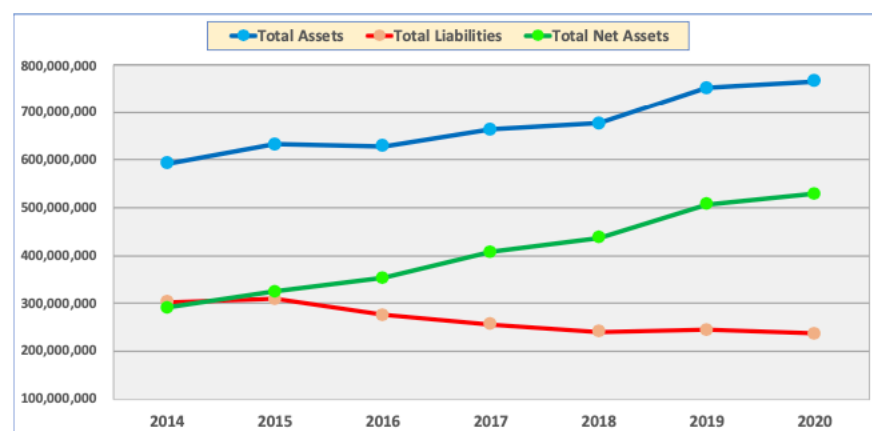


Balance Sheet Overview and Endowment Returns

Balance sheet over time (Source: Audited financial statements):

	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	565,292,501	593,150,804	633,442,455	628,876,766	663,998,663	677,254,568	751,317,388	765,840,212
Total Liabilities	322,608,091	302,144,858	308,767,706	275,527,474	255,770,311	240,225,424	244,451,380	236,525,008
Total Net Assets	242,684,410	291,005,946	324,674,749	353,349,292	408,228,352	437,029,144	506,866,008	529,315,204



Assets (blue line) = Total Liabilities (red line) + Net Assets (green line)

We will later examine how much of the \$529 million of net assets are true reserves

Overall, it is positive that assets and net assets are rising, versus a decline in the red line.

Note that on June 23, 2021, the DASNY (Dormitory Authority of the State of New York) authorized that LIU could borrow up to \$85 million. It is not clear what the purpose of this borrowing is, or whether this borrowing has become official or not.

Source: <https://www.dasny.org/sites/default/files/2021/board/June%2023%2C%202021%20DASNY%20Board%20Agenda.pdf>

Breakdown of Net Assets

	2013	2014	2015	2016	2017	2018	2019	2020
Unrestricted	173,984,366	214,476,084	251,957,831	273,805,610	322,201,022	341,366,641		
Temporarily Restricted	13,976,471	19,206,460	14,316,524	18,546,843	24,153,105	29,606,949		
Permanently Restricted	54,723,573	57,323,402	58,400,394	60,996,839	61,874,225	66,055,554		
Total Net Assets	242,684,410	291,005,946	324,674,749	353,349,292	408,228,352	437,029,144		
Without Donor Restrictions						341,366,641	409,543,296	431,655,405
With Donor Restrictions						95,662,503	97,322,712	97,659,799
Total Net Assets						437,029,144	506,866,008	529,315,204

- Starting in 2019, the official accounting standards for the reporting of net assets changed. LIU reported net assets in the same manner that other private universities reported.
- Note that in 2018, we see that the total of temporarily and permanently restricted net assets (29.6 million + 66.0 million) equal net assets with donor restrictions (95.6 million). We get to see this for 2018 because the 2019 audited statements report both 2019 and 2018.
- In terms of true reserves, the only item we will consider are net assets without donor restrictions, previously reported as unrestricted net assets. However, not all the unrestricted net assets are true reserves, and this category also include the net assets related to capital assets. In other words, some of the unrestricted net asset (without donor restrictions) include both true reserves and net assets that are not part of true reserves.

Asset Breakdown and Investment Return

(Source: Audited financial statements)

Asset distribution	2017	2018	2019	2020
Land, Buildings, & Equipment	299,739,428	297,464,233	297,439,123	313,751,880
Cash and Investments	313,449,269	333,311,466	341,885,847	368,728,654
All Other Assets	50,809,966	46,478,869	111,992,418	83,359,678
Total Assets	663,998,663	677,254,568	751,317,388	765,840,212
	2017	2018	2019	2020
Cash	40,739,057	45,515,276	43,888,107	61,798,473
Investments	272,710,212	287,796,190	297,997,740	306,930,181
Cash and Investments	313,449,269	333,311,466	341,885,847	368,728,654
Investment Breakdown	2017	2018	2019	2020
Fixed Income investments	78,797,834	60,812,556	63,854,162	69,274,219
Equity investments	1,305,855	1,846,652	2,231,208	2,325,069
Multi-strategy alternative investments	191,628,191	225,109,598	231,891,087	235,328,962
Real estate (also alternative)	978,332	27,384	21,283	1,931
Total	272,710,212	287,796,190	297,997,740	306,930,181
% of Total	2017	2018	2019	2020
Fixed Income investments	28.9%	21.1%	21.4%	22.6%
Equity investments	0.5%	0.6%	0.7%	0.8%
Multi-strategy alternative investments	70.3%	78.2%	77.8%	76.7%
Real estate (also alternative)	0.359%	0.010%	0.007%	0.001%
Total	100.0%	100.0%	100.0%	100.0%

	2018	2019	2020
Investment return for operations	6,800,667	10,996,599	13,020,234
Total operating expenses	343,330,994	327,405,941	305,919,989
% of Operating expenses covered	2.0%	3.4%	4.3%

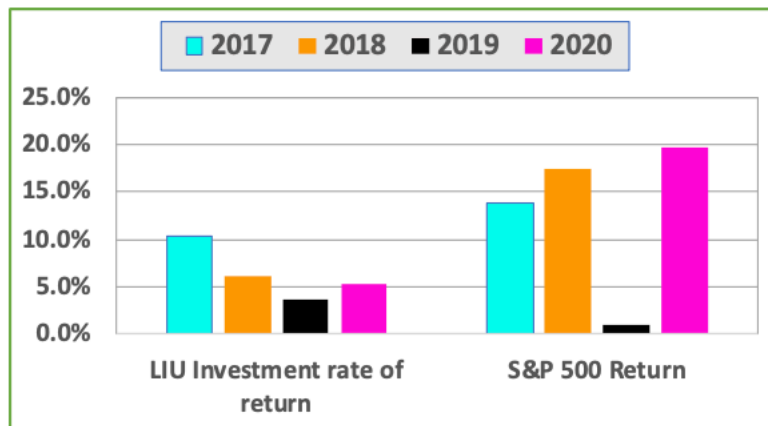
- In 2020, of the 306.9 million of total investments, 242.2 million are in funds of the Endowment
- The investment returns covered 4.3% of total expenses in 2020
- The main revelation from the investment portfolio is that over 3/4th of the portfolio are in the riskiest securities
- This is how the administration defines their investments in multi-strategy investments:

"The University utilizes a multi-strategy limited partnership investment fund whose investment strategy focuses on varied traditional and nontraditional investment opportunities to provide a diversified portfolio for investors. The fund's portfolio is globally diversified and allocated across multiple asset classes, including equities, real assets, commodities/resources, and fixed-income instruments. A majority of the fund's investments include limited partnership interests (subpartnerships) whose investments principally consist of illiquid, nonpublicly traded securities. Other fund investments include exchange-traded funds and derivative contracts."

It is clear that these multi-strategy investments are not plain vanilla mutual funds. We will now examine the investment performance of the LIU portfolio versus the S&P 500.

	2017	2018	2019	2020
Dividends and Interest	2,019,020	2,437,766	2,588,883	2583103
Realized and unrealized gains and losses	15,365,388	14,375,645	7,970,632	13099683
Total Investment Return	17,384,408	16,813,411	10,559,515	15,682,786
Beginning Balance in Investments	168,131,868	272,710,212	287,796,190	297,997,740
LIU Investment rate of return	10.3%	6.2%	3.7%	5.3%
S&P 500 Return	13.9%	17.4%	0.9%	19.6%

LIU returns were inferior to the S&P in three of the four years.



From 2017 to 2020:

- S&P 500 return = 61.2%
- LIU investment return = 35.9%
- Average annual S&P return = 12.9%
- Average annual LIU return = 6.4%

The administration will claim:

- You do not understand the intricacies of investing, and how our diversified portfolio is the best strategy, as we consult with investment and portfolio experts
- We outperform every metric or benchmark we come up with

However, the bottom line is clear: investing in risky securities is not working for LIU, and a plain vanilla investment strategy would be far superior to whatever it is that LIU is doing now.

To understand the reserves in context, we compare the level of reserves to total operating expenses:

	2013	2014	2015	2016	2017	2018	2019	2020
Unrestricted Reserves	34,919,351	40,469,044	50,992,278	70,518,539	122,316,930	144,373,272	175,348,819	195,200,357
Total Operating Expenses	372,738,074	356,052,060	355,943,593	355,479,048	343,447,900	343,330,994	327,405,941	305,919,989
Primary Reserve Ratio	9.4%	11.4%	14.3%	19.8%	35.6%	42.1%	53.6%	63.8%
Number of Months in reserve	1.1	1.4	1.7	2.4	4.3	5.0	6.4	7.7

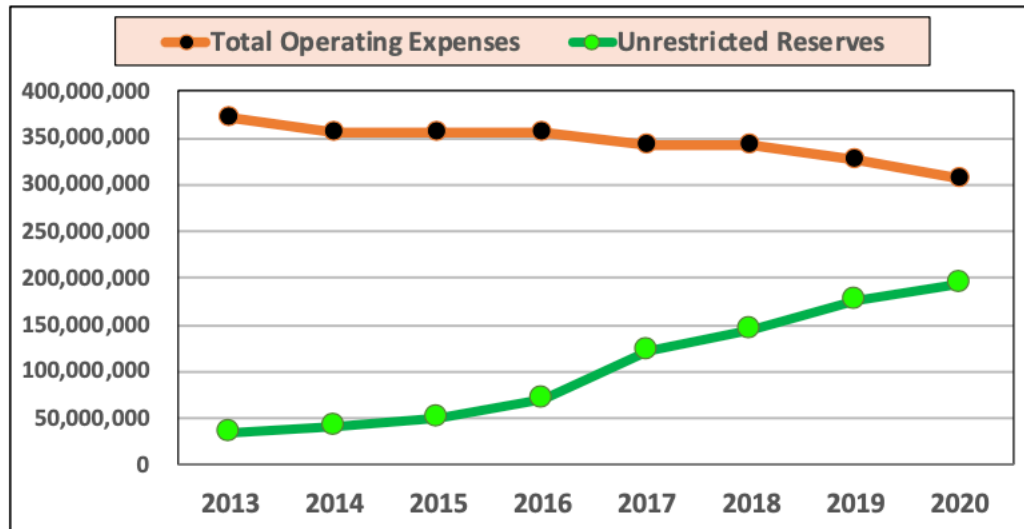
Primary reserve ratio = Unrestricted reserves / Total operating expenses

In 2020, $195,200,357 / 305,919,989 = 63.8\%$

The number of months in reserves = primary reserve ratio * 12

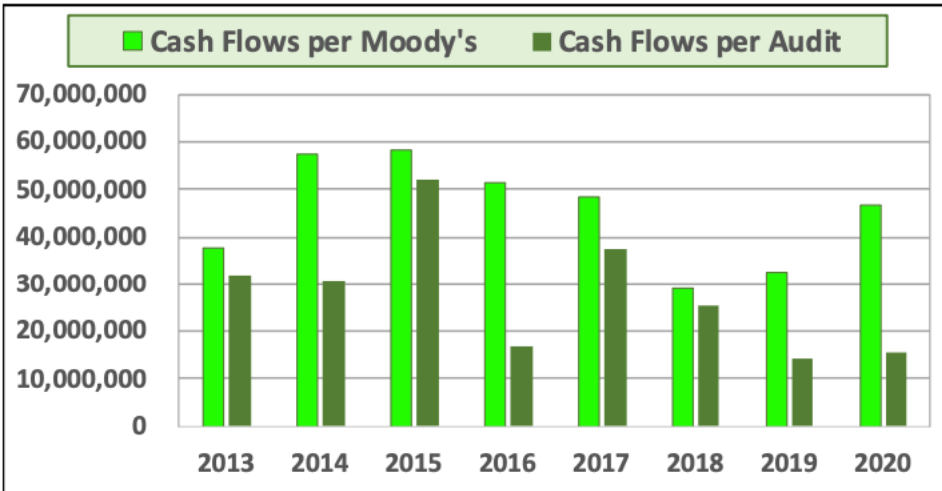
For 2020, $7.7 \text{ months} = 63.8\% * 12$

Using the Moody's ratio framework (the full Moody's analysis will be reported below), we will see that a primary reserve ratio of 63.8% is considered good for a private university, though there are several levels above this. For examples, Ivy League institutions often have reserve ratios above 300%, and that would earn them a primary reserve score of Aa or Aaa. For LIU, the 63.9% is equivalent to Baa, which is the current bond rating for LIU.



- It is clear that while operating expenses (we will examine the details later) are declining, reserves are increasing
- Therefore, the primary reserve ratio is growing, as the numerator (green line) gets bigger while at the same time, the denominator (orange line) is declining

Cash flows graphically:



Given the decline in enrollment we will examine later, as well as the pandemic, it is very significant that LIU still has positive cash flows. This is a main reason why the bond rating was upgraded in March of 2021

Therefore, LIU has:

- Operating Cash flow positive every year
- Reserves growing every year
- Cash and investments growing every year

These are the main reason the bond rating was increased in March 2021, even amid a pandemic.

Conclusion of reserves and cash flows:

LIU has a solid level of reserves, and the reserves are growing over time.

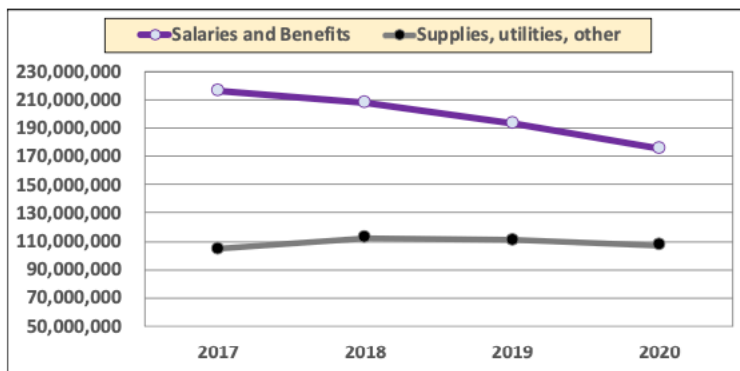
In addition, these reserves are growing because cash inflows are greater than cash outflows.

The cash flows are mentioned as a positive development in the March 2021 bond rating.

Lastly, the third part of the story is cash and investments; these are growing as well.

From the March 2021 Moody's rating:

"The positive outlook reflects Moody's expectations for continued strong operating cash flows of around 13-16%, leading to further growth in total wealth and unrestricted liquidity, and stabilizing enrollment beginning in fall 2021."



Functional Expense Distribution Using Standard Categories
(Source: Notes to the financial statements)

In terms of what is in each category, IPEDS has a glossary at: <https://surveys.nces.ed.gov/ipeds/VisGlossaryAll.aspx?>

- Instruction is purely us; institutional support is all administration, and upper-level administration
- Academic support is a mixture of administrative and instructional functions, as the library and librarians are in the academic support category, along with the deans
- Student services is also a mixture of administrative and non-admin components
- Auxiliaries is housing, dining, bookstore, student union, parking, etc.
- Public service is mostly media

	2017	2018	2019	2020
Instruction	156,387,041	155,774,401	144,285,074	137,398,726
Academic support	55,295,602	57,654,142	56,959,007	46,280,690
Institutional support	46,293,349	43,511,422	42,443,749	40,894,214
Student services	49,583,715	48,103,902	46,602,887	45,017,844
Auxiliaries	30,140,532	30,789,160	31,305,491	29,650,141
Public service	3,441,368	3,536,669	3,455,230	4,726,721
Research	2,306,293	2,403,687	2,354,503	1,951,653
Total Expenses	343,447,900	341,773,383	327,405,941	305,919,989
Percent of Total	2017	2018	2019	2020
Instruction	45.5%	45.6%	44.1%	44.9%
Academic support	16.1%	16.9%	17.4%	15.1%
Institutional support	13.5%	12.7%	13.0%	13.4%
Student services	14.4%	14.1%	14.2%	14.7%
Auxiliaries	8.8%	9.0%	9.6%	9.7%
Public service	1.0%	1.0%	1.1%	1.5%
Research	0.7%	0.7%	0.7%	0.6%
Total Expenses	100.0%	100.0%	100.0%	100.0%
Annual % Changes	2017 to 18	2018 to 19	2019 to 20	2017 to 20
Instruction	-0.4%	-7.4%	-4.8%	-12%
Academic support	4.3%	-1.2%	-18.7%	-16%
Institutional support	-6.0%	-2.5%	-3.7%	-12%
Student services	-3.0%	-3.1%	-3.4%	-9%
Auxiliaries	2.2%	1.7%	-5.3%	-2%
Public service	2.8%	-2.3%	36.8%	37%
Research	4.2%	-2.0%	-17.1%	-15%
Total Expenses	-0.5%	-4.2%	-6.6%	-11%

Note that instruction expenses are less than ½ of total expenses

Overall, instruction and institutional support (admin) have gone down similar percentages

These expense items include salaries, benefits, depreciation, and interest. Therefore, we will next examine the salary and benefits components of these expense items

Upper-Level Administration Compensation

IPEDS reports the number of management employees, but due to changes in reporting, we cannot make any inferences about the number or salaries of management employees per IPEDS.

PER IPEDS	2017	2018	2019	2020
Number of Management Employees	155	140	289	329
Total Salaries Paid	\$12,314,578	\$11,594,892	\$11,766,733	\$33,177,866
Average Management Salary	\$79,449	\$82,821	\$40,715	\$100,845

There is no way the number of management employees doubles from 2018 to 2019, and there is no way the average salary was only \$40,715 in 2019. Therefore, this data is not reliable.

We will analyze the top administrative W-2 compensation per the IRS 990:

	2016	2017	2018	2019
President	\$785,644	\$780,429	\$814,574	\$1,740,516
SVP Academic Affairs				\$546,586
Dean Pharmacy/VP LIU Health		\$322,481	\$429,484	\$418,024
VP, COO, University Counsel	\$375,057	\$381,423	\$391,580	\$395,176
Head Men's Basketball Coach				\$390,587
VP Unive Counsel & SEC			\$233,665	\$390,271
VP and CFO	\$350,348	\$360,006	\$372,834	\$389,053
SR VP Academic Affairs (former 2018)	\$371,363	\$376,683	\$384,276	\$376,170
VP Info Tech and CIO	\$302,762	\$312,300	\$330,179	\$345,272
VP Univ Advancement			\$232,471	\$252,150
VP Academic Affairs		\$238,787	\$246,778	\$246,587
Provost LIU Post				\$206,280
Chief of Admin & Student Affairs	\$132,038	\$318,408	\$302,475	\$115,021
VP Univ Advancement (2017/19 part year)	\$288,916	\$199,880		\$100,333
VP Enrollment & Campus Life	\$256,788			
Assoc Dean, Prof Affairs Pharm	\$555,750			
Assoc VP Finance & Controller			\$307,351	
Dean, College of Management			\$310,583	
Past President	\$509,613	\$344,242		
Number of People	10	10	12	14
Total Dollars	\$3,928,279	\$3,634,639	\$4,356,250	\$5,912,026
Mean	\$392,828	\$363,464	\$363,021	\$422,288
Median	\$360,856	\$333,362	\$320,381	\$382,612
Average Salary, All Ranks Faculty	\$97,039	\$96,504	\$102,500	\$104,922

In 2019, the President received \$853,897 in base compensation and \$886,619 in other W-2 compensation

Top Contractors per IRS 990

Name	Type	2017	2018	2019
Aramark	Food Service	\$10,481,498	\$10,607,085	\$22,131,882
Allied University Security	Security	\$4,687,194	\$4,197,549	\$4,217,244
AA Maintenance	Janitorial Services	\$3,719,526	\$12,577,795	\$12,922,685
Matassa Construction	General Contractor			\$4,304,812
FPF Construction	Construction Contractor			\$1,585,361
TJN Corp	Electrical	\$2,664,141	\$2,352,775	
OCS Builders Group			\$2,089,771	
Global Endowment Mgmt	Investment Mgr	\$960,718		
# of Independent Contracts who received more than \$100,000		57	65	53