

## Financial Update

Dear RISD Community,

I am writing to provide you with an update on RISD's finances. As you are well aware, last year was very challenging in many ways, including financially. At this time last year, RISD was working under an unrestricted operating budget with a significant deficit—a deficit that would have been much greater if we had not come together as a community to implement expense (and cash) saving measures. Thank you for making this shared sacrifice. I share with you below what we have shared with the Budget Priorities Committee (BPC), Cabinet and the Board of Trustees regarding FY21, FY22 and the future financial outlook for RISD. I will follow up with meetings throughout the fall with each division to discuss RISD finances in more detail and answer your questions directly.

### Fiscal Year 2020–2021

We started FY21 facing a historical financial decrease for almost every revenue stream, which totaled over \$22 million, while also having to spend more than \$9 million toward COVID-related investments. To minimize the impact, we worked together as a community to reduce that budgeted deficit to \$13 million through reductions in salaries, support budgets, capital budgets, strategic investment funds and reserves.

The year-end budget deficit realized was —\$7.6 million—due to increases in revenue in net tuition and Continuing Education coupled with savings achieved through staffing vacancies, lower medical insurance costs, the refinancing of \$55 million of our debt and Federal relief funding received for institutional operations. The \$7.6 million deficit impacted our cash balances which, over the next few years will need to be restored. On a positive note, we saw some remarkable success in the areas of fundraising, Continuing Education and research as well as a large increase in our endowment to a record \$440 million.

Despite this loss, it's important to note that when we finalized our [financial statements for the Year Ended June 30, 2021](#) (prepared on an accounting basis vs. cash basis for budget), we actually improved our overall “net asset position” (assets less liabilities) to show an overall increase of \$90 million. While the statements show reduced revenue from FY20 levels in almost every category as well as reduced spending in most categories to arrive at an overall operating loss, RISD was also the beneficiary of several large gifts and a 29 percent return on investment on the endowment (to a record level of over \$440 million). In other words, when looking at the total picture of RISD's assets (cash, real estate, investments) minus our liabilities (operating expenses, depreciation, debt), we improved our overall position. These financial statements are audited by Baker Tilly, LLC and reviewed and approved by the Audit Committee and the Board of Trustees.

Yet, the principal message for FY21 is that RISD experienced a significant impact on revenues, which was partially offset by our work to reduce expenses which minimized the loss of cash to only \$7.6 million. Without your help, things could have been much, much worse.

### **Fiscal Year 2021–2022**

We received approval by the Board of Trustees for a balanced operating budget in June, 2021. Since that time, we have now received the official fall enrollment of 2,576, have refinanced \$69 million of debt and have made several other adjustments to our FY22 year end projections. Currently, based on what we know, we are projecting a margin of \$1.75 million. It is still very early in the year and revenue and expense projections will change. We will update the projections in December and again in April. Unless there are significant unanticipated expenses or revenue shortfalls, I believe we will end up with a positive net operating margin which, in turn, would be put toward our significant list of deferred maintenance projects as well as to restore cash balances that were impacted in FY20 and FY21.

### **Fiscal Year 2022–2023 and Beyond**

We are in the early stages of working with the BPC and the community on the FY23 budget. Goals of that budget are to keep cost of attendance increases as low as possible, increase institutional financial aid, maintain competitive compensation for our employees, increase investment in the physical plant and make investments in support of [RISD NEXT: 2020-2027](#). We anticipate FY23 to be a relatively strong year—similar to years prior to the pandemic where we realized a surplus of at least \$3 million.

We will continue to be challenged with our high dependence on student tuition, fees and room and board to fund RISD's operations so it is imperative that we continue to find ways to increase efficiency where we can and more importantly grow other sources of revenue through fundraising, grants, partnered programs, Continuing Education, executive education and conferences and events. We will engage the community on progress in these areas as we move forward.

I wish to thank you all for your hard work and patience as we have worked to keep RISD open and financially stable. We anticipate much better years ahead and we will need to continue to work hard together to meet the current and future challenges of increasing cost of operations, deferred maintenance of our facilities and IT infrastructure, maintaining competitive compensation for our employees, investing in our strategic plan priorities and keeping costs to our students as low as possible. I am looking forward to our work together. More information on FY21, FY22 and beyond can be found on the [budget website](#).

Sincerely,  
Dave Proulx  
Interim President  
SVP of Finance and Administration

October 2021