Financial Assessment & Risk Monitoring Program

RISK METRIC BENCHMARKS

Learn more about each of the 12 risk metrics and their respective benchmarks.

This guide breaks down the risks into three sections, Internal Risks, External Risks, and Compliance Risks.

INTERNAL RISKS

Financial Performance

Evaluates the financial stability of an institution based on the composite score over the past three years.

Financial Performance — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Average Composite Score greater than 7.0	3 Year Average Composite Score greater than 4 and less than 6.99	3 Year Average Composite Score greater than 1 and less than 3.99	3 Year Average Composite Score less than 0.99

Cash Management

Assesses the change in cash and cash equivalents over three years, indicating liquidity and cash flow management.

Cash Management — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Change in Cash and Cash Equivalents: increase or reduction less than five percent (5%)	3 Year Change in Cash and Cash Equivalents: reduction greater than five percent (5%), less than ten percent (10%)	3 Year Change in Cash and Cash Equivalents: reduction greater than ten percent (10%), less than twenty percent (20%)	3 Year Change in Cash and Cash Equivalents: reduction greater than twenty percent (20%)

Cost Control

Measures the change in operating expenses over three years, reflecting the institution's ability to manage costs.

Cost Control — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Change in Operating Expense: reduction or increase less than five percent (5%)	3 Year Change in Operating Expense: increase greater than five percent (5%), less than ten percent (10%)	3 Year Change in Operating Expense: increase greater than ten percent (10%), less than twenty percent (20%)	3 Year Change in Operating Expense: increase greater than twenty percent (20%)

Financial Reserves

Compares financial reserves to total debt for the surveyed year, indicating the institution's financial buffer.

Financial Reserves — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
Financial Reserves greater than or equal to 125% compared to total debt, or no debt	Financial Reserves greater than 100%, less than 125% compared to total debt	Financial Reserves greater than 100%, less than 75% compared to total debt	Financial Reserves less than 75% compared to total debt

EXTERNAL RISKS

Revenue Growth

Evaluates the change in operating revenue over three years, indicating growth or decline in financial resources.

Revenue Growth — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Change in Operating Revenue: increase or decrease less than five percent (5%)	3 Year Change in Operating Revenue: reduction greater than five percent (5%), less than ten percent (10%)	3 Year Change in Operating Revenue: reduction greater than ten percent (10%), less than twenty percent (20%)	3 Year Change in Operating Revenue: reduction greater than twenty percent (20%)

Enrollment

Analyzes the change in student enrollment over three years, indicating the institution's ability to attract and retain students.

Enrollment — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Change in Enrollment: change is positive, or decreased less than five percent (5%)	3 Year Change in Enrollment: reduction greater than five percent (5%), less than ten percent (10%)	3 Year Change in Enrollment: reduction greater than ten percent (10%), less than twenty percent (20%)	3 Year Change in Enrollment: reduction greater than twenty percent (20%)

Tuition Reliance

Measures the percentage of total revenue derived from tuition over three years, indicating dependency on tuition income

Tuition Reliance — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Average Tuition Revenue: less than seventy-five percent (75%) of operating revenue	3 Year Average Tuition Revenue: greater than seventy-five percent (75%), less than eighty percent (80%) of operating revenue	3 Year Average Tuition Revenue: greater than eighty percent (80%), less than eighty-five percent (85%) of operating revenue	3 Year Average Tuition Revenue: greater than eighty-five percent (85%) of operating revenue

Investment Management

Measures the change in investments over three years, indicating the maintenance of investment funds.

Investment Management — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
3 Year Change in Unrestricted Liquid Investment Income: increase or reduction less than five percent (5%)	3 Year Change in Unrestricted Liquid Investment Income: reduction greater than five percent (5%), less than ten percent (10%)	3 Year Change in Unrestricted Liquid Investment Income: reduction greater than ten percent (10%), less than twenty percent (20%)	3 Year Change in Unrestricted Liquid Investment Income: reduction greater than twenty percent (20%)

COMPLIANCE RISKS

Audit Findings

Evaluates the outcome of audit findings, indicating the institution's compliance and control effectiveness.

Audit Findings — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
No findings	Audit findings	Recurring audit findings in consecutive years	Findings that resulted in funding holds, escalated audits, regulatory actions, or loss of eligibility for certain funding streams

Debt Covenants

Assesses how, and if, debt covenants have been met over the past three fiscal years, indicating financial health and adherence to borrowing terms.

Debt Covenants — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
No debt covenant	Debt covenant in compliance	Noncompliant with debt covenant during the three most recently completed fiscal years	Noncompliant debt covenant in the current (unaudited) fiscal year

Credit Rating

Measures the institution's creditworthiness based on credit ratings, indicating financial stability and risk.

Credit Rating — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
Investment grade rating (AAA to BBB-), or no debt	Not rated, or withdrawn rating	Speculative rating (BB to CCC)	Credit risk (CC), default (D), or breach

Debt Affordability

Assesses the ratio of debt service to annual operating expenses, indicating the institution's debt burden.

Debt Affordability — risk levels from least risk to greatest risk

LEAST RISK	MINIMAL RISK	MODERATE RISK	GREATEST RISK
No debt, or debt service less than or equal to five percent (5%) of annual operating expenses	Debt service greater than five percent (5%), less than ten percent (10%) of annual operating expenses	Debt service greater than ten percent (10%), less than fifteen percent (15%) of annual operating expenses	Debt service greater than fifteen percent (15%) of annual operating expenses