

# RISD Finances - FY21, FY22 and beyond

10/6/2021



# FY21 Budget Results



# FY21 Budget vs. Actuals

- Budgeted \$13.3 million deficit.
- Actual deficit is \$7.6 million. This is for current unrestricted funds only.
- Changes due to lost revenue from virtually all revenue lines due to lower enrollment and no public access to campus. In addition, RISD spent over \$9 million to keep the campus safe.
- Partial offset from reduced spending due to no travel, events, food, and bond refinancing.



# FY21 Operating Budget Results

	<b>FY2021 Budget</b>	<b>FY2021 Actual</b>	<b>FY2021 Actual vs. Budget</b>	<b>Variance Explanation</b>
Tuition and Fees	120,796,850	123,056,736	2,259,886	Slightly better undergrad enrollment than modeled. CE revenue exceeded budget.
Financial Aid	(29,200,000)	(26,202,936)	2,997,064	Financial aid less due to fewer students enrolled
Net Tuition	91,596,850	96,853,800	5,256,950	
Private Gifts (Annual Fund)	4,000,000	2,712,710	(1,287,290)	Reduced annual fund giving.
Grants and Contracts	61,000	294,353	233,353	
Inv Earnings - Endowment Draw	11,366,000	11,365,685	(315)	
Inv Earnings - ST Interest	-	47,021	47,021	
Museum (Operating)	979,000	420,273	(558,727)	Museum closed to public for majority of year.
All Other Sources	1,349,000	484,629	(864,371)	Miscellaneous fees down due to fewer students as well as reduced facility rentals
Auxiliary Services (excl Conferences)	24,805,090	16,013,714	(8,791,376)	Housing and dining down due to fewer students. Store not open to public.
Conferences and Events	270,000	31,655	(238,345)	No conferences and events hosted in FY21
All Other Sources	42,830,090	31,370,040	(11,460,050)	
<b>Total Revenue</b>	<b>134,426,940</b>	<b>128,223,840</b>	<b>(6,203,100)</b>	
<b>Expense</b>				
Salaries	74,053,000	70,748,071	(3,304,929)	Reflects salary reduction due to COVID as well as ER vacancies
Benefits	17,446,000	15,754,639	(1,691,361)	Reduced cost due to freeze on retirement benefits plus lower usage of medical plan
Salaries and Benefits	91,499,000	86,502,710	(4,996,290)	
Capital	6,450,000	6,450,000	-	
Principal, Interest, Bank Fees	13,290,000	10,427,280	(2,862,720)	Refinancing of 2018 series bonds
Utilities	3,688,000	4,074,690	386,690	
Other Expenses	31,514,940	28,411,246	(3,103,694)	Lower travel and support expenses than anticipated
Strategic Plan (incremental)	1,283,000		(1,283,000)	Spent in actual categories above
All Other Expenses	56,225,940	49,363,216	(6,862,724)	
<b>Total Expense</b>	<b>147,724,940</b>	<b>135,865,926</b>	<b>(11,859,014)</b>	
<b>Margin</b>	<b>(13,298,000)</b>	<b>(7,642,086)</b>	<b>5,655,914</b>	

# FY21 Financial Statements



# FY21 Financial Statements

**Rhode Island School of Design**  
**Consolidated Statements of Financial Position**  
**June 30, 2021 and 2020**  
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 34,648	\$ 35,500
Accounts receivable, net (Note 6)	2,436	3,464
Student loans receivable, net (Note 7)	227	1,785
Pledges receivable, net (Note 8)	6,749	4,746
Funds held in trust by others (Note 2)	4,262	20,779
Inventories	1,374	1,676
Prepaid expenses	1,219	2,333
Other investments (Note 2)	660	723
Long-term investments (Note 2)	435,214	342,499
Right of use assets - operating (Note 13)	3,606	-
Property, plant and equipment, net (Note 9)	278,421	272,784
Total assets	<u>\$ 768,816</u>	<u>\$ 686,289</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 12,588	\$ 14,516
Deferred income (Note 11)	4,349	5,523
Obligations under long-term agreements (Note 12)	9,854	10,182
Lease liability (Note 13)	3,756	-
U.S. Government loan funds (Note 7)	243	1,226
Liability for interest rate swaps (Notes 2, 14)	4,656	6,771
Bonds payable, net (Note 14)	195,425	199,377
Total liabilities	<u>230,871</u>	<u>237,595</u>
<b>Net Assets</b>		
Net assets without donor restrictions (Notes 15, 16)	354,437	307,516
Net assets with donor restrictions (Notes 15, 16)	183,508	141,178
Total net assets	<u>537,945</u>	<u>448,694</u>
Total liabilities and net assets	<u>\$ 768,816</u>	<u>\$ 686,289</u>

# FY21 Financial Statements

**Rhode Island School of Design**  
**Consolidated Statements of Activities**  
**Year Ended June 30, 2021**  
**(With Summarized Financial Information for the Year Ended June 30, 2020)**  
**(Dollars in thousands)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>Operating revenues</b>				
Net tuition and fees	\$ 93,954	\$ -	\$ 93,954	\$ 107,741
Gifts and pledges	2,920	12,199	15,119	6,460
Grants	294	5,817	6,111	3,887
Auxiliary enterprises	15,647	-	15,647	21,263
Museum services	558	-	558	817
Investment income	12,509	4,650	17,159	17,781
Other income	3,585	-	3,585	4,913
Net assets released from restrictions	11,685	(11,685)	-	-
<b>Total revenues</b>	<b>141,152</b>	<b>10,981</b>	<b>152,133</b>	<b>162,862</b>
<b>Operating expenses</b>				
Salaries and wages	73,037	-	73,037	81,041
Benefits	15,028	-	15,028	21,344
Contracted services	20,311	-	20,311	13,788
Depreciation, amortization and interest	19,614	-	19,614	18,846
Utilities, plant and equipment	17,494	-	17,494	14,301
Supplies and general	5,027	-	5,027	7,550
Other operating expenses	2,876	-	2,876	2,942
<b>Total expenses</b>	<b>153,387</b>	<b>-</b>	<b>153,387</b>	<b>159,812</b>
<b>Change in net assets from operating activities</b>	<b>(12,235)</b>	<b>10,981</b>	<b>(1,254)</b>	<b>3,050</b>
<b>Nonoperating</b>				
Realized and unrealized gains (losses) on interest rate swaps, net	782	-	782	(3,522)
Realized and unrealized gains (losses) on investments, net	58,374	23,585	81,959	(8,871)
Gifts and pledges	-	7,764	7,764	4,980
Transfer of net assets	-	-	-	-
<b>Change in net assets from nonoperating activities</b>	<b>59,156</b>	<b>31,349</b>	<b>90,505</b>	<b>(7,413)</b>
<b>Change in net assets</b>	<b>46,921</b>	<b>42,330</b>	<b>89,251</b>	<b>(4,363)</b>
<b>Total net assets</b>				
Beginning of year	307,516	141,178	448,694	453,057
End of year	\$ 354,437	\$ 183,508	\$ 537,945	\$ 448,694

# FY21 Financial Statements

## Rhode Island School of Design Consolidated Statements of Cash Flows Year Ended June 30, 2021 and 2020 (Dollars in thousands)

	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 89,251	\$ (4,363)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(98,969)	(5,368)
Net realized and unrealized (gains) losses on interest rate swaps	(2,115)	2,589
Change in perpetual trust	(210)	140
Depreciation and amortization	14,718	12,578
Contributions restricted for long-term purposes	(11,830)	(4,980)
Change in obligations under long-term agreements	231	74
Non-cash lease expense	2,379	-
Student loans assigned, net	645	-
Net loss on bond refunding	493	-
Changes in operating assets and liabilities that provide (use) cash		
Accounts receivable	1,028	(730)
Pledges receivable	(2,455)	(55)
Other current assets	1,416	(1,068)
Accounts payable and accrued liabilities	(123)	3,617
Deferred income	(1,174)	(1,578)
Lease liability	(2,229)	-
Net cash (used in) provided by operating activities	(8,944)	856
<b>Cash flows from investing activities</b>		
Purchases of buildings and equipment	(21,900)	(41,399)
Bond project fund held in trust	17,524	10,977
Student loans repaid	125	411
Purchases of investments	(28,124)	(51,859)
Sales of investments	34,507	59,191
Net cash used in (provided by) investing activities	2,132	(22,679)
<b>Cash flows from financing activities</b>		
Payments on long-term debt	(4,705)	(4,505)
Deposit with bond escrow agent	(52,365)	-
Cost of issuance	(540)	-
Payments on obligations under long-term agreements	(559)	(499)
Proceeds from note	-	600
Proceeds from issuance of long-term debt	52,905	-
Change in U.S. Government loan funds	(195)	(762)
Contributions restricted for long-term purposes	12,216	5,251
Net cash provided by financing activities	6,757	85
Net decrease in cash and cash equivalents and restricted cash	(55)	(21,738)
<b>Cash and cash equivalents and restricted cash</b>		
Beginning of year	37,954	59,692
End of year	\$ 37,899	\$ 37,954
<b>Reconciliation of cash and cash equivalents and restricted cash</b>		
Cash and cash equivalents	\$ 34,648	\$ 35,500
Restricted cash within funds held in trust by others	3,251	2,454
Total end of year	\$ 37,899	\$ 37,954
<b>Supplemental cash flow disclosures</b>		
Costs accrued for capital expenditures	\$ 901	\$ 2,707
Cash paid for interest	5,578	6,212
Right of use assets obtained in exchange for operating lease obligations	596	-
Right of use assets and lease liability upon ASC 842 implementation (Note 1):	5,303	-



# Analysis

## Statement of Financial Position

### Assets

- Funds held in trust by others decrease due to liquidation of bond proceeds
- Long term investments increase due to significant investment returns
- Right of use assets – new accounting rule for FY21 for accounting of leases

### Liabilities

- Lease liability – new accounting rule for FY21 for accounting of leases
- Liability for interest rate swaps – reduced liability due to revaluation (these will no longer exist in the future)
- Bonds payable – principal payments reducing liability

### Net Assets

- Overall increase in net assets of \$82 million

# Analysis

## Statement of Activities

- Total operating loss \$1.2 million
- Net tuition and fees down due to 11% decrease in enrollment
- Gifts and pledges increased by \$8.7 million
- Auxiliary revenues down due to enrollment and closure of services to the public
- Other income down due to COVID-19 (fees, rentals, museum, etc)
- Net assets released from restrictions includes federal relief funding, grant and gift funds used in operations (research, scholarships, capital projects, museum).
- Salaries, benefits, supplies and general all lower due do reductions in spending to help offset revenue losses – total from FY22 = \$16.5 million
- Contracted services increase due to COVID related expenses (housing, testing, health expertise, signage, etc).
- Non-Operating changes of \$98 million primarily due to gifts and pledges and investment returns

# Financial Statement to Budget Reconciliation

Rhode Island School of Design  
 Reconciliation of Budget Results to Financial Statements  
 Year Ended June 30, 2021  
 (Dollars in thousands)

	<u>Unrestricted</u>
<b>Budget Results - Revenue</b>	128,224
<u>Reconciling items:</u>	
Net assets released from restrictions	11,685
Management fees on investments	1,381
Other	2,961
Less: Non-budgeted Donor sponsored financial aid	(3,099)
Total reconciling items	<u>12,928</u>
<b>Statement of Activities - Revenue</b>	<b><u>141,152</u></b>
 <b>Budget Results - Expense</b>	 135,819
<u>Reconciling items:</u>	
Depreciation	14,122
Bond principal payments	(3,077)
Interest rate swap market to market adjustments	2,115
Salaries paid with non-budgeted funds	2,289
Other	2,119
Total reconciling items	<u>17,568</u>
<b>Statement of Activities - Expense</b>	<b><u>153,387</u></b>
 <b>Budget Results - NOI</b>	 (7,595)
Net reconciling items	(4,640)
<b>Statement of Activities -</b>	
Increase in net assets from operating activities	<b><u>\$ (12,235)</u></b>

# FY22 Budget



# FY22 Budget Update

## What has changed since the budget was approved:

- Budget based on 2,500 undergraduate and graduate students. Revised projection is for 2,545 students increasing net tuition. This will be revised upward during our next revision.
- Financial aid estimates have not changed.
- We reduced fundraising expectations to match IA goals.
- Conference and Events revenue adjusted to reflect inability to host external guests on campus.
- Refinancing of 2008A and 2008B bonds are yielding a \$1.1 million budget savings in FY22.
- Projected budget surplus/margin of \$1.75 million.

# Fall 2021 Enrollment

## Enrollment Summary

	Actual Enrollment				Projections
	2020	Actual 2021	% Chg 2020-2021	Final 2020	Near Normal as of 9/11/21
<b>Undergraduate</b>	<b>1744</b>	<b>2052</b>	<b>18%</b>	<b>1736</b>	<b>2024</b>
First Term	413	496	20%	413	486
Readmit (Undeclared)	5	2	-60%	5	2
New Transfer	50	26	-48%	49	24
Returning	1276	1528	20%	1269	1512
Remote - Approved	353	17			
Remote - Pending		1			
<b>Graduate</b>	<b>496</b>	<b>534</b>	<b>8%</b>	<b>491</b>	<b>521</b>
First Term	217	268	24%	214	260
Returning	279	266	-5%	277	261
Remote - Approved	104	6			
Remote - Pending					
<b>Total</b>	<b>2240</b>	<b>2586</b>	<b>15%</b>	<b>2227</b>	<b>2545</b>
Remote - Approved Total	457	23			
Remote - Pending Total		1			
On-Campus Total	1783	2562			

## Brown-RISD Dual Degree

	Actual		% Chg 2020-2021	Final 2020
	2020	2021		
<b>Undergraduate</b>	<b>69</b>	<b>74</b>	<b>7%</b>	<b>69</b>
First Term	15	15	0%	15
Returning	54	59	9%	54

\*Readmit (Undeclared) are counted as Returning students on the UG FT HC tab

\*Final Fall 2020 numbers are from Census

\*Brown-RISD Dual Degree students are included in the Enrollment Summary numbers

\*Remote - Approved students have departmental approval. They are included in the total numbers.

\*Remote - Pending students have requested remote but do not yet have departmental approval. They are included in the total numbers.

# FY2022 Projections vs. Budget

	<b>FY2022 Budget</b>	<b>FY22 Projection</b>	<b>FY22 Proj vs FY22 Budget</b>	<b>Variance Explanation</b>
Tuition and Fees	145,957,797	148,157,797	2,200,000	45 additional students
Financial Aid	(29,930,000)	(29,930,000)	-	
Net Tuition	116,027,797	118,227,797	19,173,997	
Private Gifts (Annual Fund)	4,500,000	3,100,000	(1,400,000)	Re-adjustment of forecast
Grants and Contracts	313,000	313,000	-	
Inv Earnings - Endowment Draw	11,404,562	11,404,562	-	
Inv Earnings - ST Interest	50,000	50,000	-	
Museum (Operating)	1,026,425	1,026,425	-	
All Other Sources	1,611,000	1,611,000	-	
Auxiliary Services (excl Conferences)	25,722,403	25,722,403	-	
Conferences and Events	340,000	100,000	(240,000)	Limited capacity due to COVID for events
All Other Sources	44,967,390	43,327,390	(1,640,000)	
<b>Total Revenue</b>	<b>160,995,187</b>	<b>161,555,187</b>	<b>560,000</b>	
<b>Expense</b>				
Salaries	78,277,551	78,277,551	-	
Benefits	22,250,062	22,250,062	-	
Salaries and Benefits	100,527,613	100,527,613	-	
Capital	10,841,327	10,841,327	-	
Principal, Interest, Bank Fees	12,678,000	11,488,000	1,190,000	Savings due to refinancing of 2008A and 2008B bonds
Utilities	4,558,128	4,558,128	-	
Other Expenses	32,390,119	32,390,119	-	
Strategic Plan (incremental)				
All Other Expenses	60,467,574	59,277,574	1,190,000	
<b>Total Expense</b>	<b>160,995,187</b>	<b>159,805,187</b>	<b>1,190,000</b>	
<b>Margin</b>	<b>-</b>	<b>1,750,000</b>	<b>(630,000)</b>	

# All Funds Projection

Statement of Activities - All Funds	Budget	Projection	Budget vs Projection Variance
<b>Revenue</b>			
Tuition and Fees	146,632,797	148,832,797	2,200,000
Financial Aid	(34,150,000)	(34,150,000)	0
Net Tuition and Fees	112,482,797	114,682,797	2,200,000
Private Gifts and Pledges	8,600,000	7,200,000	(1,400,000)
Grants and Contracts	6,313,000	6,313,000	0
Investment Earnings - Endowment Draw	17,381,759	17,381,759	0
Investment Earnings - ST Interest	50,000	50,000	0
Museum Operations	1,126,425	1,126,425	0
Auxiliary Services (excl Conferences)	25,722,403	25,722,403	0
Conferences and Events	340,000	100,000	(240,000)
All Other Sources	1,611,000	1,627,624	16,624
<b>Total Revenue</b>	<b>173,627,384</b>	<b>174,204,008</b>	<b>576,624</b>
<b>Expense</b>			
Salaries and Wages	80,877,551	80,877,551	0
Benefits	22,880,062	22,880,062	0
Salaries and Benefits	103,757,613	103,757,613	0
Capital	12,841,327	12,841,327	0
Principal, Interest, Bank Fees	12,678,000	11,488,000	1,190,000
Utilities	4,558,128	4,558,128	0
Insurance	1,350,855	1,350,855	0
Other	35,739,264	35,739,264	0
<b>Total Expense</b>	<b>170,925,187</b>	<b>169,735,187</b>	<b>1,190,000</b>
<b>Operating Margin</b>	<b>2,702,197</b>	<b>4,468,821</b>	<b>1,766,624</b>



# Long Term Financial Planning



# Issues Facing RISD Over the Long Term

- Growing pressure on tuition and financial aid
- Increased competition from other colleges and universities who will be aggressive on pricing
- Dependence on full pay (largely international students)
- Debt capacity and availability for future capital investments/growing deferred maintenance
- Adverse government regulation/compliance issues
- Diversity of our student body, faculty and staff
- Ability to grow non student revenues

# Major Assumptions

- 2,550 students
- 2.5% Cost of Attendance Increases
- Financial aid increases – 2.5% plus \$1 million each year
- 6% annual growth in endowment
- Revenue growth in fundraising, grants, CE/EE according to strategic plan
- 2.25% staff salary increases, 3.0% faculty salary increases
- Continued strategic plan investments – Institutional Advancement, Research, Advising, Capital Plan
- Increased capital allocations - \$500k per year plus strategic plan increments
- \$1 million expense contingency

# 5 Year Plan

	FY2020 Actual	FY2021 Actual	FY22 Projection	FY2023 Projection	FY2024 Projection	FY2025 Projection	FY2026 Projection	FY2027 Projection
Tuition and Fees	136,066,022	123,056,736	148,157,797	153,596,000	157,661,000	161,823,000	166,486,000	171,252,000
Financial Aid	(24,265,064)	(26,202,936)	(29,930,000)	(31,709,000)	(33,507,000)	(35,326,000)	(37,166,000)	(39,028,000)
Net Tuition	111,800,958	96,853,800	118,227,797	121,887,000	124,154,000	126,497,000	129,320,000	132,224,000
Private Gifts (Annual Fund)	2,510,890	2,712,710	3,100,000	3,500,000	3,750,000	4,500,000	5,000,000	5,500,000
Grants and Contracts	570,584	294,353	313,000	400,000	500,000	600,000	650,000	700,000
Inv Earnings - Endowment Draw	11,130,206	11,365,685	11,404,562	12,089,000	12,800,000	13,440,000	14,112,000	14,817,600
Inv Earnings - ST Interest	599,248	47,021	50,000	50,000	50,000	50,000	50,000	50,000
Museum (Operating)	800,979	420,273	1,026,425	1,026,425	1,026,425	1,026,425	1,026,425	1,026,425
All Other Sources	1,892,294	484,629	1,611,000	1,735,000	1,739,000	1,743,000	1,747,000	1,751,000
Auxiliary Services (excl Conferences)	22,168,325	16,013,714	25,722,403	30,713,000	32,188,000	33,034,000	33,740,000	34,523,000
Conferences and Events	260,690	31,655	100,000	505,000	550,000	600,000	650,000	700,000
All Other Sources	39,933,215	31,370,040	43,327,390	50,018,425	52,603,425	54,993,425	56,975,425	59,068,025
<b>Total Revenue</b>	<b>151,734,173</b>	<b>128,223,840</b>	<b>161,555,187</b>	<b>171,905,425</b>	<b>176,757,425</b>	<b>181,490,425</b>	<b>186,295,425</b>	<b>191,292,025</b>
<i>Growth %</i>				6.8%	2.8%	2.7%	2.6%	2.7%
<b>Expense</b>								
Salaries	78,573,091	70,748,071	78,277,551	80,272,000	82,318,000	84,418,000	86,572,000	88,783,000
Benefits	21,621,918	15,754,639	22,250,062	24,009,000	24,920,000	25,868,000	26,855,000	27,882,000
Salaries and Benefits	100,195,009	86,502,710	100,527,613	104,281,000	107,238,000	110,286,000	113,427,000	116,665,000
Capital	10,000,000	6,450,000	10,841,327	11,341,327	11,841,327	12,341,327	12,841,327	13,341,327
Principal, Interest, Bank Fees	12,618,863	10,427,280	11,488,000	12,983,990	12,949,860	12,941,039	12,929,158	12,900,100
Utilities	4,313,298	4,074,690	4,558,128	4,095,000	4,218,000	4,345,000	4,475,000	4,609,000
Other Expenses	30,393,010	28,411,246	32,390,119	33,706,099	34,371,000	35,453,000	36,602,000	46,701,000
Strategic Plan (incremental)	-	-	-	3,250,000	7,100,000	7,833,000	8,817,000	984,000
All Other Expenses	57,325,171	49,363,216	59,277,574	65,376,416	70,480,187	72,913,366	75,664,485	78,535,427
<b>Total Expense</b>	<b>157,520,180</b>	<b>135,865,926</b>	<b>159,805,187</b>	<b>169,657,416</b>	<b>177,718,187</b>	<b>183,199,366</b>	<b>189,091,485</b>	<b>195,200,427</b>
<i>Growth %</i>				5.4%	4.8%	3.1%	3.2%	3.2%
<b>Margin</b>	<b>(5,786,007)</b>	<b>(7,642,086)</b>	<b>1,750,000</b>	<b>2,248,009</b>	<b>(960,762)</b>	<b>(1,708,941)</b>	<b>(2,796,060)</b>	<b>(3,908,402)</b>

# Levers to Pull

- Tuition rate
- Enrollment
- Continuing Ed/Expanded Ed
- Fundraising (campaign)
- Compensation
- Staffing
- Non personnel expenses
- Strategic investments
- Capital investments

# Initiatives



# Major Budget Process Initiatives

- Position budgeting
- Centralized, integrated budget and planning tool
- Multi-year capital project budgeting
- All funds budgeting
- Clarification of budget development/projection cycle
- Decentralized/incentive based budgeting
- Budget/financial planning training
- Enhanced communications/participation
- Policies and procedures