Vanderbilt’s 2015 annual report was released on October 22, 2015 after the audit committee approved it that day. What should interest a faculty member about the annual report? This article represents a summary of the key parts of the annual report to which a faculty member might turn. As Brett Sweet, Vice Chancellor for Finance and Chief Financial Officer noted, “We welcome faculty reading our financials and, especially, the Financial Overview. This discussion is intended to inform an individual with a baseline acquaintance with financial concepts about the University’s performance. While the notes to the financial statements, an integral component of the report, are often more appreciated by certified public accountants, the Financial Overview is directed to the general interest reader.” Here are the key 10 pages of the annual report of interest for the typical faculty member. To see the entire annual report, click here: https://finance.vanderbilt.edu/report/.

Letter from the Chancellor (page 3). This letter, new every year, highlights key achievements and challenges of the institution. In this year’s letter Chancellor Zeppos highlights the 2015 $50 million Trans-institutional Initiative Program launch and Vanderbilt’s Chancellor Faculty Fellows program and Opportunity Vanderbilt. He also recognizes the challenges of dwindling federal support, decreased reimbursements in funding for health care, and other matters. Regarding healthcare and Vanderbilt’s reorganization, he notes, “We are giving careful consideration to how we can best allow the clinical enterprise the flexibility required to remain competitive in today’s rapidly changing health care environment while simultaneously buffering the University from the business risks inherent with today’s health care landscape.”

Vanderbilt University Statistics (page 4). This one page summary presents a wealth of information about the school, such as how many students (6,851 undergraduates; 5,835 graduate and professional students), how many applicants (29,518), the undergraduate six-year graduation rate (92.0%), how many emergency visits to the hospital (121,663), how many LifeFlight (helicopter) missions (1,547), how many full-time faculty (3,740), the market value of the endowment ($4.093 billion), and much more. Chances are that many questions you may get as a Vanderbilt faculty member are answered here.

Financial Overview (pages 5 to 12). This section discusses Vanderbilt’s liquidity (nearness to cash) position, the drivers of revenues and expense changes since last year, financial aid (including the economics of Opportunity Vanderbilt), grants and contracts research funding details, the healthcare economics of VUMC and the endowment’s performance for fiscal 2015. The final page of this section, titled “Financial Ratios,” highlights six of the key metrics investors use to assess Vanderbilt’s financial health. This page shows the trends over the past five years. Time trends are an important means of assessing whether a given ratio is moving in a desirable or undesirable direction. For example, “Expendable Net Assets to Debt” measures Vanderbilt’s leverage. The goal is for the ratio to be at least 2.0 (as stated in the annual report). In 2015 the ratio was stable with 2014 at 3.1. “Debt Service Coverage Ratio” shows a positive trend as well at 4.3. Think of this ratio as how much you earn as a multiple of your mortgage payment—if you earn $1,000 a month and your monthly mortgage payment is $500 a month then your debt service coverage ratio is 2—you earn two times what your monthly mortgage payment is. If your mortgage payment were $100 then you debt service coverage ratio is 10. So, just as in the case of “Expendable Net Assets to Debt,” bigger numbers are “better.” They indicate a more solid financial position. Larger is not better for all ratios, however, so context and interpretation of the ratios are important. For example, turning to “Debt Service Burden” the smaller the better. This
year’s ratio for Vanderbilt is 2.2%, down from 2.9% in 2011 and continuing a steady downward decrease from that year—a desirable trend. This ratio’s description in the annual report indicates it is the “percent of the annual operating budget devoted to servicing outstanding debt.” So, returning to our mortgage example and considering a monthly ratio we see that in the first case the “Debt Service Burden” for a household with a monthly income of $1,000 and a monthly mortgage (and no other debt) of $500 is 50%. For a household with the same monthly income but a mortgage of $100 the “Debt Service Burden” is 10%. So lower is definitely preferable. The six key ratios for Vanderbilt are explained with plain English interpretations to aid the reader in understanding what they mean. The Securities and Exchange Commission, which oversees all financial reporting of public companies, publishes a handbook on writing disclosures in “plain English.” Financial disclosures are supposed to be clear and understandable for the average reader. Want more information? The Chancellor will hold a town hall on Vanderbilt’s balance sheet on December 1 from 2:10 p.m. to 4:00 p.m. (location to be announced).