



PROFIT & LOSS STATEMENT

Fiscal Year 2021

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Chief Financial and Operating Officer

FY2021 Unrestricted Financial Performance

FY2021 Financial Performance was stronger than budget. Performance at each institution, and the Office of the Chancellor, with the exception of Northern Vermont University, ended in positive territory. Three key factors drove these results, the first is receipt of \$28.8 million in one-time bridge funding from the State of Vermont. The second was the receipt of federal grants in the form of Higher Education Emergency Relief Funding (HEERF) and Coronavirus Relief Funds (CRF). Lastly, modestly improved student revenues and strong budget control, including extreme and unsustainable austerity measures in light of financial uncertainty by each institution within the VSCS, had a positive impact. Despite these efforts, Northern Vermont University did have a loss for FY2022 driven by enrollment declines due to the rescinded March 2020 closure announcement and their inability to draw in all of their HEERF funding during FY2021.

FY2021 Unrestricted Fund	VSCS	Community College of Vermont	Castleton University	Northern Vermont University	Vermont Technical College	Vermont Chancellor's Office
Total Revenues	195,618	29,662	53,863	46,082	37,313	28,698
Total Expenses	152,405	24,972	50,121	46,197	34,603	(3,488)
Net Revenue/(Deficit)	43,213	4,690	3,742	(115)	2,710	32,186
	22.1%	15.8%	6.9%	-0.2%	7.3%	112.2%
HEERF/CRF Funding	20,253	2,055	7,895	6,346	3,957	-
Net Revenue w/o CRF/HEERF	22,960	2,635	(4,153)	(6,461)	(1,247)	32,186
Bridge Funding	28,800					28,800
Net Revenue after all One-Time	(5,840)	2,635	(4,153)	(6,461)	(1,247)	3,386

While the VSCS-wide unrestricted performance was favorable, without receipt of these one-time funds, the overall net position for FY2021 would have declined by \$5.8 million. Removing the federal funding first, the net position drops from \$43 million favorable to \$23 million favorable. Castleton University, Northern Vermont University, and Vermont Technical College have negative results without the use of these federal funds. Further, removal of Bridge Funding drops the overall net position for the system to -\$5.8 million placing all institutions, with the exception of CCV, negative.

Student revenues, in the form of tuition and fees and room and board, were better than budgeted as a system with all institutions seeing stronger than budgeted tuition and fee revenue. Room and board revenue was stronger at Castleton University and Vermont Technical College, driven largely by the reopening of their residence halls in Spring 2021. Softer than predicted residential participation at Northern Vermont University can be anecdotally attributed to COVID fatigue in the Spring 2021 semester.

Performance on other revenues: Gifts, Sales and Services, and other forms of revenue were stronger than budget. While performance was mixed across the institutions, the nearly \$2.5 million favorable variance was due almost entirely to sales of property at Vermont Technical College and Community College of Vermont, both one-time transactions.

From an expense perspective, overall expenses were lower than budget across all categories with the greatest variances, in absolute value, in the areas of Salaries and Benefits, and Services, Supplies, and Travel. In regards to Salaries and Benefits, presidents held positions vacant to an extent never seen before; the result was a 9% favorable variance to budget, or approximately \$10 million. Similarly, Services, Supplies, and Travel purchases were slowed dramatically due to conditions that were unfavorable to travel. The slowed spending in this area resulted in a 17% favorable variance to budget, or a savings of approximately \$6.5 million.

FY2021 Actual Results as of June 30, 2021

(Amounts rounded to \$1,000)

	Vermont State Colleges System		Community College of Vermont		Castleton University		Northern Vermont University		Vermont Technical College		Chancellor's Office	
	FY2021 Budget	FY2021 Actuals	FY2021 Budget	FY2021 Actuals	FY2021 Budget	FY2021 Actuals	FY2021 Budget	FY2021 Actuals	FY2021 Budget	FY2021 Actuals	FY2021 Budget	FY2021 Actuals
REVENUES												
Tuition and Fees	102,520	105,395	20,517	22,373	34,400	34,895	25,053	25,090	22,550	23,036	-	1
State Appropriation	60,237	60,210	6,020	6,020	6,821	6,821	11,006	11,006	7,590	7,563	28,800	28,800
Room and Board	11,905	12,253	-	-	5,000	5,749	5,983	5,431	922	1,073	-	-
<i>CRF/HEERF: Room & Board</i>	-	11,548	-	-	-	4,980	-	3,555	-	3,013	-	-
Sales and Services	1,841	2,016	6	5	560	695	250	147	1,025	1,169	-	-
Gifts	850	1,030	50	107	420	382	250	183	130	340	-	18
Other Revenue	692	3,166	86	1,157	400	341	150	670	56	1,119	-	(121)
TOTAL REVENUES	178,045	195,618	26,679	29,662	47,601	53,863	42,692	46,082	32,273	37,313	28,800	28,698
EXPENSES												
Salaries and Benefits	110,496	100,531	20,497	20,392	29,495	27,813	32,400	29,331	23,555	22,388	4,549	607
<i>CRF/HEERF: Salaries</i>	(1,091)	(5,565)	-	(2,054)	(330)	(1,198)	(587)	(1,722)	(174)	(591)	-	-
Services, Supplies, Travel	37,116	30,796	4,870	4,737	10,158	7,111	9,135	7,107	7,782	6,307	5,171	5,534
<i>CRF: Services/Supplies/Travel</i>	(543)	(1,994)	-	(1)	(200)	(628)	(343)	(1,029)	-	(336)	-	-
Scholarships	19,240	18,268	170	146	11,600	11,635	5,290	5,119	2,180	1,368	-	-
<i>CRF: Scholarships</i>	-	(1,146)	-	-	-	(1,089)	-	(40)	-	(17)	-	-
Utilities	5,955	5,174	325	241	2,000	1,631	2,158	2,030	1,433	1,236	39	36
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	10,827	10,489	1,034	1,034	2,096	2,097	1,756	1,763	1,114	724	4,827	4,871
Chancellor's Office	(23)	-	1,622	1,622	1,837	1,837	2,965	2,964	1,653	1,677	(8,100)	(8,100)
Other Transfers	(5,958)	(4,148)	(1,839)	(1,145)	1,255	912	549	674	1	1,847	(5,924)	(6,436)
<i>CRF: Other Transfers</i>	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	176,019	152,405	26,679	24,972	57,911	50,121	53,323	46,197	37,544	34,603	562	(3,488)
NET REVENUES/(DEFICIT)	2,026	43,213	-	4,690	(10,310)	3,742	(10,631)	(115)	(5,271)	2,710	28,238	32,186
ONE-TIME FUNDS												
All Other	-	115	-	-	-	-	-	115	-	-	-	-
TOTAL ONE-TIME FUNDS	-	115	-	-	-	-	-	115	-	-	-	-
TOTAL OPERATING RESULT	2,026	43,328	-	4,690	(10,310)	3,742	(10,631)	-	(5,271)	2,710	28,238	32,186
Unrestricted use of CRF	(1,634)	(20,253)	-	(2,055)	(530)	(7,895)	(930)	(6,346)	(174)	(3,957)	-	-
Net Revenue without use of CRF	392	22,960	-	2,635	(10,840)	(4,153)	(11,561)	(6,461)	(5,445)	(1,247)	28,238	32,186

Total Entity

The unrestricted fund (general fund) is essentially the income statement. However, the income statement is but one measure of the health of the Vermont State Colleges. The balance sheet is as important, if not more important than the income statement, as it shows where the organization has been investing, or more likely in the case of the VSCS not investing. As Jim Page noted in his report to the Joint Fiscal Office in 2020:

Balancing an approved budget is an important [and] noteworthy achievement.

Yet a balanced budget is not necessarily a sign that all is financially well. *A budget may underfund depreciation, for example. This strategy can be useful to bridge a short-term budget gap, but chronic underfunding leads to an inevitable and sometimes unrecoverable increase in deferred maintenance, an issue now requiring VSCS attention.*

*Also, a budget that just breaks even may not have included investment funds to update programs, improve classroom technologies, etc. **Any institution that foregoes investing puts itself at a significant competitive disadvantage.***¹

The VSCS has not been investing in itself, and in many ways has been on a starvation diet. The system has used short-term methods to bridge long-term budget gaps, and its capital infrastructure, buildings, technology, and equipment is inadequate. Between FY2013 and FY2021, net revenues have declined, despite several years with favorable unrestricted funds. Below is a summary of the total entity performance by institution between FY2013 and FY2021. The total entity is comprised of the Unrestricted Fund, Restricted Expendable (grants and endowment spin-off), Restricted Non-expendable (endowments), Invested in Capital (facilities and equipment), and the Perkins Loan Fund.

Total Entity Results¹	Incr. (Decr.) Net Assets	Incr./Decr.) Net Assets									
	FY2014-FY2019	FY2014-2021²	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013
Community College of Vermont	(832)	4,315	4,883	263	(353)	77	(1,474)	(167)	987	98	583
Castleton University	(11,906)	(11,032)	105	769	(1,718)	(2,014)	(3,567)	(2,612)	(2,191)	196	581
Northern Vermont University	(7,521)	(5,749)	2,706	(934)	(2,861)	1,273	(2,491)	(3,408)	(600)	566	(496)
Vermont Technical College	(6,039)	2,618	5,651	3,006	(1,009)	2,035	(1,021)	(532)	(2,781)	(2,731)	7,985

¹ Excludes OPEB/GASB 45 transactions
² FY2014 was used due to large increase in fixed assets in FY2013 and FY2012

As shown on above, when reviewing total entity performance between FY2014 and FY2019 (the last year before the pandemic), no institution had a total net increase in assets. Of the four institutions, Community College of Vermont had the most favorable results, with the majority of their change in net assets derived from use of board-approved carry over funds. The remaining institutions saw a decrease in net assets of between \$12 million and \$6 million over this period.

FY2021 total entity performance saw an increase in net assets across all institutions with the greatest improvement at CCV and VTC due to the sale of facilities. However, all institutions saw an increase due to the receipt of Higher Education Emergency Relief and Coronavirus Relief Funds.

¹ Report to the Vermont Legislative Joint Fiscal Office Concerning Vermont State Colleges System Funding for FY2020 and FY2021
James H. Page, June 8, 2020 p. 11

Total Entity Results by Fund		FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013
CCV	Unrestricted	4,691	925	347	913	(649)	478	750	29	113
	Restricted Expendable	607	(79)	91	17	32	(112)	90	20	303
	Restricted Unexpendable	178	169	41	40	94	49	55	111	135
	Invested In Capital	(593)	(751)	(831)	(893)	(952)	(582)	92	(62)	32
	Perkins Loans	-	-	-	-	-	-	-	-	-
	Total Entity	4,883	263	(353)	77	(1,474)	(167)	987	98	583
CU	Unrestricted	3,741	2,701	369	1,195	(2,022)	(174)	551	75	(2,705)
	Restricted Expendable	(1,190)	(178)	(196)	349	549	(341)	(611)	942	585
	Restricted Unexpendable	130	106	72	-958	190	94	203	146	155
	Invested In Capital	(2,577)	(1,404)	(2,008)	(1,943)	(2,277)	(2,183)	(2,326)	(942)	2,498
	Perkins Loans	1	(456)	45	(657)	(8)	(7)	(7)	(27)	48
	Total Entity	105	769	(1,718)	(2,014)	(3,567)	(2,612)	(2,191)	196	581
NVU	Unrestricted	(115)	746	(1,585)	983	(932)	(2,245)	353	277	335
	Restricted Expendable	3,512	(84)	298	728	301	(84)	(137)	620	564
	Restricted Unexpendable	1,105	299	237	205	612	379	374	929	222
	Invested In Capital	(1,745)	(1,361)	(1,814)	(586)	(2,505)	(1,476)	(1,201)	(1,270)	(1,610)
	Perkins Loans	(51)	(533)	3	(57)	32	18	10	10	(6)
	Total Entity	2,706	(934)	(2,861)	1,273	(2,491)	(3,408)	(600)	566	(496)
VTC	Unrestricted	2,709	2,896	214	1,760	(204)	30	(26)	(218)	(2,051)
	Restricted Expendable	(510)	76	64	147	145	214	(21)	690	265
	Restricted Unexpendable	164	55	9	10	190	69	49	149	127
	Invested In Capital	3,295	159	(1,311)	202	(1,164)	(847)	(2,804)	(3,358)	9,659
	Perkins Loans	(7)	(180)	15	(84)	11	3	21	5	(15)
	Total Entity	5,651	3,006	(1,009)	2,035	(1,021)	(532)	(2,781)	(2,731)	7,985

Financial Ratios

The Vermont State Colleges is establishing an accountability matrix to provide the Board of Trustees with necessary information to support the Board in its work. The following financial measures are included in the matrix:

- **Primary Reserve Ratio** – a measure of the overall financial strength of the organization
- **Net Operating Revenue Ratio** – measure of the organization’s ability to live within its means
- **Return on Net Assets Ratio** – a measure of the organization’s total economic return
- **Viability Ratio** - measures the availability of net assets to cover the organization’s debt

Combined these four ratios create the **Composite Financial Index (CFI)** a single measure that offers directional insight into the organization. These measures can help the Board answer critical questions such as:

- What is the system’s current capacity to carry out its work?

- What is the system’s expected capacity to carry out future programs?
- Is the trend improving or deteriorating?
- Are the VSCS’s resources sufficient and flexible enough to meet the mission?
- Do operating results indicate the system is living within available resources?
- Does financial asset performance support the strategic direction of the organization?

By reviewing these measures longitudinally, we can see where our actions, or lack thereof, can have a positive or negative impact on the organization as a whole.

Financial Ratio	Preferred Metric	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Primary Reserve	≥ 0.40	0.51	0.25	0.21	0.20	0.17	0.18	0.18	0.19	0.18	0.22
Net Operating Revenue	2% to 4%	23.0%	3.4%	-0.8%	-1.4%	-1.2%	-3.1%	-1.2%	-2.7%	-5.2%	-2.4%
Viability Ratio	1.25 to 2.0	0.80	0.38	0.32	0.30	0.25	0.27	0.27	0.28	0.26	0.29
Return on Net Position	3% to 4%	41.9%	6.6%	-1.1%	-1.3%	0.5%	-3.0%	-4.0%	-2.8%	8.4%	7.5%

As shown here, with the exception of FY2021, **the VSC is universally weak across all ratios dating back to 2012**, suggesting that the VSC’s structural issues have been years in the making.

The Composite Financial Index combines the four primary ratios into a single measure by standardizing the results on a scale between -1 and 10 and then weighting each ratio according to a formula suggested by the National Association of College and University Business Officers (NACUBO). The CFI score for the years FY12 to FY21 is shown below.

Measure	CFI Score									
	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Primary Reserve	1.35	0.65	0.54	0.53	0.46	0.46	0.48	0.49	0.48	0.59
Net Operating Revenue	1.00	0.49	(0.12)	(0.20)	(0.17)	(0.44)	(0.17)	(0.38)	(0.74)	(0.35)
Viability Ratio	0.67	0.32	0.26	0.25	0.21	0.23	0.23	0.23	0.22	0.24
Return on Net Position	2.00	0.66	(0.11)	(0.13)	0.05	(0.30)	(0.40)	(0.28)	0.84	0.75
Composite Financial Index	5.02	2.11	0.59	0.45	0.55	(0.05)	0.14	0.06	0.79	1.23

Net operating revenue and return on net position exceed the maximum value for these measures for the CFI score and have been limited to the maximum amount allowed.

As shown above, FY2021 and FY2020 performance is significantly stronger than the previous nine years. This improved performance is due to the receipt of Higher Education Emergency Relief, Coronavirus Relief, and bridge funding.

Composite Financial Index Scale	
-1 to 1	Assess viability to survive
0 to 3	Reengineer
3 to 5	Direct resources to allow transformation
5 to 7	Focus resources to compete in future
7 to 9	Opportunities to experiment with new initiatives
8 to 10	Deploy resources to achieve robust mission

According to the Composite Financial Index Scale, the Vermont State Colleges has the resources necessary to direct its attention to allow transformation. In the years FY2013 to FY2019, the VSCS’s Composite Financial Index score suggested a need to assess the System’s ability to survive.