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UNO Financial Ratios Analysis 2010 to 2015

Business and Finance University of Nebraska at Omaha

University of Nebraska at Omaha
Higher Learning Commission Ratio Analysis
Last update: 5/3/2016

Each year, the Higher Learning Commission (HLC) requires each member institution to provide an update on organizational health. The 2016 Annual Institution Data Report was due April 4, 2016. The four core ratios noted below are included in the HLC Financial Data Worksheet for Public Institutions as part of the annual report. Guidelines regarding the financial ratios for public institutions are provided in **Strategic Financial Analysis for Higher Education, 7th ed.**

The **Primary Reserve Ratio** measures the financial strength of the institution by comparing expendable net assets to total expenses. It helps answer the question "Are resources sufficient and flexible enough to support the mission?". Expendable net assets represent those assets the institution can access quickly and spend to meet its operating and capital requirements. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. Trend analysis indicates whether an institution has increased its net worth in proportion to the rate of growth in its operating size.

Primary Reserve Ratio

2010	2011	2012	2013	2014	2015	Target
0.3	0.29	0.34	0.37	0.36	0.38	0.40

A Primary Reserve Ratio of .40x or better is advisable to give institutions the flexibility to transform the enterprise. The University's primary reserve ratio is just under the industry standard but has incrementally improved over the past five years

The **Net Operating Revenues Ratio** indicates whether total unrestricted activities resulted in a surplus or a deficit, "Do operating results indicate the institution is living within available resources?" This ratio is a primary indicator, explaining how the change in unrestricted net assets affects the behavior of the other three core ratios.

Net Income Ratio %

2010	2011	2012	2013	2014	2015	Target
7.4	3.3	4.0	4.8	14.3	18.4	4.0

An institution presenting an operating indicator to measure the net income ratio should target at least 2 to 4 percent as a goal over an extended time period. The University's net operating revenue was on target and has significantly exceeded the industry target the last two years.

The **Return on Net Asset Ratio** determines whether the institution is financially better off than in previous years by measuring total economic return. ("Does asset performance and management support the strategic direction?")

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Return on Net Asset Ratio %

2010	2011	2012	2013	2014	2015	Target
18.6	7.6	6.0	11.1	12.6	19.6	4.0

While it is better applied over an extended period so the results of long-term plans are measured, institutions should establish a real rate of return target in the range of approximately 3 to 4 percent. An improving trend in this ratio, as seen by the University, indicates that the institution is increasing its net assets and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

The **Viability Ratio** measures one of the most basic determinants of clear financial health - the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. (“Are debt resources managed strategically to advance the mission?”)

Viability Ratio

2010	2011	2012	2013	2014	2015	Target
0.47	0.52	0.61	0.71	0.76	0.81	1.0

Although a ratio of 1:1 or greater indicates that, as of the balance sheet date, an institution has sufficient expendable net assets to satisfy these obligations, this value should not serve as an objective. Many public institutions can operate effectively at a ratio far less than 1:1, as noted with the University. The University enjoys the credit of a larger group for its borrowing purposes. The revenue bonded debt of the University of Nebraska at Omaha is issued as part of a Master Trust Indenture that pledges the revenues of all obligated members to the annual outstanding obligations.