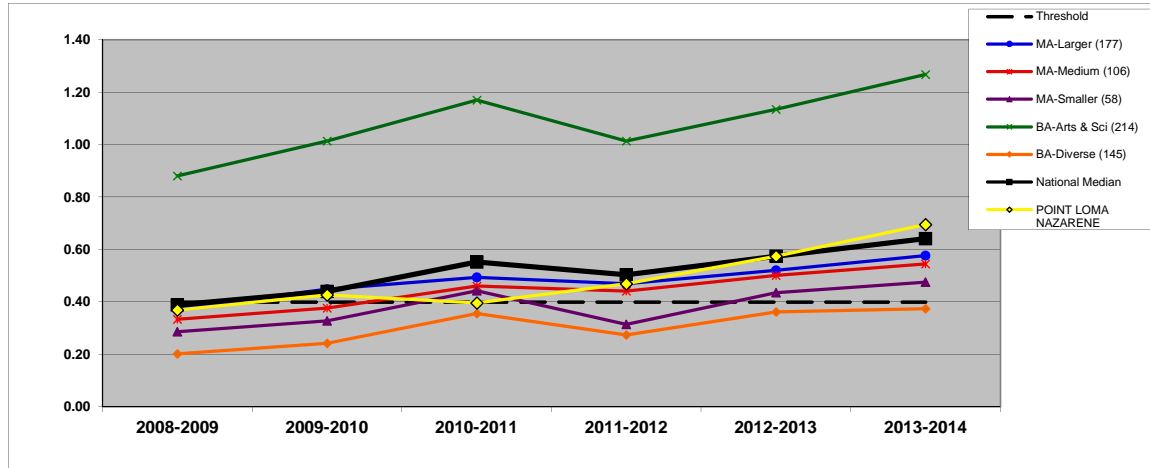
## PRIMARY RESERVE RATIO: BY CARNEGIE CLASSIFICATION

**DEFINITION:** Measures financial strength by comparing expendable net assets to total expenses. The ratio represents the portion of a year the institution could meet financial obligations with assets readily available. A ratio of .40 is considered the threshold for financial health.

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>POINT LOMA NAZARENE</b>	<b>0.37</b>	<b>0.43</b>	<b>0.40</b>	<b>0.47</b>	<b>0.57</b>	<b>0.70</b>

CARNEGIE
<b>MA-Larger</b>

**NATIONAL: BY CARNEGIE CLASSIFICATION (n=700).** This chart displays the median values of the ratio by year for each of the five basic Carnegie baccalaureate (BA) and master's (MA) level classifications and the national median.

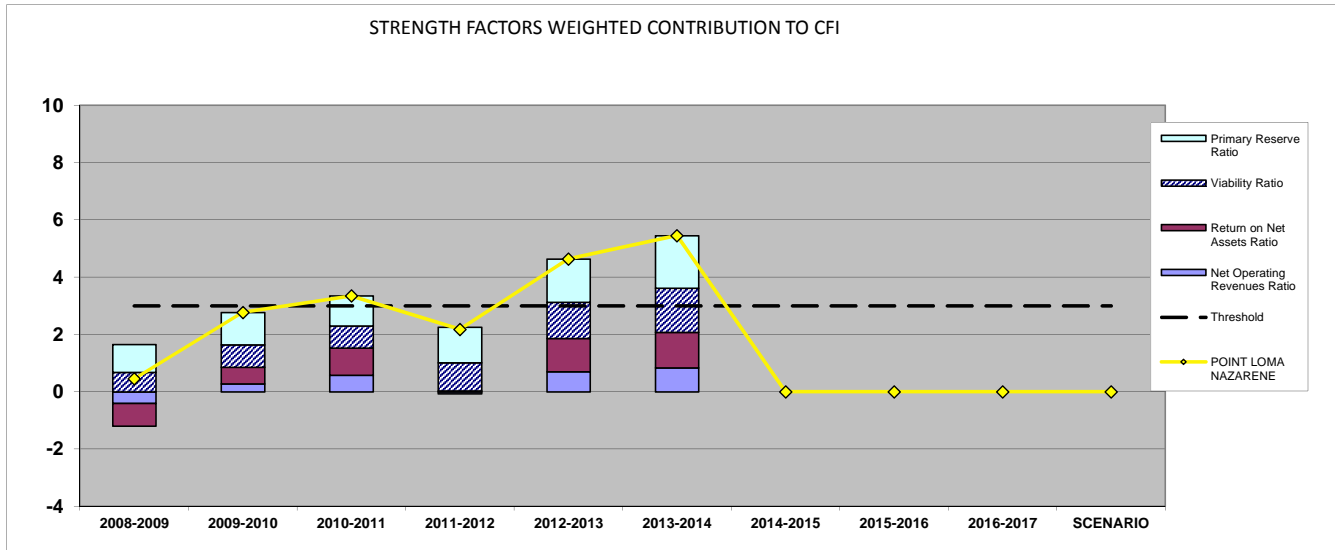


	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
MA-Larger (177)	0.38	0.45	0.49	0.47	0.52	0.58
MA-Medium (106)	0.33	0.38	0.46	0.44	0.50	0.54
MA-Smaller (58)	0.29	0.33	0.44	0.31	0.43	0.48
BA-Arts & Sci (214)	0.88	1.01	1.17	1.01	1.13	1.27
BA-Diverse (145)	0.20	0.24	0.36	0.27	0.36	0.37
National Median	0.39	0.44	0.55	0.50	0.57	0.64
<b>POINT LOMA NAZARENE</b>	<b>0.37</b>	<b>0.43</b>	<b>0.40</b>	<b>0.47</b>	<b>0.57</b>	<b>0.70</b>

**COMPOSITE FINANCIAL INDEX (CFI): STRENGTH FACTORS AND PROJECTION TOOL**  
*Point Loma Nazarene University*

		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	SCENARIO
<i>weight in CFI</i>		<i>strength factor</i>									
<i>Primary Reserve Ratio</i>	35%	2.8	3.2	3.0	3.5	4.3	5.2				
<i>Viability Ratio</i>	35%	1.9	2.2	2.2	2.8	3.6	4.4				
<i>Return on Net Assets Ratio</i>	20%	-4.0	2.9	4.7	0.1	5.8	6.2				
<i>Net Operating Revenues Ratio</i>	10%	-4.0	2.8	5.8	-0.7	7.0	8.4				
<i>CFI Score</i>		0.5	2.8	3.3	2.2	4.6	5.5				

The primary reserve and viability ratios are weighted the most heavily; then the return on net assets ratio, followed by the net operating revenues ratio. Strength factors have a ceiling of 10 and a floor of -4. Strength factors allow direct comparisons among the four ratios. Data for years 2014-2015, 2015-2016, 2016-2017, and SCENARIO will be displayed in the table above and on the chart below once data have been entered on the DATA worksheet.



**DEFINITION:** The Composite Financial Index (CFI) is a measure of the overall financial health of the institution based on the sufficiency and flexibility of resources, the management of debt, the performance of assets, and the results of operations. A score of 3.0 is considered the threshold for financial health.