

# RISD Financial Overview

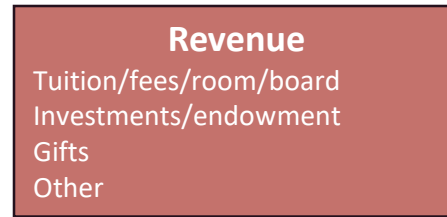
DAVE PROULX, SVP FOR FINANCE AND ADMINISTRATION  
FALL, 2021



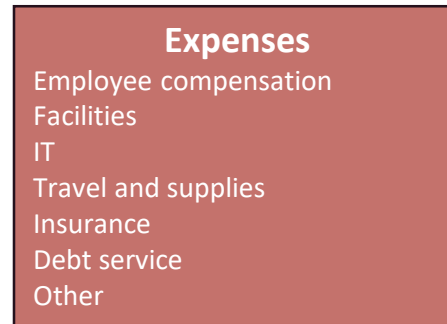
# RISD – Basic Financial Facts

- Non profit entity registered under IRC section 403 (b)
- \$160 million total revenue
- \$440 million endowment as of 6/30/2021
- 69 buildings comprising 1.9 million square feet of space
- 2,500 students – 2,000 undergraduate, 500 graduate
- 1,300 employees
- Bond ratings: Moody's: A1; Fitch A+

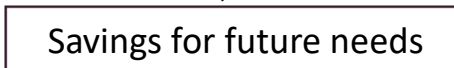
# How the RISD financial model works



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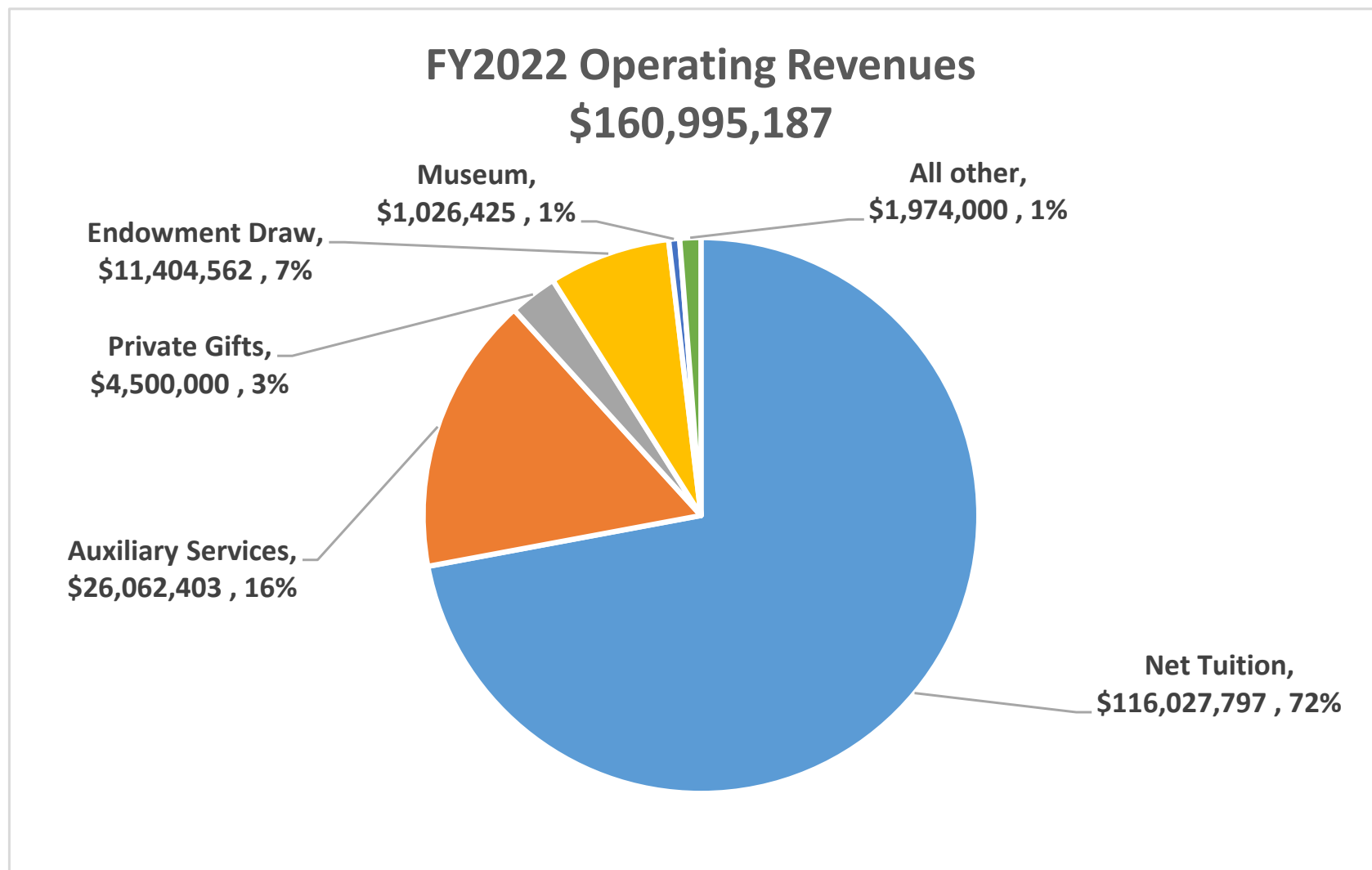
# General Overview

- Currently RISD is in good financial condition supported by strong bond ratings, growing student demand, healthy reserves, competitive employee compensation and improved facilities and technology infrastructure.
- RISD is guided by a strategic plan approved by the Board of Trustees in May, 2019.
- RISD is making significant, long-awaited, investments to improve management, student success, facilities and IT over the past two years. Some examples:
  - SEI investments
  - Increased full-time faculty
  - Increased financial aid
  - IT investments – implementation of new admissions, advancement, HR, Finance, Student and space reservation/management systems.
  - Facilities investments– multi-year capital plan, significant deferred maintenance progress and quad project
  - Student health and wellness
  - Revenue generating investments – institutional advancement, expanded education, continuing education, research

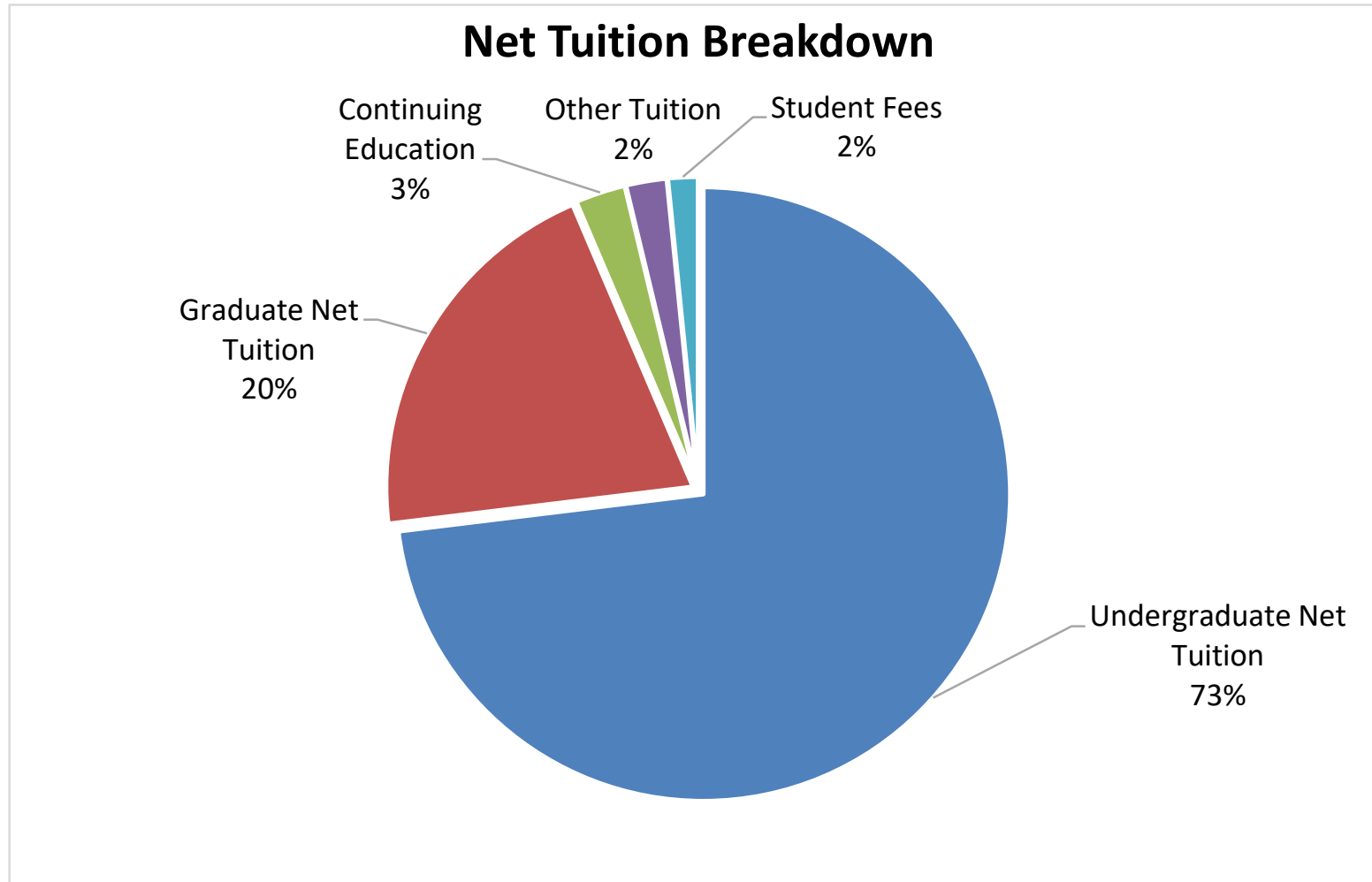
# General Overview, cont

- At the same time, we are highly reliant on students for funding (85% of our revenue comes from students), have a high sticker price/low financial aid, relatively small endowment, low fundraising levels, limited enrollment capacity, increased competition and increasing costs.
- We are not unique in higher education when it comes to financial challenges:
  - Moody's has issued a negative outlook for higher education for the second straight year citing low revenue growth and increased competition. Fitch and Standard & Poor's have also issued negative outlooks for higher education.
  - Just 69% of private non-profit College Business Officers strongly believe their institution will be financially stable over the next 10 years. – Inside Higher Ed 2021 Survey of CBO's
  - Published in Inside Higher Education: "a fifth of the 43 institutions that were members of the Association of Independent Colleges of Art and Design as of the start of 2014 have attempted to merge, closed, relocated or drastically changed their tuition structure in the last five years."
- We have an opportunity now with our strategic plan and current fiscal health to create a path to financial stability as well as strategically invest in our future. If we remain with the status quo, we will miss that opportunity.

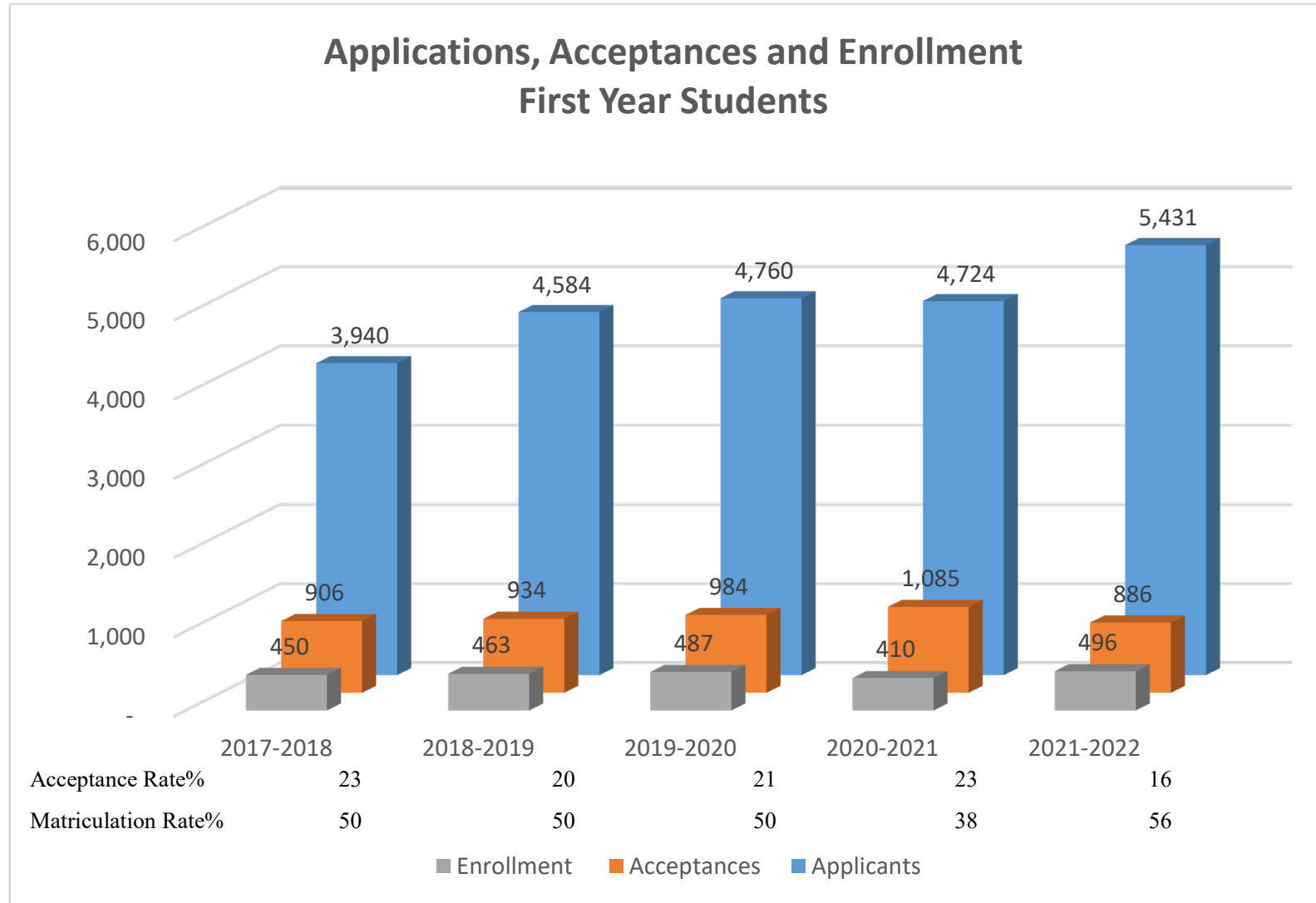
# Where do revenues come from?



# FY 2022 Net Tuition

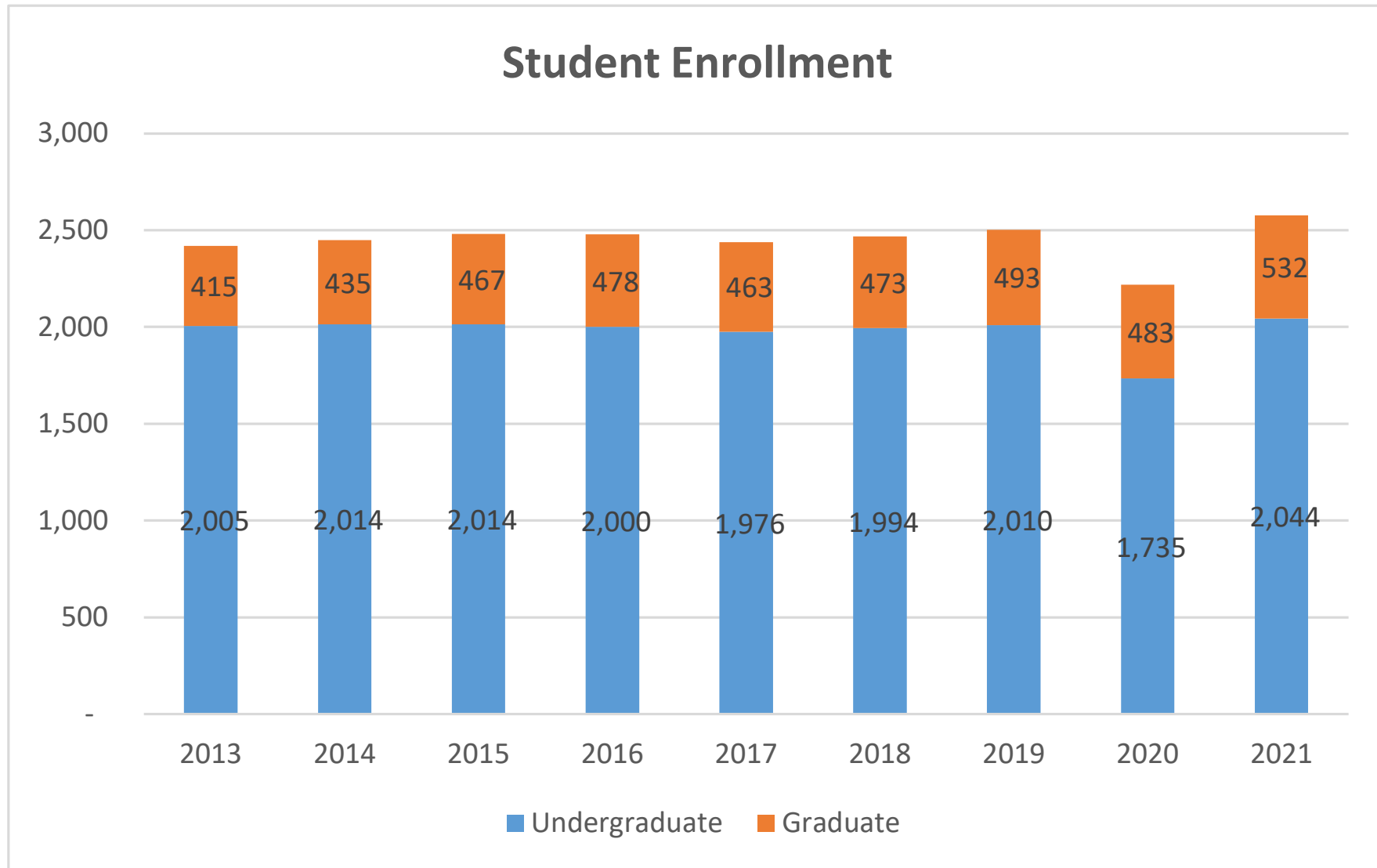


# First Year Admissions

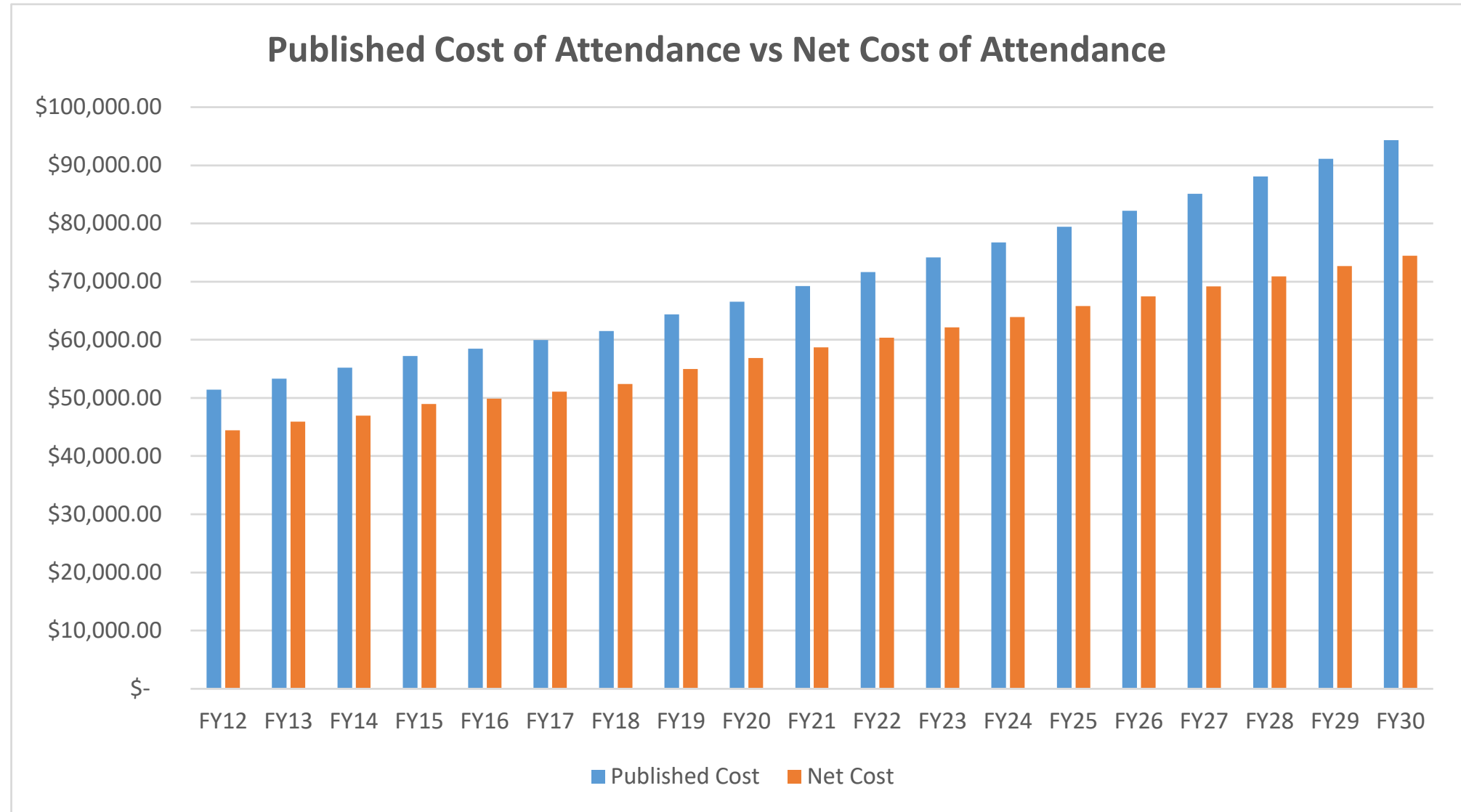




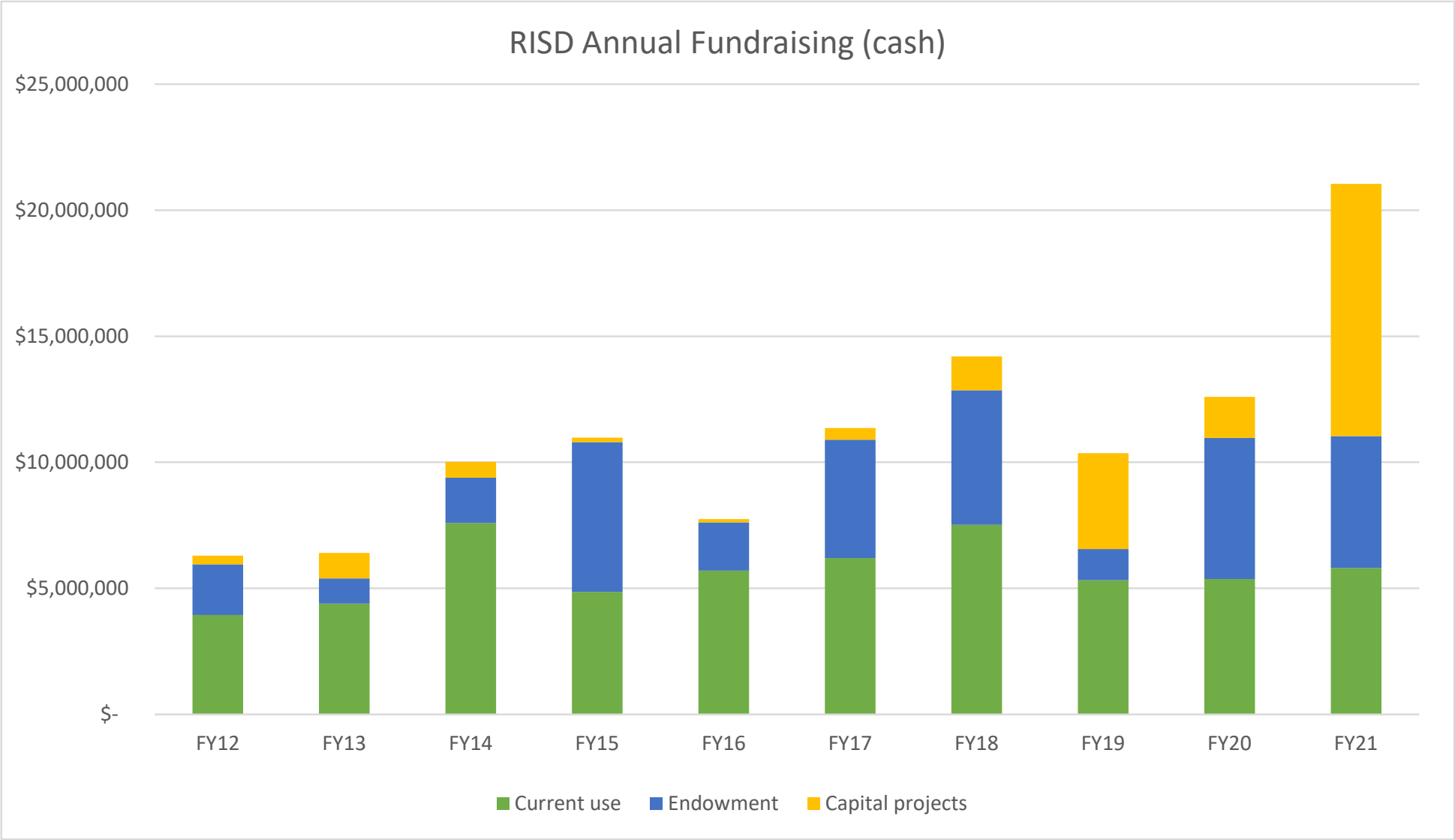
# Student Enrollment (Fall Counts)



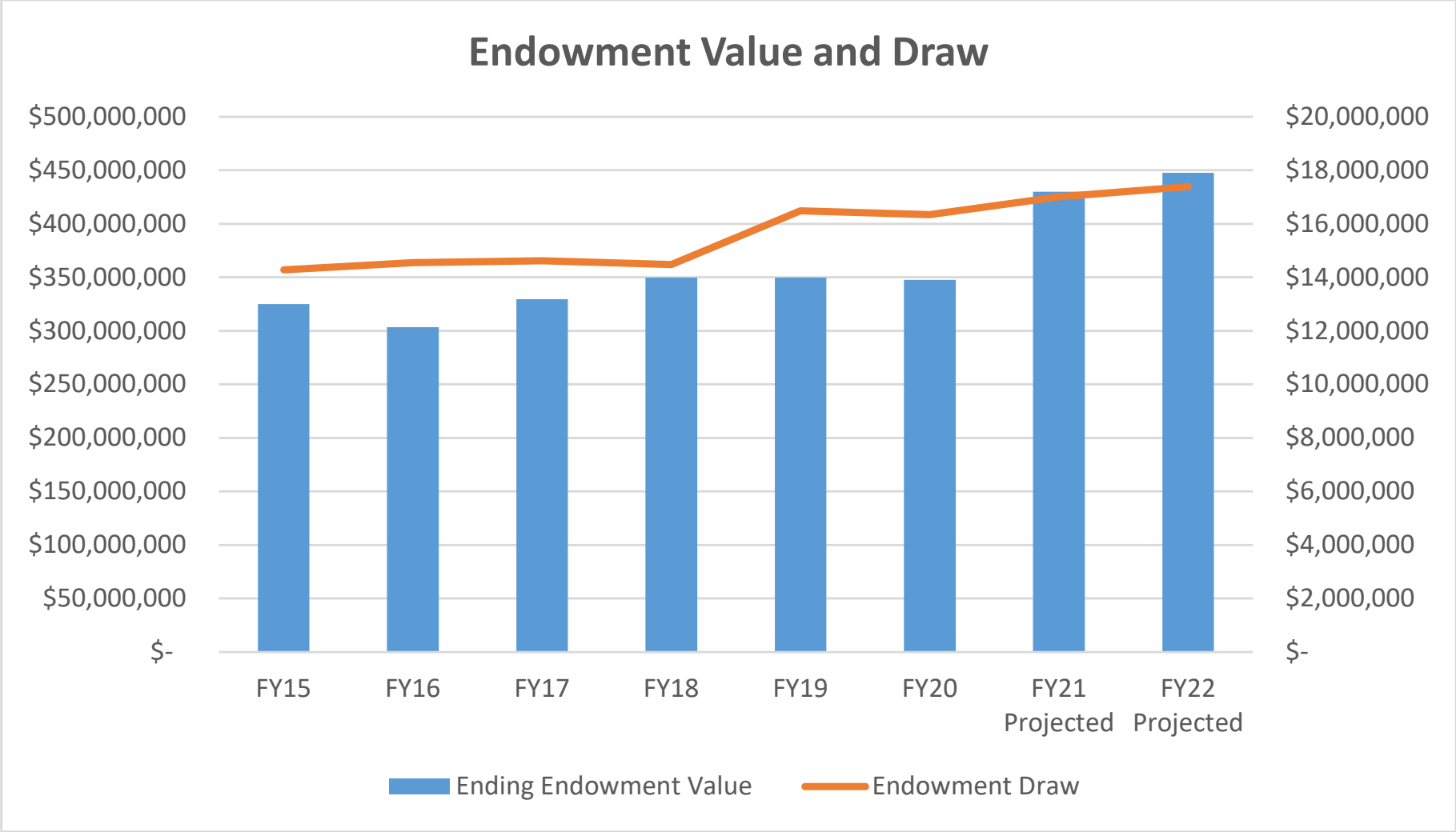
# Cost of Attendance



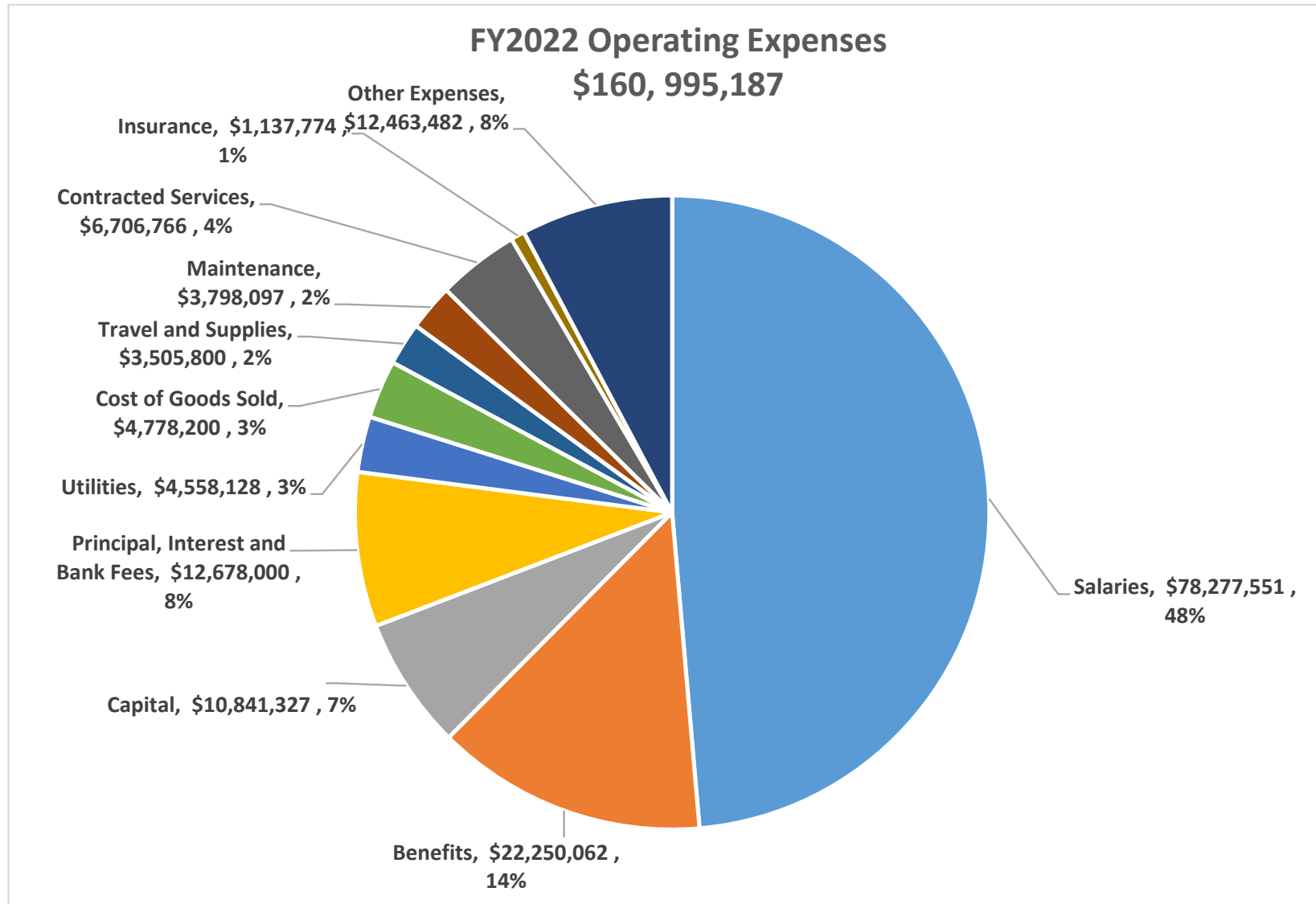
# Fundraising



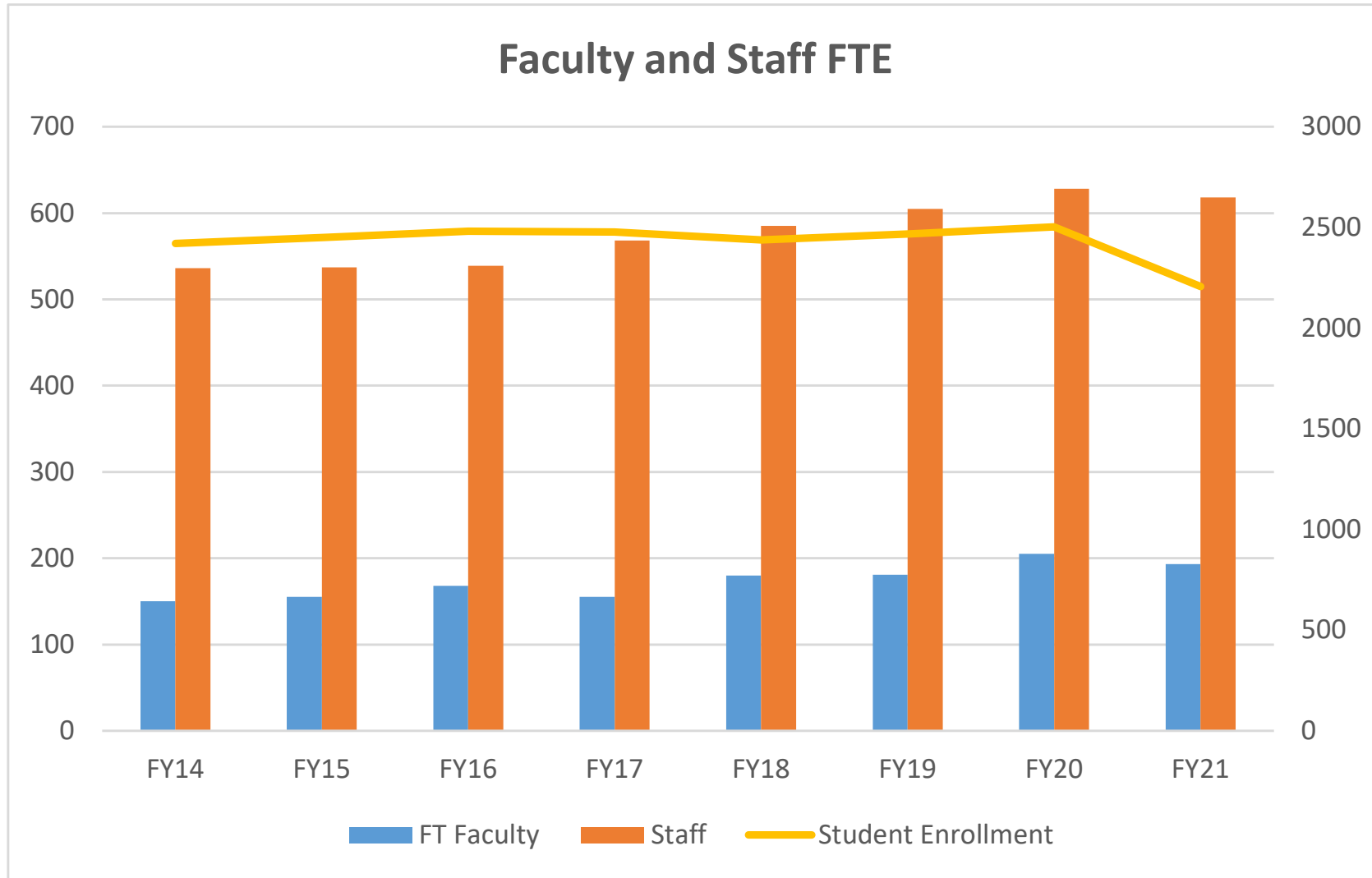
# Endowment



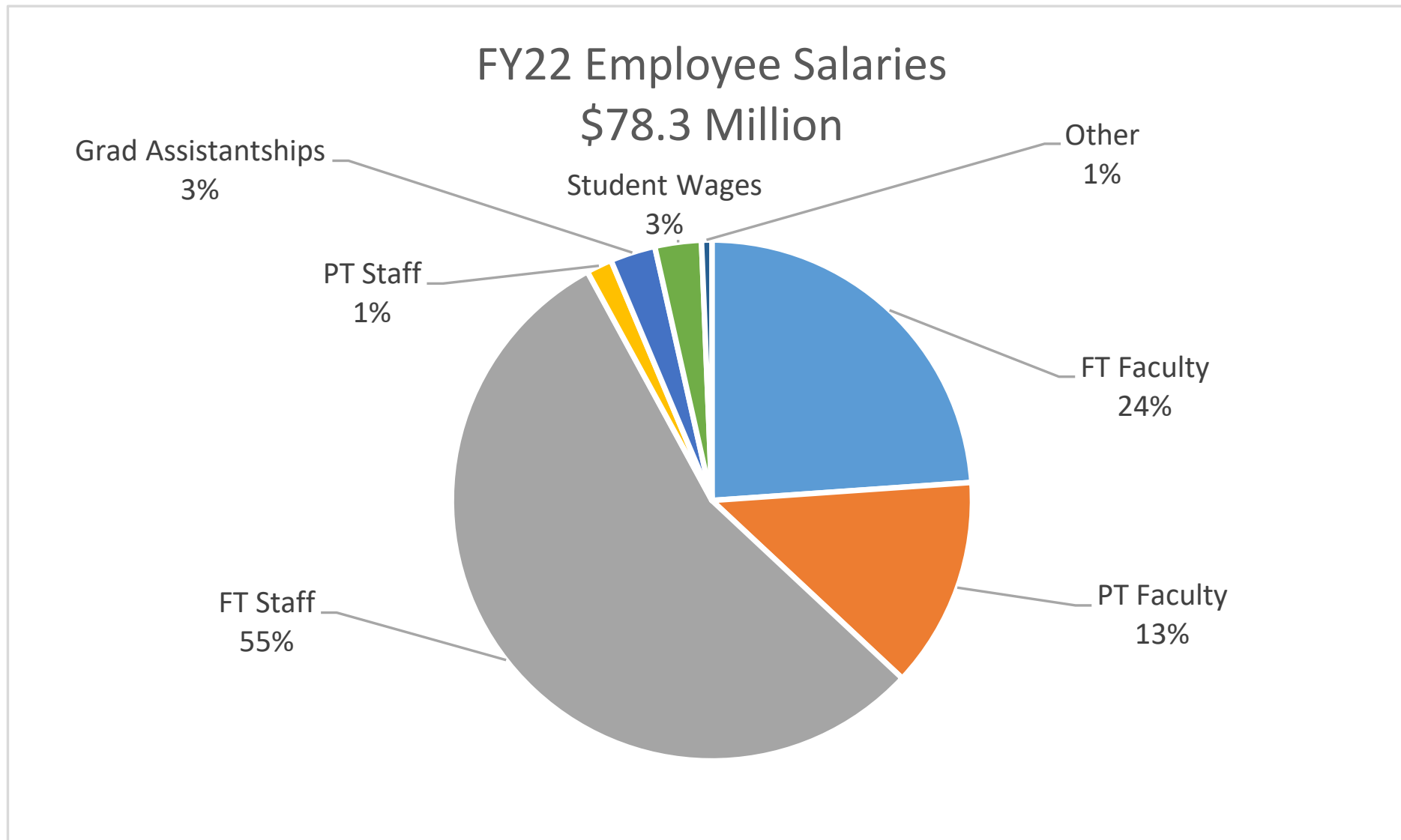
# How Do We Use Our Resources?



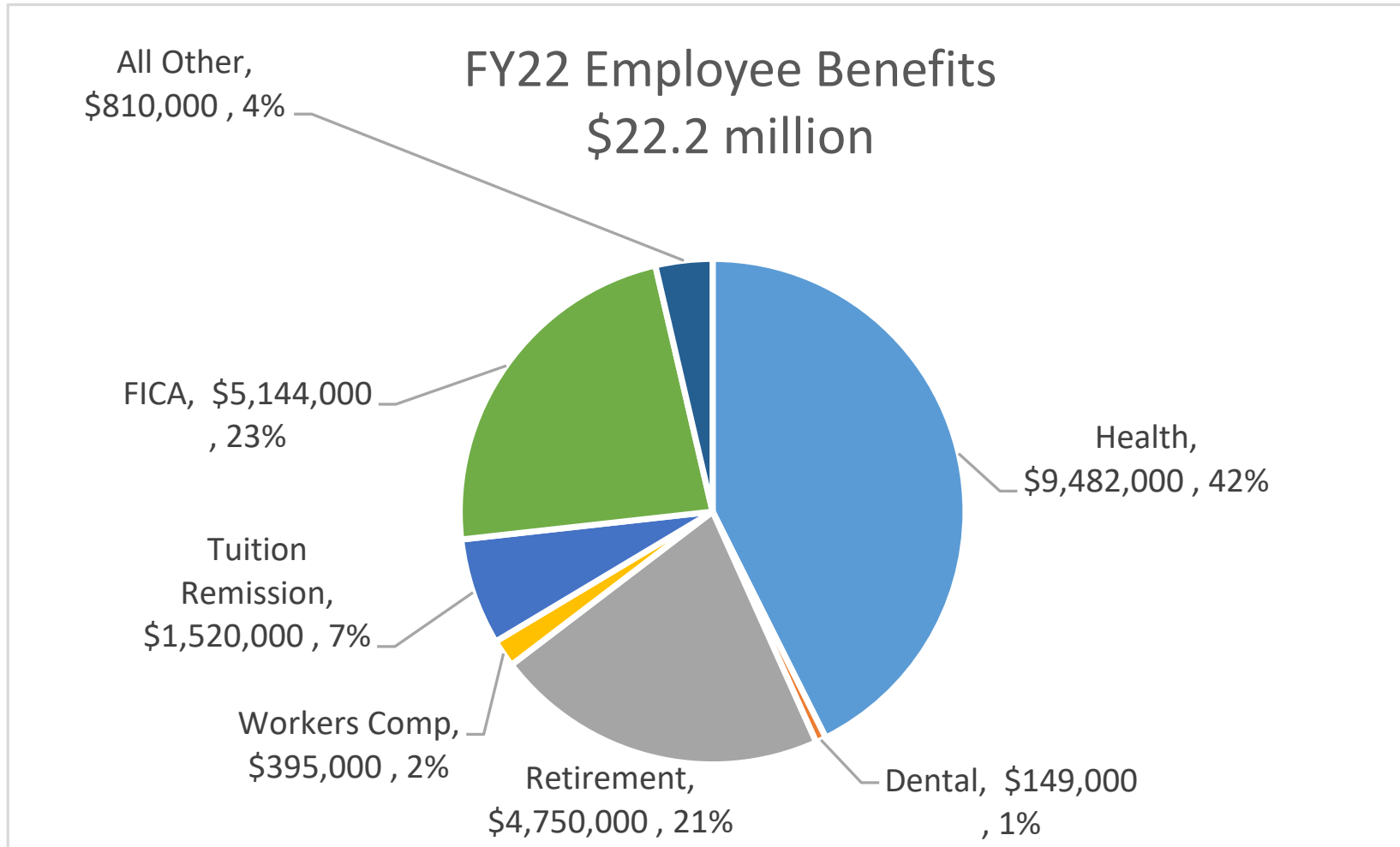
# Faculty and Staff Headcount



# Employee Salaries



# Employee Benefits





# Debt and Debt Service

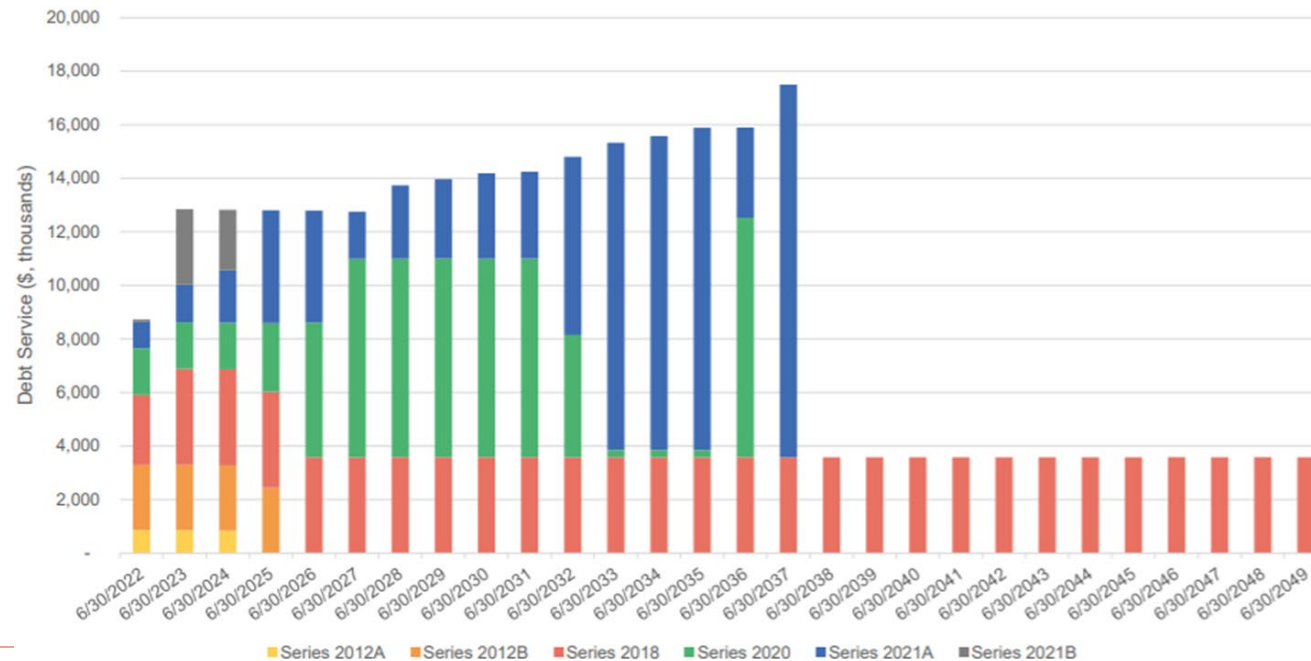
## Average Rate

| Series | Mode  | Final Maturity  | Outstanding Par <sup>1</sup> | Rate Paid on Bonds <sup>2</sup> |
|--------|-------|-----------------|------------------------------|---------------------------------|
| 2012A  | Fixed | June 1, 2024    | 2,410,000                    | 3.00%                           |
| 2012B  | Fixed | August 15, 2024 | 6,925,000                    | 4.50%                           |
| 2018   | Fixed | August 15, 2048 | 54,950,000                   | 4.65%                           |
| 2020   | Fixed | August 15, 2035 | 52,390,000                   | 2.53%                           |
| 2021A  | Fixed | August 15, 2036 | 70,041,000                   | 1.98%                           |
| 2021B  | Fixed | August 15, 2023 | 4,989,000                    | 2.61%                           |
| Total  |       |                 | <b>\$191,705,000</b>         | <b>3.017%</b>                   |

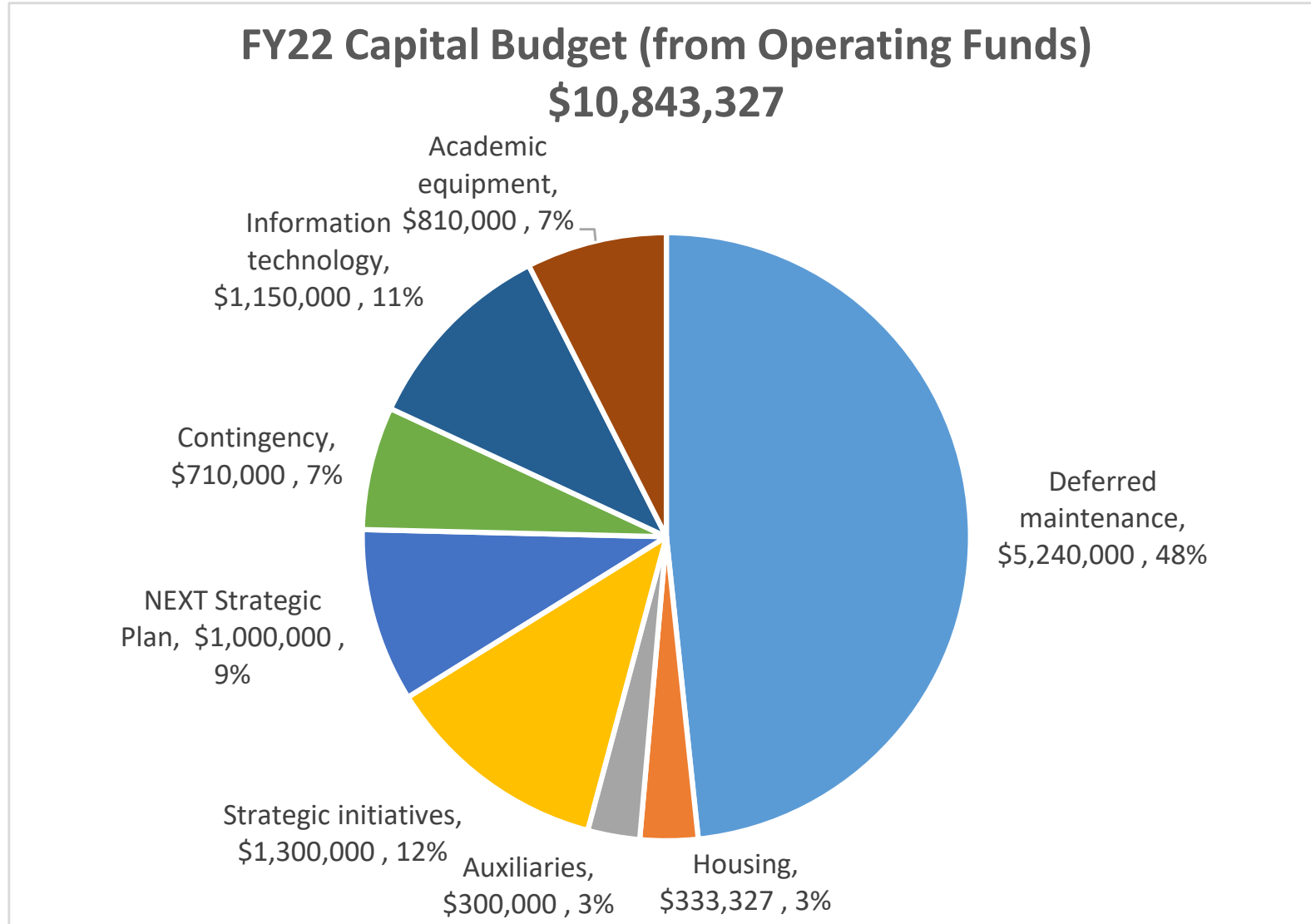
1) As of 10/1/2021.

2) For fixed rate bonds, the rate paid on the bonds is the weighted average coupon of the outstanding bonds.

• The graph below summarizes the School's annual debt service obligations on a fiscal year basis.



# FY22 Capital Budget



# Campus Master Plan

- Developed in 2015
- Planning principles:
  - Support academic and research excellence through the development of **adaptable**, high-performance, “long-life” spaces across the campus. New types of space and new ways of using and managing space will include development of **shared** resources to support interdisciplinary activities
  - Promote creative exchange with high-visibility, open and shared environments that provide a **sense of place** and **showcase student work**
  - Reorganize the campus in an **effective and intentional** way that yields flexible, efficient outcomes for academic and campus life programs
  - Support **communal and socially engaged** artists, designers, and scholars with distributed, flexible facilities
  - Provide **healthy, safe environments** for all community members, across all space types
  - Steward our **historic** campus buildings, implement **sustainable** approaches to new construction and renovation, and ensure **accessibility**

# Plan Progress

## Examples of Completed Projects:

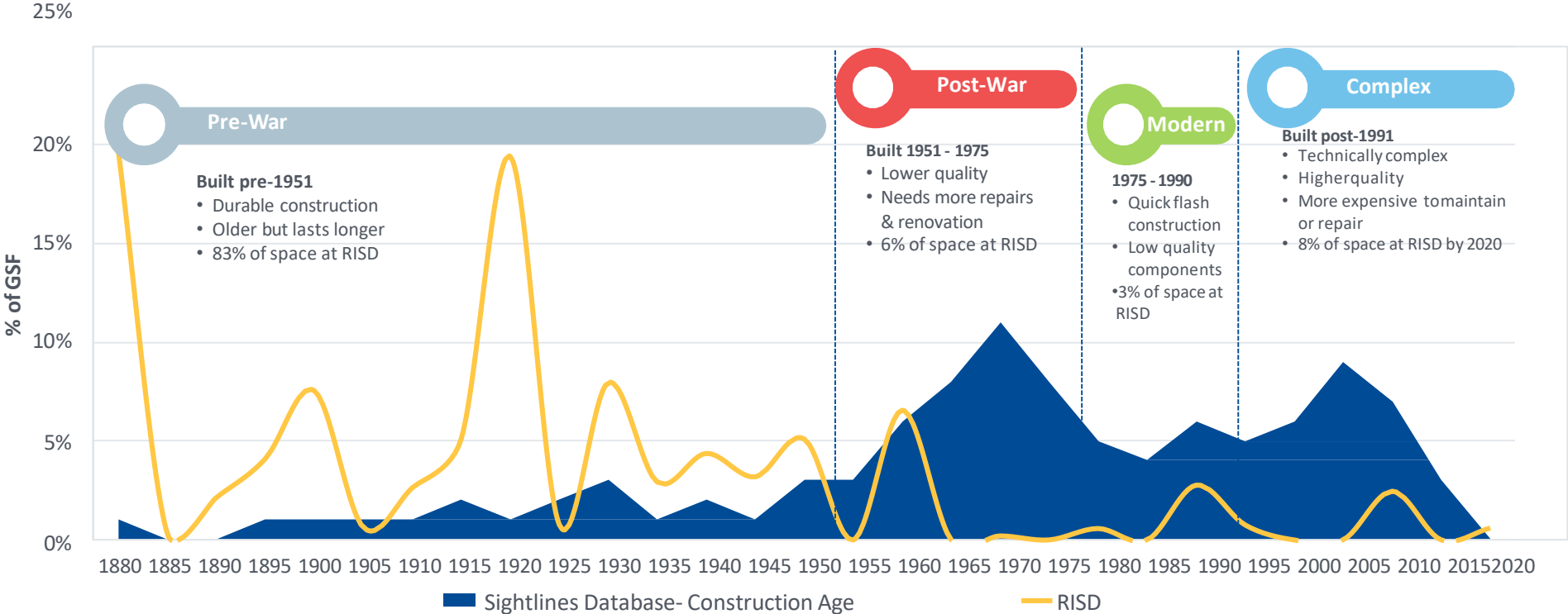
- Homer Hall Renovation – May 2021
- Metcalf Refectory –September 2020
- Nickerson Hall Renovation – May 2020
- New Health and Wellness Center – May 2020
- Museum Waterman Galleries – September 2019
- Central Power Plant Boiler replacement – August 2019
- Auditorium Renovations – August 2019
- 15 Westminster 2nd floor – Center for Arts & Language – August 2019
- New Residence Hall – August 2019
- 20 Washington Place 1st floor – April 2019
- 15 Westminster Mezzanine –January 2019
- 123 Dyer Floors 1&2 – November 2018
- CIT/Mason Building renovations to floors 1-4 – 2016
- Illustration Studies Building full renovation/addition – 2015

## In Progress:

- Phase I Metcalf Building - 2022

# Putting Campus Building Age in Context

An older overall space profile creates capital and operational challenges  
**% of GSF by Construction & Renovation Year**





# Capital Investment vs. Budgeted Funding Target

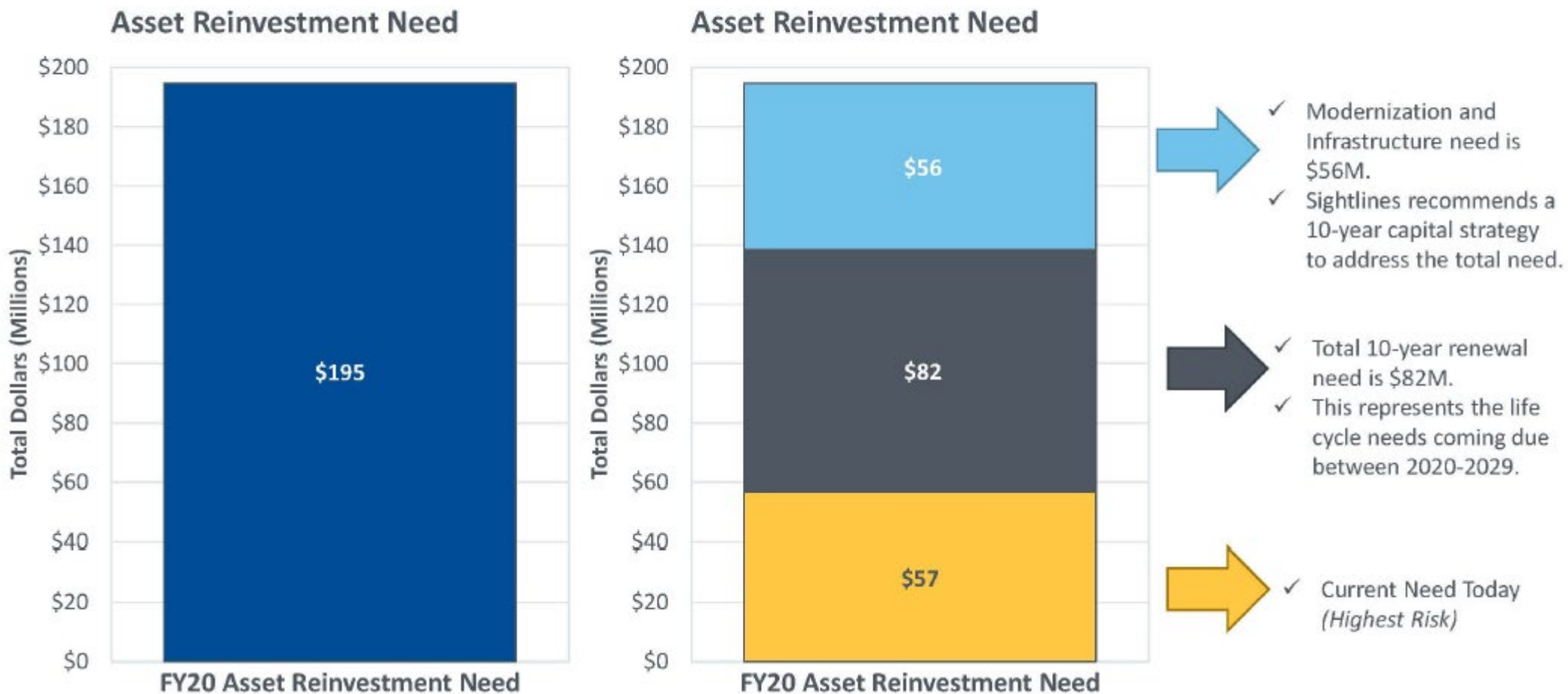
Since FY14, RISD has invested into 93% of Sightlines recommended target

Total Capital Investment into Existing Space vs. Funding Target





## ROPA+ Prediction: Predictive Investment Model







# Buildings with the Highest Predicted Need – Normalized \$/GSF

15 Highest Need Buildings (Observing only Current and Renewal Needs) - \$/GSF





# Revised CMP Financial Plan

## Campus Master Plan Projects and Funding - Post COVID-19

| Project Name                                   | Project Totals       | FY2019              | FY 2020             | FY 2021             | FY 2022             | FY 2023             | FY 2024            | FY 2025            | FY 2026             | FY 2027             |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
| 15 Westminster Mezzanine                       | \$2,350,000          | \$2,350,000         |                     |                     |                     |                     |                    |                    |                     |                     |
| College Building                               | \$38,000,000         |                     |                     |                     |                     | \$3,480,000         |                    |                    |                     | \$17,000,000        |
| Metcalf Building                               | \$60,300,000         |                     |                     |                     | \$6,000,000         | \$3,000,000         |                    |                    | \$25,000,000        | \$26,300,000        |
| Bank Building                                  | \$13,000,000         |                     |                     |                     |                     |                     |                    |                    |                     |                     |
| Market House                                   | \$8,000,000          |                     |                     |                     |                     |                     |                    |                    |                     |                     |
| North Hall                                     | \$25,000,000         | \$25,000,000        |                     |                     |                     |                     |                    |                    |                     |                     |
| Homer Hall                                     | \$16,500,000         |                     |                     | \$16,500,000        |                     |                     |                    |                    |                     |                     |
| Nickerson Hall                                 | \$12,500,000         |                     | \$12,500,000        |                     |                     |                     |                    |                    |                     |                     |
| East Hall                                      | \$2,750,000          |                     |                     | \$2,750,000         |                     |                     |                    |                    |                     |                     |
| South Hall                                     | \$2,500,000          |                     |                     | \$2,500,000         |                     |                     |                    |                    |                     |                     |
| Metcalf Refectory                              | \$1,750,000          |                     |                     | \$3,750,000         |                     |                     |                    |                    |                     |                     |
| Capital Budget - Deferred Maintenance Projects | \$59,900,000         | \$3,740,000         | \$4,240,000         | \$2,000,000         | \$5,240,000         | \$5,740,000         | \$6,240,000        | \$6,740,000        | \$7,240,000         | \$7,740,000         |
| Central Power Plant Boiler Replacement         | \$3,200,000          |                     | \$3,200,000         |                     |                     |                     |                    |                    |                     |                     |
| Auditorium Phase 2                             | \$1,900,000          |                     | \$1,900,000         |                     |                     |                     |                    |                    |                     |                     |
| Waterman Building HVAC                         | \$2,000,000          |                     | \$2,000,000         |                     |                     |                     |                    |                    |                     |                     |
| 15 Westminster Center for Arts & Language      | \$500,000            |                     | \$500,000           |                     |                     |                     |                    |                    |                     |                     |
| BEB HVAC                                       | \$4,000,000          |                     | \$400,000           |                     |                     | \$3,600,000         |                    |                    |                     |                     |
| 161 S Main St HVAC                             | \$2,900,000          |                     |                     |                     |                     | \$400,000           | \$2,500,000        |                    |                     |                     |
| Auditorium A/C - Reno                          | \$25,000,000         |                     |                     |                     |                     |                     |                    |                    |                     |                     |
|  | <b>\$282,050,000</b> | <b>\$31,090,000</b> | <b>\$24,740,000</b> | <b>\$27,500,000</b> | <b>\$11,240,000</b> | <b>\$16,220,000</b> | <b>\$8,740,000</b> | <b>\$6,740,000</b> | <b>\$32,240,000</b> | <b>\$51,040,000</b> |

| Revenue Sources                        | Project Totals        | FY2019              | FY 2020             | FY 2021              | FY 2022             | FY 2023              | FY 2024             | FY 2025             | FY 2026               | FY 2027               |
|--|-----------------------|---------------------|---------------------|----------------------|---------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|
| Annual Capital Giving                  | \$2,500,000           | \$2,500,000         |                     |                      |                     |                      |                     |                     |                       |                       |
| Gifts in Hand or Pledges               | \$5,000,000           |                     |                     |                      | \$5,000,000         |                      |                     |                     |                       |                       |
| Rayon Trust                            | \$18,000,000          |                     | \$18,000,000        |                      |                     |                      |                     |                     |                       |                       |
| Bond                                   | \$62,000,000          | \$25,000,000        | \$21,500,000        | \$15,500,000         |                     |                      |                     |                     |                       |                       |
| Capital Budget - Deferred Maintenance  | \$50,920,000          | \$3,740,000         | \$4,240,000         | \$4,000,000          | \$5,240,000         | \$5,740,000          | \$6,240,000         | \$6,740,000         | \$7,240,000           | \$7,740,000           |
| Net operating income                   | \$17,500,000          |                     | \$2,500,000         |                      |                     | \$3,000,000          | \$3,000,000         | \$3,000,000         | \$3,000,000           | \$3,000,000           |
| Capital Budget Strategic Capital Funds | \$18,800,000          | \$2,350,000         | \$2,350,000         |                      | \$2,350,000         | \$2,350,000          | \$2,350,000         | \$2,350,000         | \$2,350,000           | \$2,350,000           |
| Strategic plan initiatives             | \$19,500,000          |                     |                     |                      | \$1,000,000         | \$2,500,000          | \$4,000,000         | \$4,000,000         | \$4,000,000           | \$4,000,000           |
| <b>Total Sources</b>                   | <b>\$194,220,000</b>  | <b>\$33,590,000</b> | <b>\$48,590,000</b> | <b>\$19,500,000</b>  | <b>\$13,590,000</b> | <b>\$13,590,000</b>  | <b>\$15,590,000</b> | <b>\$16,090,000</b> | <b>\$16,590,000</b>   | <b>\$17,090,000</b>   |
| <b>Net Surplus or Deficit</b>          | <b>(\$87,830,000)</b> | <b>\$2,500,000</b>  | <b>\$23,850,000</b> | <b>(\$8,000,000)</b> | <b>\$2,350,000</b>  | <b>(\$2,630,000)</b> | <b>\$6,850,000</b>  | <b>\$9,350,000</b>  | <b>(\$15,650,000)</b> | <b>(\$33,950,000)</b> |

|                                    |  |                    |                     |                     |                     |                     |                     |                     |                     |                       |
|------------------------------------|--|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| <b>Accumulated Surplus/Deficit</b> |  | <b>\$2,500,000</b> | <b>\$23,850,000</b> | <b>\$15,850,000</b> | <b>\$18,200,000</b> | <b>\$15,570,000</b> | <b>\$22,420,000</b> | <b>\$31,770,000</b> | <b>\$16,120,000</b> | <b>(\$17,830,000)</b> |
|------------------------------------|--|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|