



UNIVERSITY CENTER
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David J. Steinberg, President

Memorandum

TO: Long Island University Community
FROM: David J. Steinberg, President
DATE: December 21, 2010

The Audit Committee of the Board of Trustees met on December 2nd and reported to the full Board on December 7th. The University received a 'clean' audit on its financial statements for the fiscal year ended August 31, 2010. Two or three key points reflected in the audit are particularly worth highlighting.

The University's total net assets, the difference between everything the University owns and its liabilities, stood at \$197 million as of August 31, 2010. Ideally that number should be three or four times larger, primarily reflecting a larger endowment. Most of the schools with which we compete have much larger endowments. We talk a great deal about our tuition dependency, which means we lack adequate reserves, a point that both Standard & Poor's and Moody's, the credit rating agencies, observe when they examine our financial health. Moreover, we depreciate our plant assets, valued in our accounting records at just under \$319 million, by approximately \$15 million a year. In an ideal world, we should match this annual depreciation expense by funding \$15 million annually to address deferred maintenance as well as modernization of our equipment and facilities. Our reality is that we can generally only allocate \$5 or \$6 million dollars each year to the most essential repairs, improvements and new facilities because cash flow from our operating activities is insufficient to provide more.

There is also good news in this annual statement: the University ended the year with a surplus of revenue over expenditures of \$8.6 million (just over \$6 million being generated from our General Fund with the balance being generated from designated and restricted funds), an achievement linked to better enrollment than originally budgeted and very stringent budgetary management. None of this could have happened without the extraordinary hard work of many people across the University, and, as I wrote in my earlier memo of November 12, 2010, the University is deeply indebted to you, our dedicated employees. We must remain mindful that every percentage point change in enrollment -- up or down -- represents \$3 million in revenue. A modest excess of \$8 million, therefore, can be eliminated easily by any softness in undergraduate or graduate student enrollment.

The Board instructed the University Officers to use the relatively modest \$6 million General Fund operating surplus for additional plant needs and quasi-endowment. The formula directs three quarters of that amount, or \$4.5 million, to be used for facility and equipment improvements on the campuses and one quarter, or \$1.5 million, to enhance our unrestricted quasi-endowment fund.

Please feel free to contact Rob Altholz, the University's chief financial officer at Robert.Altolz@liu.edu if you would like a copy of the complete audited financial report or would like to discuss any other aspect of last year's financial results with him.

The Board reviewed the final enrollment data that will be reported to the U.S. Department of Education (also known as the IPEDS numbers). Those figures show that overall enrollment is flat. Credits sold to undergraduates increased by 0.2% while credits sold to graduate students declined by 1.7%. (There is substantial enrollment weakness in both Schools of Education.) Thus, the sale of credits -- at the core of our business -- while stable for the last two years is still approximately 4% lower than the levels attained in the fall of 2006 and 2007. As the Queen tells Alice in *Through the Looking Glass*, "...it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!"

Memorandum (continued)

The University's decision to give iPads to new freshmen and transfer students and to offer the device to upperclassmen at special terms has been an important marketing and enrollment inducement, even as it is a vital response to evolving changes in the delivery of instruction. Long Island University was one of the first universities in the nation to do this, and we are now being emulated by many other institutions. As most of you know, the University has made and is continuing to make a major infrastructure investment in technology. My colleagues and I are convinced that the digital revolution has already profoundly changed how education is being delivered. The pace of such change is both breathtaking and exhilarating.

The University has consolidated its teaching centers in the Hudson Valley (Westchester, Rockland and West Point), placing all three under the supervision of Dean Sylvia Blake. New programs and innovative ways of delivering those degrees are being tested there with the hope that they can be models for the other campuses. In the meantime, five existing graduate programs at Brooklyn and Post have been successfully launched as a pilot of blended programs, and an additional ten programs are being reviewed for development as part of a blended/online program.

As you are aware, one of the significant issues which has been presented to all Americans and, necessarily, to the Long Island University community, is the challenge presented by escalating health care costs, an issue that has recently been addressed with the new federal statutory framework enacted into law in 2010. It is incumbent upon us to address that issue and to implement a program for the future that will ensure the well-being of our employees and the economic stability of the University. To that end, the University has been diligently working on a health care proposal which will be presented to all University employees during the Spring 2011 semester, and which will be the subject of collective bargaining during, among other negotiations, the faculty negotiations which will also commence in the Spring 2011 semester. We are confident, after having had an opportunity preliminarily to review the new program, that the interests of the University and our employees will be met, thereby insuring the future economic well-being of the University.

One of our goals in revisiting our health care plans is to add a new institution-wide wellness program. The University depends on each of you and wants to keep you as healthy and productive as possible for years to come. Let me take this opportunity to wish you a joyful holiday season and a healthy and happy 2011.