KEY FINANCIAL PERFORMANCE INDICATORS

Strategic Financial Management

Fiscal Health – Key Financial Indicators

- Reserves Strategy
- Operating Performance
- Return on Financial Resources
- Debt & Investment Management
- Liquidity Measures
- Composite Financial Index
TCNJ’s leadership emphasizes long-term fiscal sustainability in its operational and resource allocation decisions.

In analyzing and measuring the overall fiscal health of the College, the leadership consistently examine the results of a number of mission critical questions.

The schematic shown on the next slide depicts these questions and emphasizes the concept that all financial decisions should be driven by the College's mission.
STRATEGIC FINANCIAL MANAGEMENT

Reserves Strategy

Do you have enough resources to support your mission?

What is the overall level of TCNJ’s fiscal health?

Operating Performance

Does your operating results indicate the institution is living within its available means?

Debt & Investment Strategy

Do you manage your debt and investments to help advance your mission?

Does your financial assets support your strategic direction?

Return on Resources

All resource decisions driven by mission

The College of New Jersey
RESERVES STRATEGY
EXPENDABLE RESOURCES TO OPERATIONS (PRIMARY RESERVE RATIO)

Do you have enough resources to support your mission?

Expendable Resources – Measures the financial strength and flexibility of the College by indicating how long TCNJ could exist using expendable reserves without relying on additional net assets generated by operations.

- Expendable Resources can be quickly accessed to satisfy short-term obligations.

- As of 6/30/13, TCNJ had the flexibility to cover over 8 months (69% of 12 months) of operating expenses solely from reserves.

- This ratio exceeded its A2-rated peers (by Moody’s) and the minimum benchmark of (50% or 6 months) approved by the Board of Trustees in the reserves policy.

The College of New Jersey
RESERVES STRATEGY
EXPENDABLE RESOURCES TO OPERATIONS (PRIMARY RESERVE RATIO)

- FY2013 = 0.69
- Key Drivers
  - Expendable Resources
  - Operating Expenses

Benchmark = 0.50
OPERATING PERFORMANCE
OPERATING MARGIN (NET INCOME RATIO)

Does your operating results indicate the institution is living within its available means?

Operating Margin measures the College's profitability or ability to operate within its means. Continued gains or losses measured by the ratio will impact all the other fundamental elements of financial health over time.

TCNJ’s greatest financial strength has been its ability to consistently produce solid operating surpluses despite unstable and declining net state support.

- TCNJ surpluses are used to build financial reserves and to provide future flexibility for investments in strategic initiatives.
- Over the past four years, TCNJ’s operating margins compared favorably with the results of Moody’s Aaa-rated public higher education institutions.

The College of New Jersey
OPERATING PERFORMANCE
OPERATING MARGIN (NET INCOME RATIO)

- FY2013 = 5.4%
- Key Drivers:
  - Enrollment
  - Tuition & Fees
  - State Support
  - Debt Service
  - Collective Bargaining
  - Investment Returns

Benchmark = 4.0%
Return on Net Assets: Indicates the direction and degree to which an institution has improved its total resource base.

- TCNJ’s improved financial position is reflected in the consistent increase to net assets.
- The increases were directly related to the positive operating performance, investment in facilities, and growth of our investment portfolio.
- TCNJ averaged 3.3% return on net assets over the past four fiscal years.
RETURN ON FINANCIAL RESOURCES
(Return on Net Asset Ratio)

- FY2013 = 3.1%
- Key Drivers:
  - Investment Returns
  - Operating Results
  - Investment in Plant

Benchmark = 3.0%
Expendable Resources to Debt: Measures an institution’s coverage of direct debt by financial resources that are ultimately expendable.

- TCNJ’s expendable resources have grown commensurate with increases in debt and operating expenses since 2010.
- TCNJ has a conservative debt structure with no variable rate or derivative (interest rate swaps) exposure.
- TCNJ uses internal cash reserves to finance asset renewal projects ($13M annual allocation), minimizing increases in the amount of outstanding debt.
DEBT MANAGEMENT

EXPENDABLE RESOURCES TO DEBT (VIABILITY RATIO)

FY2013 = 0.38

Key Drivers
- Operating surpluses
- Use of cash reserves to fund asset renewal projects instead of new debt

Benchmark = 0.40
TCNJ’s portfolio has a highly liquid investment allocation in cash and cash equivalents and fixed income.

The portfolio is invested conservatively with a market value of $101.65 million @ 6/30/13 and with the following allocation:

- Working capital (cash) = $29.0M
- Contingency Cash = $35.6M
- Short-Duration Fixed Income = $25.51M
- Multi-Asset Class (Equity & Fixed Income) = $11.55M

Do you manage your debt and investments to help advance your mission?
# INVESTMENT MANAGEMENT

(Investment Performance as of June 30, 2013)

<table>
<thead>
<tr>
<th>Portfolio Segment</th>
<th>Past Quarter</th>
<th>Past 12 Months</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Duration Fixed Income</td>
<td>-0.19%</td>
<td>0.49%</td>
<td>0.94%</td>
</tr>
<tr>
<td>Benchmark: ML 1-3 Year Corp/Govt</td>
<td>-0.14%</td>
<td>0.66%</td>
<td>1.10%</td>
</tr>
<tr>
<td>Multi-Asset Class (70/30)</td>
<td>-0.35%</td>
<td>12.75%</td>
<td>8.57%</td>
</tr>
<tr>
<td>Benchmark: Blended 70/30</td>
<td>-0.78%</td>
<td>11.20%</td>
<td>6.93%</td>
</tr>
<tr>
<td>TCNJ Aggregate Return</td>
<td>-0.24%</td>
<td>4.01%</td>
<td>2.87%</td>
</tr>
</tbody>
</table>
 LIQUIDITY MEASURES

When measuring the adequacy of financial resources, the College calculates three levels of available liquidity:

- **Unrestricted financial resources** – TCNJ’s most liquid funds available for immediate expenditures = TCNJ’s unrestricted net assets.

- **Expendable resources** – Funds that can be access in the intermediate, but not immediate due to temporary restrictions – externally-imposed restrictions. Expendable resources equal TCNJ’s unrestricted net assets plus expendable restricted net assets.

- **Total financial resources** – TCNJ’s entire financial reserve base, including the corpus of its Foundation permanently restricted endowment.
LIQUIDITY MEASURES

- Total financial resources have grown by 74% over the past five years to $146 million at 6/30/13
- Liquidity exceeds that of A2-rated peers with 207.6 monthly days cash on hand, according to Moody’s latest credit report.

<table>
<thead>
<tr>
<th>Dollar Amounts in (&quot;000&quot;)</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Financial Resources</td>
<td>$69,687</td>
<td>$120,578</td>
<td>$123,567</td>
<td>$124,416</td>
<td>$118,592</td>
</tr>
<tr>
<td>Expendable Financial Resources</td>
<td>$78,005</td>
<td>$138,701</td>
<td>$142,774</td>
<td>$140,486</td>
<td>$137,604</td>
</tr>
<tr>
<td>Total Financial Resources</td>
<td>$84,143</td>
<td>$143,368</td>
<td>$149,671</td>
<td>$148,208</td>
<td>$146,119</td>
</tr>
</tbody>
</table>
The College’s overall level of fiscal health is good, as evidenced by its strong bond ratings, healthy student demand, solid operating performances and the condition of its facilities.

Composite Financial Index (CFI) is another key indicator used to assess the overall level of TCNJ’s fiscal health.

The Composite Financial Index (CFI) is a metric designed to increase financial accountability by creating one overall financial measurement of an institution's fiscal health over time based on the following four core ratios:

- Return on Net Assets, Net Income Ratio, Viability Ratio and Primary Reserve Ratio.

**Strength Factors** are measured on a scale from (negative) -4 to 10, with 10 being the best.

*(see next two slides for CFI results)*
WHAT IS THE OVERALL LEVEL OF TCNJ’S FISCAL HEALTH?

(COMPOSITE FINANCIAL INDEX - CFI)

- CFI is a single financial metric that takes the relative strengths and weaknesses of four core ratios and combine them into a single weighted score.

- Allows a weakness or strength in a specific ratio to be offset by another ratio, thereby providing a more holistic approach to understanding the overall financial health of an institution.

- The four-year average CFI score of 3.1 indicates that TCNJ is fiscally sound.

<table>
<thead>
<tr>
<th>Ratios</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Return on Net Assets</td>
<td>0.31</td>
<td>0.36</td>
<td>0.32</td>
<td>0.32</td>
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<tr>
<td>Weighted Net Operating Revenue Ratio</td>
<td>0.52</td>
<td>0.49</td>
<td>0.51</td>
<td>0.42</td>
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<tr>
<td>Weighted Primary Reserve Ratio</td>
<td>2.03</td>
<td>1.99</td>
<td>1.92</td>
<td>1.82</td>
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<tr>
<td>Weighted Viability Ratio</td>
<td>.31</td>
<td>0.32</td>
<td>0.33</td>
<td>0.32</td>
</tr>
<tr>
<td>Weighted Composite Financial Index</td>
<td>3.2</td>
<td>3.2</td>
<td>3.1</td>
<td>2.9</td>
</tr>
</tbody>
</table>
WHAT IS THE OVERALL LEVEL OF TCNJ’S FISCAL HEALTH?  
(COMPOSITE FINANCIAL INDEX BENCHMARK = 3.0)