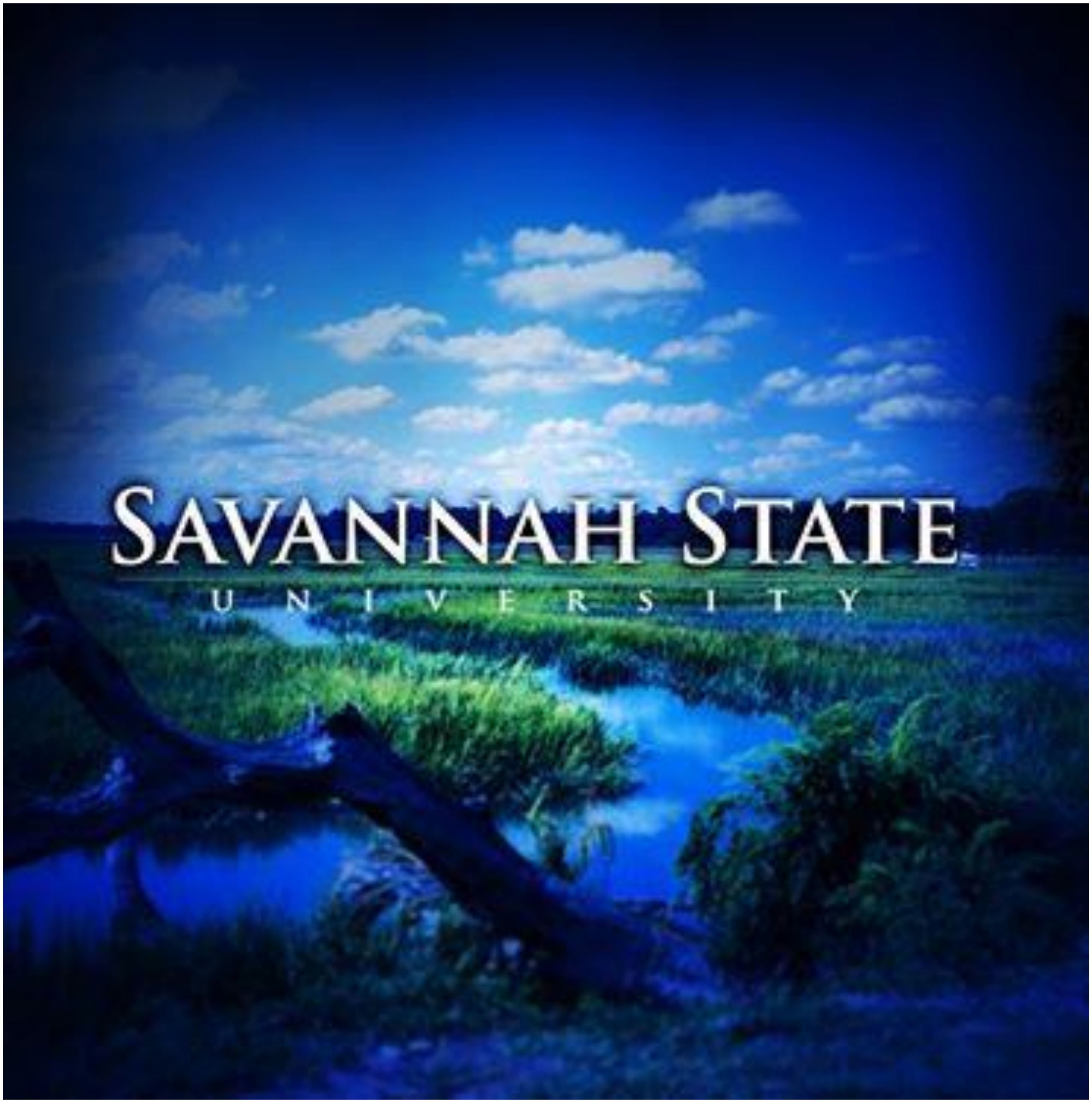

Five-Year Financial Analysis

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Introduction

Although audited or state auditor-reviewed financial information was used for calculations, the actual financial reports should be read in conjunction with the attached information. This report is utilized for analytical review of financial data of Savannah State University and, as such, has not been subjected to audit procedures.

By obtaining a broad knowledge base of financial analysis tools and applying them to a multitude of situations, Savannah State University can acquire deep insights into why the institution is performing as it does. Information can be transmitted to critical members of leadership along with recommendations for improvement that can enhance the University's overall financial performance. Fiscal analysis provides a better understanding of the inner workings of the institution and an enhanced roadmap to the direction the organization needs to be heading.

Financial analysis uses select measures, such as ratios, to analyze, evaluate, and communicate financial information regarding the achievement of an organization's mission. The analysis should include both a correlation between financial statements and related financial information, as well as a correlation between financial information and nonfinancial drivers. While analysis is useful when comparing to like-organizations, it is also applicable to institution-specific objectives, particularly when assessing the transformation of an institution. In any organization, resources must be deployed strategically and in depth financial analysis helps provide information to determine the best use of scarce resources. The bottom line is that financial analysis helps organizations make financial decisions to achieve their mission by aligning operating and capital budgets toward the objectives; determining resource sufficiency and allocation; achieving balance between financial and physical assets; integrating planning steps to ensure financial achievability; making investment decisions that support future needs; and integrating financial policies, such as cash and debt management, to achieve goals.

Discussion of Net Pension Obligation for the Fiscal Year ending June 30, 2015

In fiscal year 2015, Savannah State University (hereafter referred to as the "University" or "SSU") adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the University's financial statements.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions for TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For fiscal year 2015, the University made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires the restatement of the June 30, 2014, net position. The result is a decrease in Net Position at July 1, 2014 of $28,893,923, attributable to a Net Pension Liability of $31,126,063 less plan contributions of $2,232,140 made during fiscal year 2014. This change is in accordance with generally accepted accounting principles.

While the University reported a liability at June 30, 2015 for its proportionate share of the Net Pension Liability for TRS totaling $22,509,556, the likelihood of having to fund this liability in the immediate future is remote as it would require all personnel to immediately retire. Management feels that while it is important to account for and record this liability in the accounting records the impact of this accounting change should be removed for purposes of analytical review when preparing this five-year analytical comparison report. The University was and is up-to-date on all contributions to the plan and because the measurement date was as of June 30, 2014, contributions subsequent to that date are reported as deferred outflows of resources in the amount of $2,609,034. These will be recognized as a reduction of the liability in the year ended June 30, 2016. Other amounts which were reported as deferred inflows of resources related to pensions will be recognized in expense in future periods.

It has been noted in the calculations where these figures have been removed. For comparability to prior years for fiscal year 2015 we have ignored the Net Pension Liability, the Prior Period Adjustment to restate Net Position, and related Deferred Inflows and Outflows.

Debt Management

Savannah State University has capital leases that are payable in installments ranging from monthly to annually and have terms expiring in various years between 2015 and 2041. Expenditures for fiscal year 2015 were $7.385 million of which $5.559 million represented interest. Total principal paid on capital leases was $1.826 million for the fiscal year ended June 30, 2015. Interest rates range from 4.486 percent to 6.262 percent. Besides compensated absences and the net pension obligation, these capital leases are generally the only long-term debt reported in the University's financial statement.

Capital lease debt was incurred to support the mission of the institution by providing affordable, on-campus housing for students as well as upgrading existing facilities that serve the student population. Student life is important at the University as approximately sixty percent (60%) of SSU's students choose to live on campus. The incurrence of debt was determined to be affordable because revenue streams generated by the acquisition of additional housing and student fees, as well as community support, were determined to be sufficient to cover the annual debt expense.

Overall Financial Health

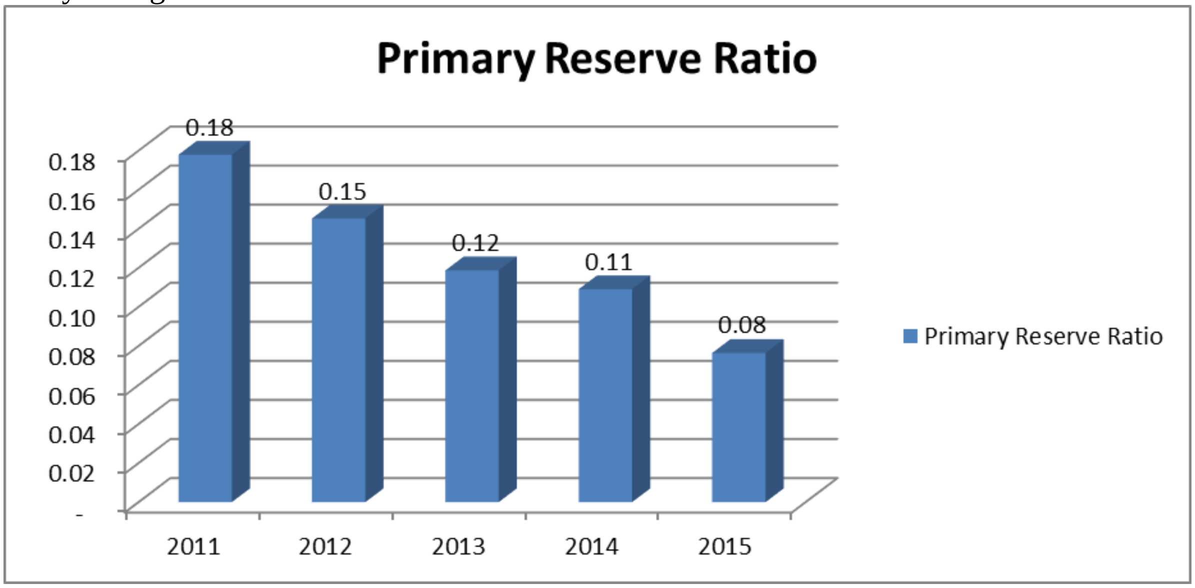
Financial ratios have been used to quantify the financial status of the University, to examine the sources and uses of financial resources, and to look at the ability to repay existing financial obligations. The financial information required to calculate the ratios for SSU may be found in the audited/reviewed financial statements. Longitudinal comparisons were deemed to be the best examination of how the University has been achieving it goals over time.

Although significantly reduced through budget cuts, State Appropriations continue to be a significant component of the University's resources as in prior years. Enrollment increased by 229 students or 5.3% in 2014 and 111 students or 2.4% in 2015 (based on Fall, 2015, enrollment). Although there was a decline in Spring and Summer enrollment, Savannah State University is one of the few state universities still experiencing Fall enrollment growth while at the same time continuing to enhance educational and support programs as an access institution.

Measuring Resource Sufficiency and Flexibility

The ***primary reserve ratio*** measures the financial strength of the institution by comparing expendable net assets to total expenses. It is reasonable to expect expendable net assets to increase in proportion to the rate of growth in operating size (as defined by total expenses in this case). Although many private institutions may seek to maintain a primary reserve ratio of .40x or better, it is the University's opinion that this is unrealistic for state-supported schools that receive a monthly or semi-monthly payment of their budget allocation and are heavily supported by financial aid, which must be applied for after certain conditions are met. In light of these factors, as well as current economic conditions, SSU feels strongly that **an indicator of .10x or better** would be indicative of the University's financial strength. The implication of .10x (10 percent of 12 months) is that the University would have the **ability to cover 1.2 months of expenses from reserves**. For fiscal years 2012 and 2013, respectively, the University decreased this coverage from 0.14 (14 percent of 12 months, or 1.70 months) to 0.11 (11 percent of 12 months, or 1.32 months) due primarily to interest expense on capital leases. This trend remained steady for the last several years and has, most importantly, remained above its target of 0.10x or 1.2 months. This is the *first time since 2009 that the University has fallen below it goal* to maintain 0.10x or 1.2 months coverage of expenses. As will be seen later liquidity did decline from 'strong' to 'moderate' due to the drop in enrollment experienced in Spring and Summer and the use of reserves to cover this enrollment drop. However, it should be noted that the University still maintains **0.08x or the ability to cover 0.96 months of**

expenses from reserves, which is still a good position. Importantly cash and marketable securities balances are still moderately strong at $5.9 million.

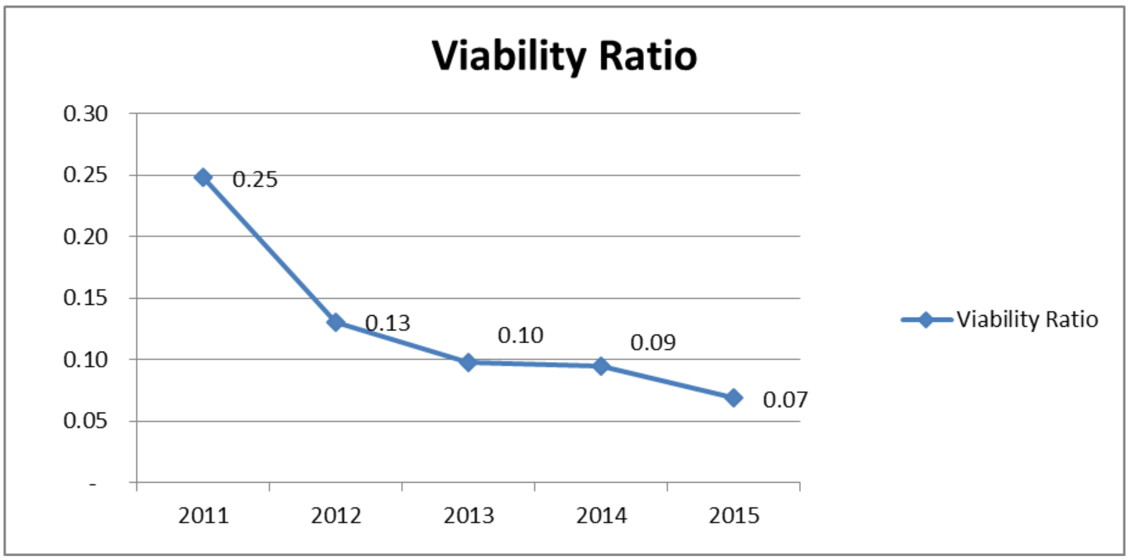


	2011	2012	2013	2014	2015
Primary Reserve Ratio	**0.18**	**0.15**	**0.12**	**0.11**	**0.08**
Expendable Net Assets (Pension Obligation & Compensated Absences adjusted out @ 2015)	13,678,664	12,916,158	10,874,672	10,383,467	7,410,147
Total Expense (Operating & Nonoperating)	76,876,006	88,891,851	91,621,950	95,218,315	96,979,121

Measuring Resources, including Debt

SSU has managed debt (and all other sources of capital) strategically to advance the mission of the University, which is to graduate students who are prepared to perform at higher levels. As part of this mission, the University is committed to the teaching and learning environment, both inside and outside of the classroom. Capital lease debt, as previously discussed, was incurred to provide affordable, on-campus housing for students and also gives the University a competitive advantage. A new Social Sciences building was constructed with contributed capital dollars in 2009 to support the growing population of students in this discipline. With the support of the student body, the University erected a new Student Center and made modifications to the football stadium which opened in fiscal year 2012. Additionally, new housing facilities have been constructed as discussed under Debt Management to ensure that SSU can continue to meet the needs of the traditional student as enrollment continues to increase. In fiscal year 2013, the University purchased property which is adjacent to the marsh and includes a building to support the University's Marine Sciences educational program. In fiscal year 2014, the University focused on renovations of existing facilities, including the student cafeteria, the swimming pool, and roof replacement projects to name a few. For fiscal year 2015, the University continued to renovate existing facilities including the Hubert Technology Roof Replacement, the HVAC system, the Kennedy Fine Arts Building Addition, and the Whiting Hall Addition. The 2013 land purchase and the 2014/2015 renovations were acquired using existing funds and did not increase the University's debt.

The ***viability ratio*** measures the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. As with the primary reserve ratio, SSU is not fully self-reliant and has significantly less operating flexibility than a private institution due to the fact that the University is state-supported. While private sector ratios should be 1:1 or greater, this is not generally true of the public sector and many can operate at levels far less than that indicated. The reality is that the University could not cover all its debts as of the balance sheet date, nor should it be expected to as a state-supported institution. The University System of Georgia discourages holding large amounts of resources in terms of expendable net assets when systems, like the University, are dependent upon monthly support to operate. Therefore, a **target of .08 expendable net assets to long-term debt** is generally considered acceptable. It indicates that there are sufficient resources to address current liabilities and expenses, and is, therefore, a more reasonable measurement of where the University may need to be when it incurs debt that is being paid by resources as they are earned (i.e., debt for housing which is paid as revenues are collected). Note that in fiscal year 2012 the major increase in capital lease debt reduced the viability ratio significantly, but it is still above the University's target of 0.08. In the current fiscal year, the University again experienced a decline in expendable net assets due directly to the enrollment drop and related revenue decline, resulting in the University falling to **.07 expendable assets to long-term debt, which is only slight below the target of .08.** However, this is still a strong ratio and the University is not anticipating any additional long-term debt in the immediate future.



	2011	2012	2013	2014	2015
Viability Ratio	**0.25**	**0.13**	**0.10**	**0.09**	**0.07**
Expendable Net Assets (Pension Obligation & Compensated Absences adjusted out @ 2015)	13,678,664	12,916,158	10,874,672	10,383,467	7,410,147
Long-Term Debt (includes current portion)w/o pe	55,223,897	99,088,195	111,131,870	109,689,954	107,964,318

As with the viability ratio, the ***leverage ratio*** is not really comparable for years prior to the inception of the capital leases. The leverage ratio typically refers to debt in relation to total net assets (equity). Indications are that the threshold for this ratio should be above 1:1 (over $1 of equity for every $1 of debt), but how much above is an institution-specific question. While the University would like to always have $1 of equity for every $1 of debt that is *not always feasible in light of the State of Georgia's budgetary expectations to not hold significant equity balances with the University's need to incur debt for future growth*. Based on the information from analyzing the ratio since 2009, **the University's standard for this ratio is to remain above 0.60 or 0.60:1.** The leverage ratio for the last five fiscal years is as follows:

	2011	2012	2013	2014	2015
Leverage Ratio	**1.42**	**0.72**	**0.59**	**0.57**	**0.53**
Net Assets (less FY15PPA for Pension Liability)	76,483,121	69,907,583	63,683,936	60,946,799	55,596,117
Long-Term Debt, less pension obligation	53,908,018	97,075,650	108,822,406	107,095,748	105,019,731

The University fell slightly below this internal standard during fiscal years 2013 and 2014, but maintained strong liquidity to support this long-term debt as measured through ratio and cash analysis. During fiscal year 2015 the University did experience a *drop in enrollment during the Spring with increased expenses that did have an impact in decreasing cash as well as net assets resulting in an even lower decline to 0.53*. Again, the reader is encouraged to read this financial analysis report in its entirety and to examine the financial report itself. SSU performs analytical review during the fiscal year and ***consistently monitors cash to ensure that liquidity is moderately strong and that resources are sufficient to support all of the University's obligations in a timely manner***. Although the University only maintained ***$0.82 of cash and marketable securities for every $1 of current liabilities*** at no time during the year did the institution have insufficient cash resources to cover all current obligations along with substantial reserves to address emergencies should they occur.

	2011	2012	2013	2014	2015
Cash Available to Current Liabilities	**2.14**	**2.10**	**1.72**	**1.34**	**0.82**
Cash + Marketable Securities	10,999,752	11,370,583	10,233,366	9,850,877	6,383,979
Current Liabilities	5,142,478	5,409,273	5,959,545	7,354,442	7,739,971

Further, there is ***$1.40 in capital assets to every $1.00 in noncurrent liabilities***, supporting the University's ability to leverage its debt in support of capital growth.

	2011	2012	2013	2014	2015
Capital Assets to Noncurrent Liabilities	**2.09**	**1.55**	**1.45**	**1.43**	**1.40**
Capital Assets	112,431,530	150,266,978	157,654,471	153,148,227	147,540,396
Noncurrent Liabilities, less pension obligation	53,908,018	97,075,650	108,822,406	107,095,748	105,019,731

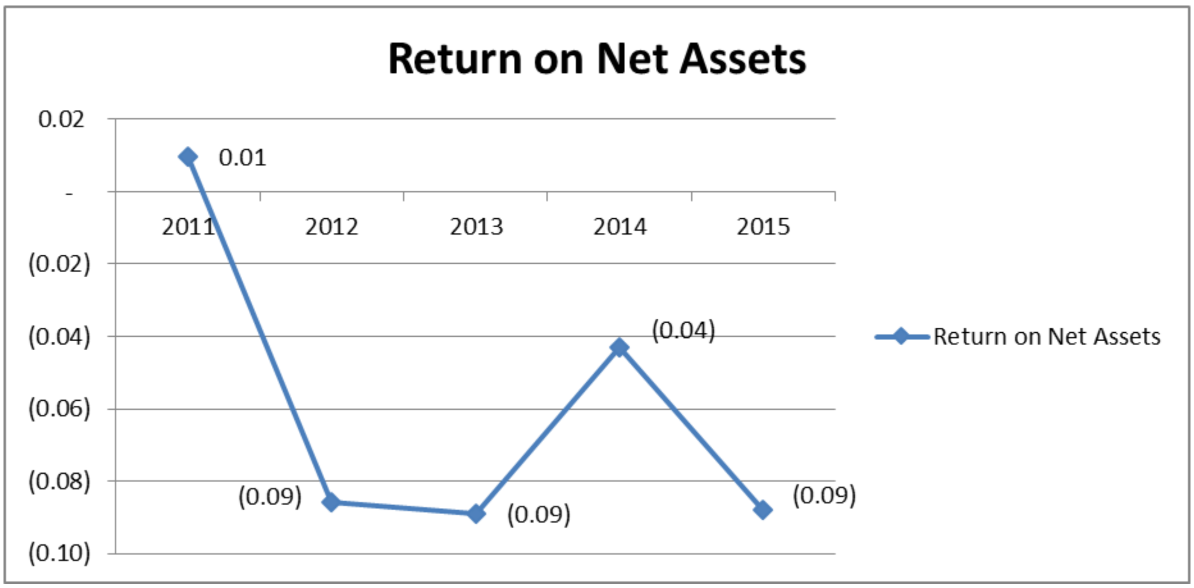
Although highly leveraged, the liquidity analysis does represent the University's ability to meet its obligations. Since there are no current plans to enter into any additional long-term obligations leverage ratios are expected to continue to improve over time. Additionally, the ratios support that the University is using its debt to support capital growth, which is in line with the strategic plan. It is noted, however, that the University has fallen from a strong cash position to a moderate cash position, holding only approximately one month in expendable net position. Therefore, Savannah State University will continue to monitor its Cash and Marketable Securities on an on-going basis to ensure resource sufficiency.

Measuring Physical Asset Performance

Physical assets are defined as land, buildings, infrastructure, equipment, and other types of plant assets, including technology infrastructure. Higher education is an asset-intensive industry, requiring substantial fixed assets to fulfill the mission of educating students within an all-inclusive environment. For example, while classrooms are required for teaching, most campuses, like Savannah State University, offer a total college community experience with on-campus housing and cafeteria facilities provided to students for reasonable fees.

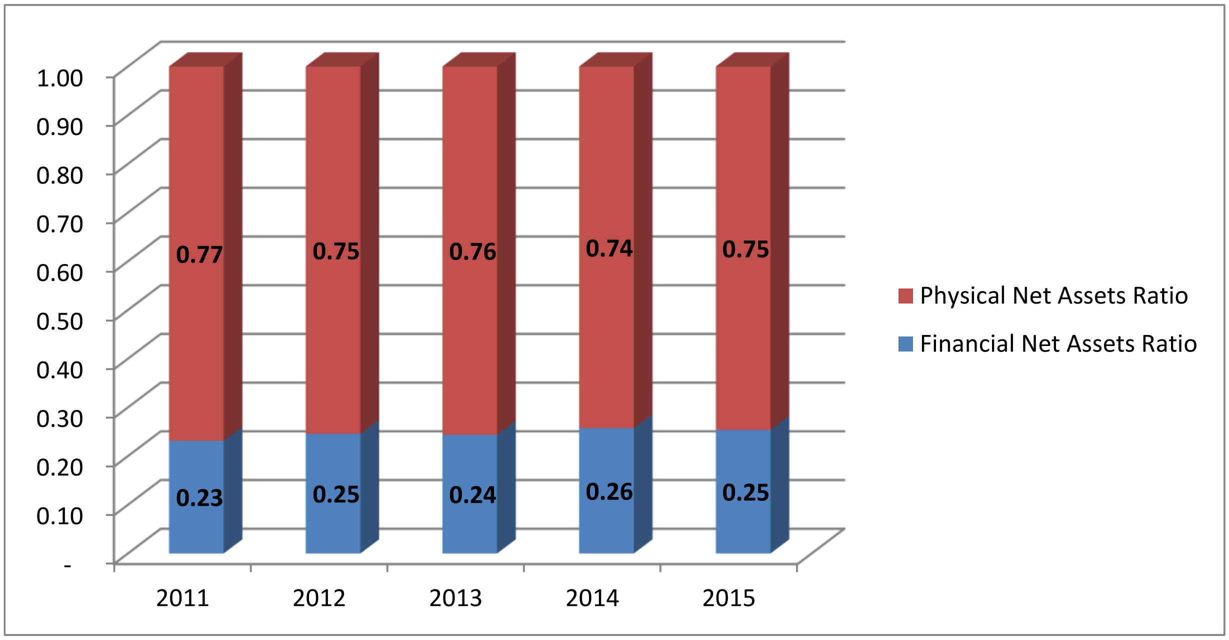
The institution is presumed wealthier each year that net assets grow, but the type of net asset growth in relation to commitments and the rate of growth are better determinants of whether the organization is improving its financial ability to achieve objectives.

The ***return on net assets*** ratio is based on the level and change in total net assets, regardless of the asset classification, and is a broad measure of the change in total wealth over a year. It represents the increase in net assets as a percentage of beginning net assets. While long-term returns are quite volatile and vary with the level of inflation, the University has established an **annual return target of 3-4%**. The University did fall below its target in fiscal year 2011 at 1% due primarily to the loss of $3 million in stimulus funds without a sufficient revenue stream to replace the loss in its entirety. Due to the use of institutional reserves to address major increases in various expenses in 2012, 2013, and 2014 (primarily interest and depreciation), there was a decrease in net assets, a negative return on assets for fiscal years 2012-2014. The reader should keep in mind that ***this ratio is affected by significant non-cash items, such as depreciation, which can significantly reduce the return on net assets***. In fiscal year 2015, however, this was also affected by the fact that ***Cash and Marketable Securities did decrease by approximately $3.5 million dollars having a direct effect on the return on net assets.***



	2011	2012	2013	2014	2015
Return on Net Assets	**0.01**	**(0.09)**	**(0.09)**	**(0.04)**	**(0.09)**
Change in Net Assets	734,866	(6,575,538)	(6,223,647)	(2,737,137)	(5,350,682)
Net Assets at the Beginning of the Year	75,748,255	76,483,121	69,907,583	63,683,936	60,946,799

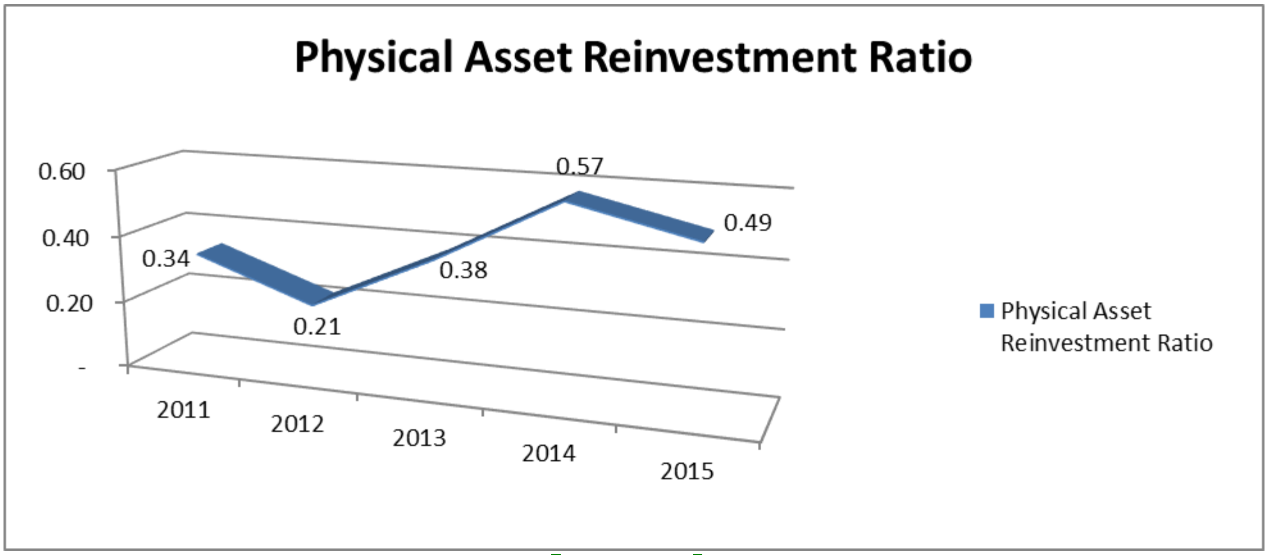
The ***financial net assets*** ratio and the ***physical net assets*** ratio provide useful insights into the allocation of equity between financial and physical net assets. Understanding these ratios helps the University analyze its financial flexibility and whether its asset and net asset structure are in equilibrium. The University's equity is comprised primarily of physical assets (as can be seen in the chart below), because SSU is state-funded and is limited in the amount of financial net assets it can accumulate from educational and general operations. SSU considers a ***ratio of 15% (revised from 10%) in financial net assets as sufficient to be able to meet strategic planning initiatives in regards to both operations and capital spending***. The financial net assets ratio *has been significantly above that target for the last five years*. For the last four fiscal years approximately one quarter of the assets have been financial net assets, which again supports the fiscal strength and flexibility of the University. If the University enters into Public Private Venture for Housing as many University System of Georgia colleges have and no longer provides student housing it is likely that this ratio will need to be reexamined. The University would no longer be required to maintain the financial net assets required to meet the debt obligations or the physical net assets that are currently part of Housing.



	2011	2012	2013	2014	2015
Financial Net Assets Ratio	**0.23**	**0.25**	**0.24**	**0.26**	**0.25**
Financial Net Assets	17,692,959	17,172,489	15,517,273	15,673,061	14,103,614
Total Net Assets, net PPA for pensions	76,483,121	69,907,583	63,683,936	60,946,799	55,596,117
Physical Net Assets Ratio	**0.77**	**0.75**	**0.76**	**0.74**	**0.75**
Invested in Capital Assets, net of related debt	58,790,162	52,735,094	48,166,663	45,273,738	41,492,503
Total Net Assets, net PPA for pensions	76,483,121	69,907,583	63,683,936	60,946,799	55,596,117

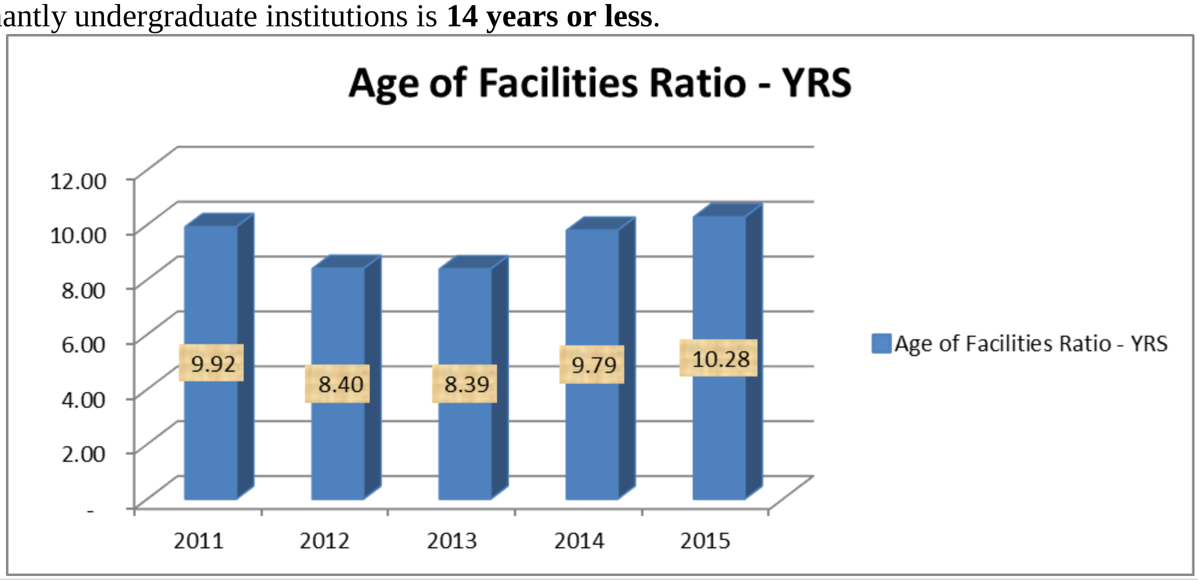
The ***physical asset reinvestment ratio*** compares the extent that capital renewal is occurring compared to physical asset usage by looking at the expenditure amounts on capital assets as compared to depreciation. In other words, a 1:1 ratio would recognize $1 reinvested in the acquisition of new assets as compared to each $1 recognized as depreciation. Although a 1:1 ratio is generally desired, it is not always feasible in every year, particularly for smaller, state-funded institutions. Therefore, the **ratio should be evaluated on a multiyear basis** since facilities investment is highly variable from year to year. It is important to note that ***this ratio doesn't consider debt-funded capital asset acquisitions***. In most recent years the University has been acquiring a significant amount of new construction through capital leases. Therefore, the ***acquisition of capital assets***

purchased would not be comparable to depreciation expense for Savannah State University as the majority of assets are acquired through debt rather than directly purchased. In light of the expenditures made in fiscal year 2014 and 2015 toward renovations of existing facilities and infrastructure it is reasonable that this ratio has increased from prior years. Based on these variables, the physical asset reinvestment ratio for SSU is considered satisfactory. The University ***expended 0.57 cents and 0.49 cents for fiscal years 2014 and 2015, respectively, reinvesting in its capital assets for every $1 dollar of depreciation*** expense recognized.



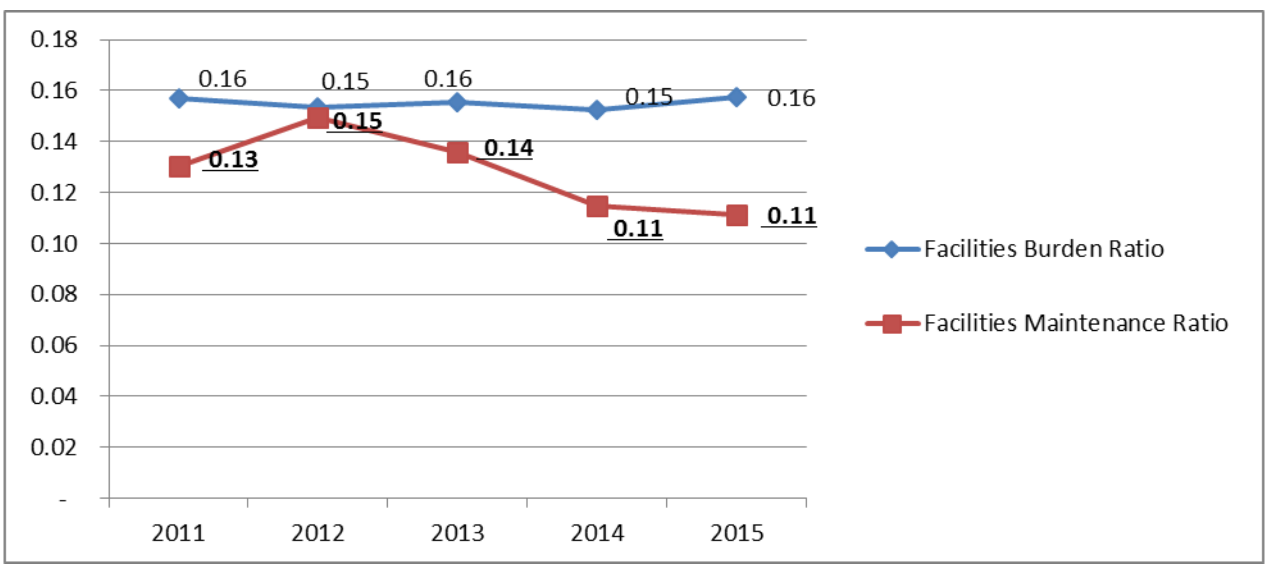
	2011	2012	2013	2014	2015
Physical Asset Reinvestment Ratio	**0.34**	**0.21**	**0.38**	**0.57**	**0.49**
Capital Expenditures plus Capital Assets Gifts	1,679,667	1,383,516	2,806,247	4,049,876	3,657,027
Depreciation Expense	4,980,560	6,510,193	7,389,919	7,060,300	7,461,696

The current average age of SSU's plant facilities is calculated as approximately 10.28 years, as determined by the ***age of facilities*** ratio. This ratio divides accumulated depreciation by depreciation expense to get a rough sense of the age of facilities, and is primarily utilized to determine resource projections for future plant investment. The computed average age of over ten (10.28) years is significantly impacted by recent capital activity. The University has several buildings that were constructed prior to 1980. The significantly lower cost to construct the pre-1980 buildings are reflected in the accumulated depreciation amount, but is not being represented well in the almost ten (10.28) year average computed below. An acceptable level for this ratio for predominantly undergraduate institutions is **14 years or less**.



With the acquisition and construction of housing facilities, the renovation of various buildings, and the construction of the Social Sciences building, the new Student Center, and the Stadium renovation within the last several years, the University is well within an acceptable range. Although this ratio is designed to capture the degree of deferred maintenance, it should be noted that it does not quantify the amount of reinvestment requirements based on these historical costs. This ratio must be considered with other determinants, such as the facilities burden and maintenance ratios. Additionally, the age of existing facilities, such as the aforementioned pre 1980 buildings must be considered in light of maintenance costs and other factors.

When determining the impact of capital investment, we often look at debt service or interest expense. Of particular concern, however, should be the facilities burden ratio as that will capture the extent of the continuing burden of the facilities investment on the institution. It costs money to maintain and operate facilities once the University has acquired them. Savannah State University must carefully consider the reinvestment into these existing facilities and the burden that places on the use of its net capital assets. The ***facilities burden ratio*** calculates the ***comprehensive cost of facilities investments*** on the institutional budget. For example, in the chart below the ***University has recognized $0.16 cost of facilities (facilities burden) in fiscal year 2015 for every $1 in net capital assets*** on the balance sheet as of June 30, 2014.



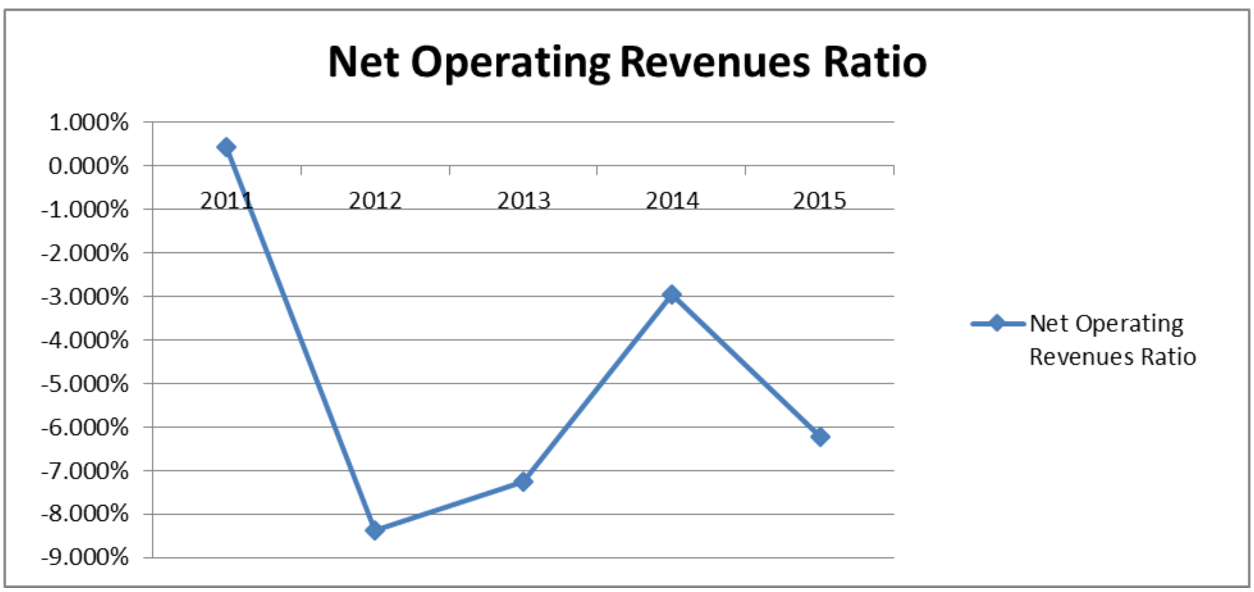
	2011	2012	2013	2014	2015
Facilities Burden Ratio	**0.16**	**0.15**	**0.16**	**0.15**	**0.16**
Depreciation Expense plus Interest Expense plus O&M Maintenance expense	17,649,997	23,083,311	24,489,958	23,322,783	23,236,398
Capital Assets, Net	112,431,530	150,266,978	157,654,471	153,148,227	147,540,396
Facilities Maintenance Ratio	**0.13**	**0.15**	**0.14**	**0.11**	**0.11**
Operations & Maintenance of Plant	10,207,353	12,273,070	11,645,835	10,616,769	10,215,785
Total Operating & Nonoperating Revenues	78,249,815	82,144,867	85,869,051	92,363,934	91,721,560

The ***facilities maintenance ratio*** assumes that the organization must generate a sufficient stream of income to support operation and maintenance on plant, so it divides operation and maintenance costs by total operating and nonoperating revenues. The percentage represented is the cost of plant operation and maintenance (excluding depreciation) as a share of total revenues. It answers the question: How much of total revenues are expended on operations and maintenance of plant facilities? As noted in the chart above, for fiscal year 2015 ***SSU spent $0.11 of each $1 of total revenue on plant***, which is considered an adequate investment by the University.

Measuring Operating Results

Institutions must be able to operate in a surplus position over the long term, because operations are one of the sources of financial resources for reinvestment in institutional initiatives. Although strategic decisions may be made for the betterment of the institution that results in a known deficit in the short term, institutions cannot continue to operate in this way for the long term. As with other types of analysis, operating ratios, particularly longitudinal trend reviews, must be considered in light of the University's strategic initiatives and overall mission.

The ***net operating revenues*** ratio (formerly referred to as the net income ratio) explains how the surplus generated from operating activities affects the behavior of other ratios as the net surplus or deficit directly affects the amount added to or deducted from net position.



	2011	2012	2013	2014	2015
Net Operating Revenues Ratio (recalculated)	**0.425%**	**-8.378%**	**-7.248%**	**-2.960%**	**-6.216%**
Net operating surplus (loss) plus net nonoperating revenues (expenses)	332,862	(6,881,841)	(6,223,647)	(2,737,137)	(5,701,503)
Operating and Nonoperating Revenues	78,249,815	82,144,867	85,869,051	92,481,178	91,721,560

As part of its strategic plan, the University made significant investments during fiscal years 2012 and 2013 in student housing, a new student center, a renovated stadium, and other major facilities that were built or renovated utilizing capital lease dollars. All of these capital leases generated a ***significant increase in depreciation expense as well as interest expense***, which significantly contributed to the deficit in net operating ratios. Depreciation and interest expense continue to be the major factors affecting costs with no significant overall change in the operating loss for fiscal year 2014. The ***primary difference in 2015 from the prior year was the approximate $3.5 million decrease in cash, which was a direct result of a significant increase in salaries, particularly faculty salaries, along with decreases in enrollment***. **Note above that for the *first time in five years overall revenues decreased***. This was a direct result of the enrollment drop experienced in the spring and summer semesters. The primary reason for the increase in salaries was due to merit increases allowed by the State of Georgia and the Board of Regents as well as the results of a salary study that indicated equity adjustments were warranted for primarily faculty positions. The University viewed this as a strategic investment in the future of its students and their success and could not anticipate the drop in enrollment experienced in the spring and summer.

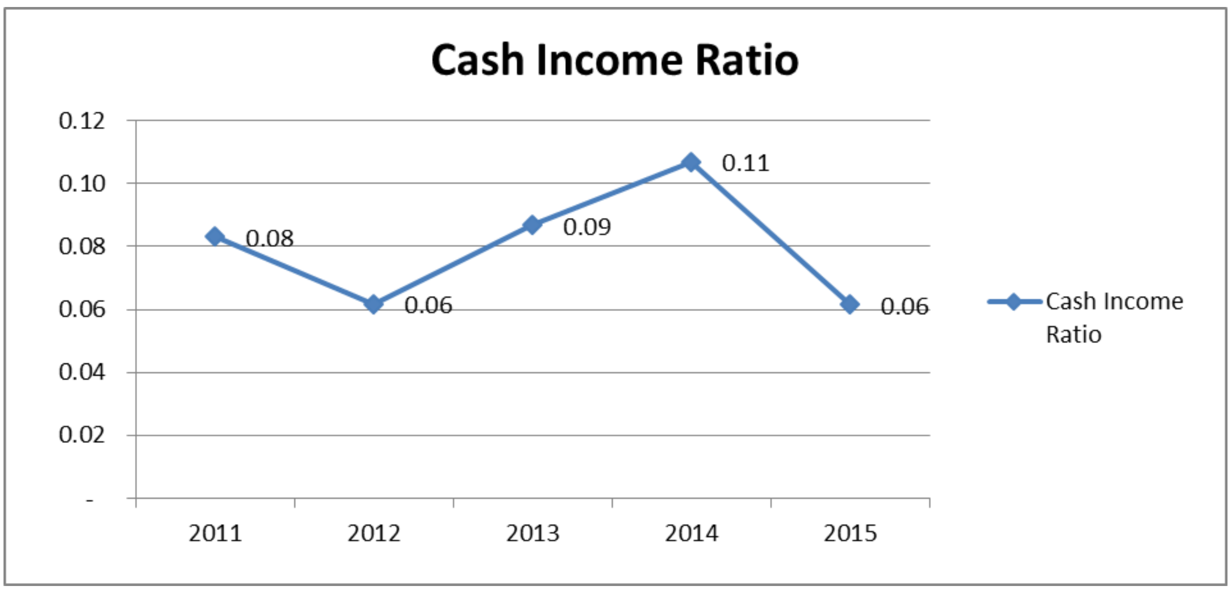
Athletic operations did experience expenditure increases through fiscal year 2013 because of investment in scholarships and personnel, but expenditures for 2014 remained fairly stable and more in line with budget while still creating a deficit. In fiscal year 2015 the University expected to, at a minimum, eliminate creating a deficit situation, but with the women's basketball team win of the MEAC 2015 Championship and other unexpected expenditures the deficit grew. Through the University's strategic planning initiative there was an active plan in place to resolve this deficit through increased enrollment, game revenues, sponsorships, and other related revenues. These plans have not come to fruition and with the enrollment challenges faced in 2015 and that the University continues to face in 2016, the institution is now looking at alternative courses of action. The key will be not to compromise those programs that bring the University national recognition. This helps the institution recruit and promote Savannah State. Several of the Athletic programs are not only essential to the athletes that participate in them but are a vital part of student activities on campus.

While the change in expendable net assets is important, it should be noted that it is based on accrual accounting principles. Therefore, we need to turn to an analysis of cash to examine the issue of strength and quality of the revenue stream. The ***cash income*** ratio relates the cash flow generated from operations to total revenues. This ratio should remain positive to show the amount of cash retained as a percentage of total revenues.

As a target, the University would like to **remain between $0.05 and $0.10** as our intention is to:

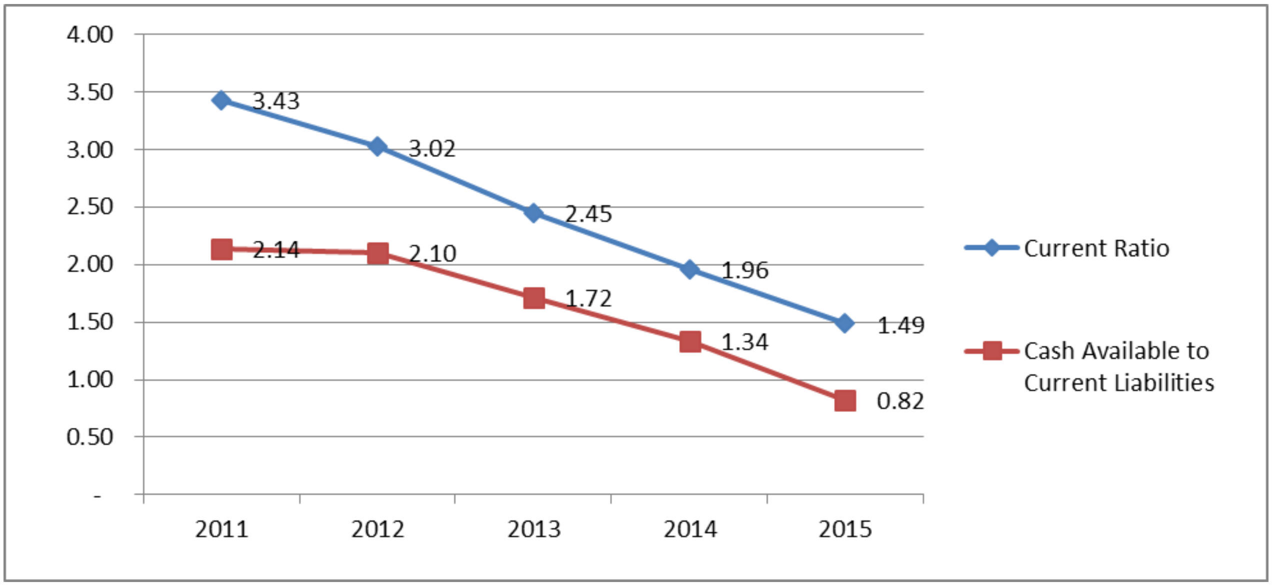
- Retain sufficient cash for operations,
- Continue to reinvest in the strategic plan, and
- Maintain minimum surpluses as it relates to state funding.

It should be noted that surplus funds returned to the state were minimal for the last several fiscal years. The University has maintained an excellent cash income ratio for all of the last five years, with the ratio approaching or exceeding the range in four out of five years. Exceeding would not be a bad thing unless too much surplus is created, but going below the ratio would definitely mean that the University is not maintaining sufficient cash to support its operational needs. The University did not return a significant amount of surplus again in fiscal year 2015.



	2011	2012	2013	2014	2015
Cash Income Ratio	**0.08**	**0.06**	**0.09**	**0.11**	**0.06**
Cash flows from operations plus appropriations, gifts, and grants received for operating purposes (cash flows from noncapital financing) plus investment income	6,503,744	5,077,494	7,454,982	9,874,528	5,637,439
Operating and nonoperating revenues	78,249,815	82,144,867	85,869,051	92,363,934	91,721,560

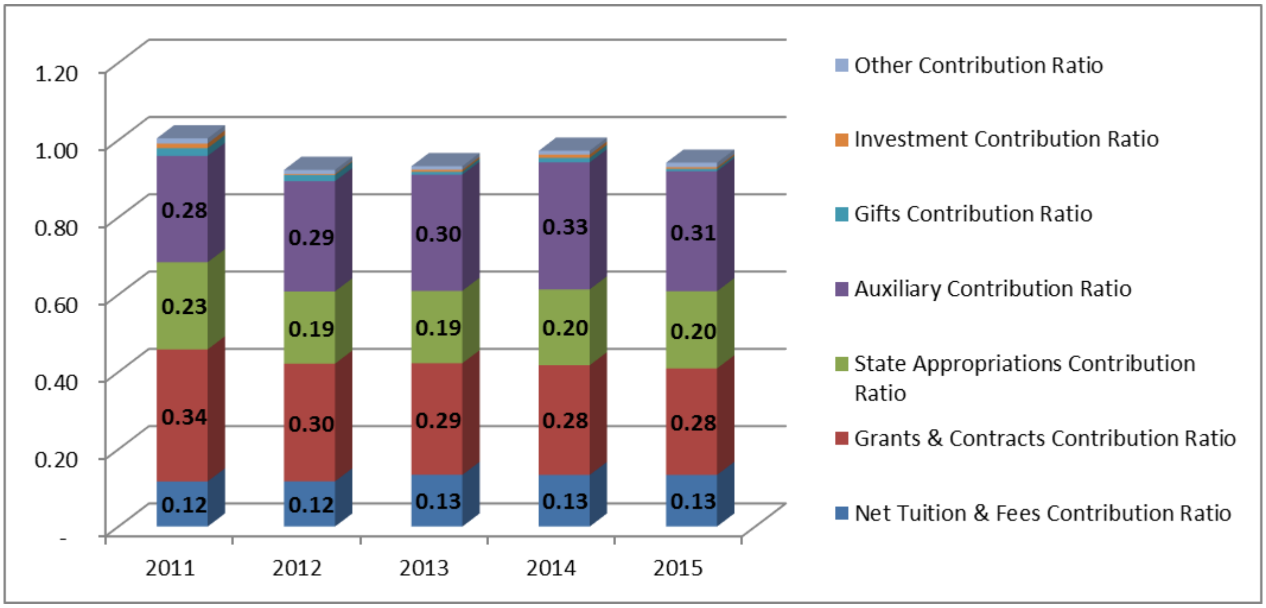
Other operational ratios that are important to consider are the **current ratio and cash available to current liabilities ratio.** Both of these ratios enable us to look at liquidity (i.e. the ability to pay short-term liabilities.) The ***current ratio*** calculation gives us the amount of current assets available to pay each $1 in current liabilities, while the ***cash available to current liabilities ratio*** results in the actual cash available per $1 of current liabilities. For example, in 2015 the ***University had $1.49 in current assets to represent each $1 in current liabilities*****, and of that $1.49 cash represented $0.82**. See the figures presented after the next graph that support the *strength of the University's cash and marketable securities as compared to its current liabilities*. In simple terms, at June 30, 2015 the University had $0.82 available in cash and marketable securities to pay every $1.00 of its current liabilities. This is the *lowest in five years due to the spring and summer enrollment drop along with the related drop in cash and expendable net assets*. Referring back to the beginning of this report the *primary reserve ratio* also showed that the University maintained slightly less than a month worth of expendable net assets. As discussed previously it is <u>important that the University continue to monitor enrollment as it affects cash balances and expendable net assets to ensure resource sufficiency in future periods</u>.



	2011	2012	2013	2014	2015
Current Ratio	**3.43**	**3.02**	**2.45**	**1.96**	**1.49**
Current Assets	17,623,735	16,356,278	14,613,404	14,387,338	11,516,105
Current Liabilities	5,142,478	5,409,273	5,959,545	7,354,442	7,739,971
Cash Available to Current Liabilities	**2.14**	**2.10**	**1.72**	**1.34**	**0.82**
Cash + Marketable Securities	10,999,752	11,370,583	10,233,366	9,850,877	6,383,979
Current Liabilities	5,142,478	5,409,273	5,959,545	7,354,442	7,739,971

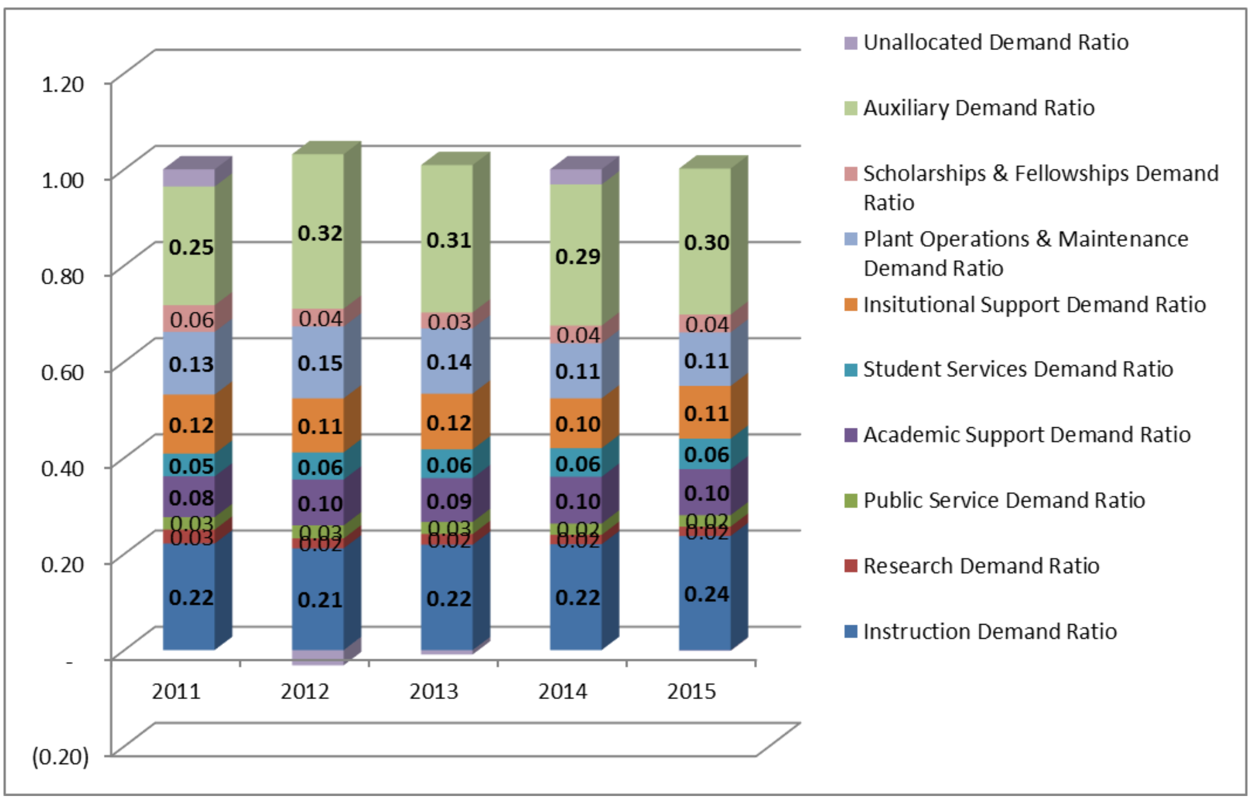
Contribution and demand ratios compare particular revenues as a percentage of total operating expenses, and expenses by type with total operating income. These particular ratios address the impact of why other ratios are behaving in an observed manner by exposing the relationships between revenues and expenses. For example, the contribution ratio ***net tuition and fees contribution*** provides the percentage of tuition and fees, net of financial aid, as a percentage of total operating expense. To restate in simpler terms, the percentage shown is the contribution that the related revenue provided to support total operating and nonoperating expenses.

The University is reliant on significant *state appropriations, which have declined from a percentage of thirty-six percent (36%) of revenue since 2008* (refer to prior year analysis for this percentage). For the fiscal year ending June 30, 2015, the state appropriation contribution ratio relative to other contributions was 20%. Note that over the five years the University has been able to increase the contribution ratio in other areas such as auxiliary and net tuition and fees through student enrollment. The University's contribution ratios are presented as follows:



(See Summary Financial Data)

Demand ratios (by functional classification) on income are shown in the next table. It should be noted for purposes of this analysis that both operating and nonoperating income was used for the denominator. As the University is substantially supported by nonoperating income, such as state appropriations and federal grants and contracts, it would not be a relevant analysis unless these revenues were included.



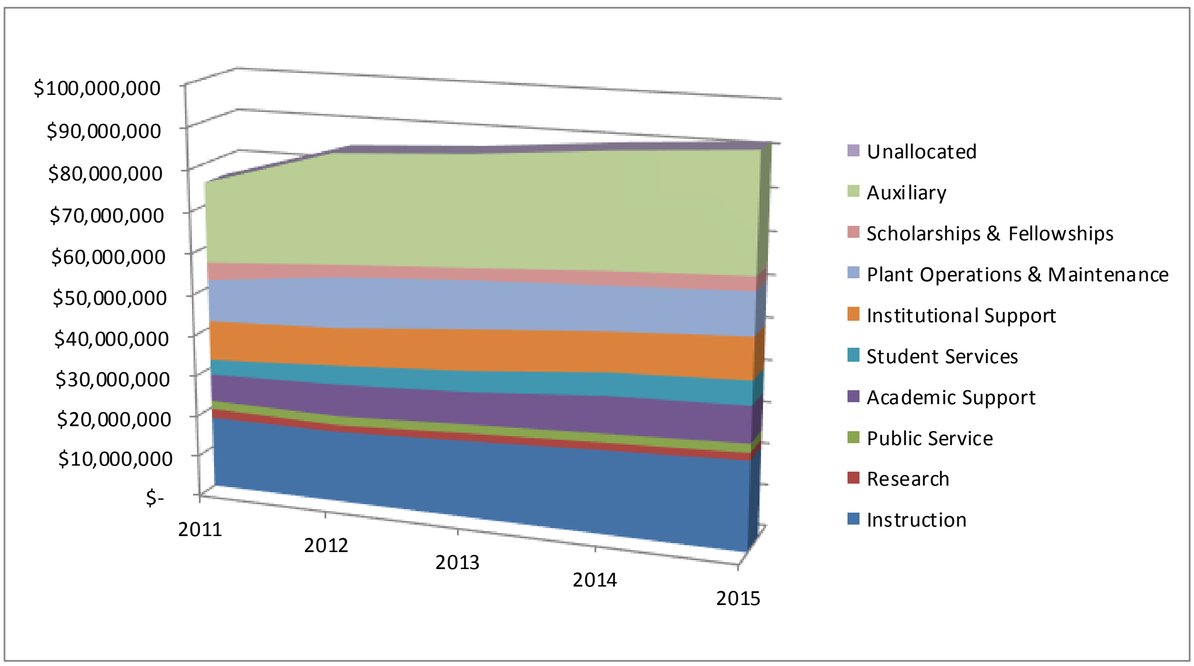
(See Summary Financial Data)

Note from the graph above that ***instruction, research, public service, academic support, and student services account for 42% demand fiscal years 2011 through 2014 and 44% for fiscal year 2015.*** The increase in 2015 in instruction demand was due both to an actual faculty full-time equivalent (FTE) increase of eighteen (18) personnel as well as the aforementioned merit and equity adjustments. Institutional support has decreased from 15% in 2009 to a more moderate 11% average supporting the University's academic objectives. During this same time period it should be noted that the Auxiliary Demand Ratio increased from 25% in 2011 (and 2010) to averaging more around 30% per year, supporting management's investment in housing, cafeteria, and athletics operations.

Function expense classifications are pictured next as amounts and percentages of total operating expenses. Note that the predominant spending patterns are similar to the presentation of demand on revenues, which reemphasizes the priorities of the University to educate and support students.

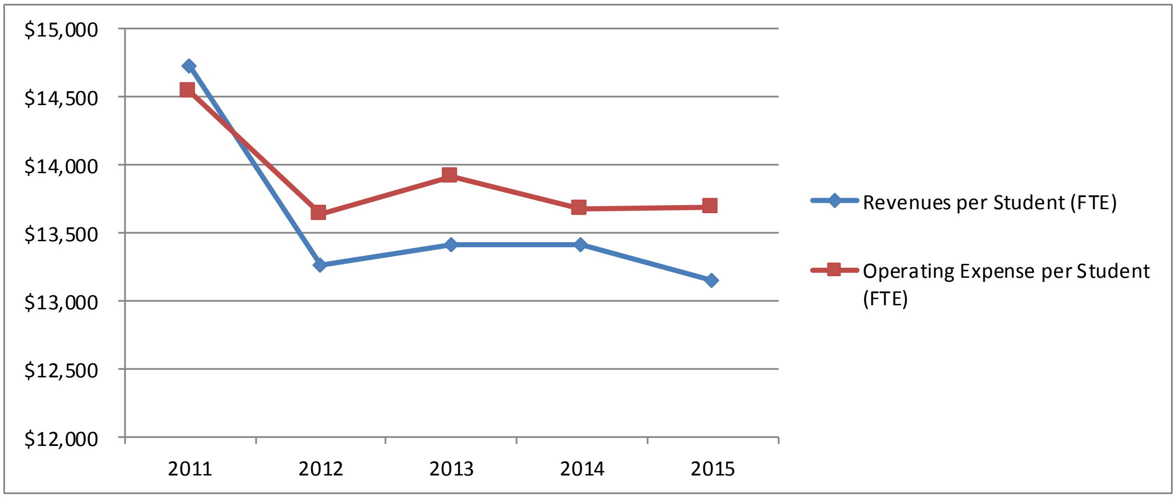
Total Operating Expense by Functional Classifications

	2011	2012	2013	2014	2015
Instruction	$ 17,347,910	$ 17,391,711	$ 18,816,294	$ 20,351,563	$ 21,765,103
Research	2,271,693	1,683,508	1,913,101	1,823,266	1,793,104
Public Service	2,019,660	2,233,121	2,151,924	2,153,460	2,178,353
Academic Support	6,641,986	7,830,053	7,835,588	9,012,679	8,778,517
Student Services	3,692,459	4,644,393	5,132,626	5,502,055	5,822,438
Institutional Support	9,619,175	9,235,929	9,960,002	9,566,733	10,053,323
Plant Operations & Maintenance	10,207,353	12,273,070	11,645,835	10,616,769	10,215,785
Scholarships & Fellowships	4,331,475	3,029,567	2,844,950	3,389,672	3,388,886
Auxiliary	19,323,158	26,405,308	26,334,038	27,156,404	27,868,637
Unallocated	-	-	-	-	-
TOTAL OPERATING EXPENSE	**$ 75,454,869**	**$ 84,726,660**	**$ 86,634,358**	**$ 89,572,601**	**$ 91,864,146**
		-	-	-	-



Looking at the total revenues (including nonoperating but excluding auxiliary) and total operating expenses (excluding auxiliary) as they apply to students (FTE count used), we determined the following:

	2011	2012	2013	2014	2015
Revenues per Student (FTE)	$ 14,724	$ 13,270	$ 13,419	$ 13,415	$ 13,149
Operating Expense per Student (FTE)	$ 14,542	$ 13,642	$ 13,913	$ 13,679	$ 13,692
Increase (Decrease) per Student FTE	$ 182	$ (373)	$ (494)	$ (264)	$ (543)
Students (FTE)	3,860	4,275	4,334	4,563	4,674



NOTE: FTEs were used as reported in the audited financial reports as these were not materially different than the FTEs utilized by the University System of Georgia, which calculates FTEs on credit hours (USG information was not available for all years analyzed). ***The measurements of expenditures per students is significantly different than USG's***, because USG only looks at expenditures out of the General Fund and doesn't consider restricted funds which are also used to support students. For purposes of analytical review, *SSU compares all revenues and operating expenditures (excluding auxiliary in both) to determine the increase (decrease) per student FTE.* ***Depreciation has not been excluded as this is considered an economic cost to the University for providing services. The University considers this to be a better financial determinate as to how we are meeting our strategic initiatives internally over time***.

As noted in this chart, **operating expenses significantly outpaced total revenues per student for most fiscal years**. (**NOTE**: This calculation includes depreciation of economic resources, which is clearly a cost of doing business but is not considered in the cost per student as recognized by the state.) Although enrollment did increase slightly for fall fiscal year 2015, the decline in spring and summer enrollment did impact the revenues per student significantly for the year while expenditures continued to rise because of decisions made prior to the enrollment drop. Savannah State University has been able to maintain adequate financial assets even though recognizing a reduction in net assets the last four fiscal years. To reiterate ***the University has been fiscally sound from a liquidity standpoint and able to meet its obligations both currently and in the long-term***. However, because the ***institution did start spending reserves in fiscal year 2015***, management must continuously monitor enrollment revenues, cash (i.e. liquidity), and expendable net assets during the fiscal year 2016. ***Adherence to budgetary goals in line with strategic initiatives*** will be essential as the University continues to monitor its key financial goals for fiscal year 2016.

The Composite Financial Index or CFI

The composite financial index, hereafter referred to as the CFI, provides a comprehensive approach to understanding the total financial health of an institution of higher education by combining the four core ratios into a single score. Using a weighted plan a weakness or strength in one ratio may be offset by another ratio result, thereby providing a holistic approach to understanding the overall financial health of the University.

A word of caution. The CFI only measures the financial component and must be analyzed along with other assessment tools that the University uses. While a low or negative CFI may indicate additional challenges an institution may face, to quote ***Strategic Financial Analysis for Higher Education, Seventh Edition, page 133:*** "a very high CFI with little achievement of mission may indicate a failing institution." According to this same source on page 134:

> *The CFI measure is established by first answering the four key specific questions concerning financial health of an institution that address whether an institution is financially healthy:*
>
> 1. *Are resources sufficient and flexible enough to support the mission? Primary Reserve Ratio*
> 2. *Are debt resources managed strategically to advance the mission? Viability Ratio*
> 3. *Does asset performance and management support the strategic direction? Return on Net Assets Ratio*
> 4. *Do operating results indicate the institution is living within available resources? Net Operating Revenues Ratio.*

Let's address each of these questions as they relate to Savannah State University. First, as seen by the Primary Reserve Ratio on page 5 of this report the University still maintains **0.08x or the ability to cover 0.96 months of expenses from reserves**, which is less than the 0.10x or 1.2 months set as a target, but still a position that is sufficient and flexible enough to support the mission of the University. Importantly cash and marketable securities balances are still moderately strong. Therefore, the answer to the first question is yes.

Recall from the discussion on page 6 regarding the Viability Ratio, the University should not be expected to cover all its debts as of the balance sheet date as a state-supported institution. Also, because the University System and the State of Georgia discourages holding large amounts of resources in terms of expendable net assets through budgetary controls and regulations, the University has set a **target of .08 expendable net assets to long-term debt.** This target indicates that there are sufficient resources to address current liabilities and expenses, and is, therefore, a more reasonable measurement of where the University may need to be when it incurs debt that is being paid by resources as they are earned (i.e., debt for housing which is paid as revenues are collected). In the current fiscal year, the University did fall slightly below this target at **.07 expendable assets to long-term debt. However, this is still a strong ratio and t**he University is not anticipating any additional long-term debt in the immediate future. Therefore, the answer to the second question is that the University is managing debt resources strategically to advance the mission of the institution. This has been addressed several places within this report.

The ***return on net assets*** ratio, which is discussed on page 9, is based on the level and change in total net assets, regardless of the asset classification, and is a broad ***measure of the change in total wealth over a year***. It represents the increase in net assets as a percentage of beginning net assets. While long-term returns are quite volatile and vary with the level of inflation, the University has established an **annual return target of 3-4%**. The University has fallen consistently below its target due to using institutional reserves to address major increases in various expenses and this has become an issue for the University, particularly in fiscal year 2015. Unlike prior years when the ratio was primarily affected by non-cash items such as depreciation, which does significantly reduce the return on net assets, the fiscal year 2015 ratio was directly affected by the fact that ***Cash and Marketable Securities did decrease by approximately $3.5 million dollars.*** The fact that the University has ***experienced a decrease in net position for the last four fiscal years*** is an issue that will negatively impact the overall CFI. **The University *cannot continue to utilize reserves to support on-going operations***.

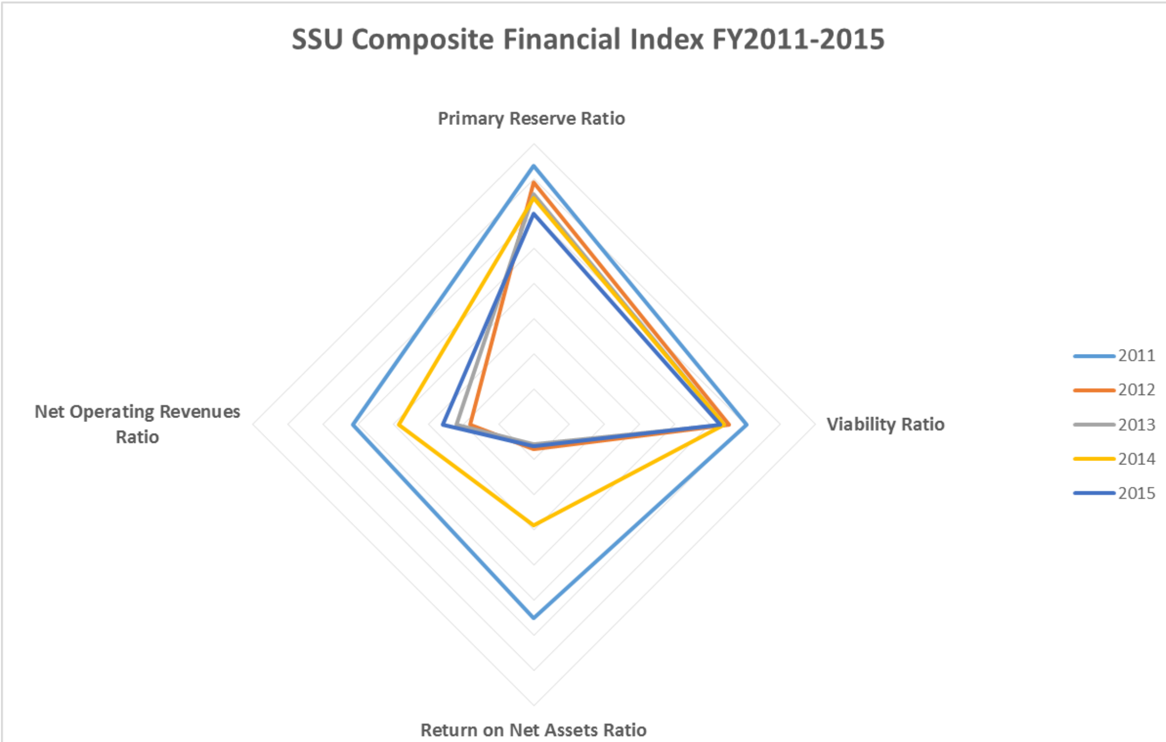
This discussion leads us into the next question: *Do operating results indicate the institution is living within available resources?* Unfortunately, the answer will be no because the University has reported a decrease in net position or a loss for the last four fiscal years as seen in the ***net operating revenues*** ratio (formerly referred to as the net income ratio) on page 14. This indicator explains how the surplus generated from operating activities, or in the University's case the deficit, affects the behavior of other ratios. The net surplus or deficit directly affects the amount added to or deducted from net position. While there was a ***significant increase in depreciation expense as well as interest expense***, ***operating expenses have also continued to outpace revenues. Although in prior years the majority of this deficit was depreciation and interest expense, non-cash, in fiscal year 2015, cash decreased $3.5 million due directly to a significant increase in expenses while revenues fell for the first time due to enrollment*** as previously discussed. When the *deficit affects both cash and expendable net position negatively* to the degree that it was affected in fiscal year 2015 then it must be concluded that the University is not living within available resources.

It is important to note that enrollment was also slightly down for fall of 2015 and at the time of the issuance of this report management has also been made aware that spring 2016 enrollment has declined similar to that experienced in 2015. Management is taking the necessary steps to ensure that spending and budgets are adjusted accordingly.

The following table presents all four ratios along with the strength factor and the weight factor. At the bottom of the table for each fiscal year is the Composite Financial Index (CFI) score for the University for that fiscal year:

Composite Financial Index Calculation:	2011	2012	2013	2014	2015
Primary Reserve Ratio as Caculated	**0.18**	**0.15**	**0.12**	**0.11**	**0.08**
STRENGTH FACTOR to Divide BY	0.133	0.133	0.133	0.133	0.133
WEIGHT FACTOR to Multiply BY	0.35	0.35	0.35	0.35	0.35
CFI SCORE Component	**0.47**	**0.38**	**0.31**	**0.29**	**0.20**
Viability Ratio as Caculated	**0.25**	**0.13**	**0.10**	**0.09**	**0.07**
STRENGTH FACTOR to Divide BY	0.417	0.417	0.417	0.417	0.417
WEIGHT FACTOR to Multiply BY	0.35	0.35	0.35	0.35	0.35
CFI SCORE Component	**0.21**	**0.11**	**0.08**	**0.08**	**0.06**
Return on Net Assets as Calculated	**0.01**	**(0.09)**	**(0.09)**	**(0.04)**	**(0.09)**
STRENGTH FACTOR to Divide BY	0.020	0.020	0.020	0.020	0.020
WEIGHT FACTOR to Multiply BY	0.20	0.20	0.20	0.20	0.20
CFI SCORE Component	**0.10**	**(0.86)**	**(0.89)**	**(0.43)**	**(0.88)**
Net Operating Revenues as Calculated	**0.4%**	**-8.4%**	**-7.2%**	**-3.0%**	**-6.2%**
STRENGTH FACTOR to Divide BY	0.013	0.013	0.013	0.013	0.013
WEIGHT FACTOR to Multiply BY	0.10	0.10	0.10	0.10	0.10
CFI SCORE Component	**0.03**	**(0.64)**	**(0.56)**	**(0.23)**	**(0.48)**
Composite Financial Index	**0.81**	**(1.01)**	**(1.05)**	**(0.29)**	**(1.10)**

It should be evident from the negative CFI figures for fiscal years 2012 through 2015 that the University did have an issue. However, again, you have to look at the underlying financials to understand that the deficits reported were not really a financial concern until fiscal year 2015. In prior years they only reflected non-cash items and the University was living within available resources. Even though the institution did not want to continue to use reserves this was a strategic decision. Fiscal year 2015 was a changing point for the University in that current assets in the form of cash and expendable net position were negatively impacted. Following is the Composite Finance Index for the Last Five Fiscal Years in graphic format which clearly shows that the University has moved from living within available resources since 2011 to 2015:



It is important to note that University management does have a plan to mitigate the enrollment issues and ensure resource sufficiency in order to continue to pursue strategic priorities as established by the University System of Georgia and the Savannah State University strategic plan. This is the importance of this type of analysis as it helps the institution identify issues and react in a timely manner.

Conclusion

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is moderate, particularly in the area of fiscal management of resources.

The decrease in Net Position is a direct result of depreciation expense and a decrease in enrollment experienced during the last half of the fiscal year. In fiscal year 2015 this resulted in a $3.5 million dollar decrease to cash and expendable net position. However, the overall analysis that has been provided in this report reflects the University's ability to utilize its resources to support its overall mission. The University anticipates the current fiscal year will present challenges but that they will be addressed in a timely and effective manner. Additionally, there is no more debt planned in the immediate future and freshmen enrollment indications show that Savannah State University is a place that students want to attend. Savannah State University will continue to perform ratio analysis and maintain a close watch over resources to sustain the University's ability to react to unknown internal and external issues.

The strategic planning priorities at Savannah State University are:

- ***Academic Engagement and Achievement***
- ***Community and Economic Development***
- ***Global Education Experiences***
- ***Sustainability and Resources***
- ***Technological Competitiveness***

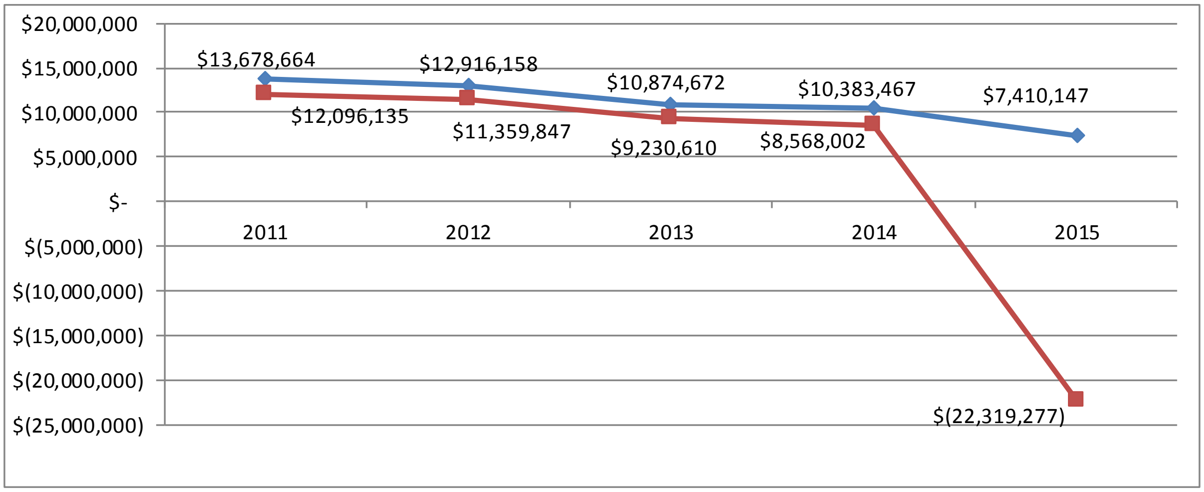
Savannah State University is positioned to move forward in supporting its campus environment, acquiring technology to advance educational purposes, and pursuing excellence and responsiveness. The University has a strong commitment to the teaching and learning environment, high quality education, public service, and scholarly and creative works.

Savannah State University has a sound financial base and demonstrated financial stability, as well as adequate resources, to support the mission of the institution and the scope of its programs and services.

For any questions regarding the development of these ratios, please contact Mary H. Loomis, CPA, MPA, Assistant Vice-President, Business & Finance/Comptroller, Savannah State University, MLoomis@SavannahState.edu.

Additional Analysis as of June 30,

	2011	2012	2013	2014	2015
TOTAL NET POSITION	**$ 76,483,121**	**$ 69,907,583**	**$ 63,683,936**	**$ 60,946,799**	**$ 26,702,194**
LESS Invested in Capital Assets, net of related debt	(58,790,162)	(52,735,094)	(48,166,663)	(45,273,738)	(41,492,503)
Restricted - Nonexpendable	(4,642,349)	(4,677,159)	(5,141,861)	(5,902,322)	(6,321,045)
Restricted - Expendable	(954,475)	(1,135,483)	(1,144,802)	(1,202,737)	(1,207,923)
UNRESTRICTED NET ASSETS (URNA)	**$ 12,096,135**	**$ 11,359,847**	**$ 9,230,610**	**$ 8,568,002**	**$(22,319,277)**
ADD Compensated Absences Liability	1,582,529	1,556,311	1,644,062	1,815,465	1,916,425
Net Pension Liability	-	-	-	-	22,509,556
Deferred Inflows of Resources	-	-	-	-	7,912,477
Deduct Deferred Outflows of Resources	-	-	-	-	(2,609,034)
URNA w/o compensated absences or pension obligatio	**$ 13,678,664**	**$ 12,916,158**	**$ 10,874,672**	**$ 10,383,467**	**$ 7,410,147**



Operational Outcomes:

	2011	2012	2013	2014	2015
TOTAL Operating Revenues	$ 41,945,852	$ 47,598,737	$ 51,442,110	$ 54,312,395	$ 53,626,627
ADD Nonoperating Revenues	36,303,963	34,621,055	34,426,941	38,168,783	38,094,933
	78,249,815	82,144,867	85,869,051	92,481,178	91,721,560
LESS Operating Expenses	(75,454,869)	(84,726,660)	(86,634,358)	(89,572,601)	(91,864,146)
Operational Bottom Line	$ 2,794,946	$ (2,581,793)	$ (765,307)	$ 2,908,577	$ (142,586)
ADD Depreciation	4,980,560	6,510,193	7,389,919	7,060,300	7,461,696
Operational Bottom Line w/o Depreciation	**$ 7,775,506**	**$ 3,928,400**	**$ 6,624,612**	**$ 9,968,877**	**$ 7,319,110**

Operational Cash Flows	**2011**	**2012**	**2013**	**2014**	**2015**
Net Cash Provided (Used) by Operating Activities	(29,163,464)	(29,758,217)	(26,829,590)	(28,320,769)	**(31,689,576)**
Net Cash Flow Provided by Non-capital Financing Activit	35,191,773	34,657,417	33,948,385	37,648,034	37,085,144
Cash Flows Before Capital Items & Related Financing	**$ 6,028,309**	**$ 4,899,200**	**$ 7,118,795**	**$ 9,327,265**	**$ 5,395,568**

SUMMARY FINANCIAL DATA

The following is summary comparative financial data taken from audited reports to support the calculations presented in this analysis report.

Statement of Net Position – Last Five Fiscal Years

	2011	2012	2013	2014	2015
Current Assets					
Cash & Cash Equivalents	$ 10,591,476	$ 10,962,307	$ 9,825,090	$ 9,442,601	$ 5,975,703
Short-Term Investments	408,276	408,276	408,276	408,276	408,276
Accounts Receivable, NET:					
Federal Financial Assistance	1,920,639	1,573,705	1,396,471	1,546,917	1,721,098
Other	4,205,125	2,841,192	2,428,311	2,568,251	2,970,527
Due from Affliated Organizations	-	-	34,221	-	-
Inventories	49,768	49,281	49,053	44,785	67,243
Prepaid Items	448,451	521,517	471,982	376,508	373,258
TOTAL Current Assets	**17,623,735**	**16,356,278**	**14,613,404**	**14,387,338**	**11,516,105**
Noncurrent Assets					
Noncurrent Cash	41,268	47,600	26,466	40,009	48,449
Short-term Investments	22,418	27,453	30,007	21,863	28,787
Investments	4,578,663	4,770,891	5,255,780	6,055,395	6,452,327
Due from USO – Capital Liability Reserve Fund.				844,039	844,039
Notes Receivable, Net	836,003	923,306	885,759	900,118	844,792
Noncurrent Assets, before Capital	5,478,352	5,769,250	6,198,012	7,861,424	8,218,394
Capital Assets, Net					
Land and Land Improvements	575,975	575,975	975,219	975,219	975,219
Buildings and Bldg. Improvements	57,923,236	55,719,584	53,414,509	51,929,720	50,457,546
Facilities & Other Improvements	1,068,387	2,345,373	2,192,140	2,267,774	2,133,821
Library Collections	1,331,431	1,296,074	1,291,465	1,243,087	1,151,937
Equipment	2,907,879	2,929,971	3,457,228	3,567,060	3,055,813
Capital Leases	46,916,342	80,653,598	96,285,476	92,507,757	88,471,191
Collections	41,198	39,817	38,434	37,052	35,670
Construction in Progress	1,667,082	6,706,586	-	620,558	1,259,199
Capital Assets, Net	112,431,530	150,266,978	157,654,471	153,148,227	147,540,396
TOTAL Noncurrent Assets	**117,909,882**	**156,036,228**	**163,852,483**	**161,009,651**	**155,758,790**
TOTAL ASSETS	**$ 135,533,617**	**$ 172,392,506**	**$ 178,465,887**	**$ 175,396,989**	**$ 167,274,895**
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Loss on Defined Benefit Pension Plan	-	-	-	-	2,609,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,609,034**
ASSETS & DEFERRED OUTFLOWS OF RESOURCES	**$ 135,533,617**	**$ 172,392,506**	**$ 178,465,887**	**$ 175,396,989**	**$ 169,883,929**
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$ 1,443,485	$ 883,722	$ 1,128,919	$ 1,548,336	$ 1,363,350
Salaries Payable	339,632	246,248	109,238	110,353	133,634
Benefits Payable	-	-	-	-	-
Deposits	14,724	-	-	-	-
Deferred Revenue/Advances(including Tuition & Fe	846,714	848,705	983,465	1,533,787	1,741,117
Other Liabilities	550	1,177	459	1,300	1,521
Deposits Held for Other Organizations	1,181,494	1,416,876	1,428,000	1,566,460	1,555,762
Lease Purchase Obligations - current portion	571,351	1,276,302	1,573,591	1,826,596	2,052,110
Compensated Absenses - current portion	744,528	736,243	735,873	767,610	892,477
Total Current Liabilities	**5,142,478**	**5,409,273**	**5,959,545**	**7,354,442**	**7,739,971**
Noncurrent Liabilities:					
Lease Purchase Obligations	53,070,017	89,548,996	107,914,217	106,047,893	103,995,783
Compensated Absenses	838,001	820,068	908,189	1,047,855	1,023,948
Net Pension Liability	-	-	-	-	22,509,556
Notes and Loans Receivable	-	6,706,586	-	-	-
Total Noncurrent Liablities	**53,908,018**	**97,075,650**	**108,822,406**	**107,095,748**	**127,529,287**
TOTAL LIABILITIES	**$ 59,050,496**	**$ 102,484,923**	**$ 114,781,951**	**$ 114,450,190**	**$ 135,269,258**
DEFERRED INFLOWS OF RESOURCES:					
Deferred Gain on Defined Benefit Pension Plan	-	-	-	-	7,912,477
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ -**	**$ -**	**$ -**	**$ -**	**$ 7,912,477**
NET POSITION:					
Net Investment in Capital Assets	58,790,162	52,735,094	48,166,663	45,273,738	41,492,503
Restricted - Nonexpendable	4,642,349	4,677,159	5,141,861	5,902,322	6,321,045
Restricted - Expendable	954,475	1,135,483	1,144,802	1,202,737	1,207,923
Unrestricted	12,096,135	11,359,847	9,230,610	8,568,002	(22,319,277)
TOTAL NET Position	**$ 76,483,121**	**$ 69,907,583**	**$ 63,683,936**	**$ 60,946,799**	**$ 26,702,194**
LIABILITIES, DEFERRED INFLOWS, & NET POSITION	**$ 135,533,617**	**$ 172,392,506**	**$ 178,465,887**	**$ 175,396,989**	**$ 169,883,929**

Statement of Revenues, Expenses, and Changes in Net Position – Last Five Fiscal Years

	2011	2012	2013	2014	2015
Operating Revenues:					
Student Tuition & Fees	$ 22,200,417	$ 25,264,991	$ 27,155,380	$ 28,724,374	$ 29,393,220
Scholarship Allowances	(13,134,564)	(14,850,731)	(14,839,006)	(16,018,513)	(16,374,538)
NET	**9,065,853**	**10,414,260**	**12,316,374**	**12,705,861**	**13,018,682**
Grants & Contracts:					
Federal (includes stimulus)	9,950,357	10,198,282	10,125,457	8,966,826	8,799,600
State	250,959	351,218	173,859	160,245	3,202
Other (Local, nongovernmental, etc.)	230,972	245,649	252,314	365,491	417,436
Sales & Services	835,791	744,460	648,561	630,187	802,863
Rents & Royalties	42,130	49,482	52,702	65,330	57,249
Auxiliary Enterprises:					
Residence Halls	10,387,930	12,489,948	13,357,733	14,316,102	14,035,105
Bookstore	264,685	357,677	307,737	238,678	195,753
Food Services	6,253,988	7,696,485	8,486,639	10,622,130	9,786,537
Parking/Transportation	641,503	645,833	657,786	824,777	766,353
Health Services	591,377	663,957	666,753	662,794	656,989
Intercollegiate Athletics	3,238,246	3,525,046	4,189,425	4,570,746	4,787,424
Other Organizations	36,427	37,088	43,249	35,148	34,385
Other Operating Revenues	155,634	179,352	163,521	148,080	265,049
TOTAL Operating Revenues	**41,945,852**	**47,598,737**	**51,442,110**	**54,312,395**	**53,626,627**
Operating Expenses:					
Faculty Salaries	11,272,746	11,202,482	12,198,501	13,346,504	**15,118,160**
Staff Salaries	16,498,006	16,875,234	18,310,993	18,959,967	20,016,181
Employee Benefits	8,308,835	8,349,972	9,518,514	10,224,598	10,086,798
Other Personal Services	415,061	368,304	392,811	384,266	387,580
Travel	682,974	867,102	1,153,471	1,177,327	1,151,211
Scholarships & Fellowships	6,824,220	6,005,163	5,803,170	6,274,498	6,406,945
Utilities	3,403,007	3,557,021	3,426,933	3,507,414	3,888,406
Supplies & Other Services	23,069,460	30,991,189	28,440,046	28,637,727	27,347,169
Depreciation	4,980,560	6,510,193	7,389,919	7,060,300	7,461,696
TOTAL Operating Expenses	**75,454,869**	**84,726,660**	**86,634,358**	**89,572,601**	**91,864,146**
OPERATING INCOME (LOSS)	**(33,509,017)**	**(37,127,923)**	**(35,192,248)**	**(35,260,206)**	**(38,237,519)**
Nonoperating Revenues (Expenses):					
State Appropriations	17,547,199	16,655,138	17,256,227	18,655,084	19,458,854
Federal Stimulus - Stabiliation Funds	-	-	-	-	-
Grants & Contracts					
Federal	16,148,607	16,332,106	16,032,877	17,492,256	17,609,545
State	11,400	-	-	-	-
Gifts	1,555,810	1,424,029	667,089	1,095,812	582,592
Investment Income	933,246	209,782	470,748	808,387	414,352
Interest Expense (capital assets)	(2,462,084)	(4,300,048)	(5,454,204)	(5,645,714)	(5,558,917)
Other Nonoperating Revenues (Expenses)	107,701	(74,925)	(4,136)	117,244	29,590
Net Nonoperating Rev. (Exp)	**33,841,879**	**30,246,082**	**28,968,601**	**32,523,069**	**32,536,016**
Income (Loss) Before Other	**332,862**	**(6,881,841)**	**(6,223,647)**	**(2,737,137)**	**(5,701,503)**
Revenues, Expenses, Gains, Losses					
Capital Grants & Gifts - State	**402,004**	**306,303**	**-**	**-**	**350,821**
INCREASE (DECREASE) IN NET POSITION	**$ 734,866**	**$ (6,575,538)**	**$ (6,223,647)**	**$ (2,737,137)**	**$ (5,350,682)**
Prior Period Adjustment	-	-	-	-	***(28,893,923)***
NET ASSETS - BEGINNING OF THE YEAR	75,748,255	76,483,121	69,907,583	63,683,936	60,946,799
NET ASSETS - END OF YEAR	**$ 76,483,121**	**$ 69,907,583**	**$ 63,683,936**	**$ 60,946,799**	**$ 26,702,194**

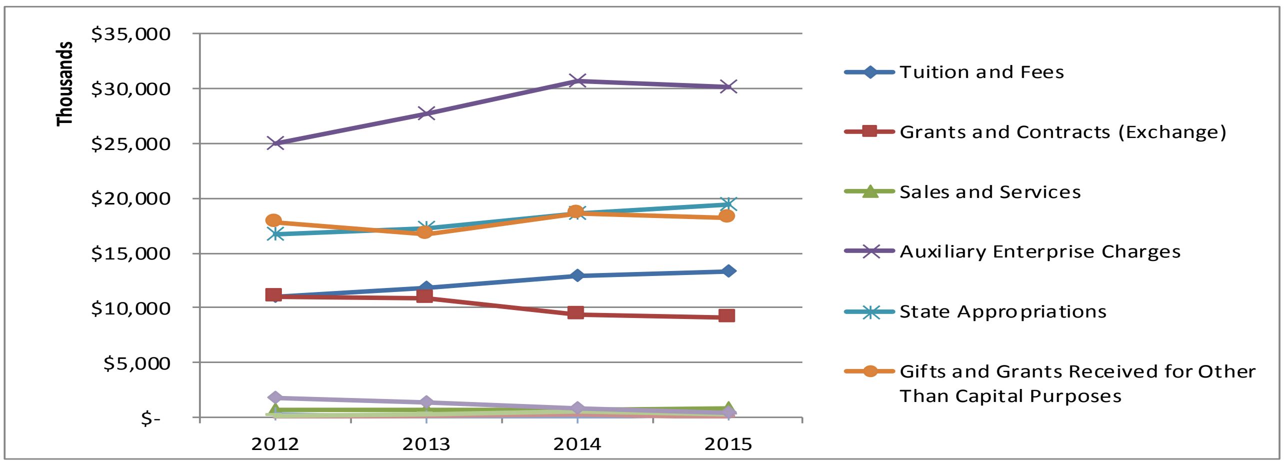
Statement of Cash Flows – Last Five Fiscal Years

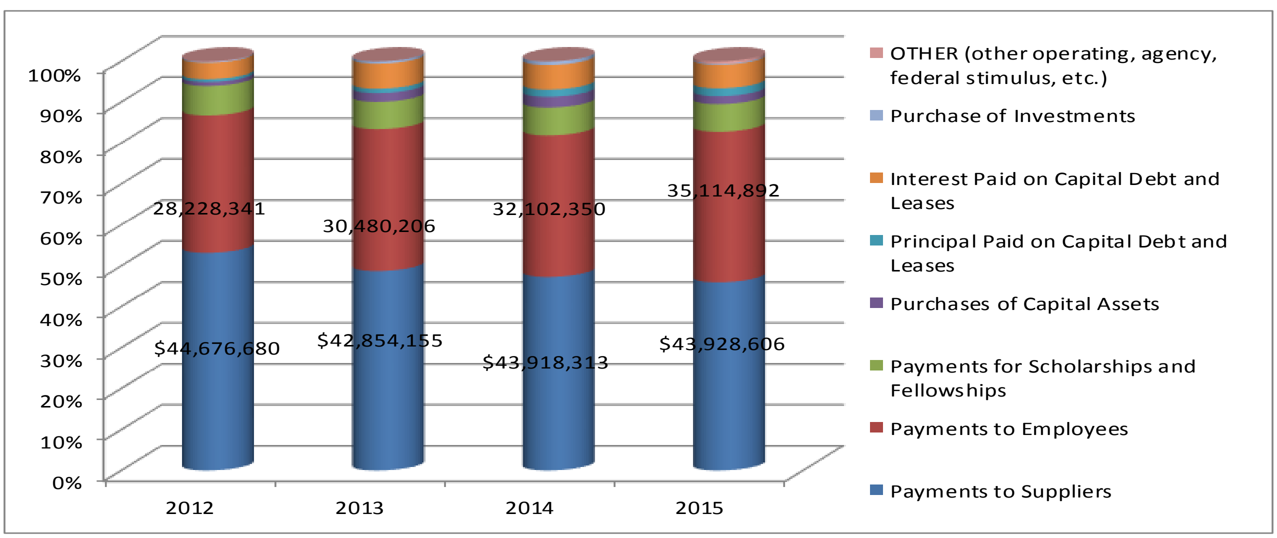
	2011	2012	2013	2014	2015
CASH FLOWS FROM OPERATING ACITIVIES					
Tuition and Fees	$ 8,805,662	$ 10,944,591	$ 11,788,267	$ 12,889,165	$ 13,297,571
Federal Appropriations	-	-	-	-	-
Grants and Contracts (Exchange)	10,666,837	11,017,460	10,852,759	9,355,656	9,091,629
Sales and Services	835,791	744,460	648,561	630,187	802,863
Payments to Suppliers	(35,591,776)	(44,676,680)	(42,854,155)	(43,918,313)	(43,928,606)
Payments to Employees	(27,543,093)	(28,228,341)	(30,480,206)	(32,102,350)	(35,114,892)
Payments for Scholarships and Fellowships	(6,824,220)	(6,005,163)	(5,803,170)	(6,274,498)	(6,406,945)
Loans Issued to Students and Employees	(31,464)	(87,303)	-	(14,614)	-
Collection of Loans to Students and Employees	-	-	37,547	-	55,325
Auxiliary Enterprise Charges:					
Residence Halls	10,292,357	12,157,435	13,530,249	13,786,421	14,091,769
Bookstore	264,685	358,039	308,114	237,939	195,753
Food Services	6,216,811	7,693,380	8,332,364	10,595,285	9,781,762
Parking/Transportation	610,820	604,005	666,551	846,292	711,772
Health Services	591,571	664,923	670,278	652,605	654,665
Intercollegiate Athletics	3,224,590	3,487,385	4,139,302	4,601,210	4,636,768
Other Organizations	36,607	37,206	41,325	33,362	33,199
Other receipts (payments)	(718,642)	1,530,386	1,292,624	360,884	407,791
Net Cash Provided (Used) by Operating Activities	**(29,163,464)**	**(29,758,217)**	**(26,829,590)**	**(28,320,769)**	**(31,689,576)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACITIVITIES					
State Appropriations	17,547,199	16,655,138	17,256,227	18,655,084	19,458,854
Federal Stimulus - Stabilization Funds	(71,244)	-	-	-	-
Agency Funds Transactions	-	246,144	11,124	404,882	(572,007)
Gifts and Grants Received for Other Than Capital Purposes	17,715,818	17,756,135	16,681,034	18,588,068	18,192,138
Other Nonoperating Receipts (Disbursements)	-	-	-	-	6,159
Net Cash Flow Provided by Non-capital Financing Activities	**35,191,773**	**34,657,417**	**33,948,385**	**37,648,034**	**37,085,144**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Gifts and Grants Received	334,235	306,303	-	-	350,821
Proceeds from Sale of Capital Assets	-	-	-	-	-
Purchases of Capital Assets	(1,218,337)	(812,165)	(1,866,324)	(2,436,555)	(1,830,433)
Principal Paid on Capital Debt and Leases	(461,330)	(571,351)	(939,923)	(1,613,321)	(1,826,594)
Interest Paid on Capital Debt and Leases	(2,462,084)	(3,460,092)	(5,454,204)	(5,645,714)	(5,558,917)
Net Cash used by Capital and Related Financing Activities	**(3,807,516)**	**(4,537,305)**	**(8,260,451)**	**(9,695,590)**	**(8,865,123)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sales and Maturities of Investments	457,811	31,488	134,561	261,123	-
Interest on Investments	475,435	178,294	336,187	547,263	241,871
Purchase of Investments	(892,101)	(194,514)	(487,443)	(809,007)	(230,774)
Net Cash Provided (Used) by Investing Activities	**41,145**	**15,268**	**(16,695)**	**(621)**	**11,097**
Net Increase/Decrease in Cash	**2,261,938**	**377,163**	**(1,158,351)**	**(368,946)**	**(3,458,458)**
Cash & Cash Equivalents - Beginning of Year	**8,370,806**	**10,632,744**	**11,009,907**	**9,851,556**	**9,482,610**
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 10,632,744**	**$ 11,009,907**	**$ 9,851,556**	**$ 9,482,610**	**$ 6,024,152**

Cash Flows with Graphs

	2011	2012	2013	2014	2015
Tuition and Fees	$ 8,805,662	$ 10,944,591	$ 11,788,267	$ 12,889,165	$ 13,297,571
Grants and Contracts (Exchange)	10,666,837	11,017,460	10,852,759	9,355,656	9,091,629
Sales and Services	835,791	744,460	648,561	630,187	802,863
Auxiliary Enterprise Charges	21,237,441	25,002,373	27,688,183	30,753,114	30,105,688
State Appropriations	17,547,199	16,655,138	17,256,227	18,655,084	19,458,854
Gifts and Grants Received for Other Than Capital Purposes	17,715,818	17,756,135	16,681,034	18,588,068	18,192,138
Capital Gifts and Grants Received	334,235	306,303	-	-	350,821
Proceeds from Sales and Maturities of Investments	457,811	31,488	134,561	261,123	-
Interest on Investments	475,435	178,294	336,187	547,263	241,871
OTHER (other operating, agency, federal stimulus, etc.)	-	1,776,530	1,341,295	765,766	469,275
	$ 78,076,229	**$ 84,412,772**	**$ 86,727,074**	**$ 92,445,426**	**$ 92,010,710**

	2011	2012	2013	2014	2015
Payments to Suppliers	$ 35,591,776	$ 44,676,680	$ 42,854,155	$ 43,918,313	$ 43,928,606
Payments to Employees	27,543,093	28,228,341	30,480,206	32,102,350	35,114,892
Payments for Scholarships and Fellowships	6,824,220	6,005,163	5,803,170	6,274,498	6,406,945
Purchases of Capital Assets	1,218,337	812,165	1,866,324	2,436,555	1,830,433
Principal Paid on Capital Debt and Leases	461,330	571,351	939,923	1,613,321	1,826,594
Interest Paid on Capital Debt and Leases	2,462,084	3,460,092	5,454,204	5,645,714	5,558,917
Purchase of Investments	892,101	194,514	487,443	809,007	230,774
OTHER (other operating, agency, federal stimulus, etc.)	821,350	87,303	-	14,614	572,007
	$ 75,814,291	**$ 84,035,609**	**$ 87,885,425**	**$ 92,814,372**	**$ 95,469,168**
NET CHANGE IN CASH	**$ 2,261,938**	**$ 377,163**	**$ (1,158,351)**	**$ (368,946)**	**$ (3,458,458)**





For any questions regarding the development of these ratios, please contact Mary H. Loomis, CPA, MPA, Assistant Vice-President, Business & Finance/Comptroller, Savannah State University, MLoomis@SavannahState.edu.

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