

FY 2020

ANNUAL

FINANCIAL

REVIEW

ABOUT THIS REPORT

The purpose of this analysis is to assist the board in evaluating the financial position of Arizona's three public universities: Arizona State University, Northern Arizona University, and University of Arizona. The analysis uses general credit factors used by Moody's to assess an institution's financial health. The ratios referenced in this report highlight each university's relationship with the state, balance sheet position, operating performance, debt position, and market position. The analysis addresses the following questions through the presentation of relevant financial ratios covering a five-year period from FY 2016 – FY 2020 (FY 2019 for national data and FY 2018 for Peer comparisons, which are the latest dates available).

1. How has the composition of revenue changed over time?
 - a. University revenues by source
 - b. State general fund appropriations as a percent of total revenues
 - c. Net tuition and fee revenues as a percent of total revenues
2. Is spending per student increasing or decreasing over time?
 - a. Education and General (E&G) expenses per FTE student
3. Have spendable assets kept pace with expenses?
 - a. Spendable Cash and Investments to Operating Expenses
 - b. Operating Margin Ratio
4. Are there enough financial resources to cover debt obligations as they come due?
 - a. Debt Service Coverage Ratio
5. Given the increasing reliance on tuition and fee revenues as a major revenue source, and coupled with a shrinking pipeline, will demand for attending the universities remain steady?
 - a. Primary Market Selectivity
 - b. Primary Market Matriculation

KEY INDICATORS

STATE GENERAL FUND AS A PERCENT OF TOTAL REVENUES (GF/Total Rev)

- Measures the level of dependence on state appropriations and other revenue sources.

EDUCATION AND GENERAL (E&G) EXPENSE PER FTE STUDENT (E&G/FTE)

- Measures institutional spending on all activities except for self-supporting enterprises (auxiliaries such as housing and dining, parking, athletics, etc.), research, depreciation and scholarship allowances and expenses. Because revenue is a constraint on costs, E&G expenses are largely determined by available revenue. This metric is often used in conjunction with outcome measures such as graduation rates, retention rates, etc.

SPENDABLE CASH AND INVESTMENTS/TOTAL OPERATING EXPENSES

- Measures the extent to which a university can meet operating expenses without receiving new revenue sources. If the ratio is low, the university lacks spendable funds to meet temporary cash shortages, an emergency, or potential deficit situation. If the ratio is 1.0 the university can meet 100 percent of its annual operating expenses. The median of all public universities (Moody's) between 2016 and 2020 ranged from .63 to .68.

OPERATING MARGIN RATIO (operating surplus (deficit)/total operating revenue)

- Measures operating performance and reflects a university's ability to balance operations in any given year. A university with a higher operating margin ratio has greater financial strength and can easily pay its fixed costs and interest on debt. In addition, a university with a higher operating ratio can better withstand an economic downturn, maintain lower tuition rates and fund quasi-endowments to support educational, research and public service activities. The median of all public universities (Moody's) between 2016 and 2019 ranged from a high of 2.5% in 2016, to a low of 1.4% in 2017. In 2019, the median OMR was 1.5%.

KEY INDICATORS

DAYS CASH ON HAND:

- Measures the number of days that the university can continue to pay its operating expenses given the amount of cash available. Moody's views the ability to maintain an adequate days cash a credit positive when assessing the credit risk of higher education institutions. The ABOR established guideline is to maintain the Monthly Days Cash on Hand ratio within plus or minus 25 percent of Moody's most currently published (FY 2019) median among rated public colleges and universities. For 2020, the board's range is between 116 and 193 days, with 154 days as median.

DEBT SERVICE COVERAGE RATIO (DSCR) (operating cash flow/debt service)

- Measures the ability of the university to make debt service payments from annual operating revenues. A ratio of one or above indicates that there are enough funds to cover upcoming debt service payments, while a ratio of below one warns of the potential inability to fully repay debt obligations. The higher the ratio, the easier it is to obtain favorable financing. Most importantly, creditors can use the DSCR at the outset when deciding whether and how much to lend. The median of all public universities (Moody's) between 2016 and 2019 averaged 2.4.

PRIMARY MARKET SELECTIVITY (Student Demand: number of acceptances/number of applicants)

- Measures initial student demand. A low selectivity rate and a high yield generally indicate strong demand: the university has more applicants than places in the entering class. As a sector, public colleges and universities have become slightly less selective over time as institutions sought to increase revenues, especially those from out-of-state who often pay higher tuition rates, and as the pipeline for in-state students declines. The median of all public universities (Moody's) between 2016 and 2020 ranged from 72%-74%.

PRIMARY MARKET MATRICULATION (Enrollment Ratio: number of admissions/number of acceptances)

- Measures final student demand, measuring the percent of students admitted who actually attend the university. This ratio helps with enrollment management and in estimating enrollment growth and subsequent tuition and fee revenues. The median of all public universities (Moody's) ranged from 33% in FY 2016 to 29% in FY 2019.

ARIZONA STATE UNIVERSITY

TOTAL REVENUE BY SOURCE

Between 2016 and 2020:

- ASU's revenues grew 30 percent from \$2.289 billion to \$2.972 billion.
- State support increased 19 percent, although state support as a percent of total revenues decreased from 13 percent to 12 percent.
- As a percent of total revenues, net tuition and fee revenues increased from 51 percent to 52 percent.
- Net tuition and fees increased 34 percent from \$1.158 billion to \$1.551 billion.
- Gifts, Grants and Contracts increased 32 percent, from \$569.7 million to \$753.0 million. As a percent of total revenues, GGC remained constant at approximately 25 percent.

UNIVERSITY NET POSITION

- ASU's net position increased 12 percent between FY 2016 and FY 2020 (20 percent without GASB adjustments). During that period, the impact on total net position from GASB adjustment for public pension liability/OPEB increased from \$503.5 million to \$715.1 million.

KEY INDICATORS

ENROLLMENT

- Between FY 2016 and FY 2020, ASU's FTE enrollment increased 25 percent from 88,743 in FY 2016 to 110,548 in FY 2020. ASU realized the largest growth in nonresident students which increased 38 percent for undergraduate students and 43 percent for nonresident graduates. Resident undergraduate and graduate FTE enrollment increased 15 percent and 8 percent, respectively between those years. For Fall 2019 (FY 2020) online students represented 27 percent of total student FTE.

EDUCATION AND GENERAL EXPENSES (E&G) per FTE Student

- ASU's E&G expenses per student increased 7 percent, from \$16,077 in FY 2016 to \$17,145 in FY 2020, equating to an average annual increase of 1.6 percent per year between FY 2016 – FY 2020. Compared to peer institutions, ASU's E&G per FTE are below peers ranging between 61 percent to 66 percent of peer median between FY 2016 and FY 2019.

ARIZONA STATE UNIVERSITY

SPENDABLE CASH AND INVESTMENTS (SCI) / TOTAL OPERATING EXPENSES (TOE)

- ASU's SCI/TOE ratio dipped slightly in FY 2020, but remained relatively steady between FY 2016 and FY 2020 at between .70 and .65, which tracks with all public university median. Between 2016 and 2019 the all public universities median was between .63 and .68.

OPERATING MARGIN RATIO (OMR)

- ASU's OMR is consistently higher than the median of all public universities. ASU's OMR reached a high of 6.7% in FY 2016, but has decreased to 2.8% in FY 2020. The all public universities median was between 2.5% and 1.5% between FY 2016 and FY 2019.

MONTHLY DAYS CASH ON HAND

- At 147 days in FY 2020, ASU is within the board's established range of 116 to 193 days, with 154 days as the median.

DEBT SERVICE COVERAGE RATIO (DSC)

- ASU's DSC ratio has remained consistently above 2.0, ranging from 2.86 in FY 2016 to 2.08 in FY 2020, and tracks with all public universities median range for those years. This means that ASU could more than cover 100 percent of its debt service payments with annual operating cash flow.

PRIMARY MARKET SELECTIVITY AND MATRICULATION

- ASU saw an increase in the number of students accepted to the university from 76 percent in FY 2016 to 82 percent in FY 2020, although the proportion of students admitted who actually enrolled averaged 37 percent, between FY 2016 and FY 2019, dipping slightly in FY 2020 to 33 percent. All public universities matriculation decreased from 33 percent in FY 2016 to 29 percent in 2019.

ARIZONA STATE UNIVERSITY

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2016	2017	2018	2019	2020	2020 Budget
State	292,807	308,103	320,257	328,776	348,954	342,900
Tuition and Fees, Net	1,157,535	1,250,828	1,323,268	1,423,052	1,550,581	1,535,800
Gifts, Grants & Contracts	569,713	568,755	638,944	702,081	753,004	702,400
Other Revenue	268,973	314,157	301,312	351,950	318,980	330,700
Total Revenue	2,289,028	2,441,843	2,583,781	2,805,859	2,971,519	2,911,800
Total Expenses	2,180,524	2,342,470	2,520,707	2,720,456	2,964,844	2,870,500
Net Increase	108,504	99,373	63,074	85,403	6,675	41,300
State as a % of total	13%	13%	12%	12%	12%	12%
T&F as % of total	51%	51%	51%	51%	52%	53%

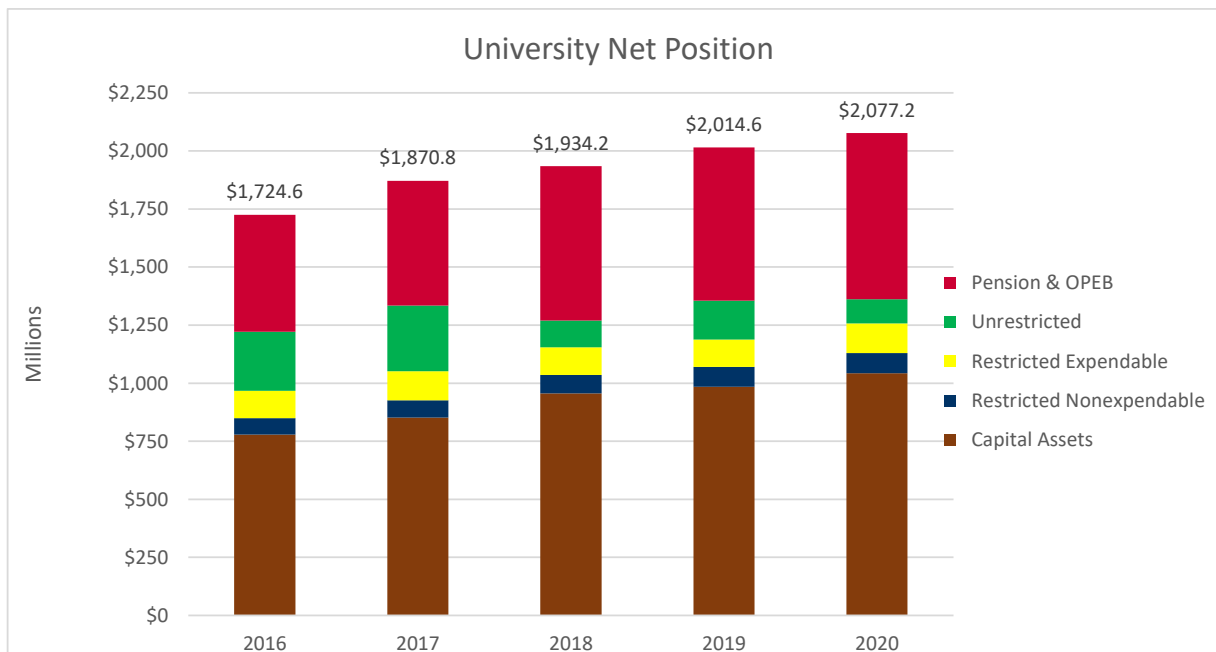
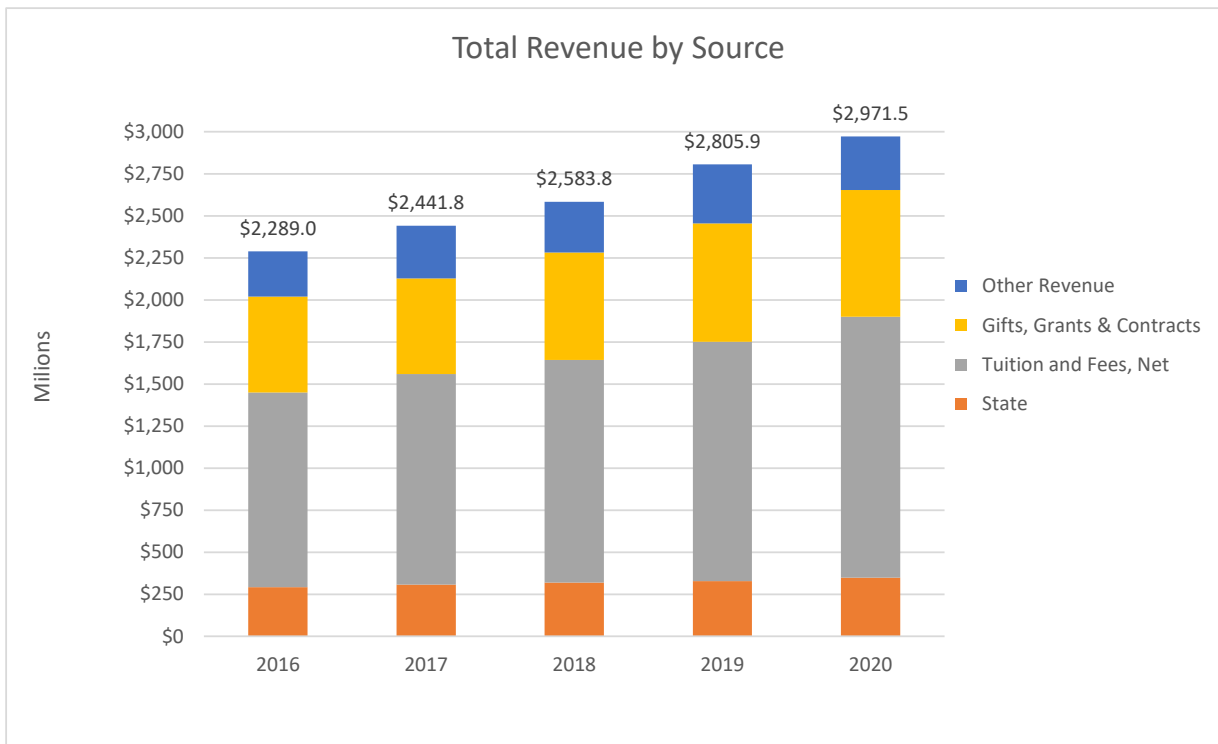
University Net Position	2016	2017	2018	2019	2020
Capital Assets	778,867	852,262	956,220	985,149	1,042,673
Restricted Nonexpendable	70,544	74,102	78,813	84,714	87,497
Restricted Expendable	117,977	124,703	119,410	118,626	127,614
Unrestricted	253,728	282,765	115,542	166,899	104,279
Total Net Position	1,221,116	1,333,832	1,269,985	1,355,388	1,362,063
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,724,590	1,870,764	1,934,193	2,014,580	2,077,161

University Unrestricted Net Position	2016	2017	2018	2019	2020
Unrestricted (with GASB)	253,728	282,765	115,542	166,899	104,279
Pension & OPEB	503,474	536,932	664,208	659,192	715,098
Unrestricted Net Position (unadjusted)	757,202	819,697	779,750	826,091	819,377

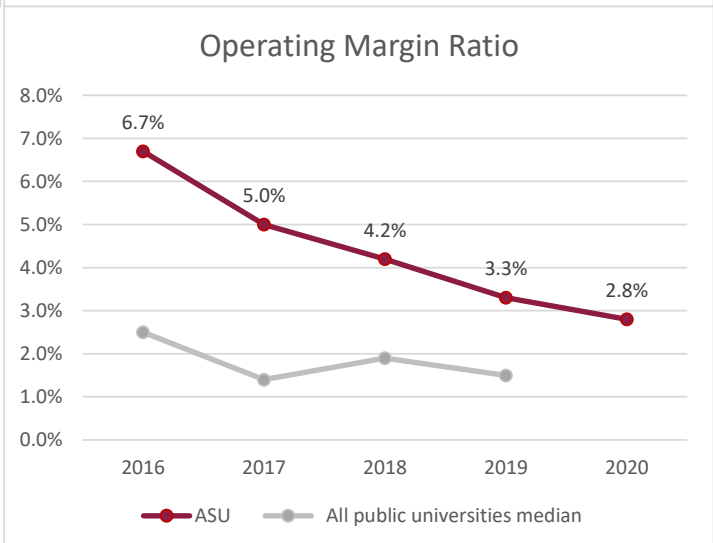
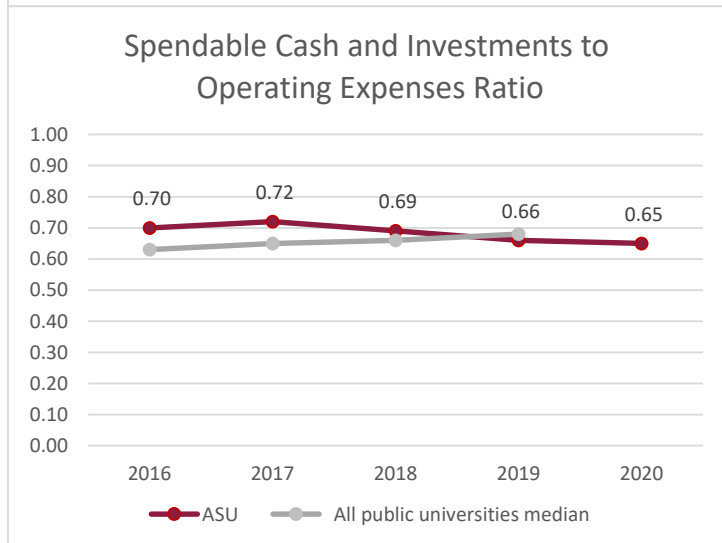
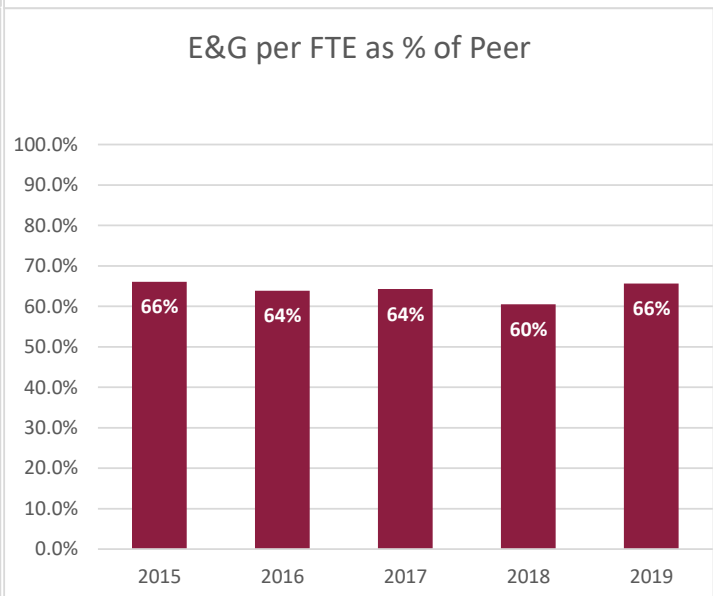
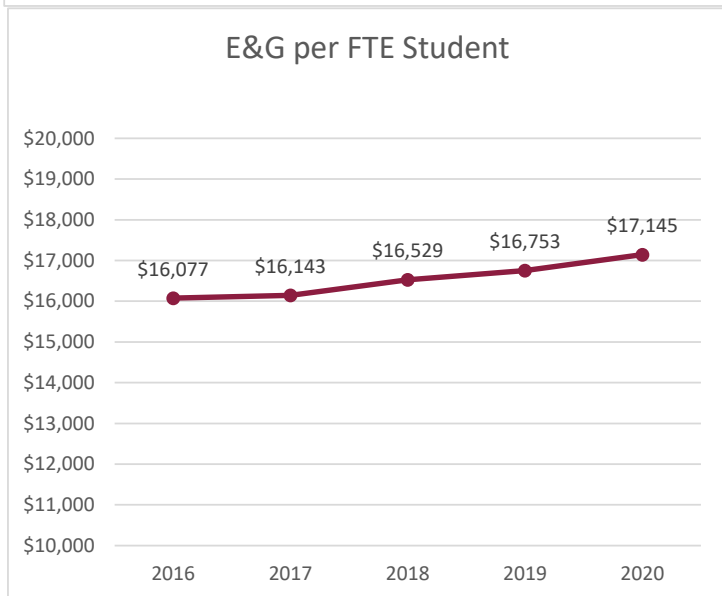
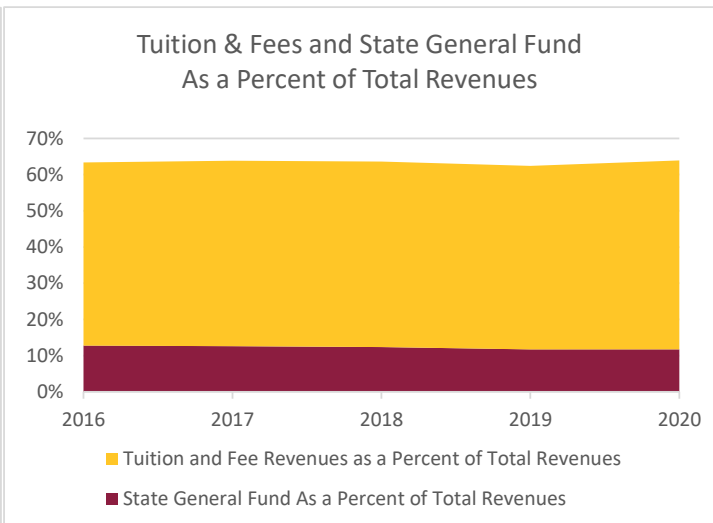
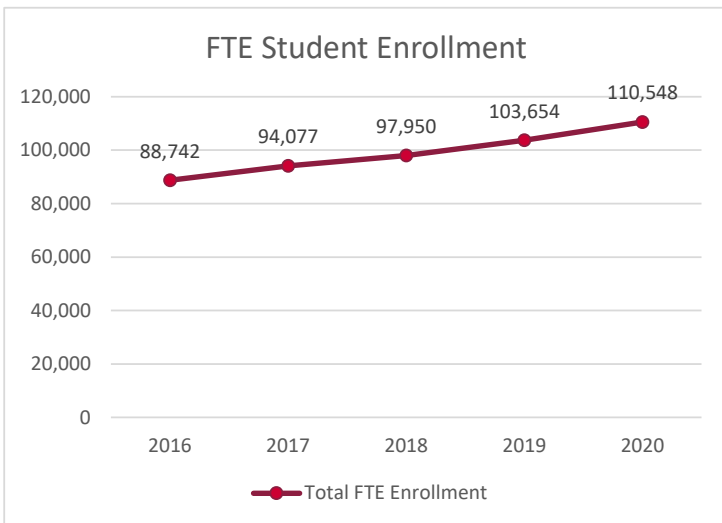
	2016	2017	2018	2019	2020
Total FTE Enrollment	88,742	94,077	97,950	103,654	110,548
State General Fund As a Percent of Total Revenues	13%	13%	12%	12%	12%
Tuition and Fee Revenues as a Percent of Total Revenues	51%	51%	51%	51%	52%
E&G Expenses per Student	16,077	16,143	16,529	16,753	17,145
E&G Expenses per Student compared to Peer Median	64%	64%	61%	66%	n/a
Spendable Cash & Investments/Operating Expenses	0.70	0.72	0.69	0.66	0.65
SCI/OE All public universities median (Moody's)	0.63	0.65	0.66	0.68	n/a
Operating Margin Ratio (OMR)	6.7%	5.0%	4.2%	3.3%	2.8%
OMR All public universities median (Moody's)	2.5%	1.4%	1.9%	1.5%	n/a
Days Cash on Hand (DCOH)	152	156	142	147	147
DCOH All public universities median (Moody's)	151	149	154	154	154
Debt Service Coverage Ratio (DSCR)	2.86	2.62	2.52	2.24	2.08
DSCR All public universities median (Moody's)	2.43	2.41	2.34	2.41	n/a
Primary Market Selectivity (PMS)	76%	77%	80%	81%	82%
PMS All public universities median (Moody's)	72%	73%	74%	74%	n/a
Primary Market Matriculation (PMM)	37%	37%	36%	38%	33%
PMM All public universities median (Moody's)	33%	32%	31%	29%	n/a

Credit Ratings	2016	2017	2018	2019	2020
Moody's	Aa3	Aa3	Aa2	Aa2	Aa2
	Positive	Positive	Stable	Stable	Stable
Standard & Poors (S&P)	AA	AA	AA	AA	AA
	Stable	Stable	Stable	Stable	Stable

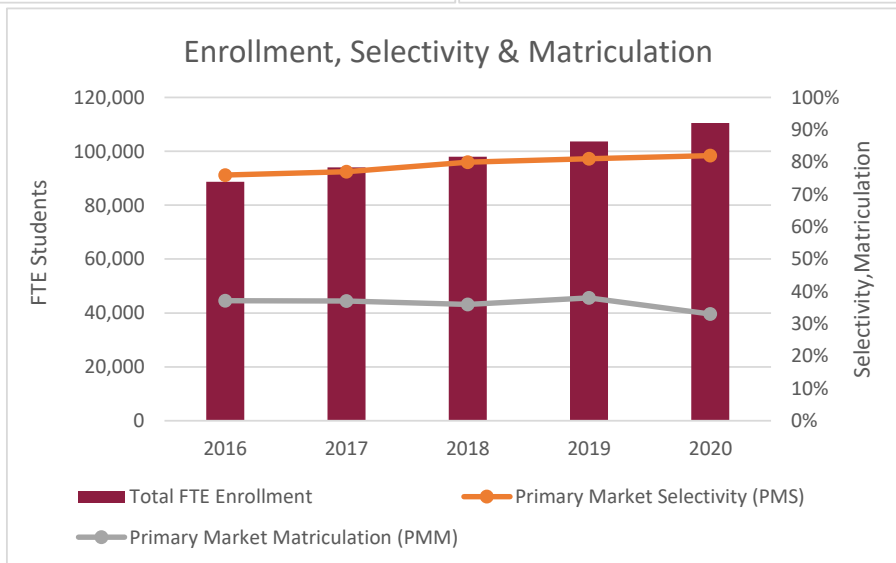
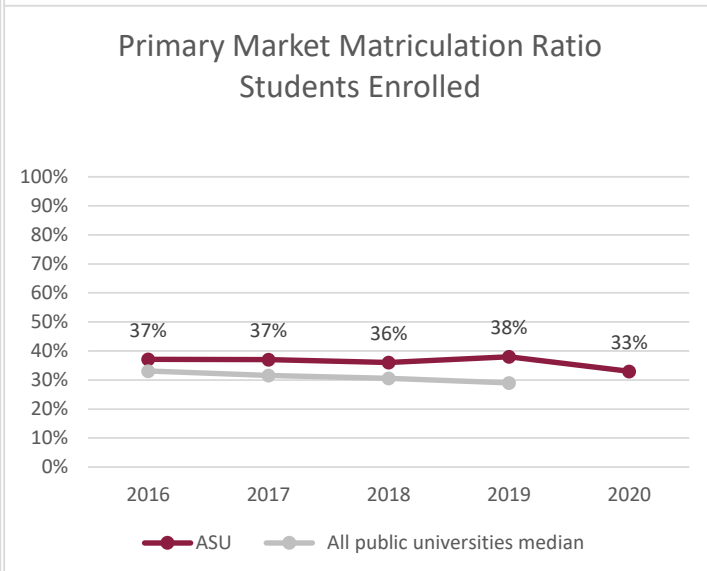
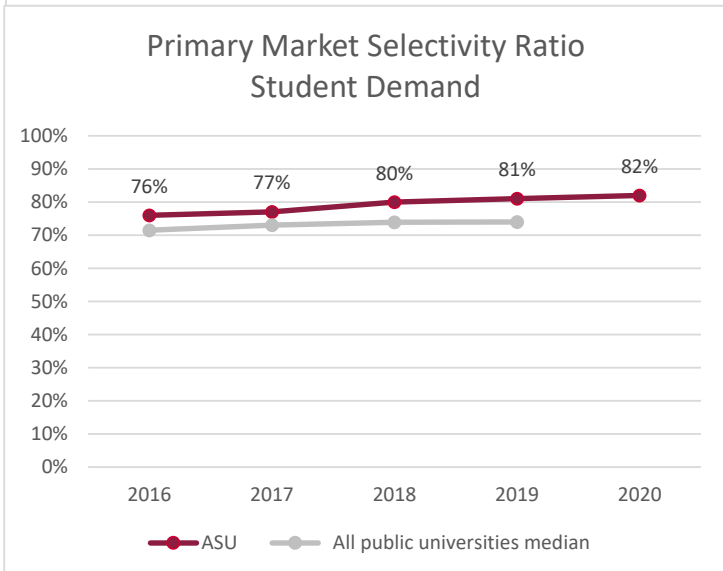
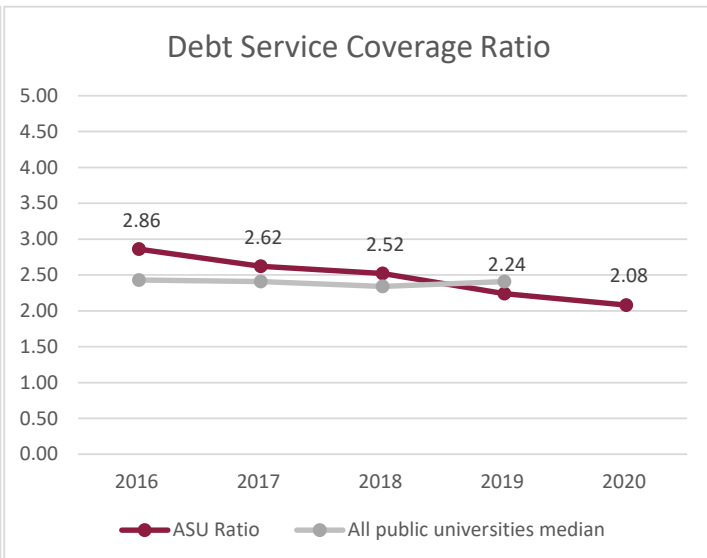
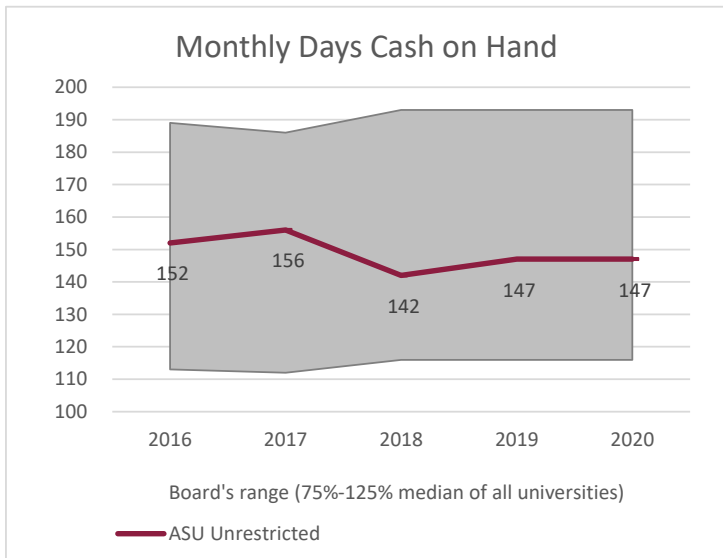
ARIZONA STATE UNIVERSITY FINANCIAL HIGHLIGHTS



ARIZONA STATE UNIVERSITY KEY INDICATORS



ARIZONA STATE UNIVERSITY KEY INDICATORS



ARIZONA STATE UNIVERSITY - INVESTMENT REPORT

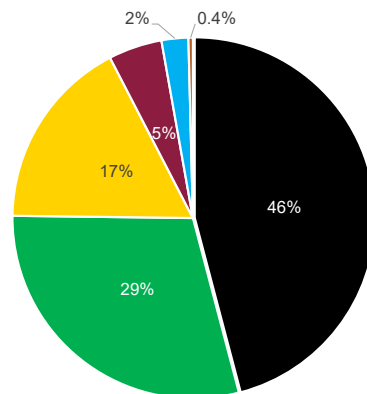
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2020	6/30/2019	6/30/2018	3-yr Average
Year-end Market Value	\$906,079	\$866,027	\$888,904	\$887,003
Net Return	3.3%	4.4%	0.2%	2.7%

**OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT
 (June 30, 2020)**

■ Corporate Notes/Bonds	46%
■ Money Market	29%
■ US Treasury	17%
■ Agency Bonds	5%
■ Muni Bonds	2%
■ Other Investments	0.4%

(may not equal 100% due to rounding)

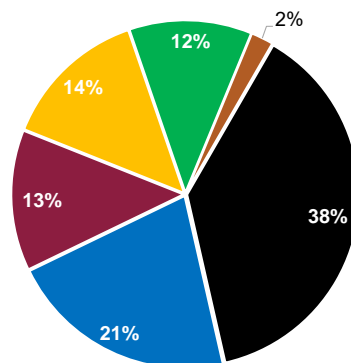


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2020	6/30/2019	6/30/2018	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$181,218	\$180,589	\$75,866	\$145,891
Net Return	4.8%	10.2%	6.9%	7.3%
FA Trust Fund:				
Year-end Value	\$75,714	\$69,767	\$61,506	\$68,996
Net Return	4.8%	10.2%	6.9%	7.3%

**ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT
 (June 30, 2020)**

■ Global Ex US Equity	38%
■ Fixed Income	21%
■ Real Assets	13%
■ Absolute Return	14%
■ Cash/Cash Equivalents	12%
■ Private Capital	2%

(may not equal 100% due to rounding)



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NORTHERN ARIZONA UNIVERSITY

TOTAL REVENUE BY SOURCE

Between 2016 and 2020:

- NAU's revenues grew 14 percent from \$531.7 million to \$607.3 million.
- State support increased 20 percent (although fluctuating between years) and state support as a percent of total revenues remained relatively constant between 17 and 19 percent.
- As a percent of total revenues, net tuition and fee revenues decreased slightly from 41 percent to 39 percent.
- Net tuition and fees increased 8 percent from \$217.0 million to \$233.9 million, however between FY 2019 and FY2020, net tuition and fees decreased by \$3.7 million (~2.0%).
- Gifts, Grants and Contracts increased 21 percent, from \$119.3 million to \$144.9 million. As a percent of total revenues, GGC remained constant between 22-24 percent.

UNIVERSITY NET POSITION

- NAU's net position increased 2 percent between FY 2016 and FY 2020, excluding GASB adjustments and decreased 11 percent with GASB adjustments. In FY 2020 the impact on total net position from GASB adjustments for pension liabilities and other post-employment benefits was \$250.9 million.

KEY INDICATORS

ENROLLMENT

- Between FY 2016 and FY 2020, NAU's FTE enrollment increased 7 percent from 27,374 in FY 2016 to 29,175 in FY 2020. NAU realized the largest growth in nonresident students which increased 9 percent for undergraduate students and 77 percent for nonresident graduates. Resident undergraduate FTE increased 3 percent, but resident graduate FTE remained flat FY 2016 and FY 2020. For Fall 2019 (FY 2020) online students represented 12 percent of total student FTE.

EDUCATION AND GENERAL EXPENSES (E&G) per FTE Student

- NAU's E&G expenses per student increased about 2 percent from \$13,400 to \$13,730 between FY 2016 and FY 2020. Since E&G expenses are largely a function of the amount of available revenues to spend on operations, the increase in E&G/FTE can be explained by overall increases in state appropriations, net tuition and fee revenues, gifts,

NORTHERN ARIZONA UNIVERSITY

grants and contracts, and other revenues which include CARES Act revenues received late in the fiscal year. NAU's E&G/FTE aligns with its peers, ranging slightly over the peer median in FY 2016, to within 94 percent of the peer median in FY 2019.

SPENDABLE CASH AND INVESTMENTS (SCI) /TOTAL OPERATING EXPENSES (TOE)

- NAU's SCI/TOE ratio increased in FY 2016 and has remained steady since then at 0.50 through FY 2020. All public universities median ranged from .63 and .68 between FY 2016 and FY 2019.

OPERATING MARGIN RATIO (OMR)

- NAU's OMR has fallen below the median, from 1.6% in FY 2016 to (2.1%) in FY 2020. The all public universities median was between 2.5% and 1.5% between FY 2016 and FY 2019. Throughout this period, NAU maintained a positive ratio each year with the exception of the most recent year as a result of the pandemic.

MONTHLY DAYS CASH ON HAND

- At 148 days in FY 2020, NAU is within the board's established range of 116 to 193 days, with 154 days as the median.

DEBT SERVICE COVERAGE RATIO (DSC)

- NAU's DSC ratio decreased from 1.42 to 1.19 between FY 2016 and FY 2020, with most of the decrease occurring between FY 2019 and FY 2020. However, NAU can still cover 100% of its debt service payments with annual operating cash flow. The median of all public universities was 2.43 in FY 2016 to 2.41 in FY 2019.

PRIMARY MARKET SELECTIVITY AND MATRICULATION

- NAU saw an increase in the number of students accepted to the university from 79 percent in FY 2016 to 85 percent in FY 2020. However, even with an increase in admittance, the proportion of students who actually enrolled dropped from 20 percent in FY 2016 to 17 percent in FY 2020. All public universities matriculation decreased from 33 percent in FY 2016 to 29 percent in 2019.

NORTHERN ARIZONA UNIVERSITY

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2016	2017	2018	2019	2020	2020 Budget
State	94,633	100,105	99,716	103,200	113,523	108,400
Tuition and Fees, Net	217,047	237,930	236,790	237,605	233,911	250,100
Gifts, Grants & Contracts	119,272	126,508	134,355	143,107	144,879	136,000
Other Revenue	100,724	113,589	119,434	119,140	114,960	135,100
Total Revenue	531,676	578,132	590,295	603,052	607,273	629,600
Total Expenses	540,332	572,920	584,857	586,240	615,926	623,100
Net Increase	(8,656)	5,212	5,438	16,812	(8,653)	6,500
State as a % of total	18%	17%	17%	17%	19%	17%
T&F as % of total	41%	41%	40%	39%	39%	40%

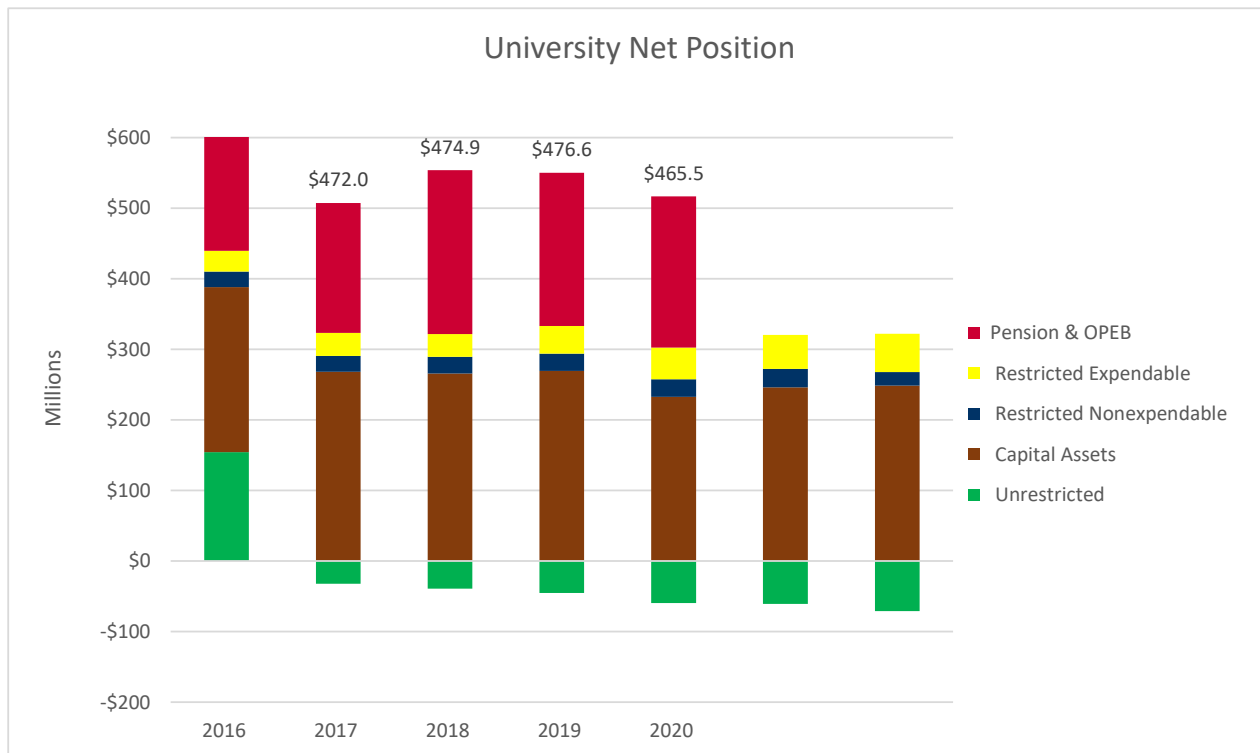
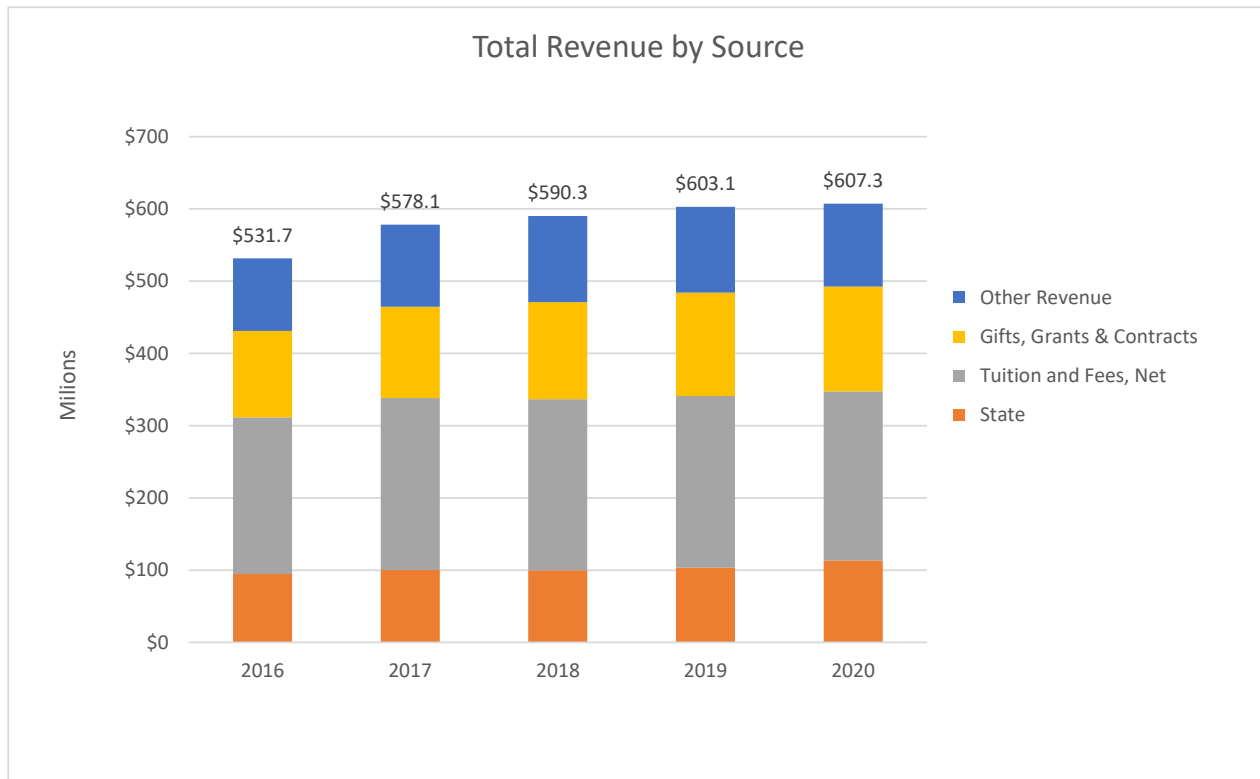
University Net Position	2016	2017	2018	2019	2020
Capital Assets	265,882	269,240	232,568	245,903	248,641
Restricted Nonexpendable	23,593	24,625	25,107	26,258	19,142
Restricted Expendable	32,184	39,193	44,594	48,146	54,058
Unrestricted	(39,221)	(45,408)	(59,530)	(60,756)	(70,943)
Total Net Position	282,438	287,650	242,739	259,551	250,898
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	455,012	471,965	474,883	476,600	465,461

University Unrestricted Net Position	2016	2017	2018	2019	2020
Unrestricted (with GASB)	(39,221)	(45,408)	(59,530)	(60,756)	(70,943)
Pension & OPEB	172,574	184,315	232,144	217,049	214,563
Unrestricted Net Position (unadjusted)	133,353	138,907	172,614	156,293	143,620

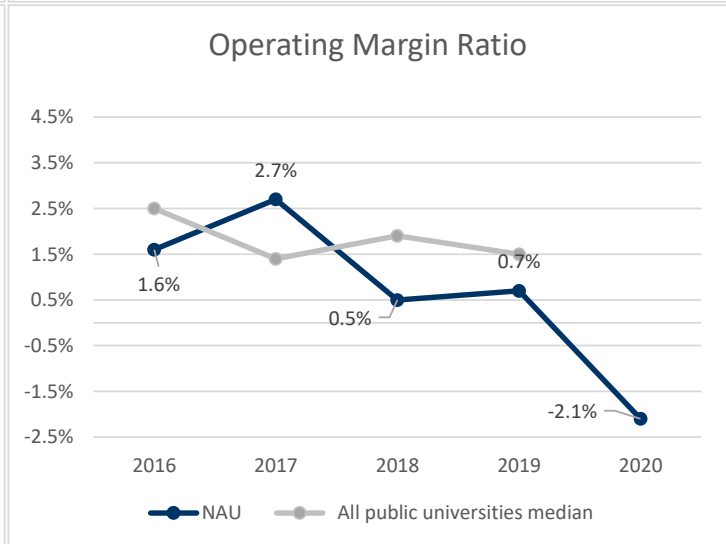
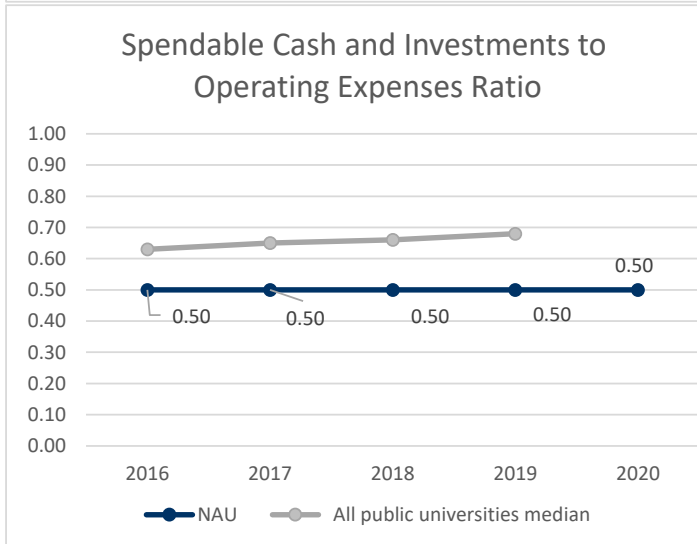
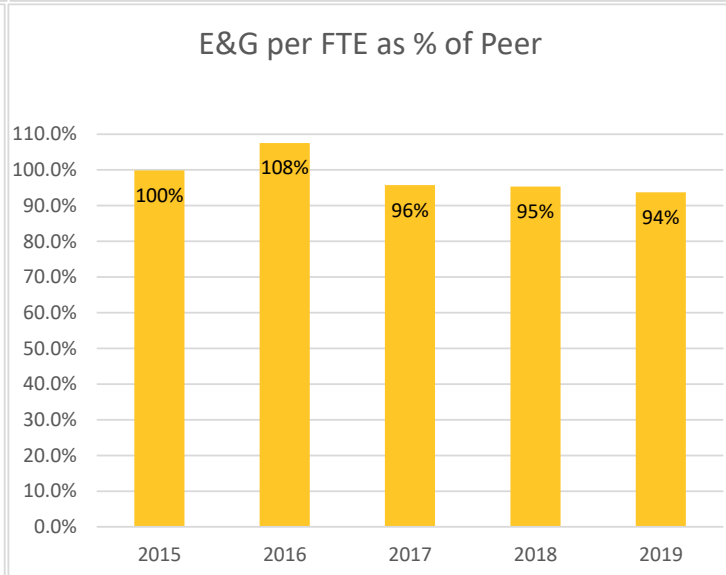
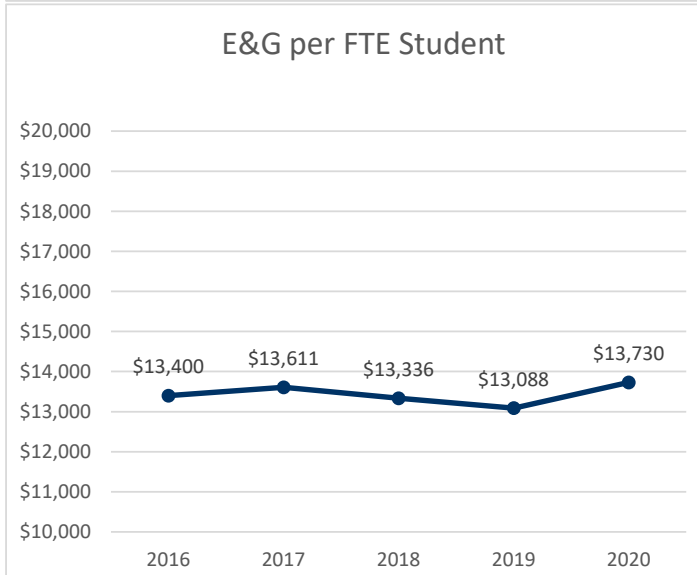
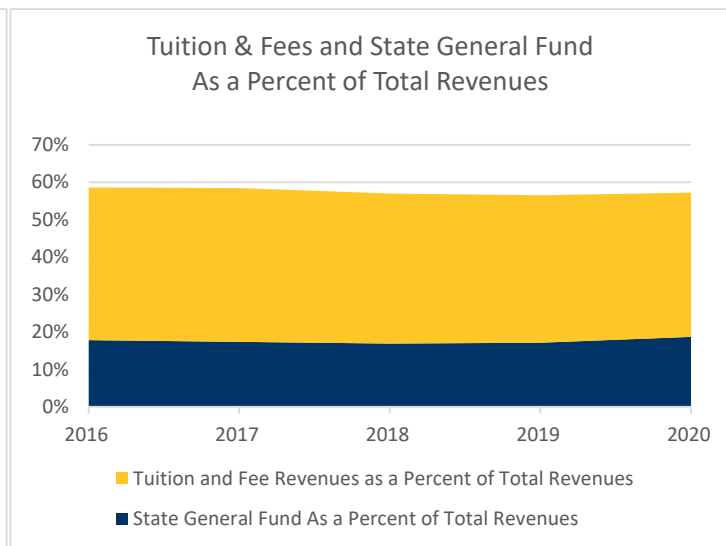
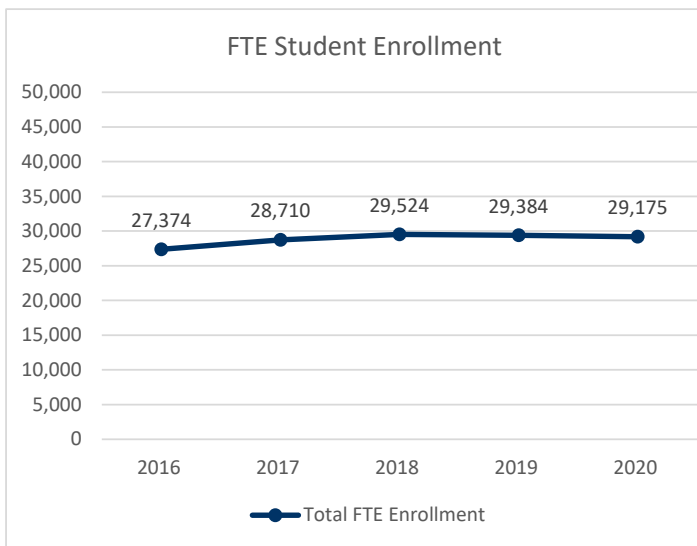
Key Indicators	2016	2017	2018	2019	2020
Total FTE Enrollment	27,374	28,710	29,524	29,384	29,175
State General Fund As a Percent of Total Revenues	18%	17%	17%	17%	19%
Tuition and Fee Revenues as a Percent of Total Revenues	41%	41%	40%	39%	39%
E&G Expenses per Student	13,400	13,611	13,336	13,088	13,730
E&G Expenses per Student compared to Peer Median	108%	96%	95%	94%	n/a
Spendable Cash & Investments/Operating Expenses	0.50	0.50	0.50	0.50	0.50
SC&I/OE All public universities median (Moody's)	0.63	0.65	0.66	0.68	n/a
Operating Margin Ratio (OMR)	1.6%	2.7%	0.5%	0.7%	-2.1%
OMR All public universities median (Moody's)	2.5%	1.4%	1.9%	1.5%	n/a
Days Cash on Hand (DCOH)	150	151	161	151	148
DCOH All public universities median (Moody's)	151	149	154	154	154
Debt Service Coverage Ratio (DSCR)	1.42	1.70	1.65	1.68	1.19
DSCR All public universities median (Moody's)	2.43	2.41	2.34	2.41	n/a
Primary Market Selectivity (PMS)	79%	84%	84%	84%	85%
PMS All public universities median (Moody's)	72%	73%	74%	74%	n/a
Primary Market Matriculation (PMM)	20%	20%	20%	18%	17%
PMM All public universities median (Moody's)	33%	32%	31%	29%	n/a

Credit Ratings	2016	2017	2018	2019	2020
Moody's	A1	A1	A1	A1	A1
	Stable	Stable	Stable	Stable	Stable
Standard & Poors (S&P)	A+	A+	A+	A+	A+
	Stable	Stable	Stable	Stable	Stable

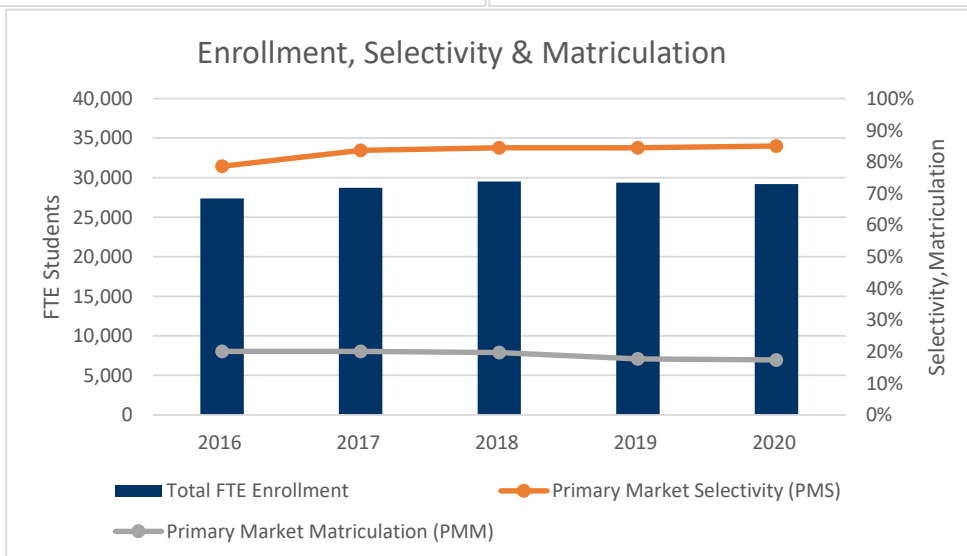
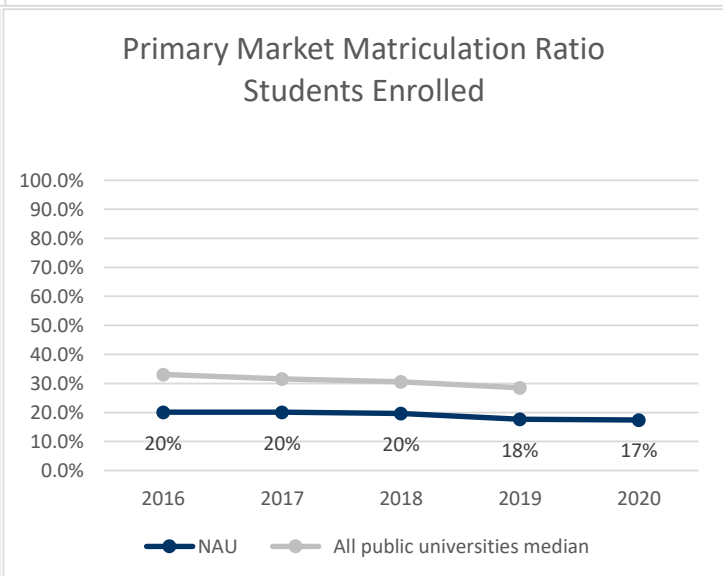
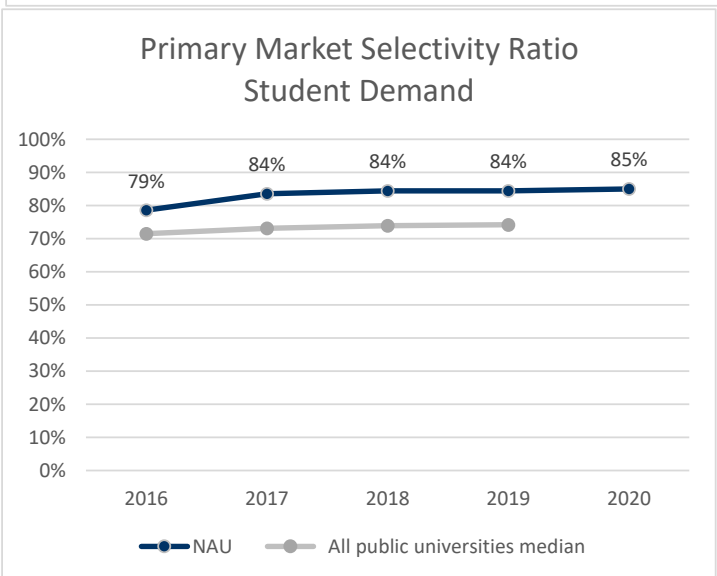
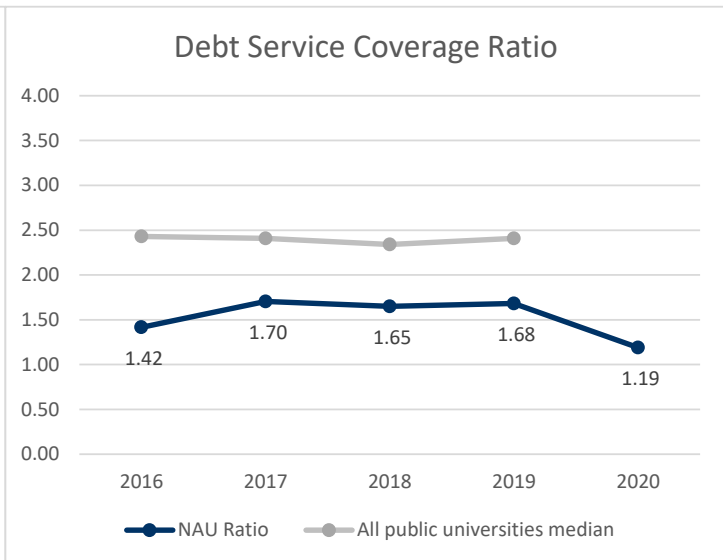
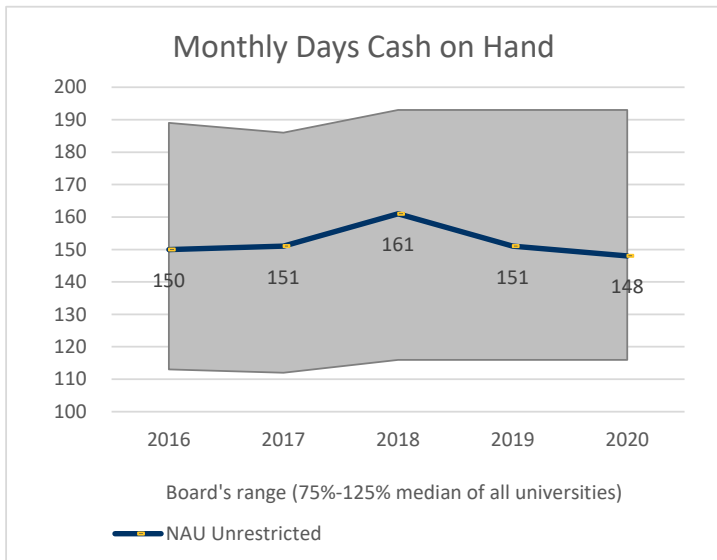
NORTHERN ARIZONA UNIVERSITY FINANCIAL HIGHLIGHTS



NORTHERN ARIZONA UNIVERSITY KEY INDICATORS



NORTHERN ARIZONA UNIVERSITY KEY INDICATORS



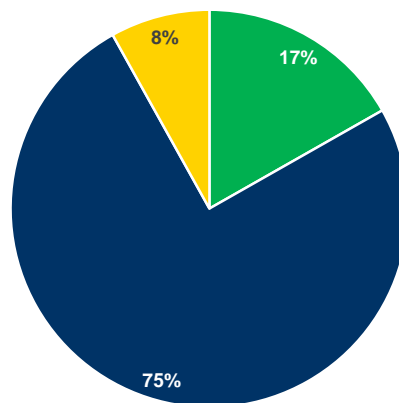
NORTHERN ARIZONA UNIVERSITY - INVESTMENT REPORT

(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2020	6/30/2019	6/30/2018	3-yr Average
Year-end Market Value	\$195,157	\$192,056	\$196,313	\$194,509
Net Return	2.6%	1.3%	0.5%	1.5%

**OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT
 (June 30, 2020)**

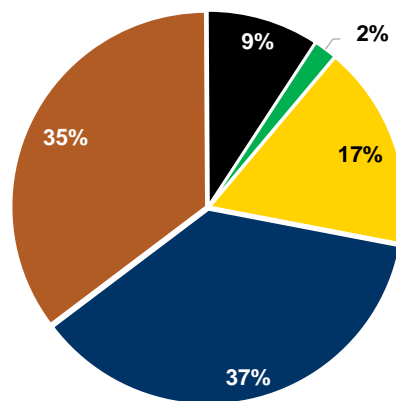
Cash/Cash Equivalents (Savings)	17%
LGIP Pool 4	75%
Agency Bonds	8%
(may not equal 100% due to rounding)	



ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2020	6/30/2019	6/30/2018	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$7,312	\$7,552	\$7,563	\$7,476
Net Return	-3.3%	2.2%	4.4%	1.1%
FA Trust Fund:				
Year-end Market Value	\$26,548	\$26,157	\$24,534	\$25,746
Net Return	0.4%	1.9%	8.0%	3.5%

**ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT
 (June 30, 2020)**

Bonds	17%
US Equity	37%
Global Ex US Equity	35%
Real Estate	9%
Cash/Cash Equivalents	2%
(may not equal 100% due to rounding)	



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UNIVERSITY OF ARIZONA

TOTAL REVENUE BY SOURCE

Between 2016 and 2020:

- UA's revenues grew 9 percent from \$2.04 billion to \$2.22 billion.
- State support increased 17 percent and state support as a percent of total revenues increased from 12 percent to 13 percent.
- As a percent of total revenues, net tuition and fee revenues decreased slightly from 30 percent to 29 percent.
- Net tuition and fees increased 6 percent from \$608.7 million to \$644.4 million, although between 2019 and 2020, net tuition and fee revenues decreased 2 percent.
- Gifts, Grants and Contracts increased 3 percent, from \$834.3 million to \$857.7 million. As a percent of total revenues, GGC decreased from 41 percent in 2016 to 39 percent in 2020.

UNIVERSITY NET POSITION

- UA's net position increased 11 percent between FY 2016 and FY 2020, excluding GASB adjustments and about 1 percent with GASB adjustments. During that period GASB adjustments for public pension liability/OPEB increased from \$637.7 million to \$799.0 million.

KEY INDICATORS

ENROLLMENT

- Between Fall 2015 (FY16) and Fall 2019 (FY20), UA's FTE enrollment increased 3.2 percent from 43,323 to 44,714. UA realized the largest growth in nonresident students which increased 6.3 percent compared to resident student growth of 1.4 percent. UA saw the largest growth rate in graduate students with an increase of 5.3% (16.1% nonresident graduate, offset by a decrease of 3.8% for resident graduate students). Total undergraduate student FTE enrollment grew 2.7 percent between those years. For Fall 2019 (FY 2020) online students represented 8 percent of total student FTE.

EDUCATION AND GENERAL EXPENSES (E&G) PER FTE STUDENT

- UA's E&G expenses per student grew 13.6 percent from \$26,543 in FY 2016 to \$30,140 in FY 2020, and 4.9 percent between FY 2019 and FY 2020. Compared to peer institutions, UA's E&G per FTE are below peers ranging from 81 percent to 79 percent of peer median between FY 2016 and FY 2018, and increasing to 97 percent of peer median in FY 2019.

UNIVERSITY OF ARIZONA

SPENDABLE CASH AND INVESTMENTS (SCI) /TOTAL OPERATING EXPENSES (TOE)

- UA's SCI/TOE ratio decreased between FY 2016 and FY 2020, from .53 to .45, with a high of .60 in FY 2017. Between 2016 and 2019 the all public universities median was between .63 and .68, respectively.

OPERATING MARGIN RATIO (OMR)

- OMR can fluctuate from year to year, due to irregular timing of when revenues and expenditures are incurred. The UA is no exception with an OMR of 7.5 percent in FY 2016 down to -3.6 percent in FY 2020. The decreases in FY 2019 and FY2020 are due to near-flat levels of tuition and fees revenues, and in FY20 increases in expense levels due to COVID related costs due to moving students to virtual learning. The median of all public universities was between 2.5 and 1.5 percent between those years.

MONTHLY DAYS CASH ON HAND

- At 132 days in FY 2020, the UA is within the board's established range of 116 to 193 days, with 154 days as the median.

DEBT SERVICE COVERAGE RATIO (DSC)

- UA's DSC ratio decreased from 3.1 in FY 2016 to 1.0 in FY 2020. This means that the UA could still cover 100 percent of its debt service payments with annual operating cash flow. The reduction in this ratio is due to UA using a portion of its cash reserves for bridge-funding due to COVID related expenses. The median of all public universities was between 2.43 and 2.41 between FY 2016 and FY 2019, respectively.

PRIMARY MARKET SELECTIVITY AND MATRICULATION

- UA saw an increase in the number of students accepted to the university from 79 percent in FY 2016 to 85 percent in FY 2020, and has remained at 84%-85% since FY 2017. However, even with an increase in admittance, the proportion of students who actually enrolled dropped from 27 percent in FY 2016 to 20 percent in FY 2020. This follows, albeit more drastically the national trend for all public universities where the median decreased from 33 percent in FY 2016 to 29 percent in 2019.

UNIVERSITY OF ARIZONA

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2016	2017	2018	2019	2020	2020 Budget
State	250,851	267,124	269,038	277,734	294,508	293,300
Tuition and Fees, Net	608,679	653,725	653,519	658,090	644,352	680,300
Gifts, Grants & Contracts	834,308	804,371	816,152	848,485	857,661	839,900
Other Revenue	347,040	384,567	384,324	403,350	423,300	408,100
Total Revenue	2,040,878	2,109,787	2,123,033	2,187,659	2,219,821	2,221,600
Total Expenses	1,932,261	1,954,104	2,060,678	2,161,978	2,292,689	2,184,300
Net Increase	108,617	155,683	62,355	25,681	(72,868)	37,300
State as a % of total	12%	13%	13%	13%	13%	13%
T&F as % of total	30%	31%	31%	30%	29%	31%

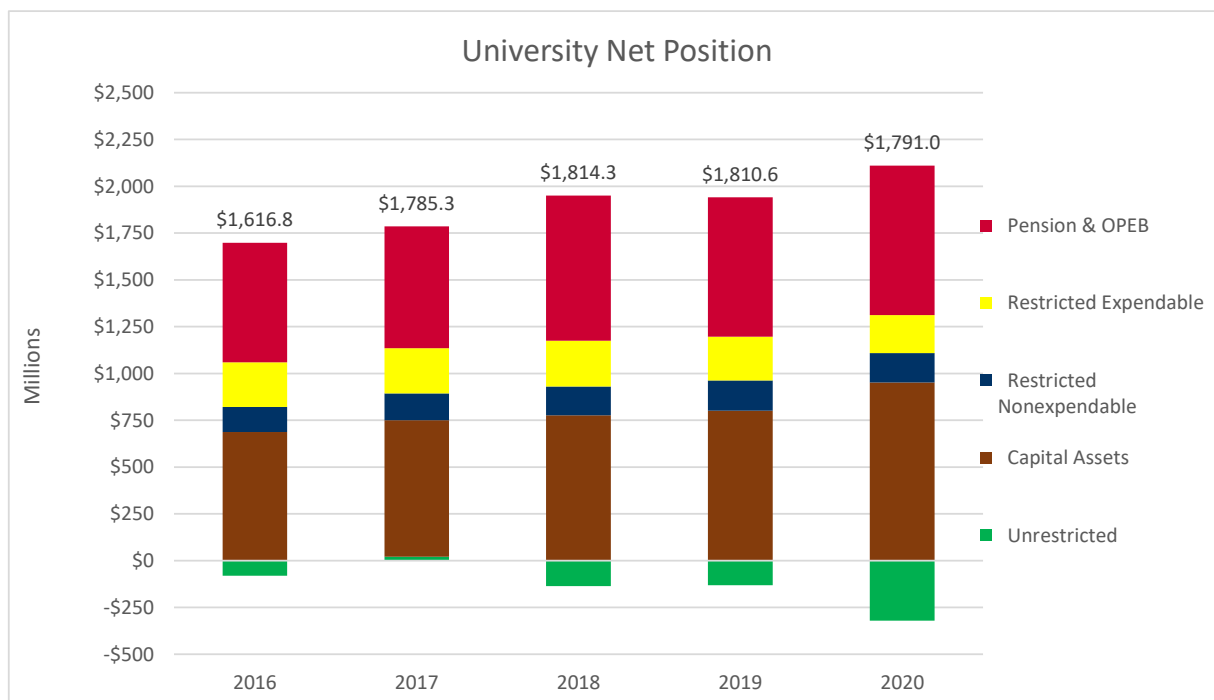
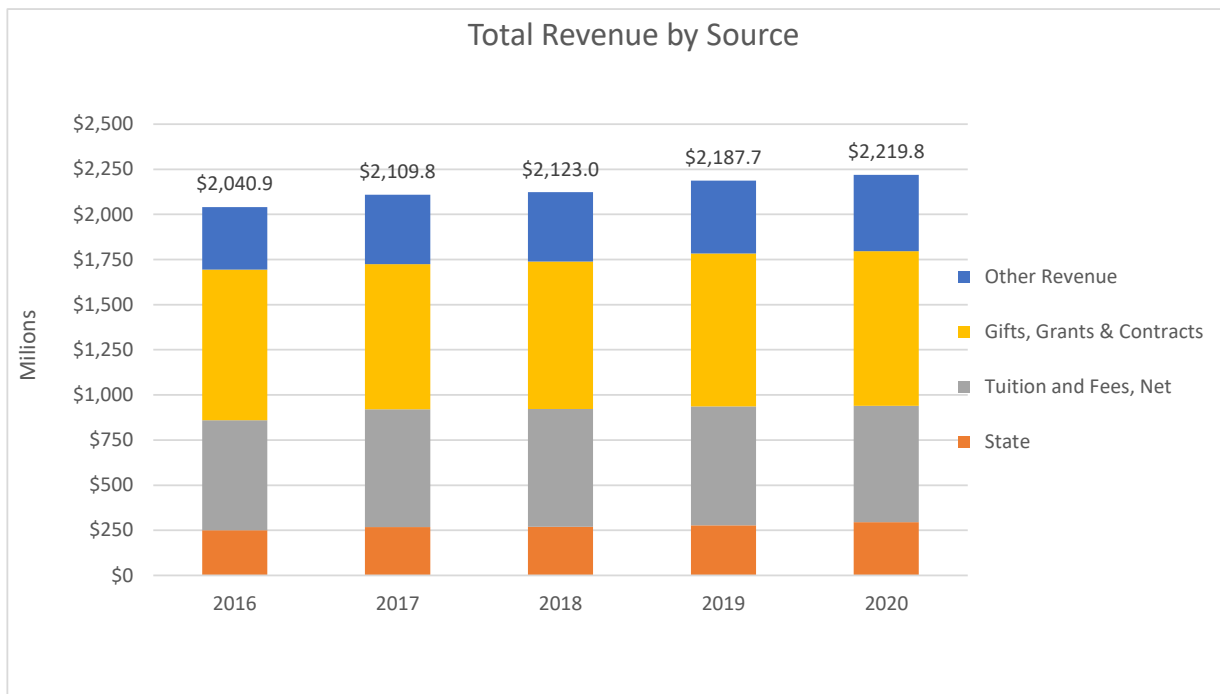
University Net Position	2016	2017	2018	2019	2020
Capital Assets	687,149	730,135	776,373	801,215	951,375
Restricted Nonexpendable	134,356	142,774	154,227	161,496	157,378
Restricted Expendable	238,522	241,080	244,542	233,337	203,957
Unrestricted	(80,965)	20,756	(135,502)	(130,727)	(320,257)
Total Net Position	979,062	1,134,745	1,039,640	1,065,321	992,453
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,616,768	1,785,309	1,814,341	1,810,559	1,791,045

University Unrestricted Net Position	2016	2017	2018	2019	2020
Unrestricted (with GASB)	(80,965)	20,756	(135,502)	(130,727)	(320,257)
Pension & OPEB	637,706	650,564	774,701	745,238	798,592
Unrestricted Net Position (unadjusted)	556,741	671,320	639,199	614,511	478,335

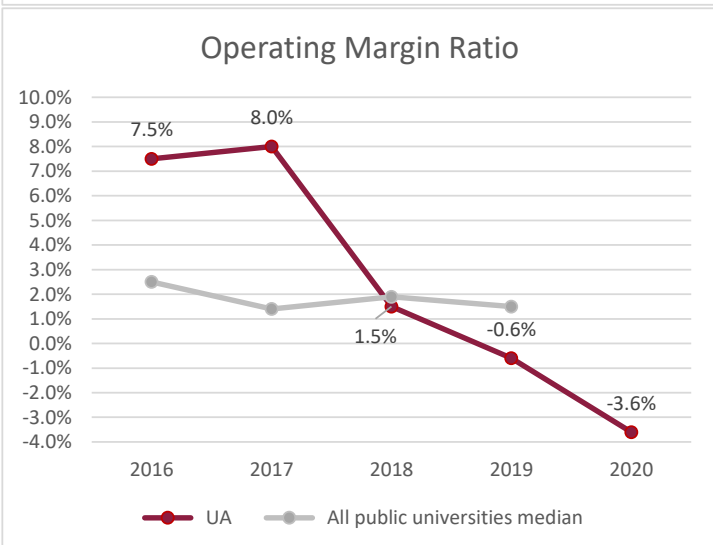
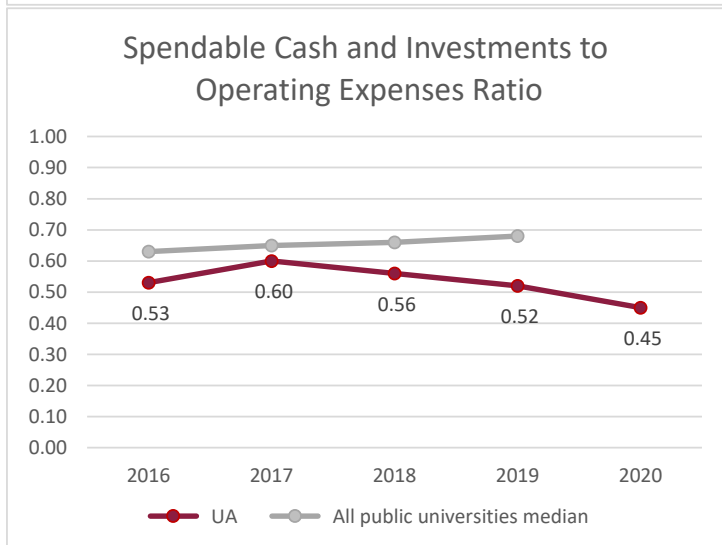
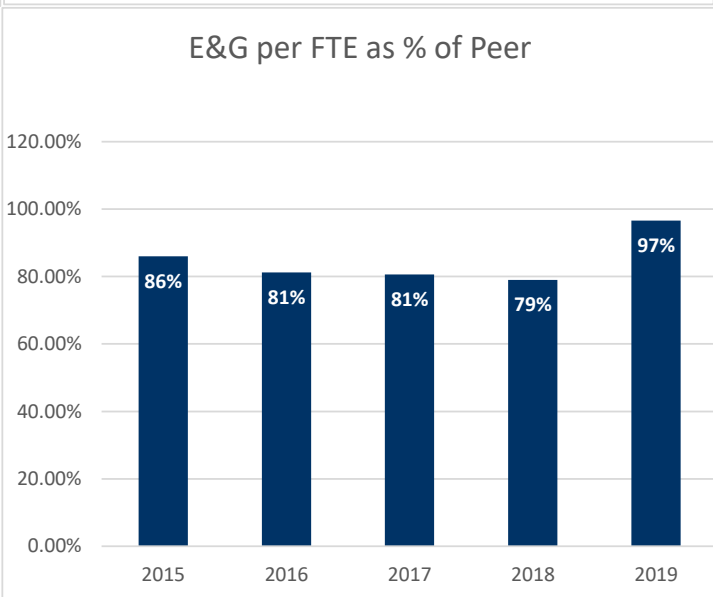
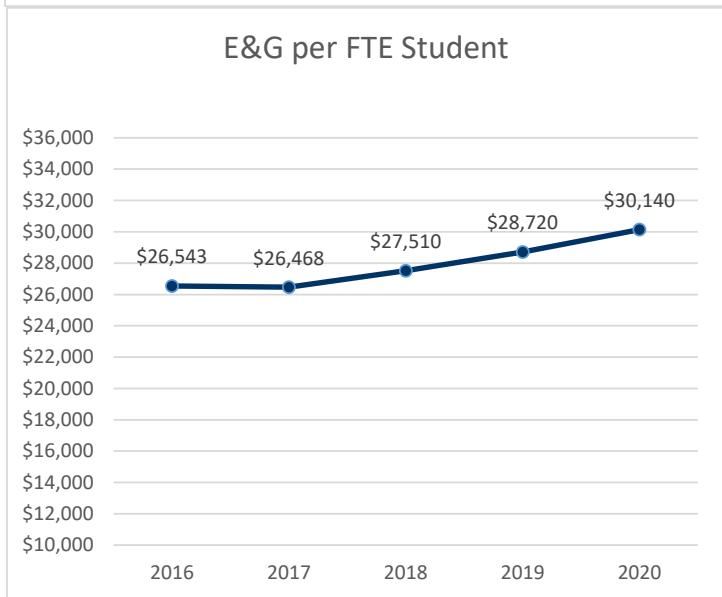
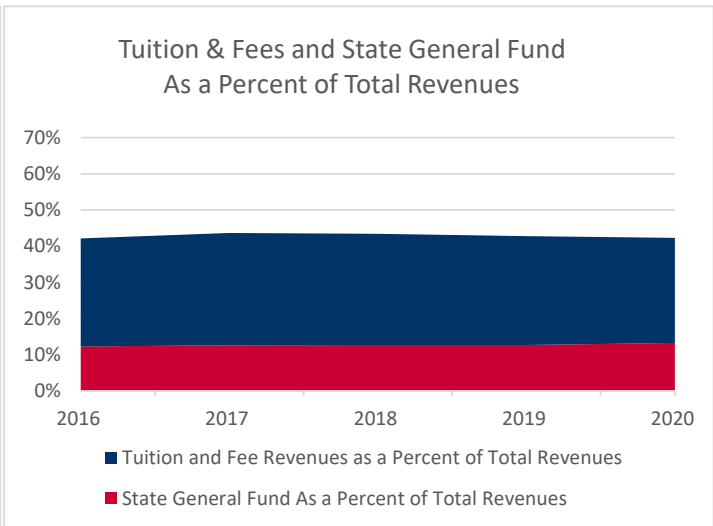
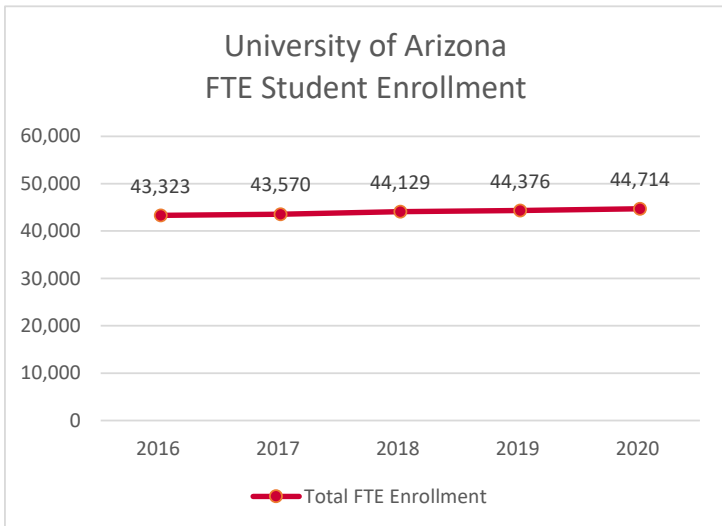
Key Indicators	2016	2017	2018	2019	2020
Total FTE Enrollment	43,323	43,570	44,129	44,376	44,714
State General Fund As a Percent of Total Revenues	12%	13%	13%	13%	13%
Tuition and Fee Revenues as a Percent of Total Revenues	30%	31%	31%	30%	29%
E&G Expenses per Student	26,543	26,468	27,510	28,720	30,140
E&G Expenses per Student compared to Peer Median	81%	81%	79%	97%	n/a
Spendable Cash & Investments/Operating Expenses	0.53	0.60	0.56	0.52	0.45
SCI/OE All public universities median (Moody's)	0.63	0.65	0.66	0.68	n/a
Operating Margin Ratio (OMR)	7.5%	8.0%	1.5%	-0.6%	-3.6%
OMR All public universities median (Moody's)	2.5%	1.4%	1.9%	1.5%	n/a
Days Cash on Hand (DCOH)	170	184	172	151	132
DCOH All public universities median (Moody's)	151	149	154	154	154
Debt Service Coverage Ratio (DSCR)	3.08	2.89	1.85	1.52	1.00
DSCR All public universities median (Moody's)	2.43	2.41	2.34	2.41	n/a
Primary Market Selectivity (PMS)	79%	84%	84%	85%	85%
PMS All public universities median (Moody's)	72%	73%	74%	74%	n/a
Primary Market Matriculation (PMM)	27%	26%	23%	22%	20%
PMM All public universities median (Moody's)	33%	32%	31%	29%	n/a

Credit Ratings	2016	2017	2018	2019	2020
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
	Stable	Stable	Stable	Stable	Stable
Standard & Poors (S&P)	AA-	AA-	AA-	AA-	AA-
	Stable	Stable	Stable	Stable	Stable

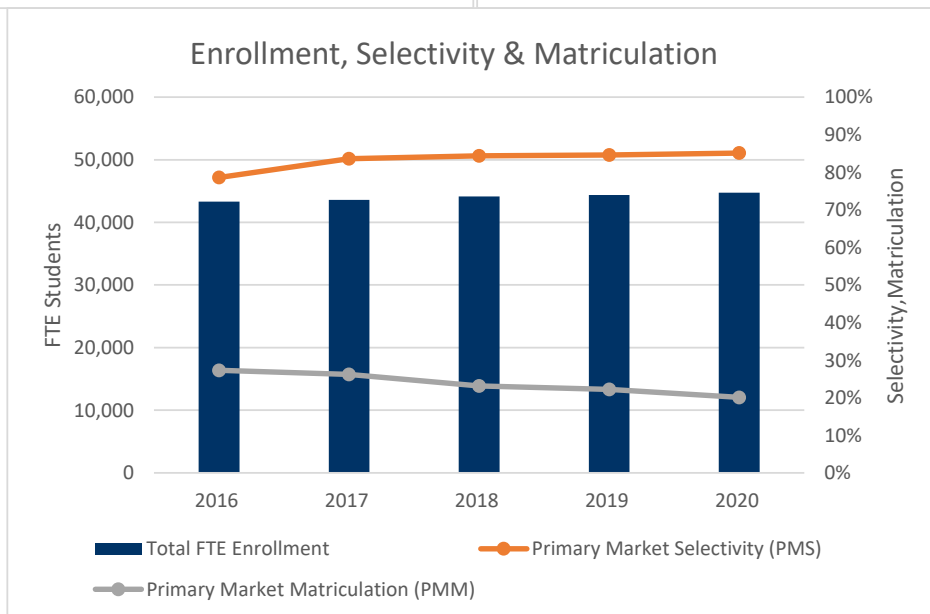
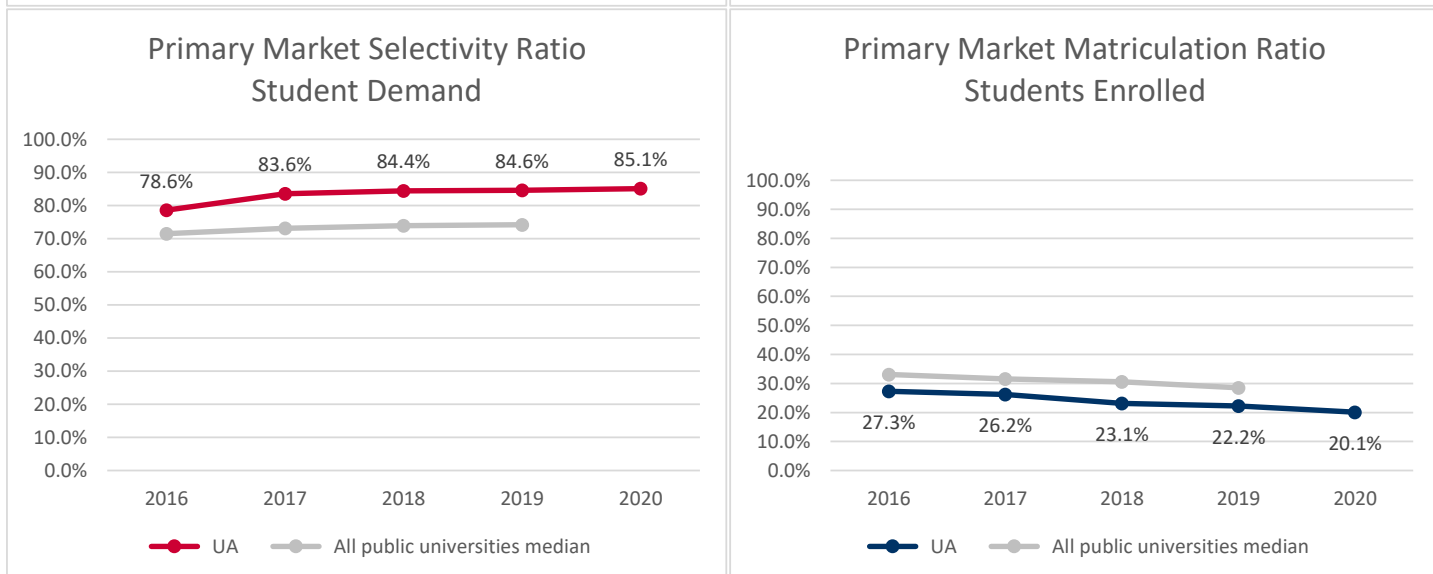
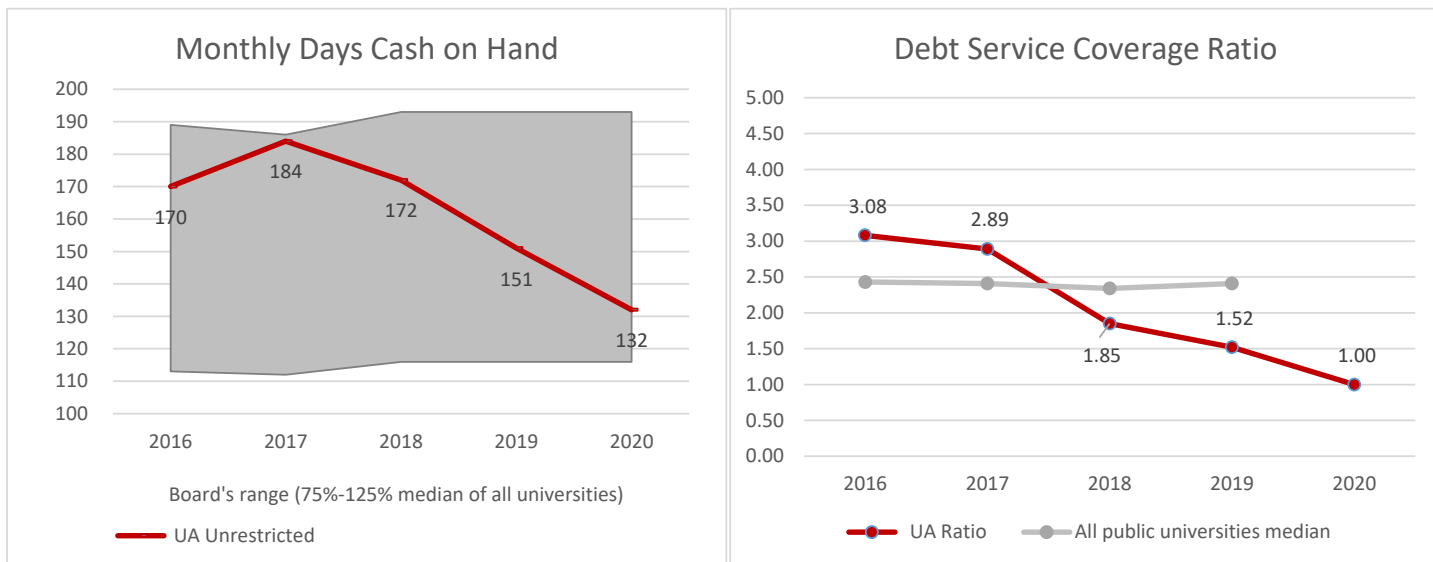
UNIVERSITY OF ARIZONA FINANCIAL HIGHLIGHTS



UNIVERSITY OF ARIZONA KEY INDICATORS



UNIVERSITY OF ARIZONA KEY INDICATORS



UNIVERSITY OF ARIZONA - INVESTMENT REPORT

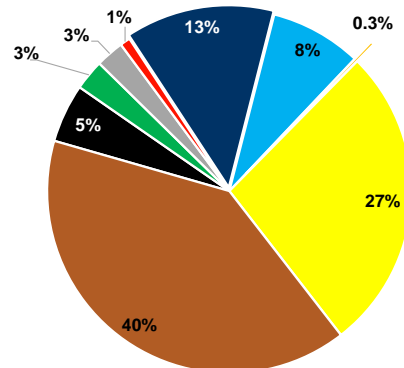
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2020	6/30/2019	6/30/2018	3-yr Average
Year-end Value	\$611,784	\$714,724	\$788,225	\$704,911
Net Return	4.0%	4.4%	0.7%	3.0%

**OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT
 (June 30, 2020)**

■ Cash Deposits (Savings)	5%
■ Certificates of Deposit	3%
■ Equity Mutual Funds	3%
■ Government Agency Bonds	0.9%
■ International Bonds	13%
■ Money Market	8%
■ Municipal Bonds	0.3%
■ Treasury Bonds	27%
■ US Corporate Bonds	40%

(may not equal 100% due to rounding)

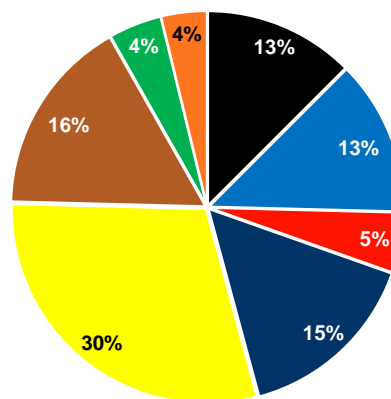


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2020	6/30/2019	6/30/2018	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$285,408	\$310,712	\$303,998	\$300,039
Net Return	-5.0%	3.0%	8.1%	2.0%
FA Trust Fund:				
Year-end Value	\$32,287	\$39,521	\$38,384	\$36,731
	-3.0%	3.9%	8.3%	3.1%

**ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT
 (June 30, 2020)**

■ Commodities & Managed Futures	13%
■ Domestic Equities	13%
■ Fixed Income	5%
■ International Equities	15%
■ Marketable Alternative Strategies	30%
■ Private Equity	16%
■ Private Real Estate	4%
■ Short-Term Securities /Cash	4%

(may not equal 100% due to rounding)



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