

EXECUTIVE SUMMARY

Annual Financial Review – Year-Ending FY 2021

- Board Policies 3-410.B and 3-301.J require each university to provide a ratio analysis of selected data from the audited financial statements; and to submit annually a report on the investment of its operating and endowment funds.
- The financial ratios that accompany this report were prepared for the five-year period from FY 2017 – FY 2021.
- In FY 2015, new accounting standards were implemented (GASB 68) for public pension liabilities, and in FY 2018 new standards were implemented (GASB 75 replaced GASB 45) for other postemployment benefits (OPEB). Before these standards, public employers disclosed their long-term pension liability and OPEB in footnotes. The new standard requires pension liability and OPEB to be included on balance sheet, thus effecting net position. Therefore, in some instances the data presented was adjusted to exclude GASB 68 and GASB 45/75 adjustments to get a truer picture of the health of the institution.
- This report highlights some of the general credit factors Moody's uses to evaluate a university. Moody's general credit factors include market position; relationship with supporting state; balance sheet strength, as measured by levels of financial resources; operating performance; debt position; and strategy and management.
- The metrics included in this report include:
 - Financial trends of revenues, expenses, and changes in net position
 - Educational and General Expenses per FTE student
 - Spendable Cash and Investments to Operating Expenses
 - Operating Margins
 - Monthly Days Cash on Hand
 - Debt Service Coverage Ratio
 - Primary Market Selectivity (Student Demand)
 - Primary Market Matriculation (Enrollment)
 - Operating and Endowment Investment Report
- The universities' FY 2021 Annual Financial Reviews begin on the following page.

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FY 2021

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 used look at 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 2017 – FY 2021 (FY 2020 for national data and 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 expendable net 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 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 conversely the level of dependence on 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 bookstore, housing and dining, parking, 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 income. An indicator of financial health of the university to meet its current obligations. 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 2017 and 2020 ranged from .65 to .71.

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 2017 and 2020 ranged from 1.4% in 2017 to 1.7% in 2020

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 using it to assess credit risk and evaluate credit profiles for higher education institutions. The ABOR established guidelines is to maintain the Monthly Days Cash on Hand ratio within plus or minus 25 percent of Moody's most currently published (FY 2020) median among rated public colleges and universities. For 2020, the board's range is between 116 and 193 days, with 159 days as median.

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

- Measures the university's ability to cover debt service requirements with operating revenues and is an indicator as to the availability of operating income to meet its annual obligations. In general, a ratio of one or above indicates that there are enough funds to cover upcoming debt payments, while a ratio of below one warns of the potential inability to fully repay the debt. 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 2017 and 2020 averaged 2.36.

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 2017 and 2020 ranged from 73%-78%.

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 32% in FY 2017 to 26% in FY 2020.

ARIZONA STATE UNIVERSITY

TOTAL REVENUE BY SOURCE

Between 2017 and 2021:

- ASU's revenues grew 38 percent from \$2.442 billion to \$3.368 billion. A large portion of the increase is due to approximately \$224 million in COVID-19 relief funding which helped recoup costs associated with COVID-19 related expenses and for student emergency grant aid. Without COVID-19 relief funding, ASU's revenue grew 29 percent.
- State support increased 8 percent, although state support as a percent of total revenues decreased from 13 percent to 10 percent.
- Net tuition and fees increased 28 percent from \$1.251 billion to \$1.598 billion; and as a percent of total revenues, net tuition and fee revenues decreased from 51 percent to 47 percent primarily due to significant COVID-19 relief funding received in FY 2021.
- Gifts, Grants and Contracts nearly doubled, increasing 89 percent, from \$568.8 million to \$1.073 billion, of which \$224 million is attributable to COVID-19 relief funding. Even without COVID-19 funding, ASU's GGC increased 49 percent, making up about 27 percent of total revenues.

UNIVERSITY NET POSITION

- ASU's net position increased 21 percent between FY 2017 and FY 2021 (28 percent without GASB adjustments), due in large part to COVID-19 relief funding received. In general, institutions have one year to spend COVID-19 relief funding after the funds are awarded. Prior to FY 2021, ASU's net position increased on average 2 percent per year.
- Between FY 2017 and FY 2021, the impact on total net position from GASB adjustments for public pension liability/OPEB increased from \$536.9 million to \$780.5 million.

KEY INDICATORS

ENROLLMENT

- Between FY 2017 and FY 2021, ASU's FTE enrollment increased 24 percent from 94,077 in FY 2017 to 117,005 in FY 2021. ASU realized the largest growth in nonresident students which increased 34 percent for undergraduate students and 35 percent for nonresident graduates. Resident undergraduate and graduate FTE enrollment increased 17 percent and 12 percent, respectively between those years. For Fall 2020 (FY 2021) online students represented 48 percent of total student FTE.

ARIZONA STATE UNIVERSITY

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

- ASU's E&G expenses per student increased about 7 percent, from \$16,143 in FY 2017 to \$17,215 in FY 2021, equating to an average annual increase of 1.4 percent per year between FY 2017 – FY 2021. Compared to peer institutions, ASU's E&G per FTE are below peers at approximately 64 percent of peer median between FY 2017 and FY 2020.

SPENDABLE CASH AND INVESTMENTS/TOTAL OPERATING EXPENSES

- ASU's SCI/TOE ratio increased in FY 2021, due primarily from COVID-19 relief funding. Prior to FY 2021, SCI/TOE was on a slight downward trend ranging from .72 in FY 2017 to .65 in FY 2020. Between FY 2017 and FY 2020, all public universities median was between .65 and .71.

OPERATING MARGIN RATIO

- ASU's OMR is consistently higher than the median of all public universities. ASU's OMR reached a high of 9.1% in FY 2021 but prior to FY 2021, ranged from 5.0% in FY 2017 to 2.7% in FY 2020. The all-public universities median averaged about 1.6% between FY 2017 and FY 2020.

MONTHLY DAYS CASH ON HAND

- At 163 days in FY 2021, ASU was within the board's established range of 116 to 193 days, with 159 days as the median in FY 2021.

DEBT SERVICE COVERAGE RATIO

- ASU's DSC ratio increased significantly in FY 2021 to 3.45. Prior to FY 2021, the DSC ratio was consistently above 2.0, ranging from 2.62 in FY 2017 to 2.07 in FY 2020 which 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 77 percent in FY 2017 to 87 percent in FY 2021. However, the proportion of students admitted and who enrolled averaged 36 percent between FY 2017 and FY 2020 and in FY 2021 dipped to 30 percent. The decline aligns with All public universities median matriculation which decreased from 32 percent in FY 2017 to 26 percent in 2020.

ARIZONA STATE UNIVERSITY

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2017	2018	2019	2020	2021	2021 Budget
State	308,103	320,257	328,776	348,954	332,186	324,700
Tuition and Fees, Net	1,250,828	1,323,268	1,423,052	1,550,581	1,598,180	1,611,200
Gifts, Grants & Contracts	568,755	638,944	702,081	753,004	1,072,576	829,200
Other Revenue	314,157	301,312	351,950	318,980	365,395	277,900
Total Revenue	2,441,843	2,583,781	2,805,859	2,971,519	3,368,337	3,043,000
Total Expenses	2,342,470	2,520,707	2,720,456	2,964,844	3,120,385	3,078,000
Net Increase	99,373	63,074	85,403	6,675	247,952	(35,000)
State as a % of total	13%	12%	12%	12%	10%	11%
T&F as % of total	51%	51%	51%	52%	47%	53%

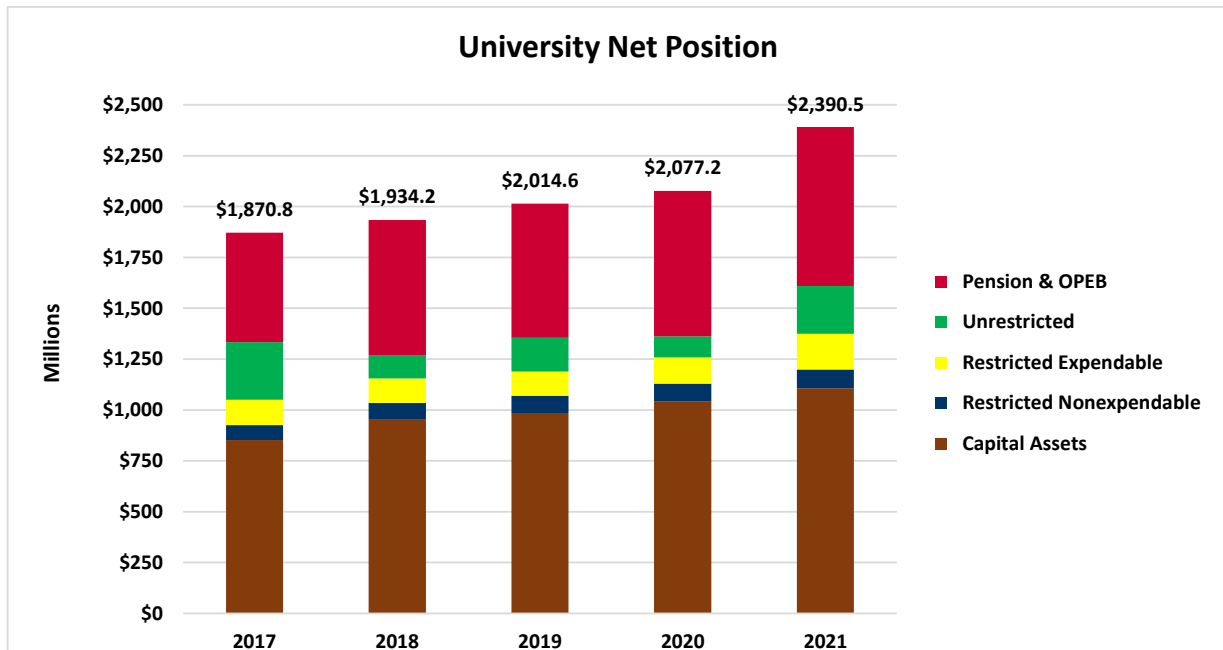
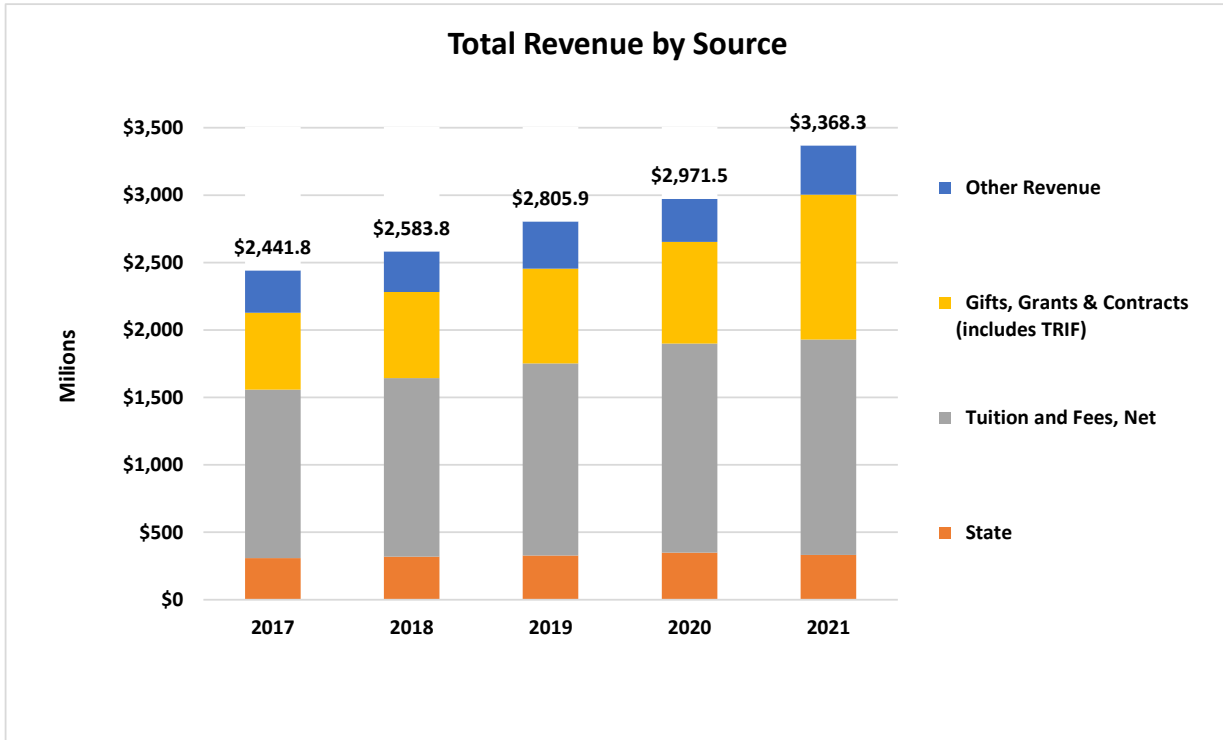
University Net Position	2017	2018	2019	2020	2021
Capital Assets	852,262	956,220	985,149	1,042,673	1,107,148
Restricted Nonexpendable	74,102	78,813	84,714	87,497	91,623
Restricted Expendable	124,703	119,410	118,626	127,614	175,937
Unrestricted	282,765	115,542	166,899	104,279	235,307
Total Net Position	1,333,832	1,269,985	1,355,388	1,362,063	1,610,015
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,870,764	1,934,193	2,014,580	2,077,161	2,390,523

University Unrestricted Net Position	2017	2018	2019	2020	2021
Unrestricted (with GASB)	282,765	115,542	166,899	104,279	235,307
Pension & OPEB	536,932	664,208	659,192	715,098	780,508
Unrestricted Net Position (unadjusted)	819,697	779,750	826,091	819,377	1,015,815

	2017	2018	2019	2020	2021
Total FTE Enrollment	94,077	97,950	103,654	110,548	117,005
State General Fund As a Percent of Total Revenues	13%	12%	12%	12%	10%
Tuition and Fee Revenues as a Percent of Total Revenues	51%	51%	51%	52%	47%
E&G Expenses per Student	16,143	16,529	16,753	17,145	17,215
E&G Expenses per Student compared to Peer Median	64%	61%	66%	64%	n/a
Spendable Cash & Investments/Operating Expenses	0.72	0.69	0.66	0.65	0.76
SCI/OE All public universities median (Moody's)	0.65	0.66	0.68	0.71	n/a
Operating Margin Ratio (OMR)	5.0%	4.2%	3.3%	2.7%	9.1%
OMR All public universities median (Moody's)	1.4%	1.9%	1.5%	1.7%	n/a
Days Cash on Hand (DCOH)	156	142	147	147	163
DCOH All public universities median (Moody's)	149	154	154	154	159
Debt Service Coverage Ratio (DSCR)	2.62	2.52	2.24	2.07	3.45
DSCR All public universities median (Moody's)	2.41	2.34	2.41	2.30	n/a
Primary Market Selectivity (PMS)	77%	80%	81%	82%	87%
PMS All public universities median (Moody's)	73%	74%	74%	78%	n/a
Primary Market Matriculation (PMM)	37%	36%	38%	33%	30%
PMM All public universities median (Moody's)	32%	31%	29%	26%	n/a
Credit Ratings	2017	2018	2019	2020	2021
Moody's	Aa3	Aa2	Aa2	Aa2	Aa2
	Positive	Stable	Stable	Stable	Stable
Standard & Poors (S&P)	AA	AA	AA	AA	AA
	Stable	Stable	Stable	Stable	Stable

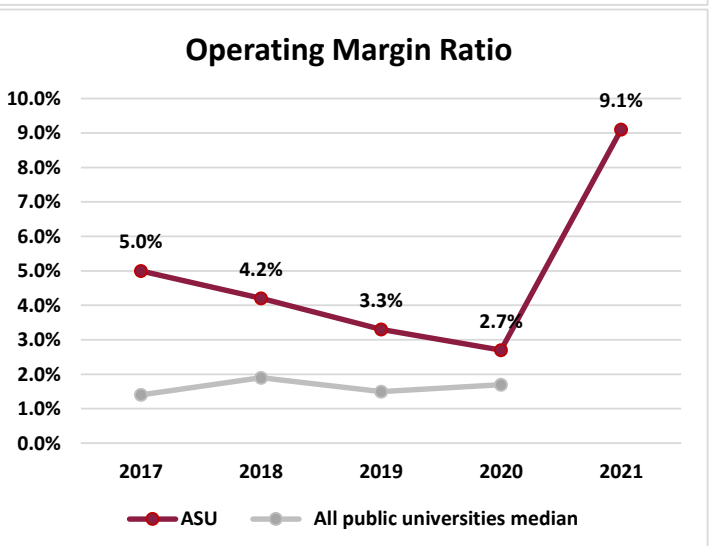
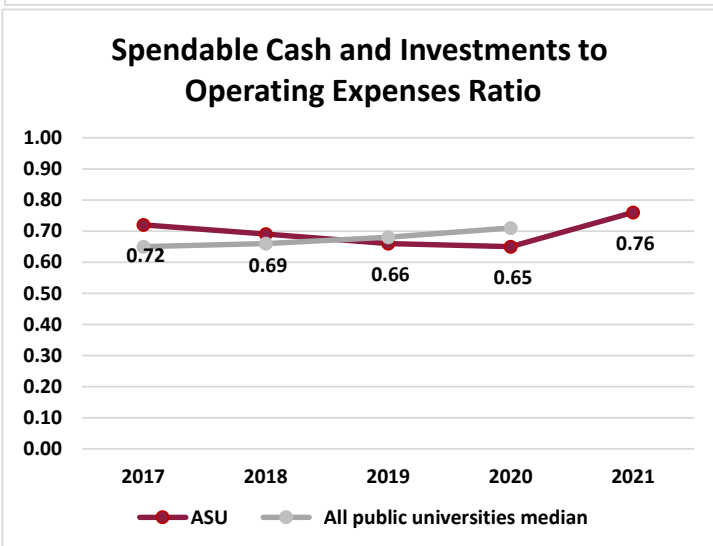
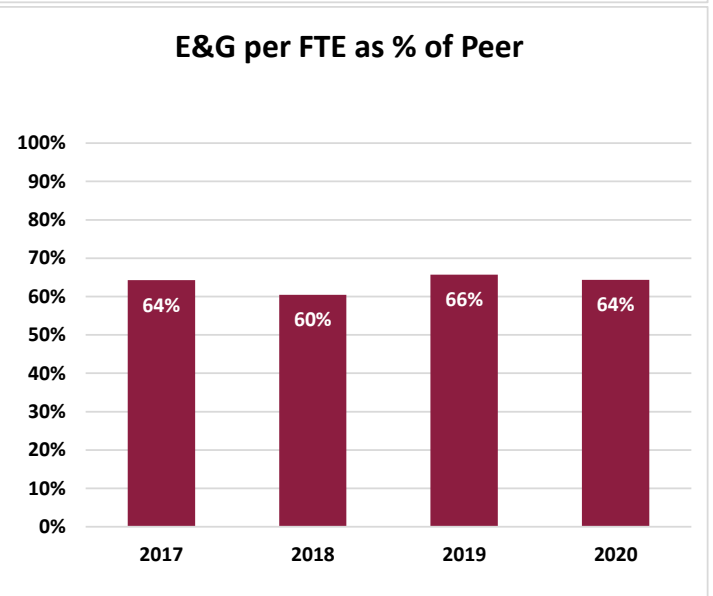
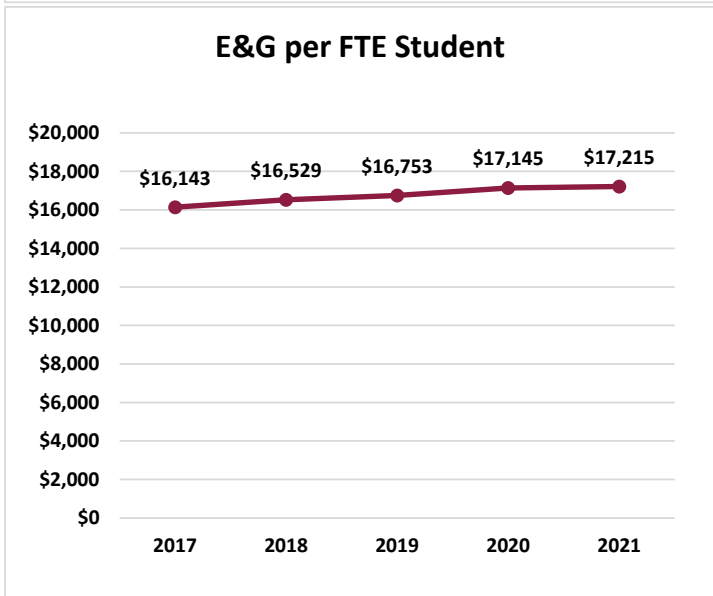
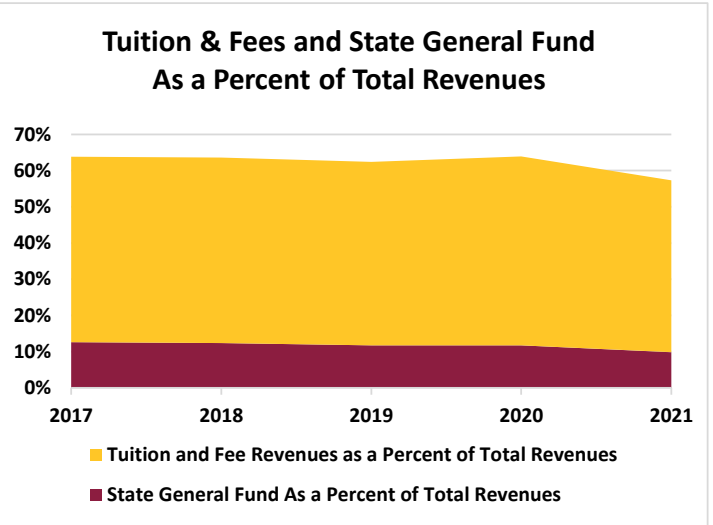
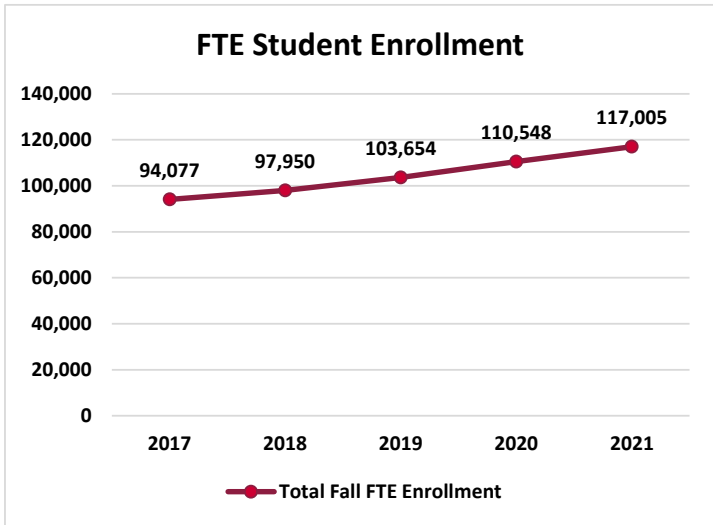
ARIZONA STATE UNIVERSITY

FINANCIAL HIGHLIGHTS



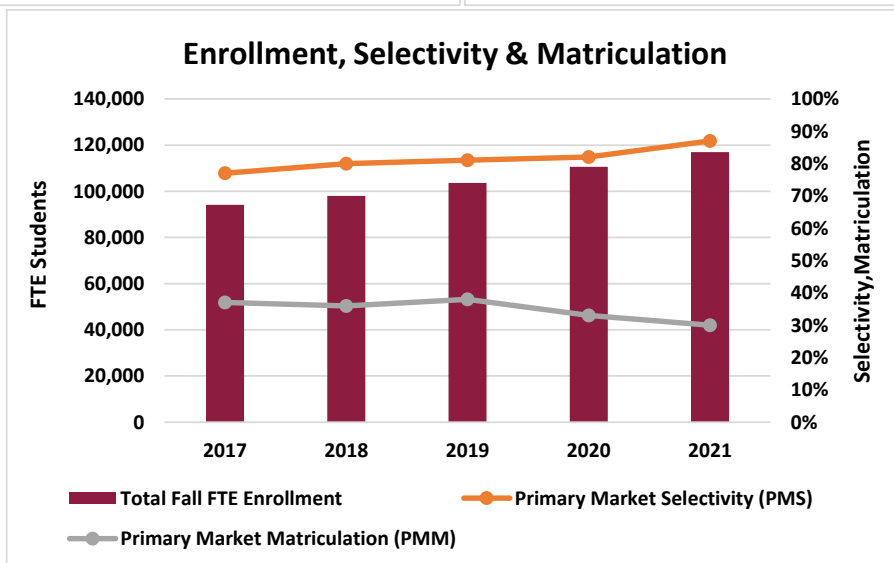
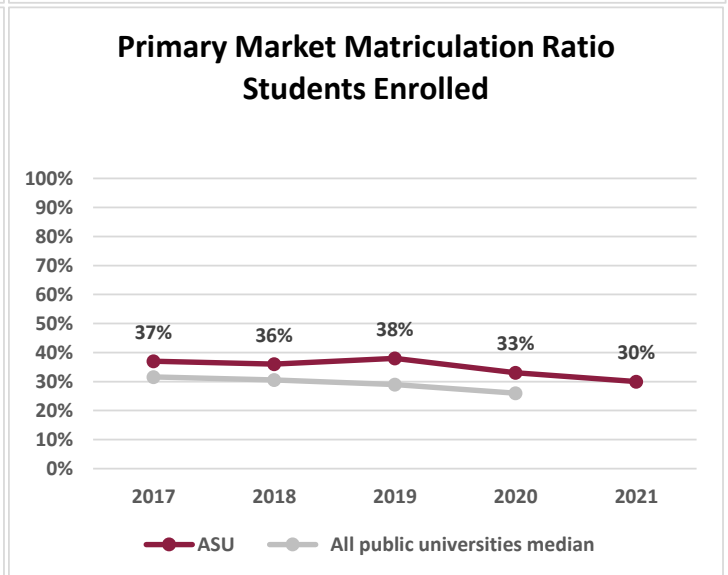
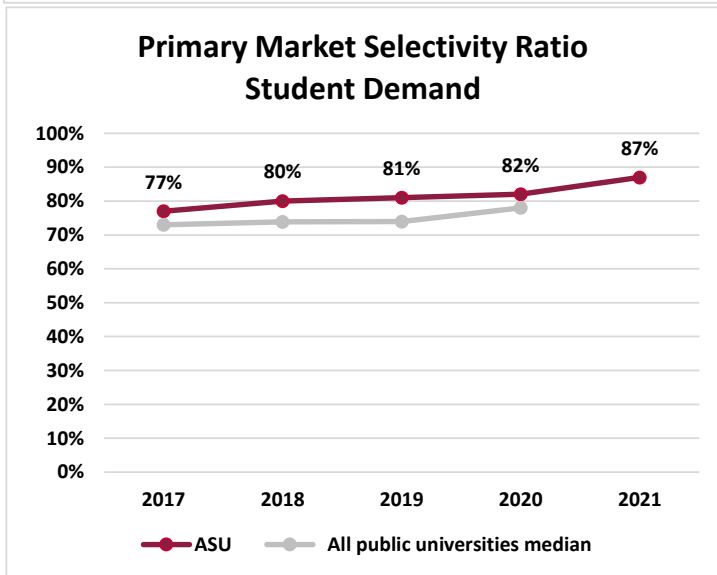
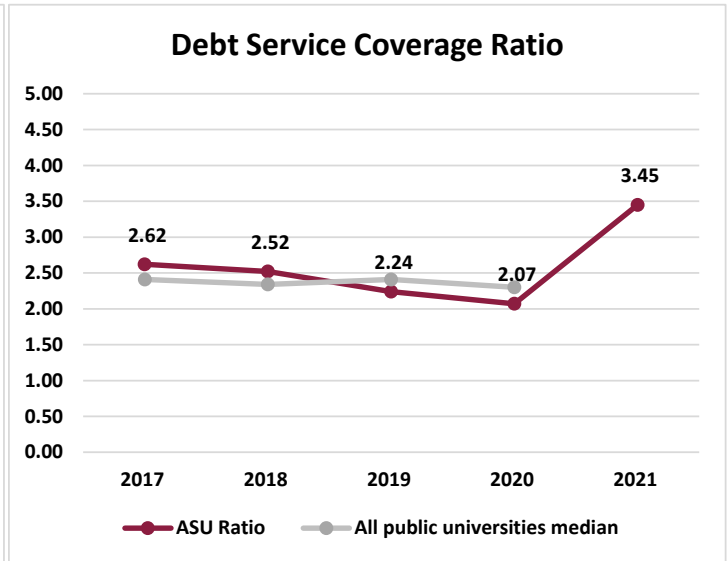
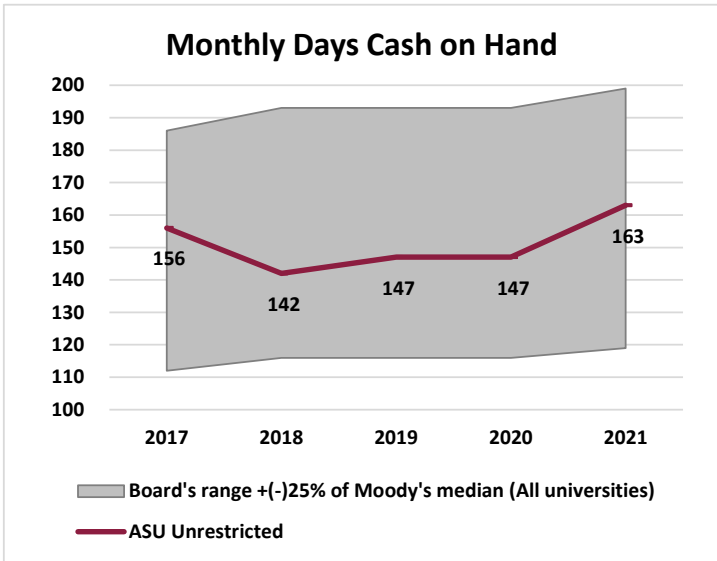
ARIZONA STATE UNIVERSITY

KEY INDICATORS



ARIZONA STATE UNIVERSITY

KEY INDICATORS



ARIZONA STATE UNIVERSITY - INVESTMENT REPORT

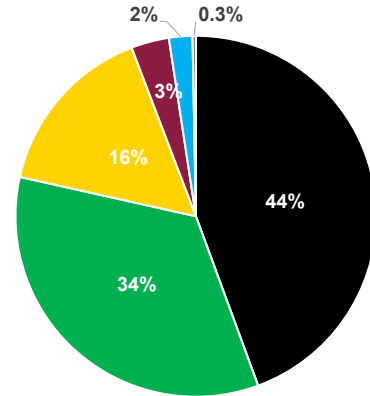
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
Year-end Market Value	\$1,047,241	\$906,079	\$866,027	\$939,782
Net Return	1.0%	3.3%	4.4%	2.9%

**OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT
(June 30, 2021)**

■ Corporate Notes/Bonds	44%
■ Money Market	34%
■ US Treasury	16%
■ Agency Bonds	3%
■ Muni Bonds	2%
■ Other Investments	0.3%

(may not equal 100% due to rounding)

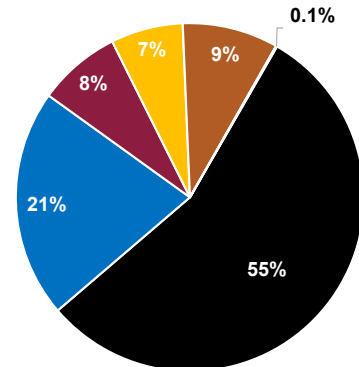


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$273,852	\$181,218	\$180,589	\$211,886
Net Return	24.9%	4.8%	10.2%	13.3%
FA Trust Fund:				
Year-end Value	\$97,326	\$75,714	\$69,767	\$80,936
Net Return	24.9%	4.8%	10.2%	13.3%

**ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT
(June 30, 2021)**

■ Global Ex US Equity	55%
■ Fixed Income	21%
■ Real Assets	8%
■ Absolute Return	7%
■ Private Capital	9%
■ Cash/Cash Equivalents	0.1%

(may not equal 100% due to rounding)



NORTHERN ARIZONA UNIVERSITY

TOTAL REVENUE BY SOURCE

Between 2017 and 2021:

- NAU's revenues grew 9 percent from \$578.3 million to \$628.4 million. The increase is primarily due to approximately \$51 million in COVID-19 relief funding which helped offset impacts associated with COVID-19 related expenses, lost revenue, and student emergency grant aid.
- State support increased 7 percent (although fluctuating between years) and state support as a percent of total revenues remained constant between 17 and 19 percent.
- Net tuition and fees decreased 8 percent from \$237.9 million to \$218.5 million. As a percent of total revenues, net tuition and fee revenues decreased from 41 to 35 percent.
- Gifts, Grants and Contracts increased 42 percent, from \$126.5 million to \$179.1 million. of which \$50.9 million is attributable to COVID-19 relief funding. Net of COVID-19 relief funding, NAU's GGC increased just over one percent, making up about 22 percent of total revenues.
- Other revenues increased 9 percent, from \$113.6 million to \$123.4 million, due mainly to increases in investment income and sales and services revenues.

UNIVERSITY NET POSITION

- NAU's net position increased 7 percent between FY 2017 and FY 2021; and excluding GASB adjustments, net position increased 10 percent. In FY 2021 the impact on total net position from GASB adjustments for pension liabilities and other post-employment benefits was \$213 million, an increase of 15 percent from FY 2017.

KEY INDICATORS

ENROLLMENT

- Between FY 2017 and FY 2021, NAU's FTE enrollment decreased 2.4 percent from 28,710 in FY 2017 to 28,028 in FY 2021. NAU realized a decrease in undergraduate students, where on-campus undergraduate resident students decreased 7 percent and on-campus nonresident students decreased 5 percent. NAU realized growth in graduate student enrollment with an increase of about 10 percent for resident graduate students and 37 percent in nonresident graduate students with online driving the increases. For fall 2020 (FY 2021) online students represented 28 percent of total student FTE.

NORTHERN ARIZONA UNIVERSITY

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

- NAU's E&G expenses per student decreased 5 percent from \$13,611 to \$12,910 between FY 2017 and FY 2021. Total E&G expenses decreased 7 percent, primarily driven by a 16 percent decrease in Instruction expense due to fewer students attending in person instruction. NAU's E&G/FTE aligns with its peers, ranging within 5 percent of the peer median between FY 2017 and FY 2020.

SPENDABLE CASH AND INVESTMENTS/TOTAL OPERATING EXPENSES

- NAU's SCI/TOE ratio has remained steady at .50 through FY 2020, increasing to .53 in FY 2021 due primarily from COVID-19 relief funding and operational expenditure adjustments. All public universities median ranged from .65 and .71 between FY 2017 and FY 2020.

OPERATING MARGIN RATIO

- NAU maintained a positive ratio each year with the exception FY 2020, which declined sharply due to the pandemic, but rebounded to 5.2% in FY 2021 due to COVID-relief funding and operational expenditure adjustments. The median of all public universities was between 1.4% and 1.7% between FY 2017 and FY 2020.

MONTHLY DAYS CASH ON HAND

- At 188 days in FY 2021, NAU is within the board's established range of 116 to 193 days, with 159 days as the median in FY 2021.

DEBT SERVICE COVERAGE RATIO

- NAU's DSC ratio improved from 1.70 to 1.86 between FY 2017 and FY 2021, with the increase occurring between FY 2020 and FY 2021. The median of all public universities was 2.41 in FY 2017 to 2.30 in FY 2020.

PRIMARY MARKET SELECTIVITY AND MATRICULATION

- NAU saw a decrease in the number of students accepted to the university from 84 percent in FY 2017 to 82 percent in FY 2021. The proportion of students who enrolled also decreased from 20 percent in FY 2017 to 17 percent in FY 2020 and remained at 17 percent in FY 2021. All public universities matriculation decreased from 32 percent in FY 2017 to 26 percent in 2020.

NORTHERN ARIZONA UNIVERSITY

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2017	2018	2019	2020	2021	2021 Budget
State	100,105	99,716	103,200	113,523	107,396	106,800
Tuition and Fees, Net	237,930	236,790	237,605	233,911	218,452	213,000
Gifts, Grants & Contracts	126,508	134,355	143,107	144,879	179,149	136,000
Other Revenue	113,589	119,434	119,140	114,960	123,442	96,200
Total Revenue	578,132	590,295	603,052	607,273	628,439	552,000
Total Expenses	572,920	584,857	586,240	615,926	571,925	552,000
Net Increase/(Decrease)	5,212	5,438	16,812	(8,653)	56,514	0
State as a % of total	17%	17%	17%	19%	17%	19%
T&F as % of total	41%	40%	39%	39%	35%	39%

University Net Position	2017	2018	2019	2020	2021
Capital Assets	269,240	232,568	245,903	248,641	262,474
Restricted Nonexpendable	24,625	25,107	26,258	19,142	17,969
Restricted Expendable	39,193	44,594	48,146	54,058	67,904
Unrestricted	(45,408)	(59,530)	(60,756)	(70,943)	(40,935)
Total Net Position	287,650	242,739	259,551	250,898	307,412
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	471,965	474,883	476,600	465,461	520,452

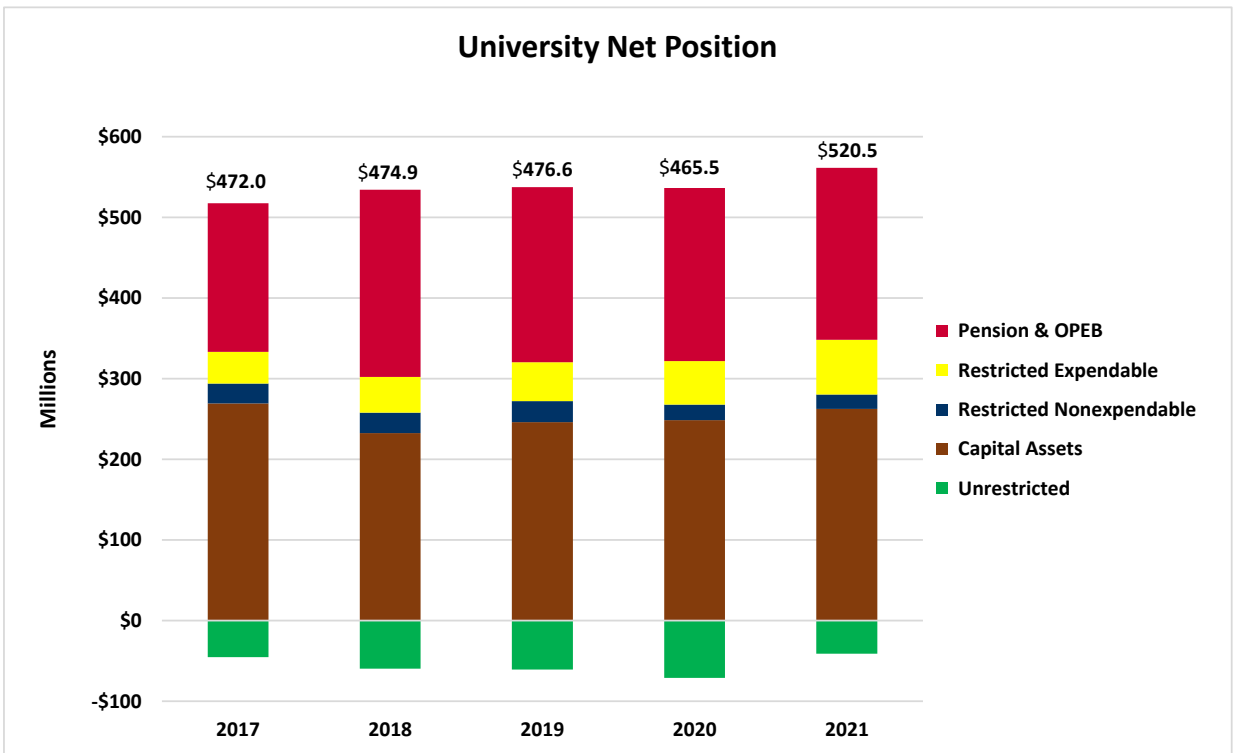
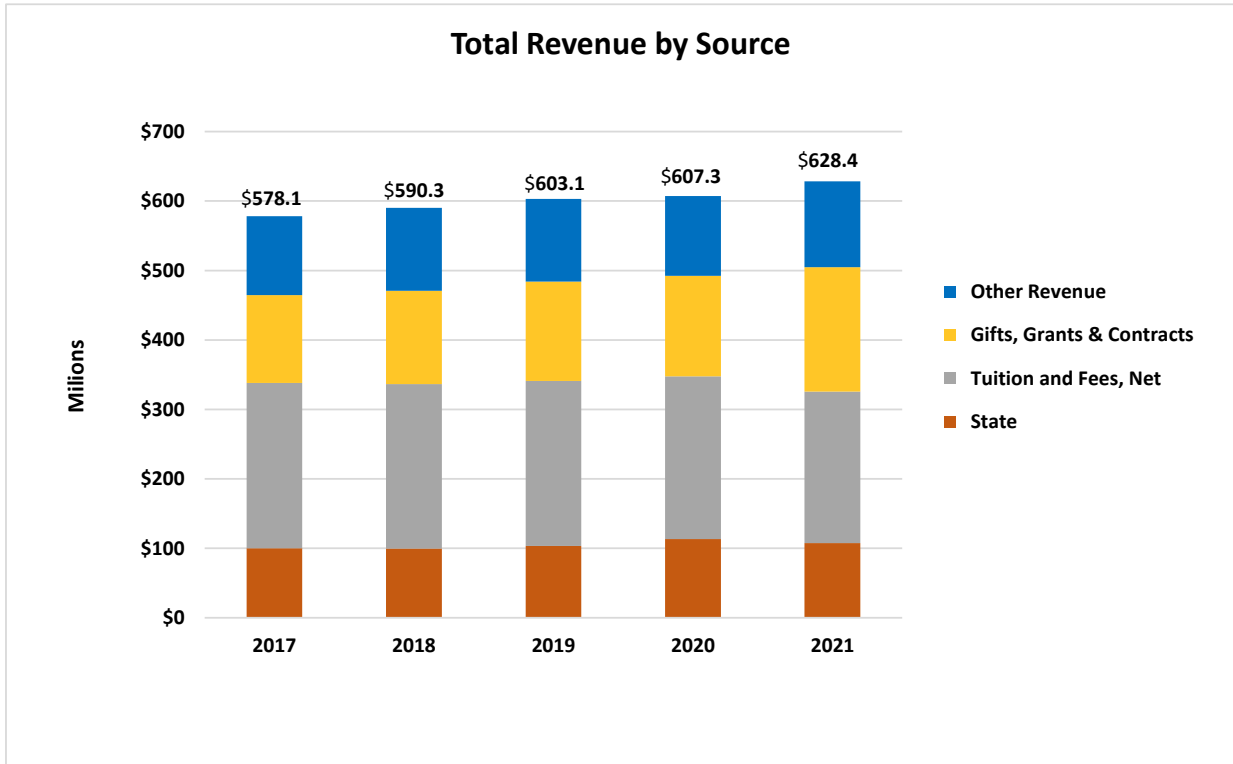
University Unrestricted Net Position	2017	2018	2019	2020	2021
Unrestricted (with GASB)	(45,408)	(59,530)	(60,756)	(70,943)	(40,935)
Pension & OPEB	184,315	232,144	217,049	214,563	213,040
Unrestricted Net Position (unadjusted)	138,907	172,614	156,293	143,620	172,105

Key Indicators	2017	2018	2019	2020	2021
Total FTE Enrollment	28,710	29,524	29,384	29,175	28,028
State General Fund As a Percent of Total Revenues	17%	17%	17%	19%	17%
Tuition and Fee Revenues as a Percent of Total Revenues	41%	40%	39%	39%	35%
E&G Expenses per Student	13,611	13,336	13,088	13,730	12,910
E&G Expenses per Student compared to Peer Median	96%	95%	94%	95%	n/a
Spendable Cash & Investments/Operating Expenses	0.50	0.50	0.50	0.50	0.53
SC&I/OE All public universities median (Moody's)	0.65	0.66	0.68	0.71	n/a
Operating Margin Ratio (OMR)	2.7%	0.5%	0.7%	-2.1%	5.2%
OMR All public universities median (Moody's)	1.4%	1.9%	1.5%	1.7%	n/a
Days Cash on Hand (DCOH)	151	161	151	148	188
DCOH All public universities median (Moody's)	149	154	154	154	159
Debt Service Coverage Ratio (DSCR)	1.70	1.65	1.68	1.19	1.86
DSCR All public universities median (Moody's)	2.41	2.34	2.41	2.30	n/a
Primary Market Selectivity (PMS)	84%	84%	84%	85%	82%
PMS All public universities median (Moody's)	73%	74%	74%	78%	n/a
Primary Market Matriculation (PMM)	20%	20%	18%	17%	17%
PMM All public universities median (Moody's)	32%	31%	29%	26%	n/a

Credit Ratings	2017	2018	2019	2020	2021
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

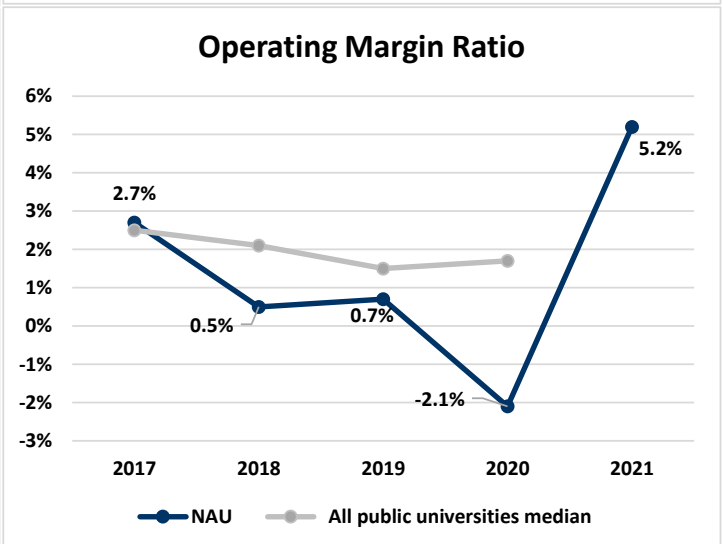
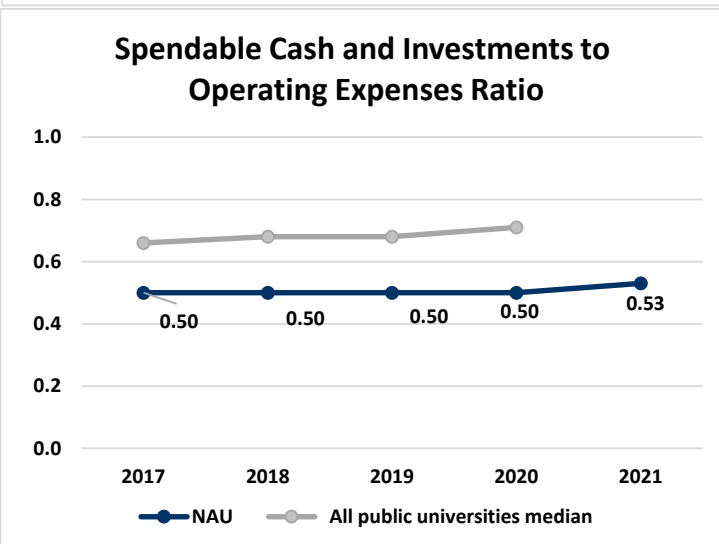
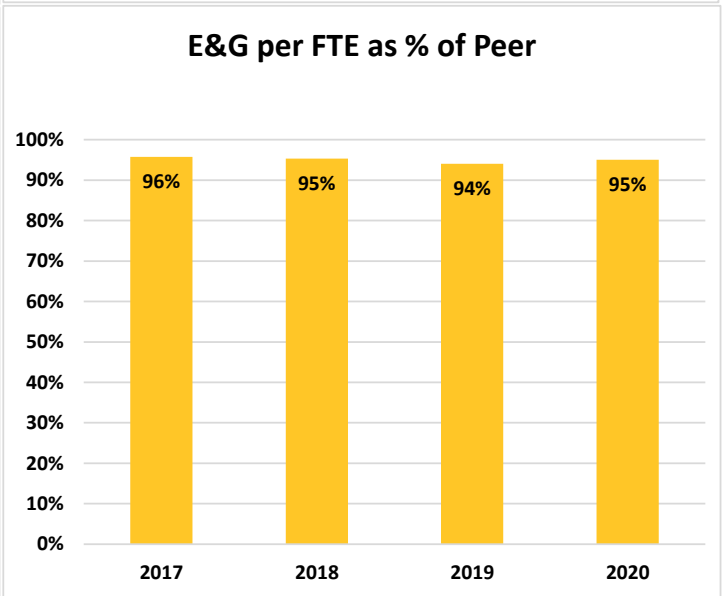
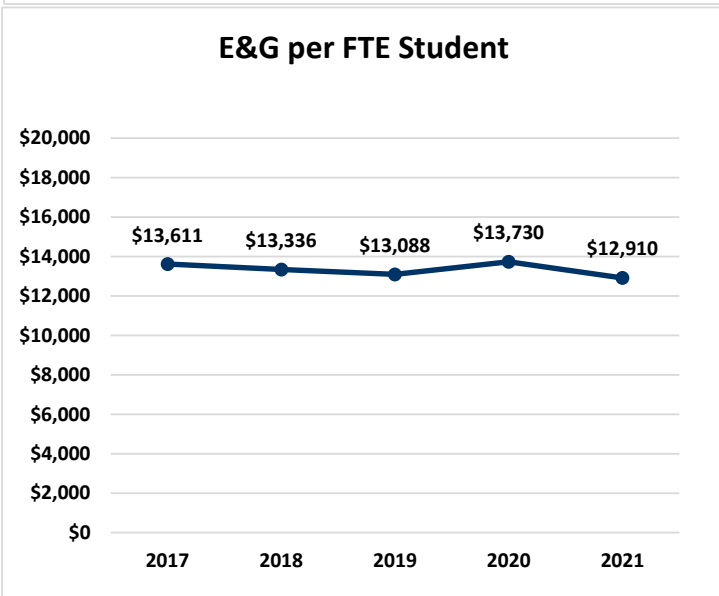
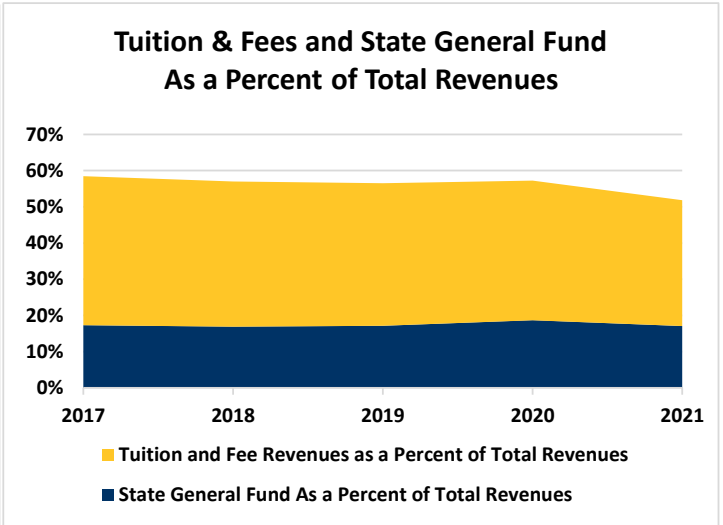
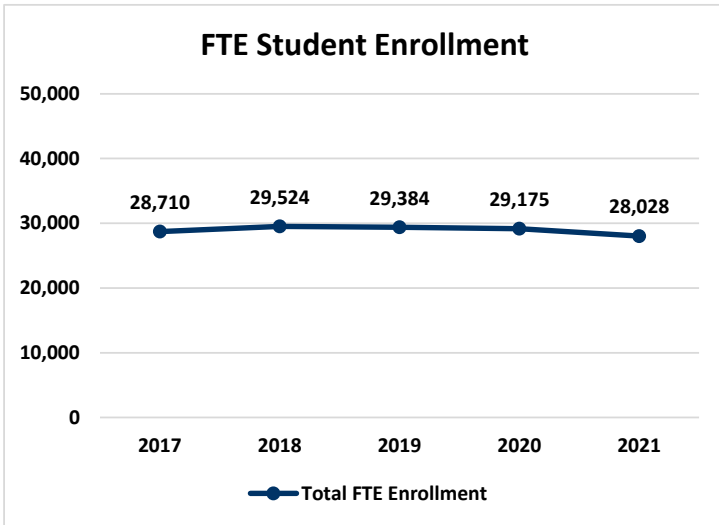
NORTHERN ARIZONA UNIVERSITY

FINANCIAL HIGHLIGHTS



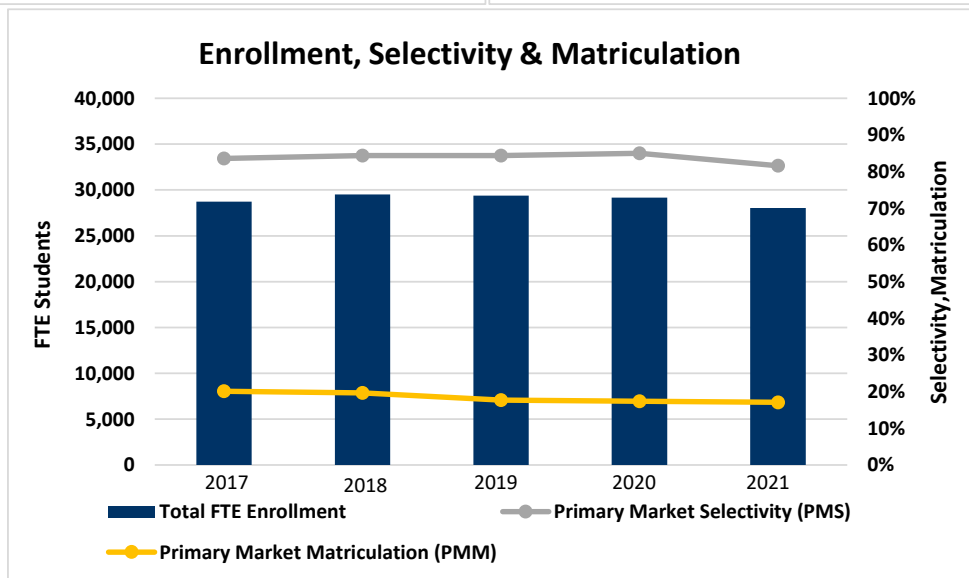
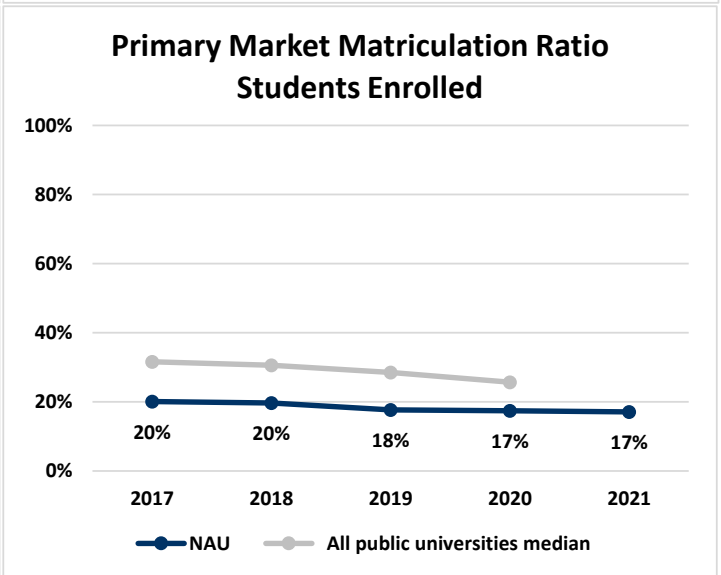
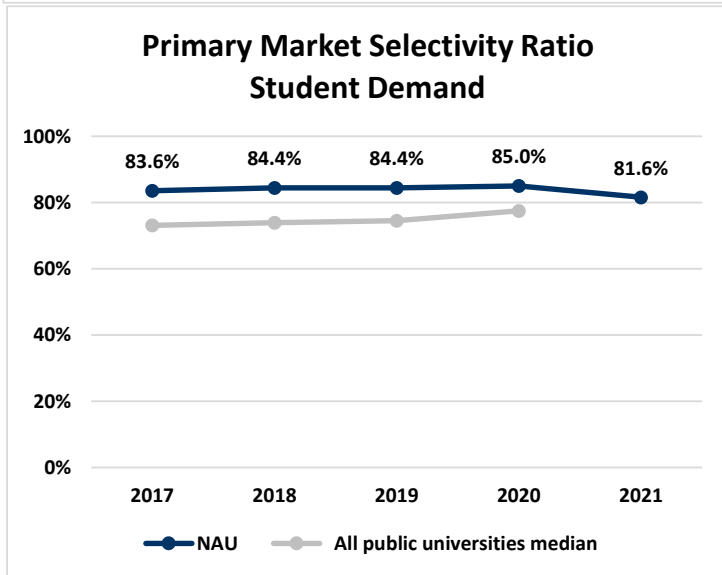
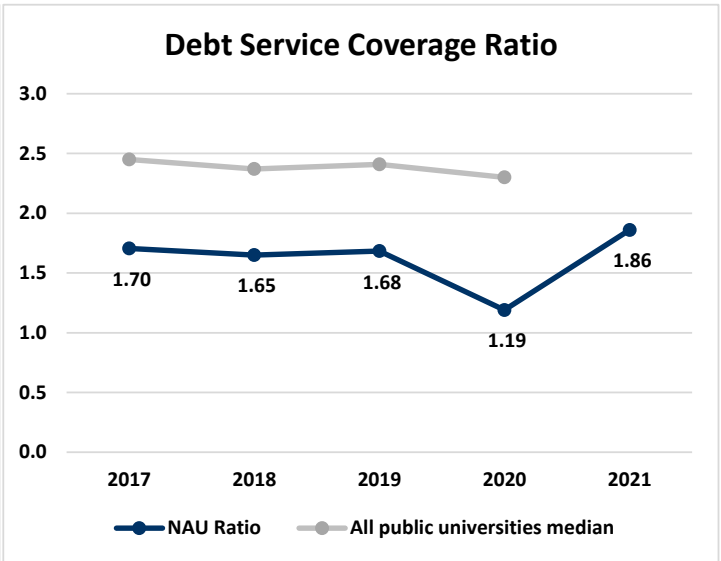
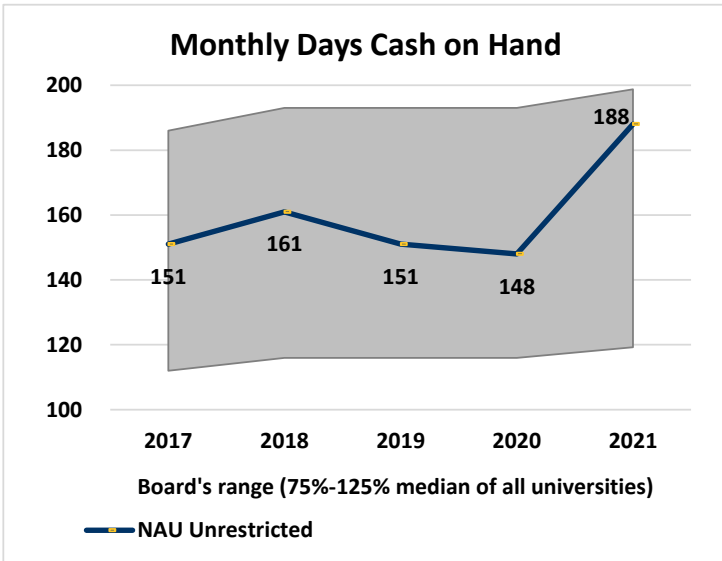
NORTHERN ARIZONA UNIVERSITY

KEY INDICATORS



NORTHERN ARIZONA UNIVERSITY

KEY INDICATORS



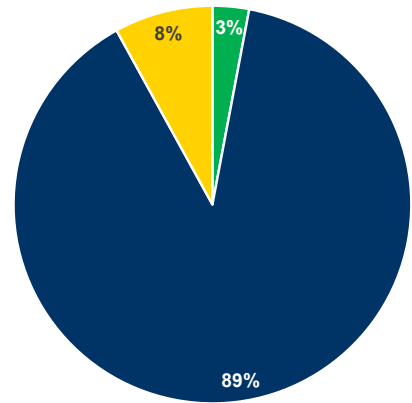
NORTHERN ARIZONA UNIVERSITY - INVESTMENT REPORT

(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
Year-end Market Value	\$225,297	\$195,157	\$192,056	\$204,170
Net Return	0.7%	2.6%	1.3%	1.5%

OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2021)

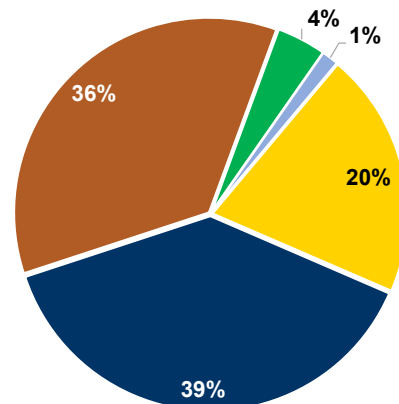
■ Cash/Cash Equivalents (Savings)	3%
■ LGIP Pool 4	90%
■ Agency Bonds	8%
<small>(may not equal 100% due to rounding)</small>	



ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$9,945	\$7,312	\$7,552	\$8,270
Net Return	26.5%	-3.3%	2.2%	8.5%
FA Trust Fund:				
Year-end Market Value	\$37,539	\$26,548	\$26,157	\$30,081
Net Return	33.7%	0.4%	1.9%	12.0%

ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2021)

■ Bonds	20%
■ US Equity	39%
■ Global Ex US Equity	36%
■ Real Estate	0%
■ Cash/Cash Equivalents	4%
■ Other	1%
<small>(may not equal 100% due to rounding)</small>	



UNIVERSITY OF ARIZONA

TOTAL REVENUE BY SOURCE

Between 2017 and 2021:

- UArizona's revenues grew 8 percent from \$2.11 billion to \$2.28 billion. Approximately \$127.3 million of the increase is due to COVID-19 relief funding which helped recoup costs associated with COVID-19 related expenses and for student emergency grant aid. Without COVID-19 relief funding, UArizona's revenue grew 2 percent.
- State support increased 7 percent and state support as a percent of total revenues remained constant at 13 percent.
- Net tuition and fees decreased 3 percent from \$653.7 million to \$634.1 million. As a percent of total revenues, net tuition and fee revenues decreased from 31 percent to 28 percent.
- Gifts, Grants and Contracts increased 26 percent from \$804.4 million to \$1.01 billion, of which \$127.3 million is attributable to COVID-19 relief funding. Without COVID-19 funding, UArizona's GGC increased 10 percent, and as percent of total revenues, increased from 38 percent to 41 percent.

UNIVERSITY NET POSITION

- UArizona's net position decreased 8 percent between FY 2017 and FY 2021. Excluding GASB adjustments, net position increased about 7 percent. Between FY 2017 and FY 2021, GASB adjustments for public pension liability/OPEB increased from \$650.6 million to \$855.8 million.

KEY INDICATORS

ENROLLMENT

- Between Fall 2016 (FY17) and Fall 2020 (FY21), UArizona's FTE enrollment increased 4.5 percent from 43,570 to 45,517. Both resident and nonresident FTE enrollment increased, with the largest growth in graduate students. Resident graduate FTE increased .3 percent and nonresident graduate FTE increased 17.2 percent. Undergraduate student FTE grew 3.6 percent between those years. For Fall 2020 (FY 2021) online students represented 9.3 percent of total student FTE.

UNIVERSITY OF ARIZONA

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

- UArizona's E&G expenses per student grew 7.3 percent from \$26,468 in FY 2017 to \$28,402 in FY 2021, however decreased 5.8 percent between FY 2020 and FY 2021. Compared to peer institutions, UArizona's E&G per FTE is near the peer median at 96 percent.

SPENDABLE CASH AND INVESTMENTS/TOTAL OPERATING EXPENSES

- UArizona's SCI/TOE ratio decreased between FY 2017 and FY 2021, from .60 to .50. Between 2017 and 2020, all public universities median was between .65 and .71, respectively.

OPERATING MARGIN RATIO

- OMR can fluctuate from year to year, due to irregular timing of when revenues and expenditures are incurred. The UArizona is no exception with an OMR of 8.0 percent in FY 2017 down to -3.6 percent in FY 2020 and increasing to 1.7 percent in FY 2021. The decreases in FY 2019 and FY2020 are due to near-flat levels of tuition and fees revenues and increases in expense levels due to COVID-19. The increase in FY 2021 is due to reimbursement of COVID-19 related expenses and increases in tuition and fee revenues. The median of all public universities was between 1.4 and 1.7 percent between FY 2017 and FY 2020.

MONTHLY DAYS CASH ON HAND

- At 173 days in FY 2021, the UArizona is within the board's established range of 116 to 193 days, with 154 days as the median.

DEBT SERVICE COVERAGE RATIO

- UArizona's DSC ratio decreased from 2.89 in FY 2017 to 1.0 in FY 2020 and maintaining at 1.0 in FY 2021. This means that the UArizona could still cover 100 percent of its debt service payments with operating cash flow. The median of all public universities was between 2.41 and 2.30 between FY 2017 and FY 2020, respectively.

PRIMARY MARKET SELECTIVITY AND MATRICULATION

- UArizona saw an increase in the number of students accepted to the university from 84 percent in FY 2017 to 87 percent in FY 2021. However, even with an increase in admittance, the proportion of students who enrolled dropped from 26 percent in FY 2017 to 21 percent in FY 2021. This follows, albeit more drastically, the national trend for all public universities where the median decreased from 32 percent in FY 2017 to 26 percent in 2020.

UNIVERSITY OF ARIZONA

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2017	2018	2019	2020	2021	2021 Budget
State	267,124	269,038	277,734	294,508	284,620	284,600
Tuition and Fees, Net	653,725	653,519	658,090	644,352	634,092	533,000
Gifts, Grants & Contracts	804,371	816,152	848,485	857,661	1,010,509	777,600
Other Revenue	384,567	384,324	403,350	423,300	347,186	287,900
Total Revenue	2,109,787	2,123,033	2,187,659	2,219,821	2,276,407	1,883,100
Total Expenses	1,954,104	2,060,678	2,161,978	2,292,689	2,220,898	1,943,800
Net Increase	155,683	62,355	25,681	(72,868)	55,509	(60,700)
State as a % of total	13%	13%	13%	13%	13%	15%
T&F as % of total	31%	31%	30%	29%	28%	28%

University Net Position	2017	2018	2019	2020	2021
Capital Assets	730,135	776,373	801,215	951,375	888,422
Restricted Nonexpendable	142,774	154,227	161,496	157,378	189,845
Restricted Expendable	241,080	244,542	233,337	203,957	239,189
Unrestricted	20,756	(135,502)	(130,727)	(320,257)	(269,494)
Total Net Position	1,134,745	1,039,640	1,065,321	992,453	1,047,962
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,785,309	1,814,341	1,810,559	1,791,045	1,903,790

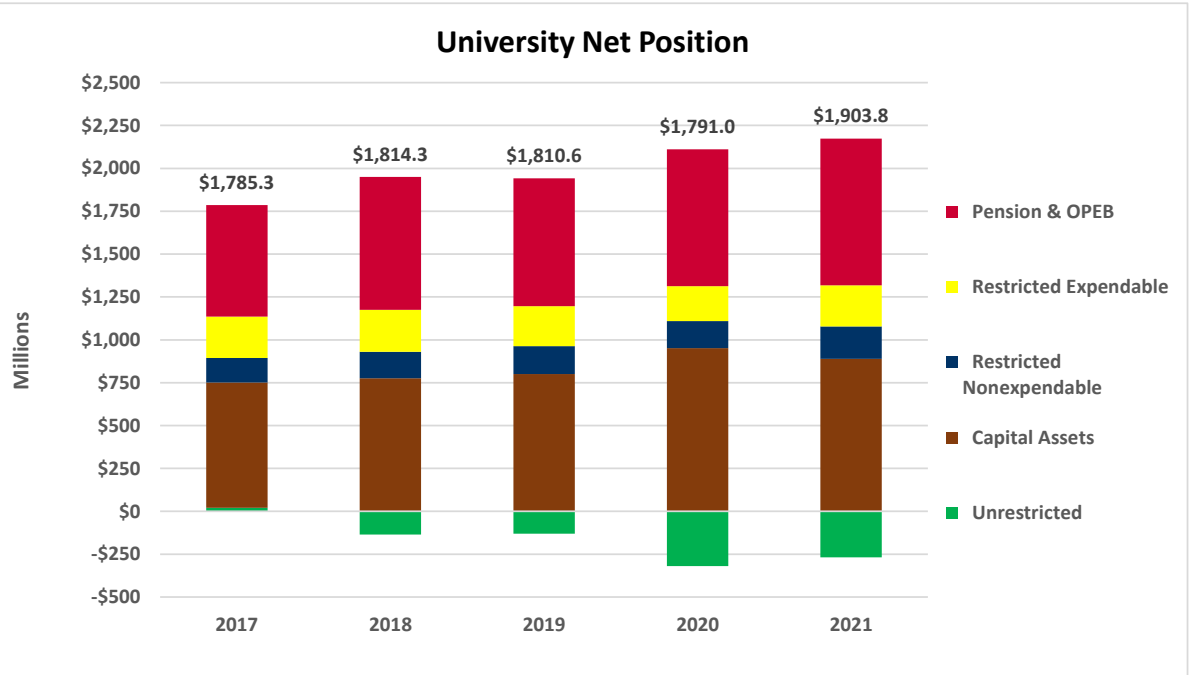
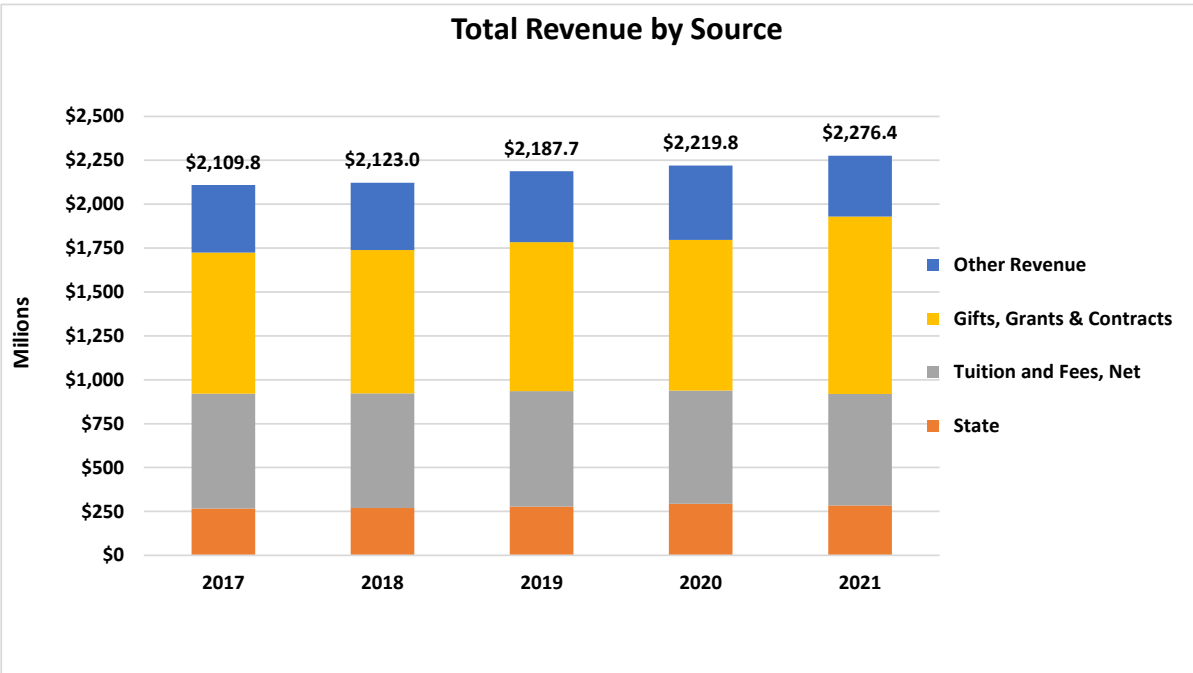
University Unrestricted Net Position	2017	2018	2019	2020	2021
Unrestricted (with GASB)	20,756	(135,502)	(130,727)	(320,257)	(269,494)
Pension & OPEB	650,564	774,701	745,238	798,592	855,828
Unrestricted Net Position (unadjusted)	671,320	639,199	614,511	478,335	586,334

	2017	2018	2019	2020	2021
Total Fall FTE Enrollment	43,570	44,129	44,376	44,714	45,517
State General Fund As a Percent of Total Revenues	13%	13%	13%	13%	13%
Tuition and Fee Revenues as a Percent of Total Revenues	31%	31%	30%	29%	28%
E&G Expenses per Student	26,468	27,510	28,720	30,140	28,402
E&G Expenses per Student compared to Peer Median	81%	79%	97%	96%	n/a
Spendable Cash & Investments/Operating Expenses	0.60	0.56	0.52	0.45	0.50
SCI/OE All public universities median (Moody's)	0.65	0.66	0.68	0.71	n/a
Operating Margin Ratio (OMR)	8.0%	1.5%	-0.6%	-3.6%	1.7%
OMR All public universities median (Moody's)	1.4%	1.9%	1.5%	1.7%	n/a
Days Cash on Hand (DCOH)	184	172	151	132	173
DCOH All public universities median (Moody's)	149	154	154	154	159
Debt Service Coverage Ratio (DSCR)	2.89	1.85	1.52	1.00	1.00
DSCR All public universities median (Moody's)	2.41	2.34	2.41	2.30	n/a
Primary Market Selectivity (PMS)	84%	84%	85%	85%	87%
PMS All public universities median (Moody's)	73%	74%	74%	78%	n/a
Primary Market Matriculation (PMM)	26%	23%	22%	20%	21%
PMM All public universities median (Moody's)	32%	31%	29%	26%	n/a

Credit Ratings	2017	2018	2019	2020	2021
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
	Stable	Stable	Stable	Stable	Negative
Standard & Poors (S&P)	AA-	AA-	AA-	AA-	AA-
	Stable	Stable	Stable	Stable	Stable

UNIVERSITY OF ARIZONA

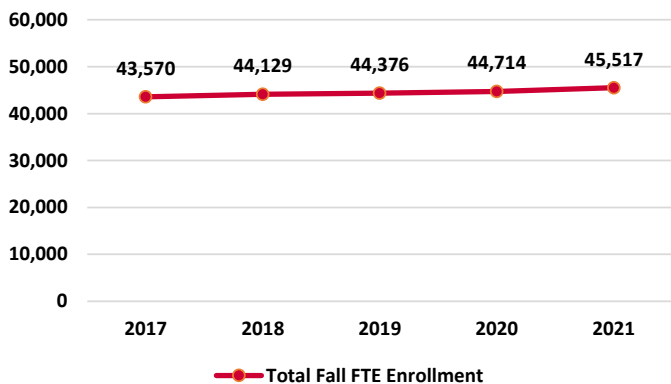
FINANCIAL HIGHLIGHTS



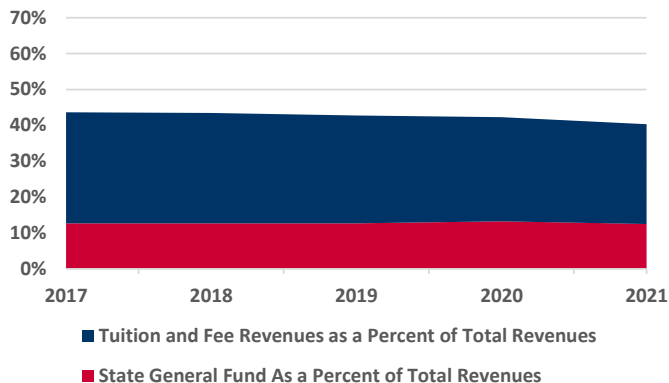
UNIVERSITY OF ARIZONA

KEY INDICATORS

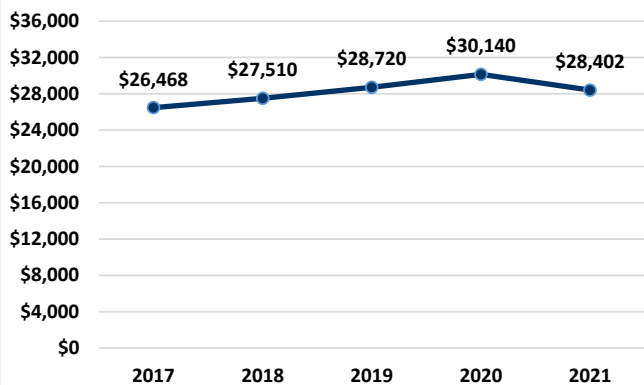
University of Arizona FTE Student Enrollment



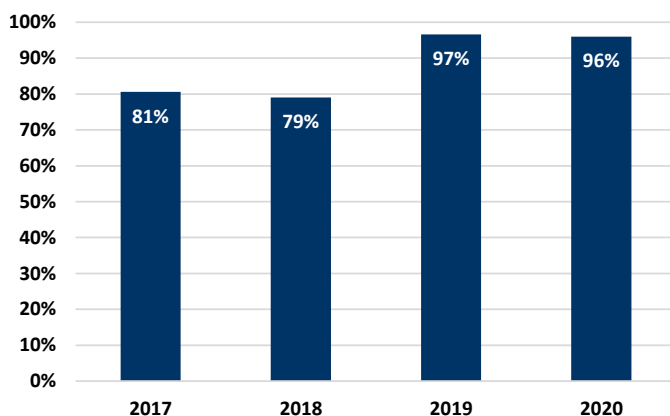
Tuition & Fees and State General Fund As a Percent of Total Revenues



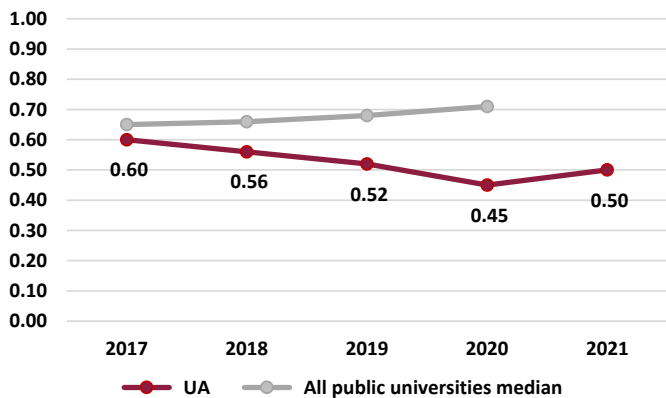
E&G per FTE Student



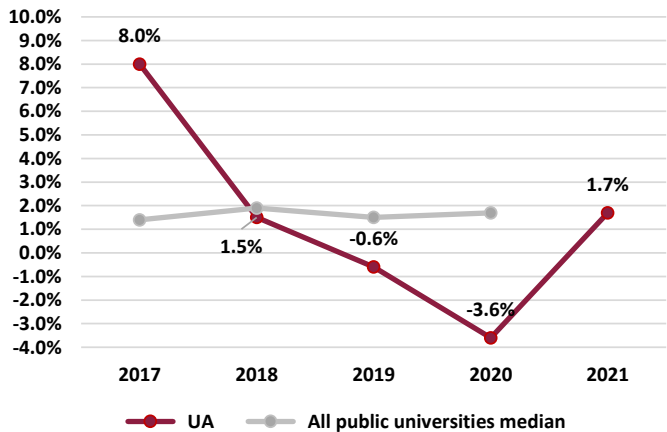
E&G per FTE as % of Peer



Spensible Cash and Investments to Operating Expenses Ratio

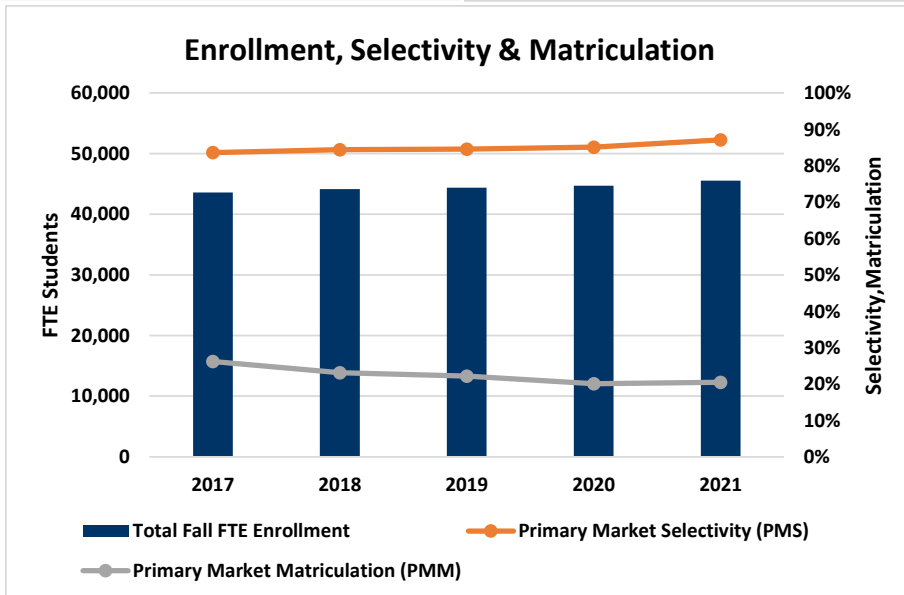
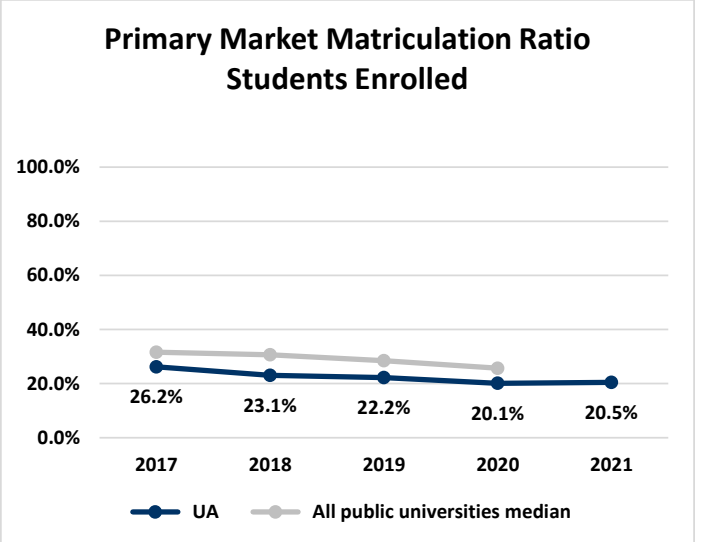
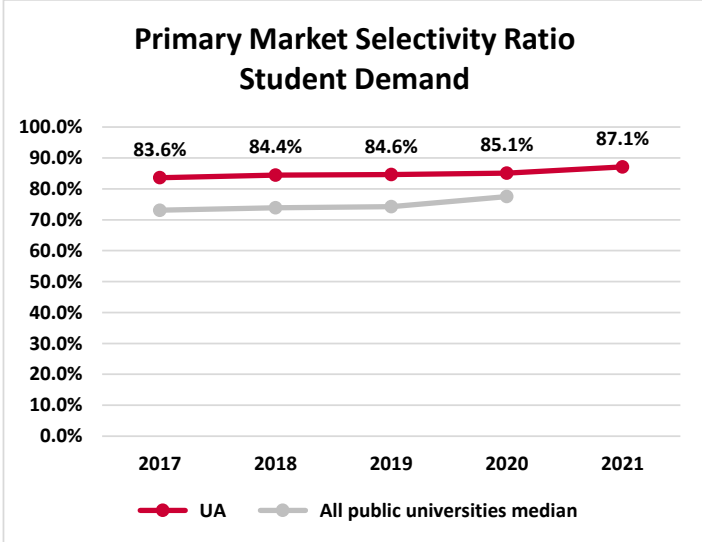
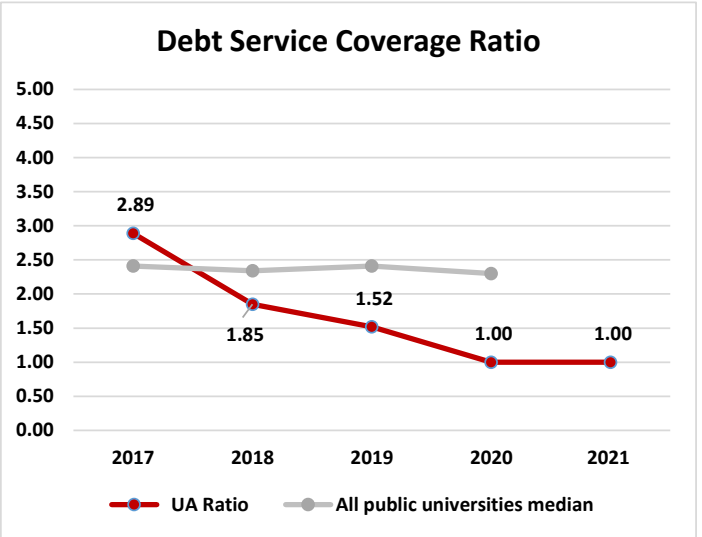
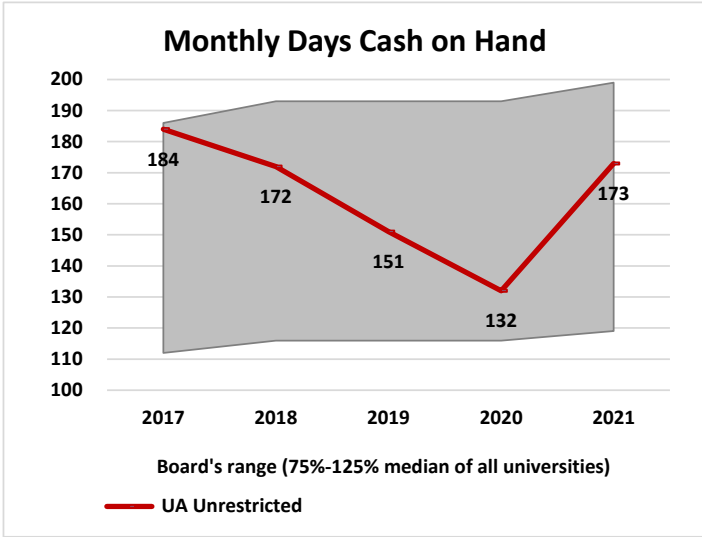


Operating Margin Ratio



UNIVERSITY OF ARIZONA

KEY INDICATORS



UNIVERSITY OF ARIZONA - INVESTMENT REPORT

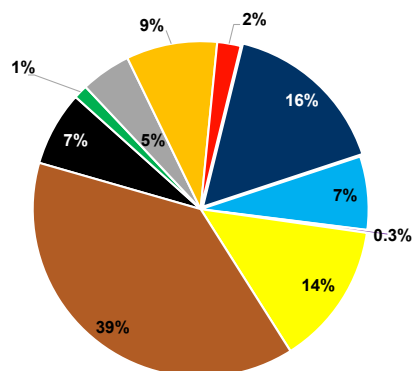
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
Year-end Value	\$710,122	\$611,784	\$714,724	\$678,877
Net Return	1.4%	4.0%	4.4%	2.2%

OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2021)

■ Cash Deposits (Savings)	7%
■ Certificates of Deposit	1%
■ Commercial Paper	5%
■ Equity Mutual Funds	9%
■ Government Agency Bonds	2%
■ International Bonds	16%
■ Money Market	7%
■ Municipal Bonds	0%
■ Treasury Bonds	14%
■ US Corporate Bonds	38%

(may not equal 100% due to rounding)



ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$326,850	\$285,408	\$310,712	\$307,657
Net Return	26.0%	-2.2%	3.3%	9.0%
FA Trust Fund:				
Year-end Value	\$47,569	\$37,287	\$39,521	\$41,459
Net Return	29.9%	-3.0%	3.9%	10.3%

ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2021)

■ Commodities & Managed Futures	9%
■ Domestic Equities	17%
■ Fixed Income	9%
■ International Equities	21%
■ Marketable Alternative Strategies	15%
■ Private Equity	24%
■ Private Real Estate	5%
■ Short-Term Securities /Cash	1%

(may not equal 100% due to rounding)

