

# **FY 2022**

# **ANNUAL**

# **FINANCIAL**

# **REVIEW**

## ABOUT THIS REVIEW

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 2018 – FY 2022 (FY 2021 for national data).

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/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 2018 and 2021 ranged from 0.66 to 0.88.

### 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 2018 and 2021 ranged from 1.9% in 2018 to 5.7% in 2021.

### 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 2022) median among rated public colleges and universities. For 2022, the board's range is between 143 and 239 days, with 191 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) ranged from 2.34 in FY 2018 to 3.33 in FY 2021.

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

- Measures initial student demand. A low selectivity rate and a high yield 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 2018 and 2021 ranged from 74%-80%.

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

- Measures final student demand, measuring the percent of students admitted who 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 31% in FY 2018 to 25% in FY 2021.

# ARIZONA STATE UNIVERSITY

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## TOTAL REVENUE BY SOURCE

Between 2018 and 2022:

- ASU's revenues grew 35 percent from \$2.584 billion to \$3.487 billion. A large portion of the increase is due to approximately \$191.1 million in COVID-19 relief funding which helped recoup costs associated with COVID-19 related expenses and for student emergency grant aid. ASU received a total of \$420.1 million in COVID-19 funding between FY 2020 and FY 2022. Without COVID-19 relief funding, ASU's revenue grew 28 percent in FY 2022.
- State support increased 29 percent, although state support as a percent of total revenues remained at 12 percent.
- Net tuition and fees increased 28 percent from \$1.323 billion to \$1.690 billion. Net T&F as a percent of total revenues decreased from 51 percent to 49 percent primarily due to COVID-19 relief funding received in FY 2022.
- Gifts, Grants and Contracts increased 61 percent, from \$638.9 million to \$1.029 billion, of which \$191.1 million is attributable to COVID-19 relief funding. Even without COVID-19 funding, ASU's GGC increased 31 percent. GGC makes up about 30 percent of total revenues.

## UNIVERSITY NET POSITION

- ASU's net position increased 49 percent between FY 2018 and FY 2022 due in large part to COVID-19 relief funding received. Excluding GASB adjustments for public pension liability and other post-employment benefits (OPEB) ASU's net position increased 40 percent. On average, ASU's net position increased 7 percent per year between FY 2018 and FY 2022.
- Between FY 2018 and FY 2022, the impact on total net position from GASB adjustments for public pension liability/OPEB increased from \$664.2 million to \$807.8 million.

## KEY INDICATORS

### ENROLLMENT

- Between FY 2018 and FY 2022, ASU's FTE enrollment increased 24 percent from 97,950 in FY 2018 to 121,770 in FY 2022. ASU realized the largest growth in nonresident students which increased 36 percent for nonresident undergraduate students and 48 percent for nonresident graduates. Resident undergraduate and graduate FTE enrollment increased 13 percent and 7 percent, respectively between those years. For Fall 2021 (FY 2022) online students represented 32 percent of total student FTE, compared to 21 percent for Fall 2017 (FY 2018).

# ARIZONA STATE UNIVERSITY

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

- ASU's E&G expenses per student remained relatively flat between FY 2018 and FY 2022, from \$16,529 in FY 2018 to \$16,636 in FY 2022.

## SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- ASU's SCI/OE ratio increased in FY 2022 to 0.84, due primarily from COVID-19 relief funding. Prior to FY 2021, SCI/OE was on a slight downward trend ranging from 0.69 in FY 2018 to 0.65 in FY 2020. Between FY 2018 and FY 2021, all public universities median was between 0.66 and 0.88.

## OPERATING MARGIN RATIO

- ASU's OMR is consistently higher than the median of all public universities. ASU's OMR reached a high of 10.7% in FY 2022 but prior to FY 2021, ranged from 4.2% in FY 2018 to 2.7% in FY 2020. The all-public universities median averaged about 1.7% between FY 2018 and FY 2020, increasing to 5.7% in FY 2021.

## MONTHLY DAYS CASH ON HAND

- At 188 days in FY 2022, ASU is within the board's established range of 143 to 239 days with 191 days as the median. The median of all public universities was between 154 to 191 days between FY 2018 and FY 2022.

## DEBT SERVICE COVERAGE RATIO

- ASU's DSC ratio increased significantly between FY 2018 and FY 2021 with no significant change in FY 2022 at 3.42, down slightly from FY 2021 at 3.45. Prior to FY 2021, the DSC ratio was consistently above 2.0, ranging from 2.52 in FY 2018 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 80 percent in FY 2018 to 87 percent in FY 2021 and FY 2022. However, the proportion of students admitted and who enrolled averaged 33 percent between FY 2018 and FY 2021 and in FY 2022 dipped to 27 percent. The decline aligns with the trend of all public universities median matriculation which decreased from 31 percent in FY 2018 to 25 percent in 2021.

**ARIZONA STATE UNIVERSITY**
**Financial Highlights**

<b>University Revenues, Expenditures and Changes in Net Position</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022 Budget</b>
State	320,257	328,776	348,954	332,186	411,512	356,800
Tuition and Fees, Net	1,323,268	1,423,052	1,550,581	1,598,180	1,689,832	1,698,000
Gifts, Grants & Contracts	638,944	702,081	753,004	1,072,576	1,029,127	1,002,600
Other Revenue	301,312	351,950	318,980	365,395	356,740	349,600
Total Revenue	2,583,781	2,805,859	2,971,519	3,368,337	3,487,211	3,407,000
Total Expenses	2,520,707	2,720,456	2,964,844	3,120,385	3,243,265	3,293,100
Net Increase	63,074	85,403	6,675	247,952	243,946	113,900
State as a % of total	12%	12%	12%	10%	12%	10%
T&F as % of total	51%	51%	52%	47%	48%	50%

<b>University Net Position</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Capital Assets	956,220	985,149	1,042,673	1,107,148	1,147,404
Restricted Nonexpendable	78,813	84,714	87,497	91,623	104,729
Restricted Expendable	119,410	118,626	127,614	175,937	203,211
Unrestricted	115,542	166,899	104,279	235,307	437,294
Total Net Position	1,269,985	1,355,388	1,362,063	1,610,015	1,892,638
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,934,193	2,014,580	2,077,161	2,390,523	2,700,388

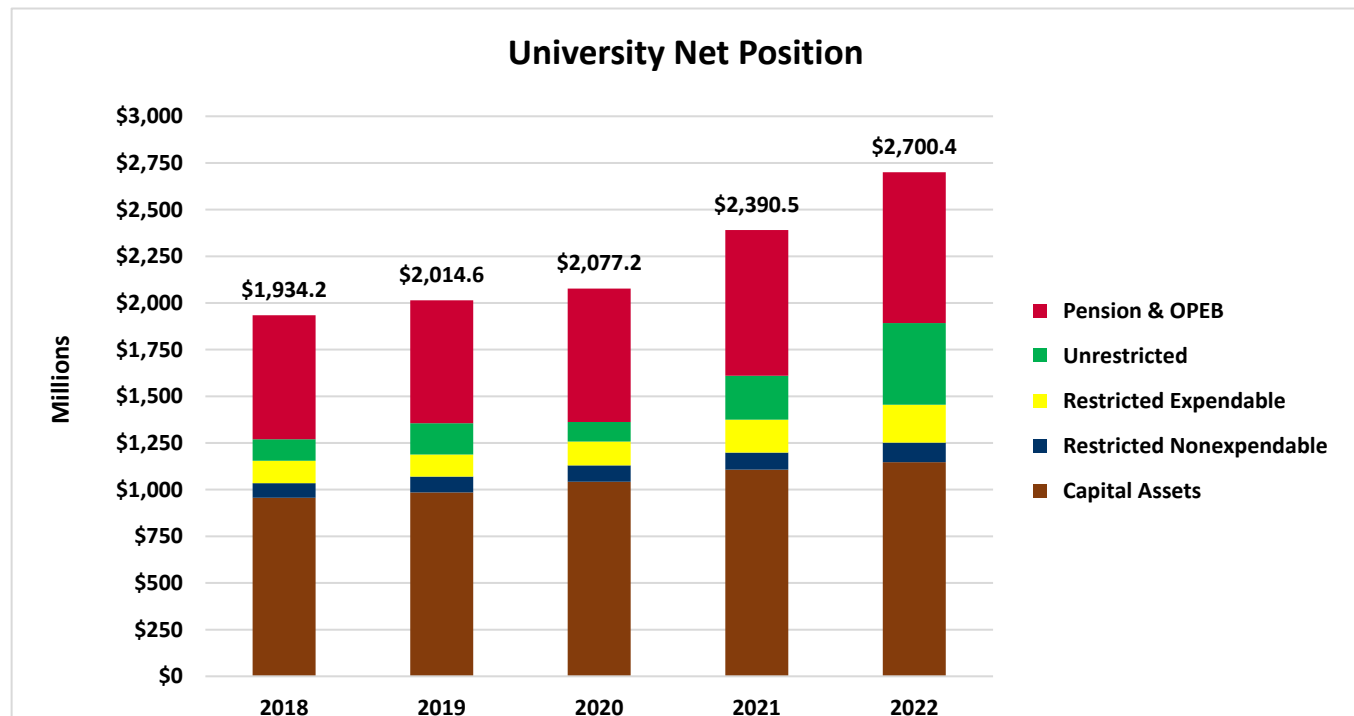
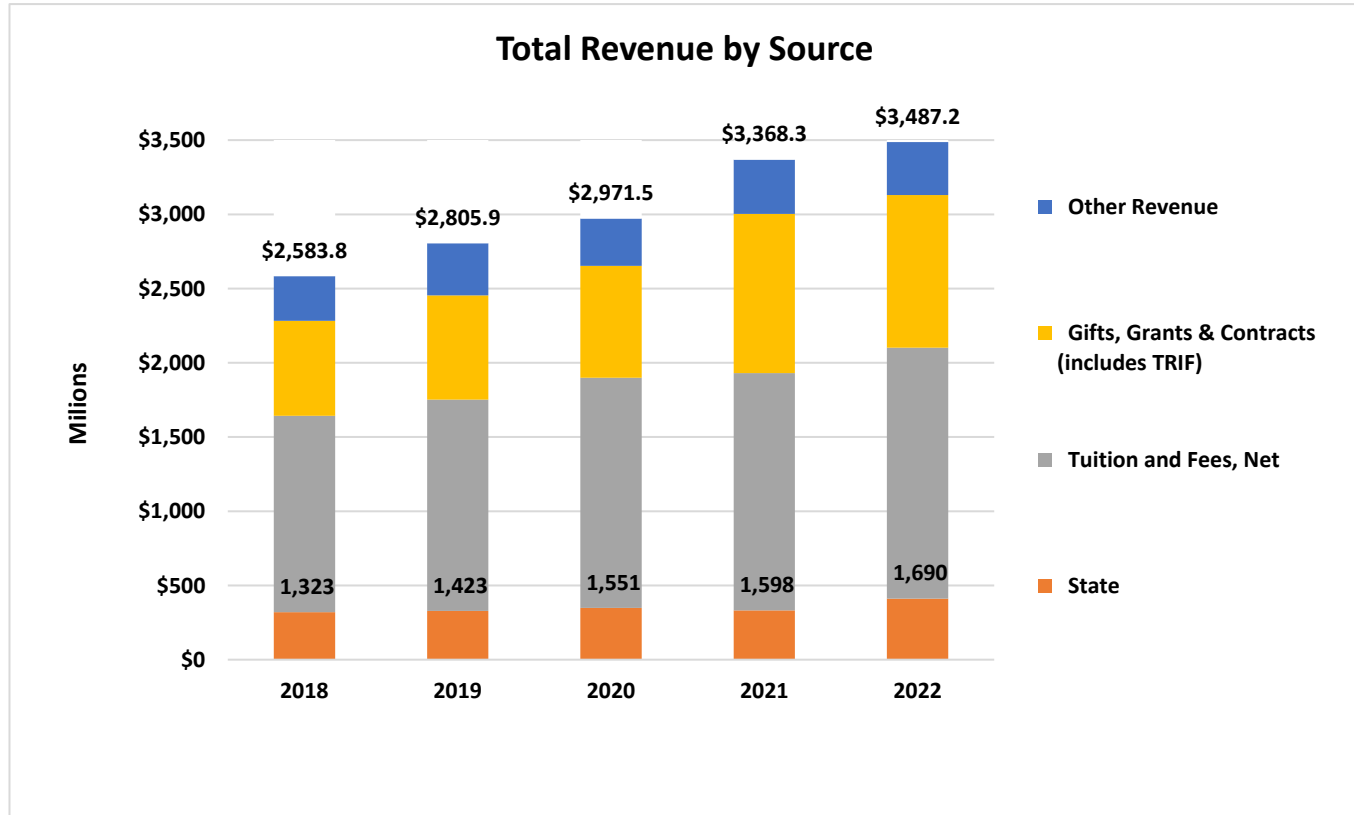
<b>University Unrestricted Net Position</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Unrestricted (with GASB)	115,542	166,899	104,279	235,307	437,294
Pension & OPEB	664,208	659,192	715,098	780,508	807,750
Unrestricted Net Position (unadjusted)	779,750	826,091	819,377	1,015,815	1,245,044

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total Fall FTE Enrollment	97,950	103,654	110,548	117,005	121,770
State General Fund As a Percent of Total Revenues	12%	12%	12%	10%	12%
Tuition and Fee Revenues as a Percent of Total Revenues	51%	51%	52%	47%	48%
E&G Expenses per Student	16,529	16,753	17,145	17,215	16,636
Spendable Cash & Investments/Operating Expenses	0.69	0.66	0.65	0.79	0.84
SCI/OE All public universities median (Moody's)	0.66	0.68	0.71	0.88	n/a
Operating Margin Ratio (OMR)	4.2%	3.3%	2.7%	9.1%	10.7%
OMR All public universities median (Moody's)	1.9%	1.5%	1.7%	5.7%	n/a
Days Cash on Hand (DCOH)	142	147	147	163	188
DCOH All public universities median (Moody's)	154	154	154	159	191
Debt Service Coverage Ratio (DSCR)	2.52	2.24	2.07	3.45	3.42
DSCR All public universities median (Moody's)	2.34	2.41	2.30	3.33	n/a
Primary Market Selectivity (PMS)	80%	81%	82%	87%	87%
PMS All public universities median (Moody's)	74%	74%	78%	80%	n/a
Primary Market Matriculation (PMM)	36%	38%	33%	30%	27%
PMM All public universities median (Moody's)	31%	29%	26%	25%	n/a

<b>Credit Ratings</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
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

# ARIZONA STATE UNIVERSITY

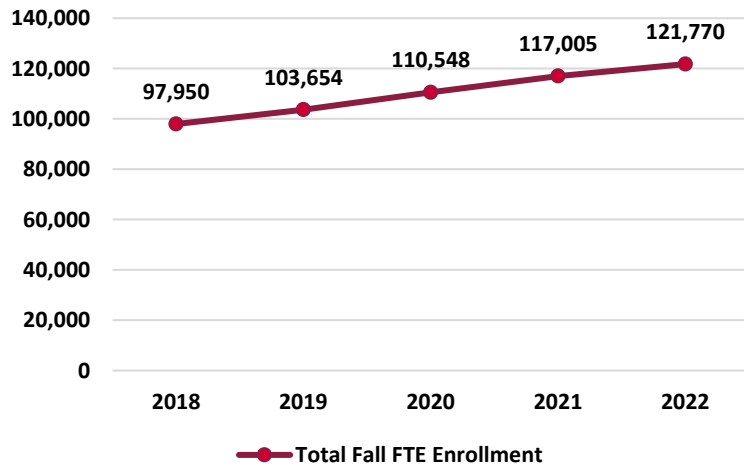
## FINANCIAL HIGHLIGHTS



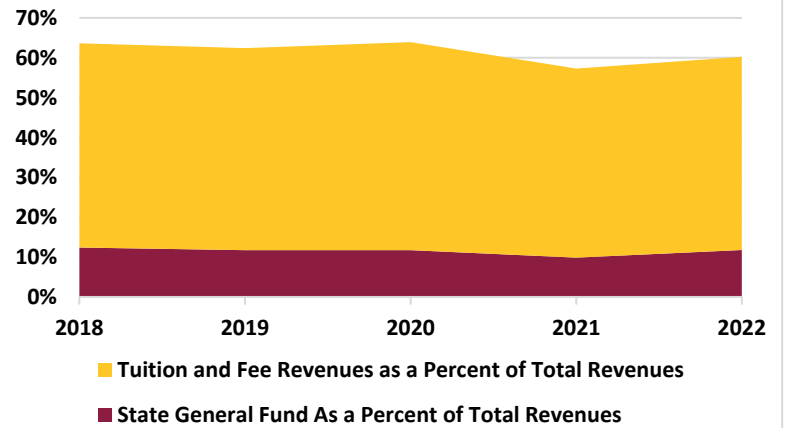
# ARIZONA STATE UNIVERSITY

## KEY INDICATORS

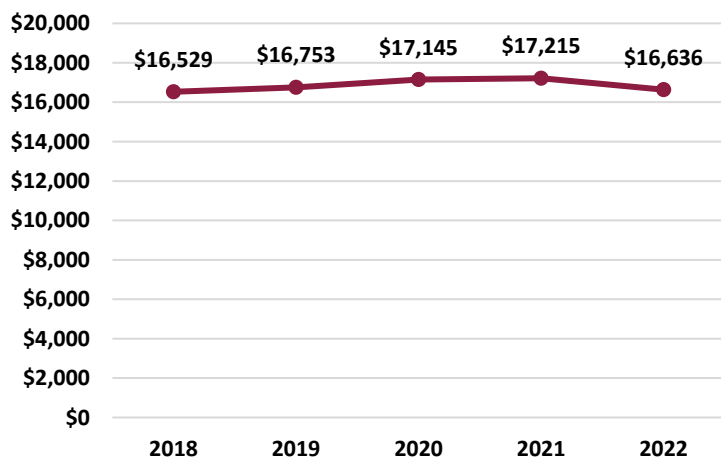
### FTE Student Enrollment



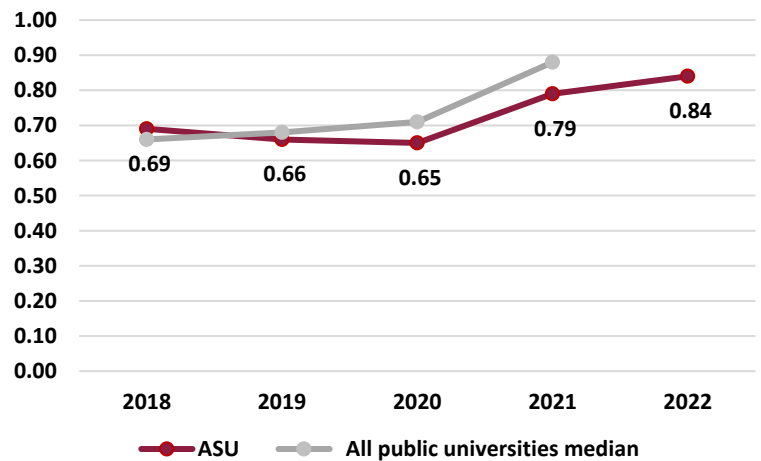
### Tuition & Fees and State General Fund As a Percent of Total Revenues



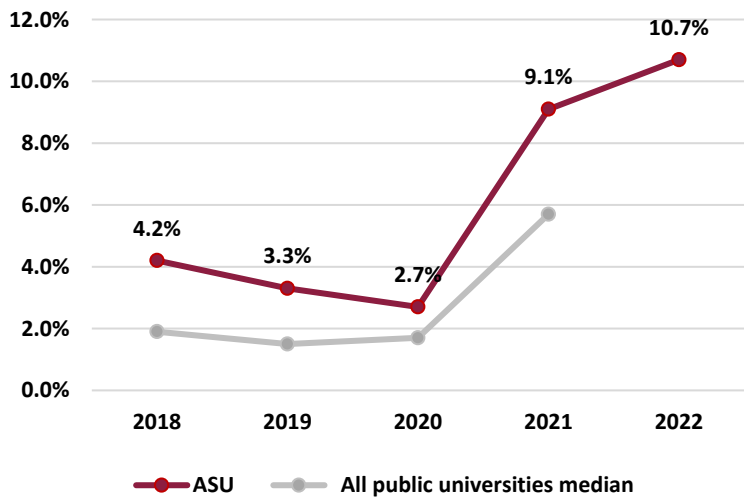
### E&G per FTE Student



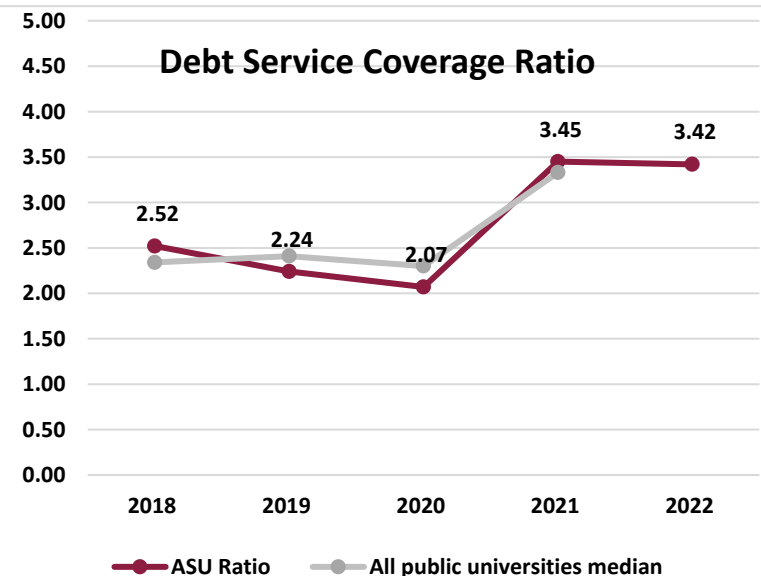
### Spendable Cash and Investments to Operating Expenses Ratio



### Operating Margin Ratio



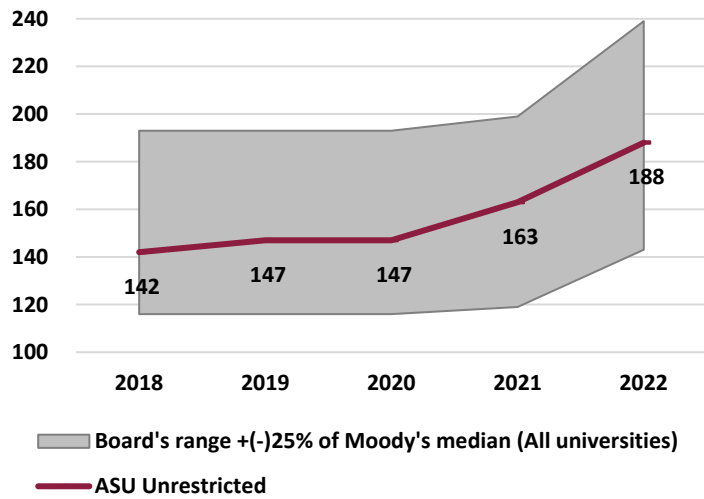
### Debt Service Coverage Ratio



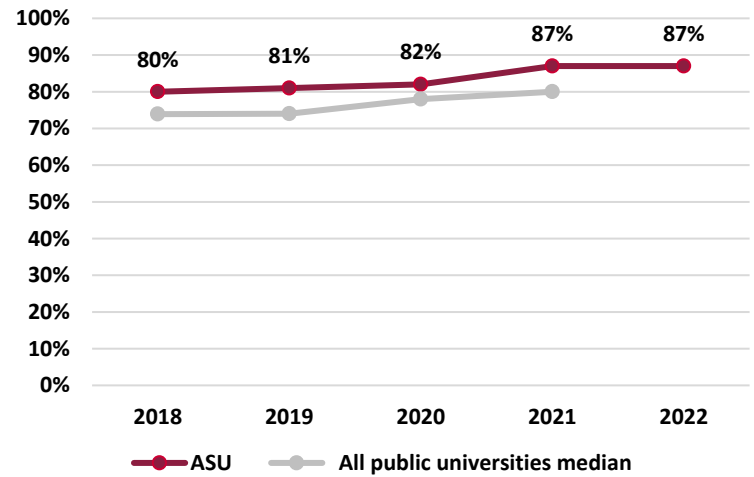
# ARIZONA STATE UNIVERSITY

## KEY INDICATORS

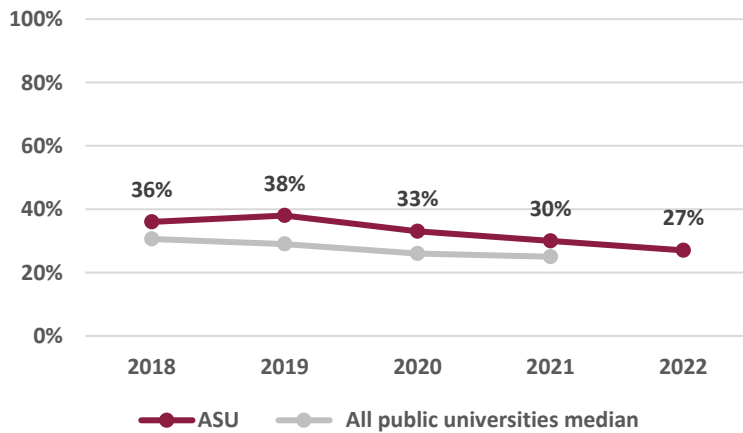
### Monthly Days Cash on Hand



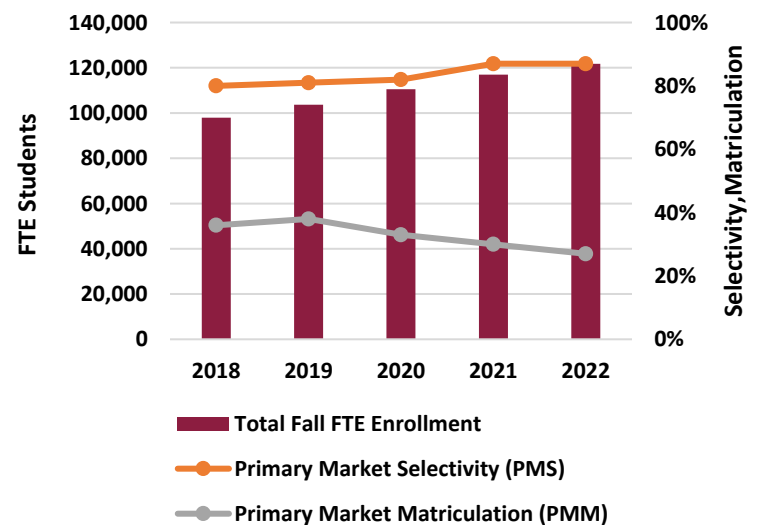
### Primary Market Selectivity Ratio Student Demand



### Primary Market Matriculation Ratio Students Enrolled



### Enrollment, Selectivity & Matriculation



## ARIZONA STATE UNIVERSITY - INVESTMENT REPORT

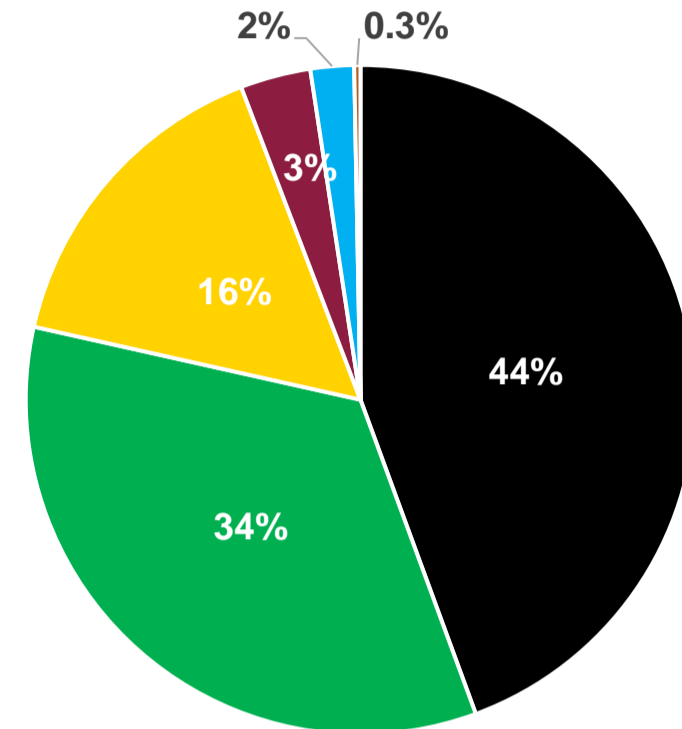
(Dollars in Thousands)

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)

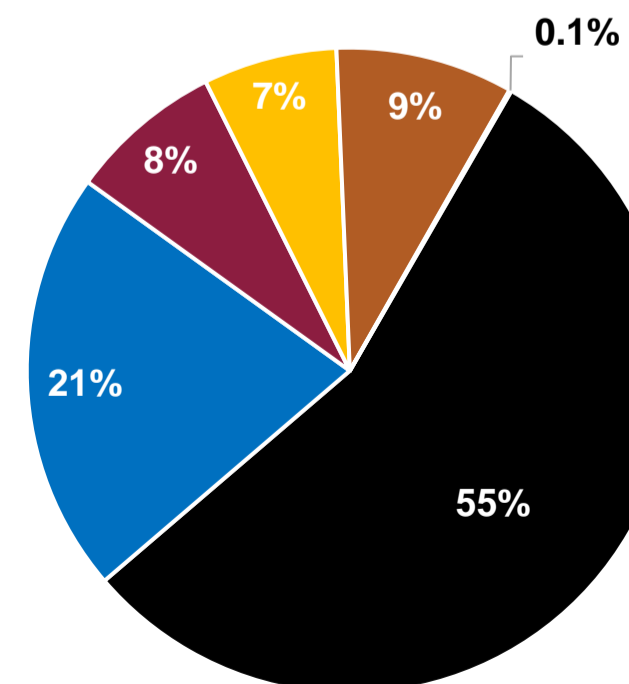


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2021	6/30/2020	6/30/2019	3-yr Average
<b>Pooled Endowments:</b>				
Year-end Market Value	\$273,852	\$181,218	\$180,589	\$211,886
Net Return	24.9%	4.8%	10.2%	13.3%
<b>FA Trust Fund:</b>				
Year-end Value	\$97,326	\$75,714	\$69,767	\$80,936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



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## **TOTAL REVENUE BY SOURCE**

Between 2018 and 2022:

- NAU's revenues grew 16 percent from \$590.3 million to \$681.9 million. The increase is primarily due to approximately \$76.9 million in COVID-19 relief funding which helped offset impacts associated with COVID-19 related expenses, lost revenue, and student emergency grant aid. NAU received a total of \$145.1 million in COVID-19 funding between FY 2020 and FY 2022. Without COVID-19 relief funding, NAU's revenue increased approximately 2 percent between FY 2018 and FY 2022.
- State support increased 39 percent (although fluctuating between years) and state support as a percent of total revenues increased slightly from 17 percent to 20 percent.
- Net tuition and fees decreased 15 percent from \$236.8 million to \$200.9 million. As a percent of total revenues, net tuition and fee revenues decreased from 40 percent to 29 percent.
- Gifts, Grants and Contracts increased 54 percent, from \$134.4 million to \$207.5 million. of which \$76.9 million is attributable to COVID-19 relief funding. Net of COVID-19 relief funding in 2022, NAU's GGC decreased 3 percent as a result of lower enrollment and associated federal financial aid. GGC makes up about 30 percent of total revenues up from 23 percent in FY 2018.
- Other revenues increased 13 percent, from \$119.4 million to \$134.7 million, due mainly to increases sales and services revenues and auxiliary enterprises.

## **UNIVERSITY NET POSITION**

- NAU's net position increased 44 percent between FY 2018 and FY 2022; and excluding GASB adjustments, net position increased 15 percent. In FY 2022 the impact on total net position from GASB adjustments for pension liabilities and other post-employment benefits was \$195.6 million, decrease of 16 percent from FY 2018.

## **KEY INDICATORS**

### **ENROLLMENT**

- Between FY 2018 and FY 2022, NAU's FTE enrollment decreased 8 percent from 29,524 in FY 2018 to 27,123 in FY 2022. The decreases occurred with undergraduate students both resident (-12%) and nonresident (-10%). NAU realized growth in graduate student enrollment each year with an overall increase of about 7 percent for resident graduate students and 46 percent in nonresident graduate students with online driving the increases. For fall 2021 (FY 2022) online students represented 13 percent of total student FTE.

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

- NAU's E&G expenses per student increased 8 percent from \$13,336 to \$14,372 between FY 2018 and FY 2022. The increase results from an increase in state appropriation funding, and COVID-19 funding reimbursements of pandemic expenditures, as well as a reduction in student enrollment.

## **SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES**

- NAU's SCI/OE ratio has remained steady at 0.50 between FY 2018 and FY 2020, increasing to 0.53 and 0.52 in FY 2021 and FY 2022. The increase in those years stems from both COVID-19 relief funding and operational expenditure adjustments. All public universities median ranged from 0.66 and 0.88 between FY 2018 and FY 2021.

## **OPERATING MARGIN RATIO**

- NAU maintained a positive ratio each year with the exception FY 2021, which declined sharply due to the pandemic, but rebounded to 5.2% in FY 2021, and further increasing to 8.2% in FY 2022. The median of all public universities was between 1.9% and 5.7% between FY 2018 and FY 2021.

## **MONTHLY DAYS CASH ON HAND**

- At 200 days in FY 2022, NAU is within the board's established range of 143 to 239 days, with 191 days as the median in FY 2022. The median of all public universities was between 154 to 191 days between FY 2018 and FY 2022.

## **DEBT SERVICE COVERAGE RATIO**

- NAU's DSC ratio improved from 1.65 to 2.65 between FY 2018 and FY 2022, with the increase occurring in FY 2021 and FY 2022. The median of all public universities was 2.34 in FY 2018 to 3.33 in FY 2021. This means that NAU could more than cover 100 percent of its debt service payments with annual operating cash flow.

## **PRIMARY MARKET SELECTIVITY AND MATRICULATION**

- NAU saw a decrease in the number of students accepted to the university from 84 percent in FY 2018 to 78 percent in FY 2022. The proportion of students who enrolled also decreased from 20 percent in FY 2018 to 16 percent in FY 2021 and FY 2022 following the trend for all public universities matriculation rate decreasing from 31 percent in FY 2018 to 25 percent in 2021.

# NORTHERN ARIZONA UNIVERSITY

## Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2018	2019	2020	2021	2022	2022 Budget
State	99,716	103,200	113,523	107,396	138,737	114,500
Tuition and Fees, Net	236,790	237,605	233,911	218,452	200,933	212,000
Gifts, Grants & Contracts	134,355	143,107	144,879	179,149	207,467	217,800
Other Revenue	119,434	119,140	114,960	123,442	134,742	107,000
Total Revenue	590,295	603,052	607,273	628,439	681,879	651,300
Total Expenses	584,857	586,240	615,926	571,925	635,251	637,300
Net Increase/(Decrease)	5,438	16,812	(8,653)	56,514	46,628	14,000
State as a % of total	17%	17%	19%	17%	20%	18%
T&F as % of total	40%	39%	39%	35%	29%	33%

University Net Position	2018	2019	2020	2021	2022
Capital Assets	232,568	245,903	248,641	262,474	234,713
Restricted Nonexpendable	25,107	26,258	19,142	17,969	17,039
Restricted Expendable	44,594	48,146	54,058	67,904	71,905
Unrestricted	(59,530)	(60,756)	(70,943)	(40,935)	26,352
Total Net Position	242,739	259,551	250,898	307,412	350,009
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	474,883	476,600	465,461	520,452	545,565

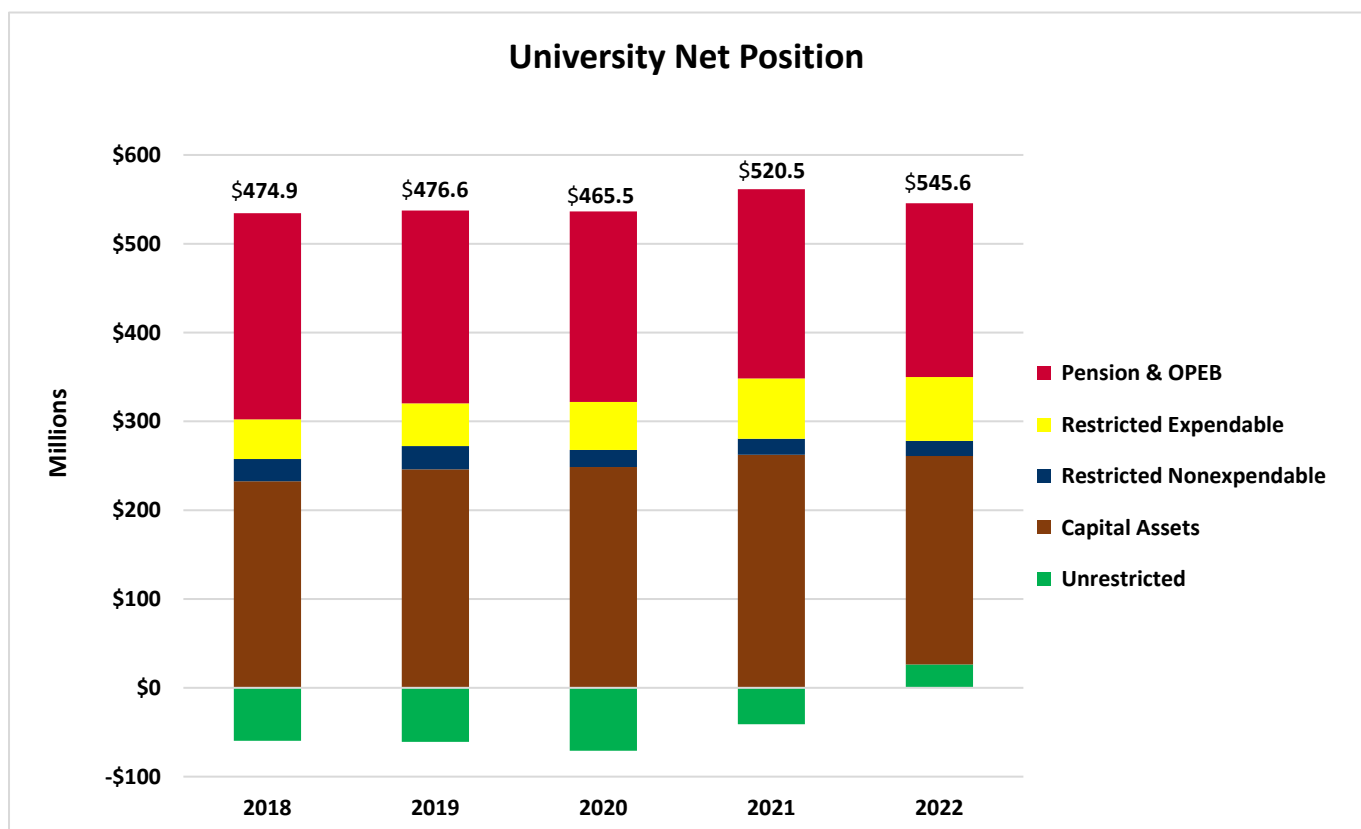
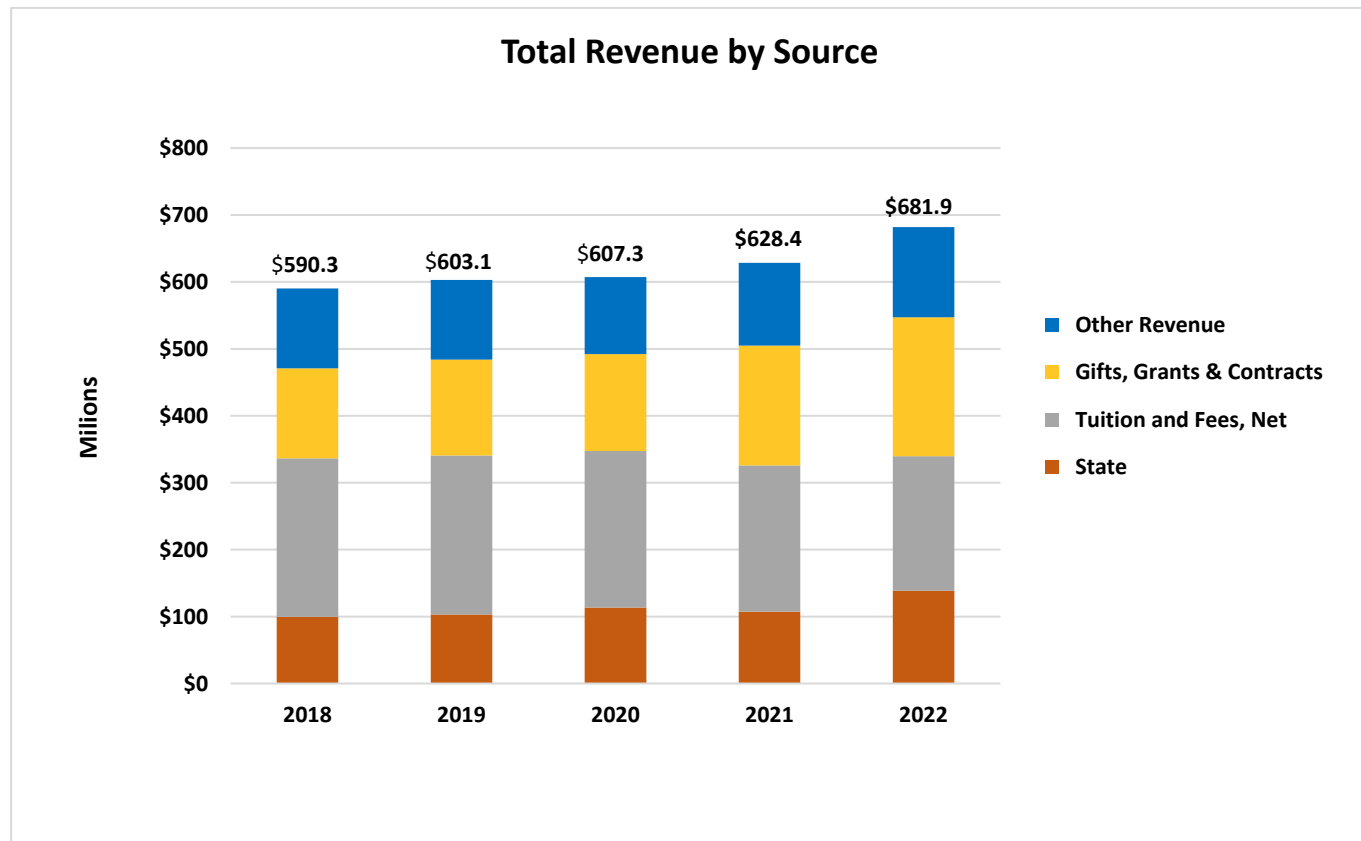
University Unrestricted Net Position	2018	2019	2020	2021	2022
Unrestricted (with GASB)	(59,530)	(60,756)	(70,943)	(40,935)	26,352
Pension & OPEB	232,144	217,049	214,563	213,040	195,557
Unrestricted Net Position (unadjusted)	172,614	156,293	143,620	172,105	221,908

Key Indicators	2018	2019	2020	2021	2022
Total FTE Enrollment	29,524	29,384	29,175	28,078	27,123
State General Fund As a Percent of Total Revenues	17%	17%	19%	17%	20%
Tuition and Fee Revenues as a Percent of Total Revenues	40%	39%	39%	35%	29%
E&G Expenses per Student	13,336	13,088	13,730	12,910	14,372
Spendable Cash & Investments/Operating Expenses	0.50	0.50	0.50	0.53	0.52
SC&I/OE All public universities median (Moody's)	0.66	0.68	0.72	0.88	n/a
Operating Margin Ratio (OMR)	0.5%	0.7%	-2.1%	5.2%	8.2%
OMR All public universities median (Moody's)	1.9%	1.5%	1.7%	5.7%	n/a
Days Cash on Hand (DCOH)	161	151	148	188	200
DCOH All public universities median (Moody's)	154	154	154	159	191
Debt Service Coverage Ratio (DSCR)	1.65	1.68	1.19	1.85	2.65
DSCR All public universities median (Moody's)	2.34	2.41	2.32	3.33	n/a
Primary Market Selectivity (PMS)	84%	84%	85%	82%	78%
PMS All public universities median (Moody's)	74%	74%	78%	80%	n/a
Primary Market Matriculation (PMM)	20%	18%	17%	16%	16%
PMM All public universities median (Moody's)	31%	29%	26%	25%	n/a

Credit Ratings	2018	2019	2020	2021	2022
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

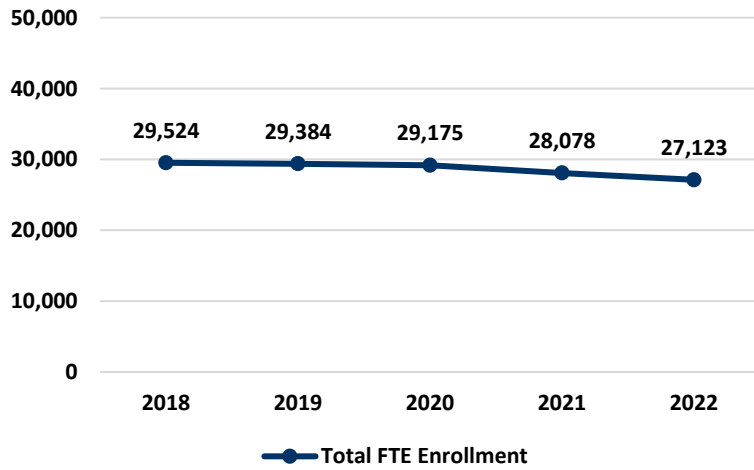
## FINANCIAL HIGHLIGHTS



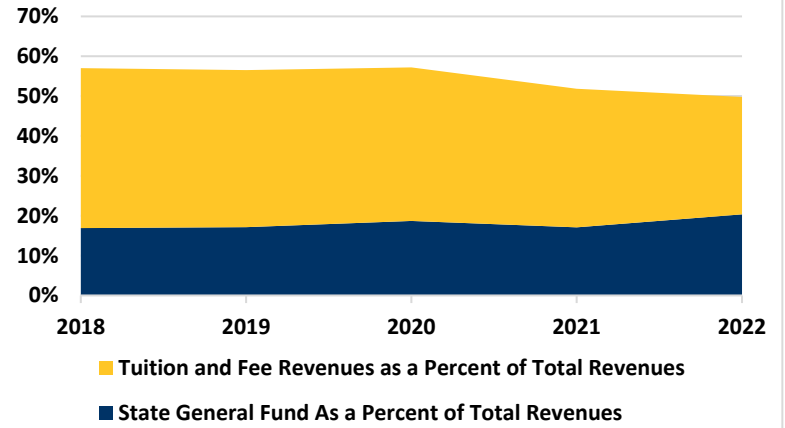
# NORTHERN ARIZONA UNIVERSITY

## KEY INDICATORS

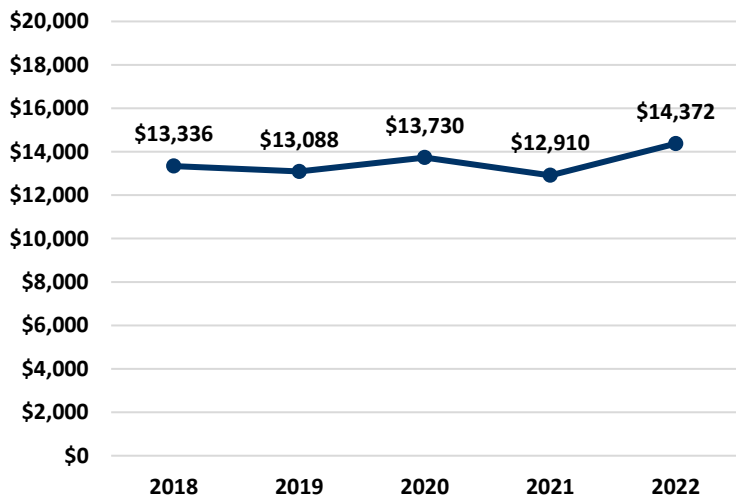
### FTE Student Enrollment



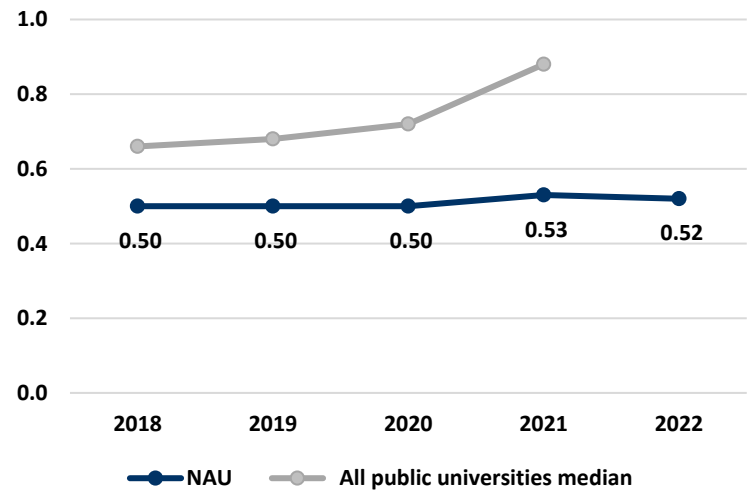
### Tuition & Fees and State General Fund As a Percent of Total Revenues



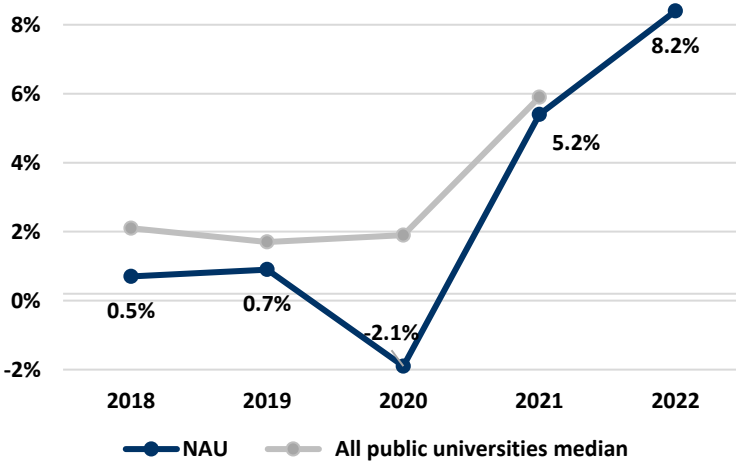
### E&G per FTE Student



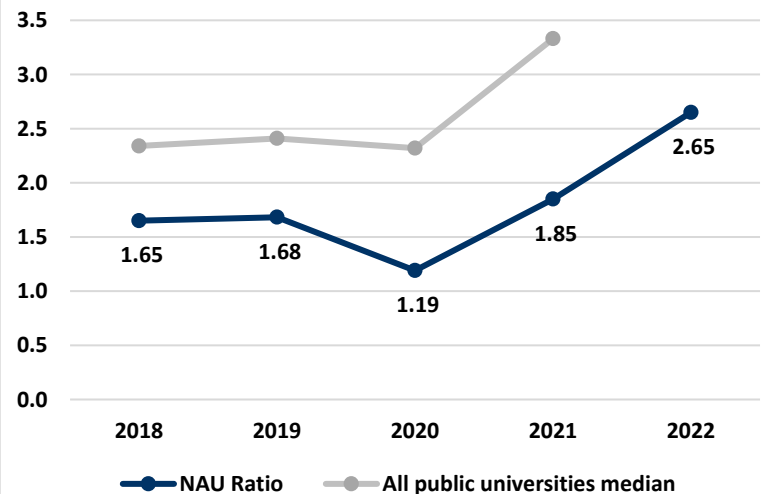
### Spendable Cash and Investments to Operating Expenses Ratio



### Operating Margin Ratio



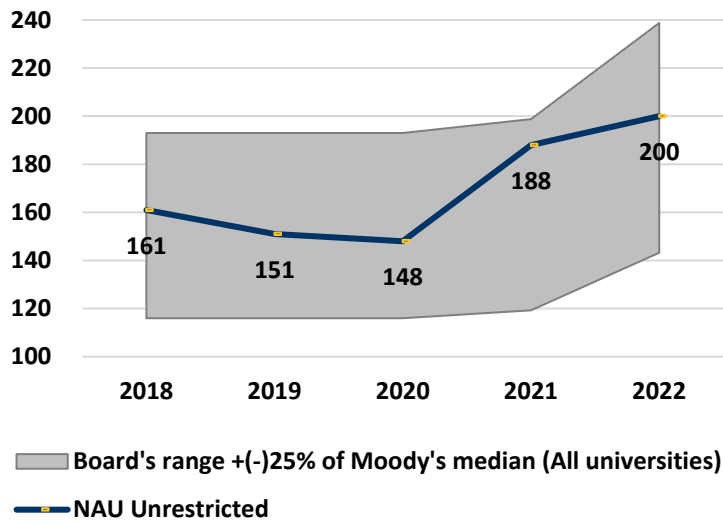
### Debt Service Coverage Ratio



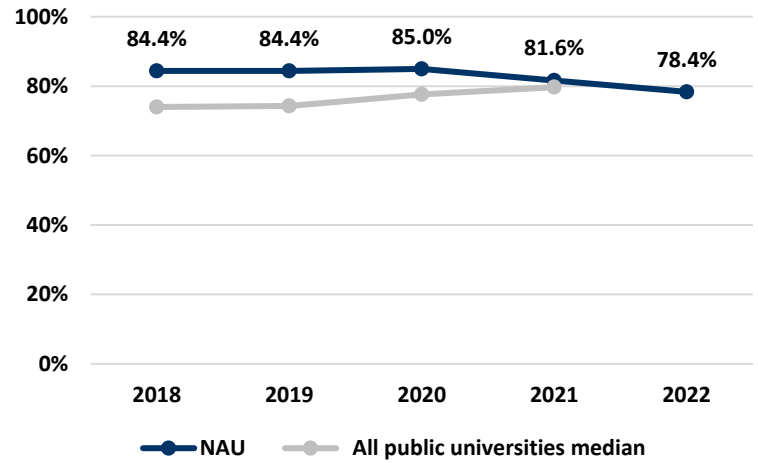
# NORTHERN ARIZONA UNIVERSITY

## KEY INDICATORS

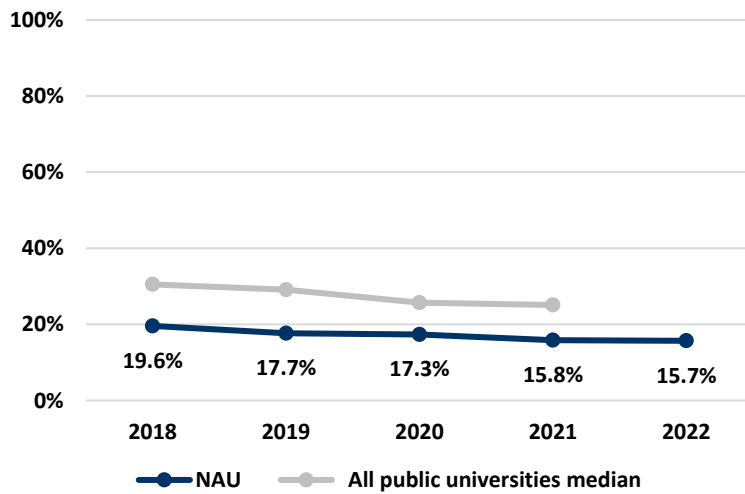
### Monthly Days Cash on Hand



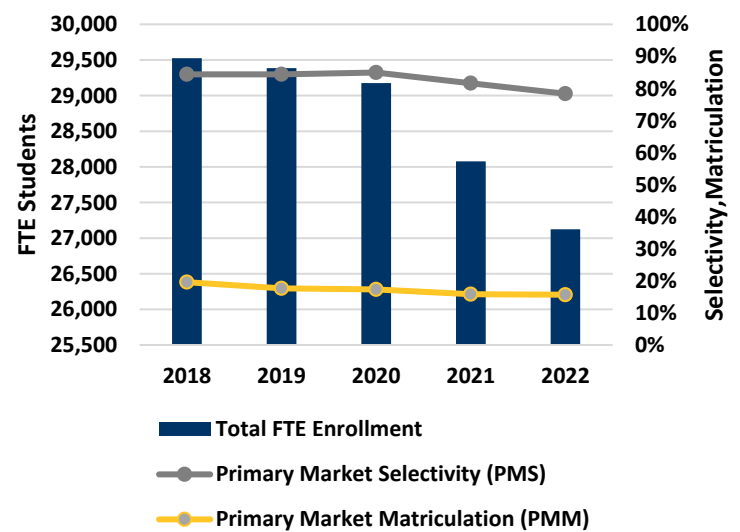
### Primary Market Selectivity Ratio Student Demand



### Primary Market Matriculation Ratio Students Enrolled



### Enrollment, Selectivity & Matriculation



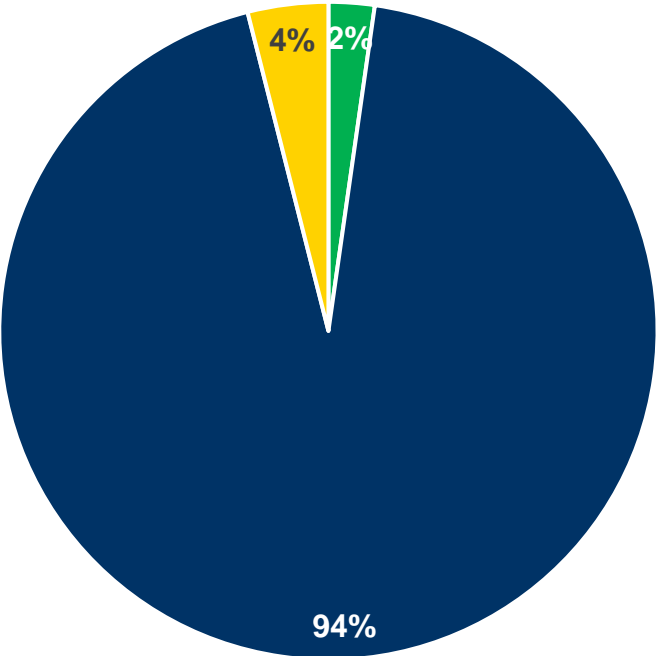
NORTHERN ARIZONA UNIVERSITY - INVESTMENT REPORT

(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2022	6/30/2021	6/30/2020	3-yr Average
Year-end Market Value	\$276,820	\$225,297	\$195,157	\$232,425
Net Return	0.4%	0.7%	2.6%	1.2%

OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT  
(June 30, 2022)

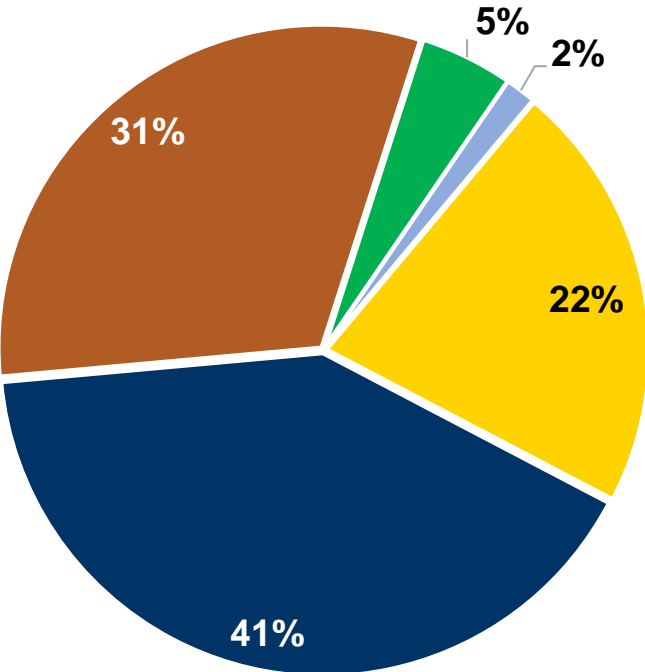
Cash/Cash Equivalents (Savings)	2%
Local Governmental Investment Pool 4	94%
Agency Bonds	4%
(may not equal 100% due to rounding)	



ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2022	6/30/2021	6/30/2020	3-yr Average
<b>Pooled Endowments:</b>				
Year-end Market Value	\$7,730	\$9,945	\$7,312	\$8,329
Net Return	-28.6%	26.5%	-3.3%	-1.8%
<b>FA Trust Fund:</b>				
Year-end Market Value	\$30,573	\$37,539	\$26,548	\$31,553
Net Return	-22.8%	29.3%	0.4%	2.3%

ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT  
(June 30, 2022)

Bonds	22%
US Equity	41%
Global Ex US Equity	31%
Real Estate	0%
Cash/Cash Equivalents	5%
Other	2%
(may not equal 100% due to rounding)	



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## TOTAL REVENUE BY SOURCE

Between 2018 and 2022:

- UArizona's revenues grew 14 percent from \$2.12 billion to \$2.43 billion. Approximately \$88.1 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. UArizona received a total of \$220.0 million in COVID-19 funding between FY 2020 and FY 2022. Without COVID-19 funding, UArizona's revenue grew 10 percent.
- State support increased 25 percent and state support as a percent of total revenues increased slightly from 13 percent to 14 percent.
- Net tuition and fees increased 4 percent from \$653.5 million to \$677.6 million. As a percent of total revenues, net tuition and fee revenues decreased from 31 percent to 28 percent.
- Gifts, Grants and Contracts (GG&C) increased 27 percent from \$816.2 million to \$1.04 billion, of which \$88.1 million is attributable to COVID-19 relief funding. Without COVID-19 funding, UArizona's GGC increased 17 percent. GG&C and as percent of total revenues, increased from 38 percent to 43 percent.

## UNIVERSITY NET POSITION

- UArizona's net position increased 6 percent between FY 2018 and FY 2022. Excluding GASB adjustments for public pension liability and other post-employment benefits (OPEB), net position increased about 7 percent. Between FY 2018 and FY 2022, GASB adjustments for public pension liability/OPEB increased from \$774.7 million to \$844.8 million.

## KEY INDICATORS

### ENROLLMENT

- Between Fall 2017 (FY18) and Fall 2021 (FY22), UArizona's FTE enrollment increased 6 percent from 44,129 to 46,829. Nonresident FTE enrollment increased 19 percent with nonresident graduate FTE making up the largest increase at nearly 24 percent. Resident graduate FTE increased 2.4 percent, but resident undergraduate FTE decreased 2.7 percent. Total undergraduate student FTE grew about 5 percent between those years. For Fall 2021 (FY 2022) online students represented 10 percent of total student FTE compared to 4 percent in FY 2018.

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

- UArizona's E&G expenses per student grew 3 percent from \$27,510 in FY 2018 to \$28,347 in FY 2022, however decreased 1.3 percent between FY 2019 and FY 2022.

## **SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES**

- UArizona's SCI/OE ratio increased from a low of 0.45 in FY 2020 to 0.54 in FY 2022, although still below FY 2018 level of 0.56. Between 2018 and 2021, all public universities median was between 0.66 and 0.88, respectively. If the ratio is 1.0 and higher the university can meet 100 percent of its annual operating expenses with liquid assets.

## **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 1.5 percent in FY 2018 increasing to 4.7 percent in FY 2022. 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 2022 is due to reimbursement of COVID-19 related expenses and increases in tuition and fee revenues. The median of all public universities was between 1.9 and 5.7 percent between FY 2018 and FY 2021.

## **MONTHLY DAYS CASH ON HAND**

- At 149 days in FY 2022, the UArizona is within the board's established range of 143 to 239 days, with 191 days as the median. The median of all public universities was between 154 and 191 days between FY 2018 and FY 2022.

## **DEBT SERVICE COVERAGE RATIO**

- UArizona's DSC ratio increased from 1.85 in FY 2018 to 2.56 in FY 2022 This means that the UArizona can cover 100 percent of its debt service payments with operating cash flow. The median of all public universities was between 2.34 and 3.33 between FY 2018 and FY 2021, respectively.

## **PRIMARY MARKET SELECTIVITY (PMS) AND PRIMARY MARKET MATRICULATION (PMM)**

- UArizona saw an increase in the number of students accepted to the university from 84 percent in FY 2018 to 87 percent in FY 2021 and FY 2022. However, even with an increase in admittance, the proportion of students who enrolled dropped from 23 percent in FY 2018 to 20 percent in FY 2022. This follows the national trend for all public universities where the PMM median decreased from 31 percent in FY 2018 to 25 percent in 2021.

# UNIVERSITY OF ARIZONA

## Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2018	2019	2020	2021	2022	2022 BGT
State	269,038	277,734	294,508	284,620	335,635	293,900
Tuition and Fees, Net	653,519	658,090	644,352	634,092	677,550	631,400
Gifts, Grants & Contracts	816,152	848,485	857,661	1,010,509	1,039,332	896,200
Other Revenue	384,324	403,350	423,300	347,186	377,605	350,300
Total Revenue	2,123,033	2,187,659	2,219,821	2,276,407	2,430,122	2,171,800
Total Expenses	2,060,678	2,161,978	2,292,689	2,220,898	2,376,133	2,167,300
Net Increase	62,355	25,681	(72,868)	55,509	53,989	4,500
State as a % of total	13%	13%	13%	13%	14%	14%
T&F as % of total	31%	30%	29%	28%	28%	29%

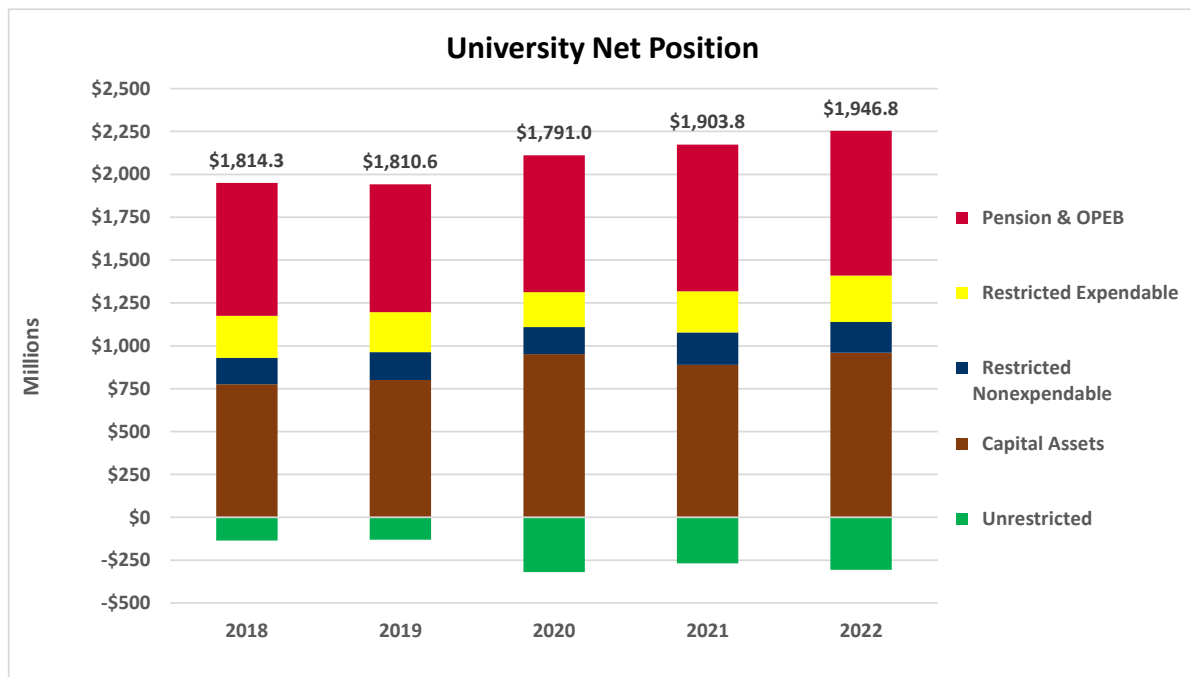
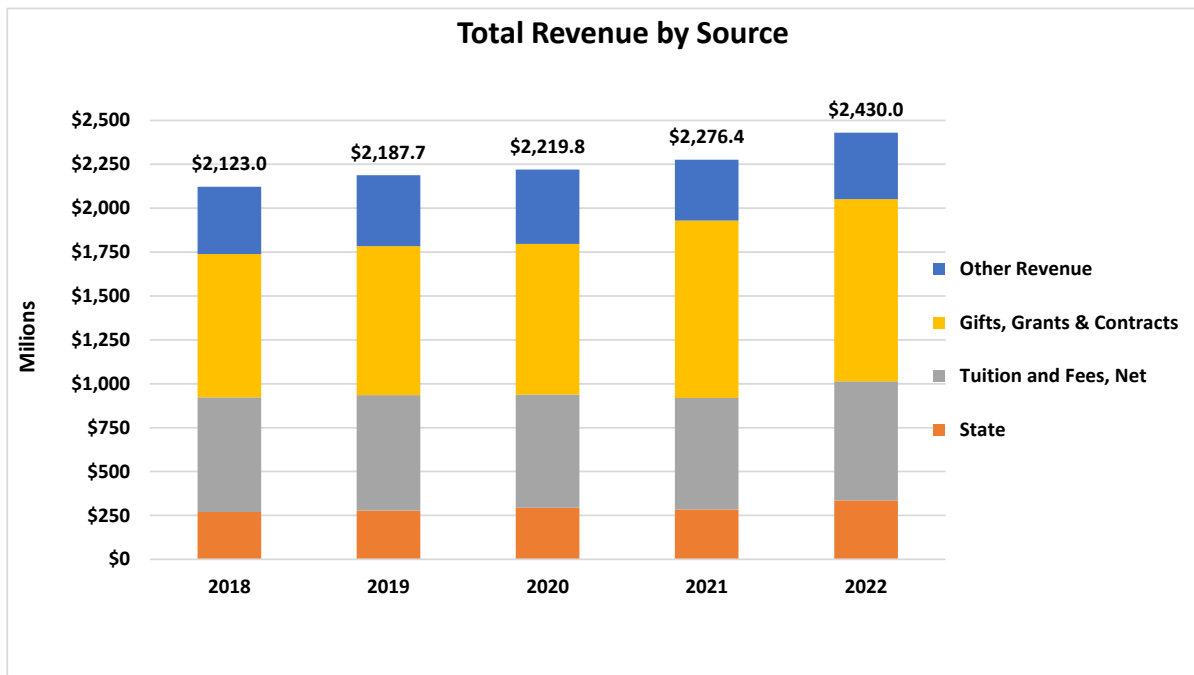
University Net Position	2018	2019	2020	2021	2022
Capital Assets	776,373	801,215	951,375	888,422	959,468
Restricted Nonexpendable	154,227	161,496	157,378	189,845	179,033
Restricted Expendable	244,542	233,337	203,957	239,189	270,661
Unrestricted	(135,502)	(130,727)	(320,257)	(269,494)	(307,211)
Total Net Position	1,039,640	1,065,321	992,453	1,047,962	1,101,951
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,814,341	1,810,559	1,791,045	1,903,790	1,946,793

University Unrestricted Net Position	2018	2019	2020	2021	2022
Unrestricted (with GASB)	(135,502)	(130,727)	(320,257)	(269,494)	(307,211)
Pension & OPEB	774,701	745,238	798,592	855,828	844,842
Unrestricted Net Position (unadjusted)	639,199	614,511	478,335	586,334	537,631

	2018	2019	2020	2021	2022
Total Fall FTE Enrollment	44,129	44,376	44,714	45,517	46,829
State General Fund As a Percent of Total Revenues	13%	13%	13%	13%	14%
Tuition and Fee Revenues as a Percent of Total Revenues	31%	30%	29%	28%	28%
E&G Expenses per Student	27,510	28,720	30,140	28,402	28,347
Spendable Cash & Investments/Operating Expenses	0.56	0.52	0.45	0.50	0.54
SCI/OE All public universities median (Moody's)	0.66	0.68	0.71	0.88	n/a
Operating Margin Ratio (OMR)	1.5%	-0.6%	-3.6%	1.7%	4.7%
OMR All public universities median (Moody's)	1.9%	1.5%	1.7%	5.7%	n/a
Days Cash on Hand (DCOH)	172	151	132	173	149
DCOH All public universities median (Moody's)	154	154	154	159	191
Debt Service Coverage Ratio (DSCR)	1.85	1.52	1.00	1.00	2.56
DSCR All public universities median (Moody's)	2.34	2.41	2.30	3.33	n/a
Primary Market Selectivity (PMS)	84%	85%	85%	87%	87%
PMS All public universities median (Moody's)	74%	74%	78%	80%	n/a
Primary Market Matriculation (PMM)	23%	22%	20%	21%	20%
PMM All public universities median (Moody's)	31%	29%	26%	25%	n/a
<b>Credit Ratings</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
	Stable	Stable	Stable	Negative	Negative
Standard & Poors (S&P)	AA-	AA-	AA-	AA-	AA-
	Stable	Stable	Stable	Stable	Stable

# UNIVERSITY OF ARIZONA

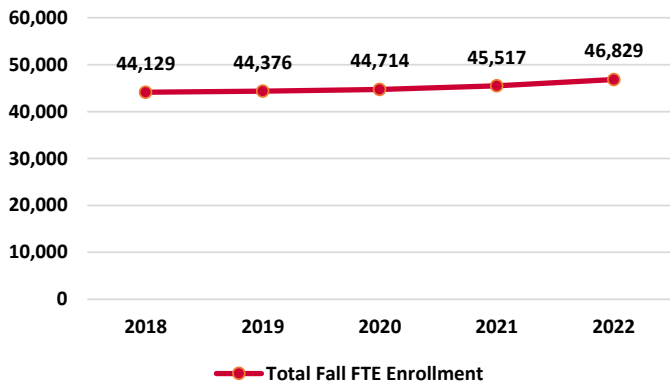
## FINANCIAL HIGHLIGHTS



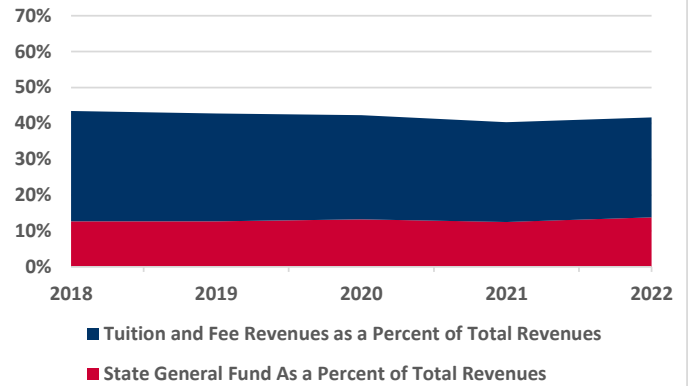
# UNIVERSITY OF ARIZONA

## KEY INDICATORS

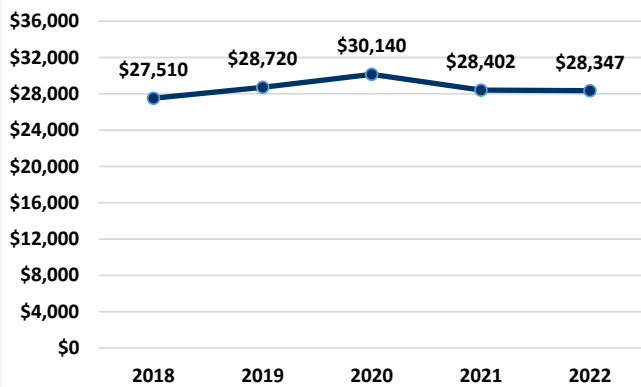
### University of Arizona FTE Student Enrollment



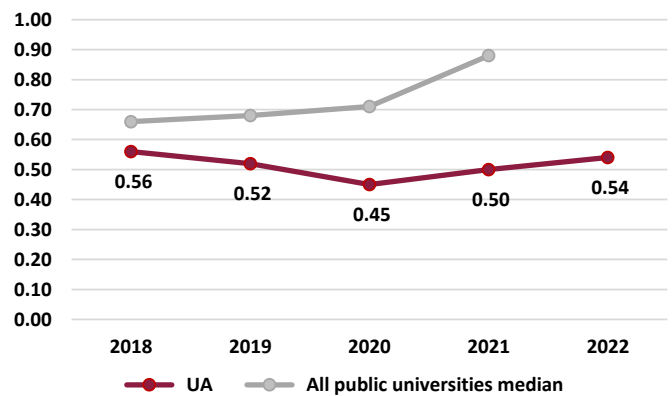
### Tuition & Fees and State General Fund As a Percent of Total Revenues



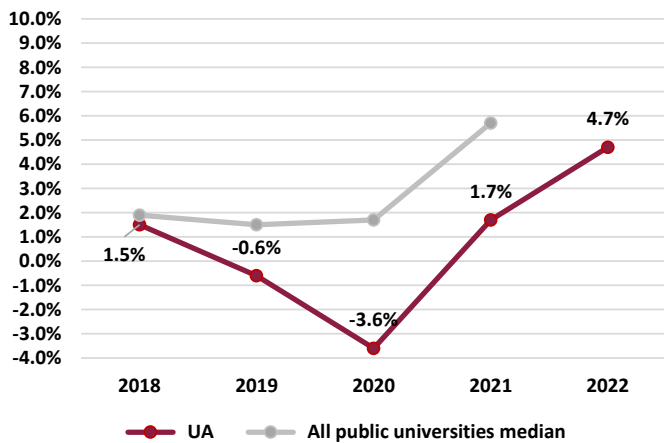
### E&G per FTE Student



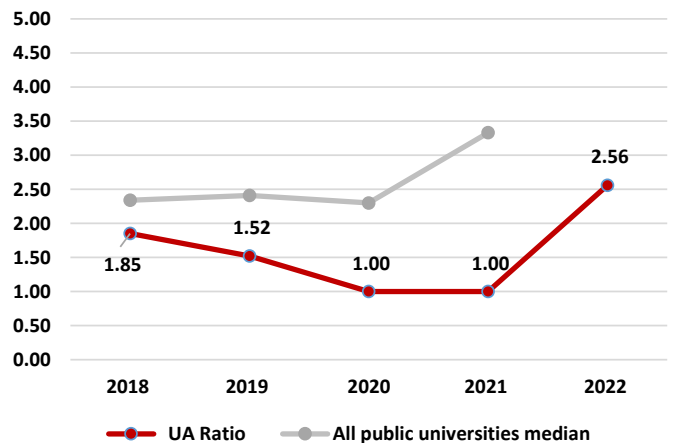
### Spendable Cash and Investments to Operating Expenses Ratio



### Operating Margin Ratio



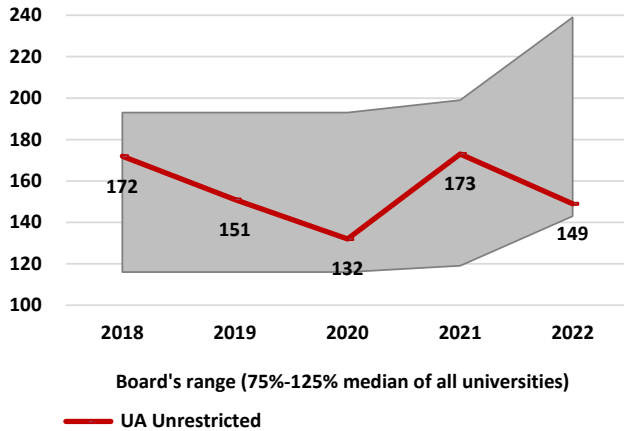
### Debt Service Coverage Ratio



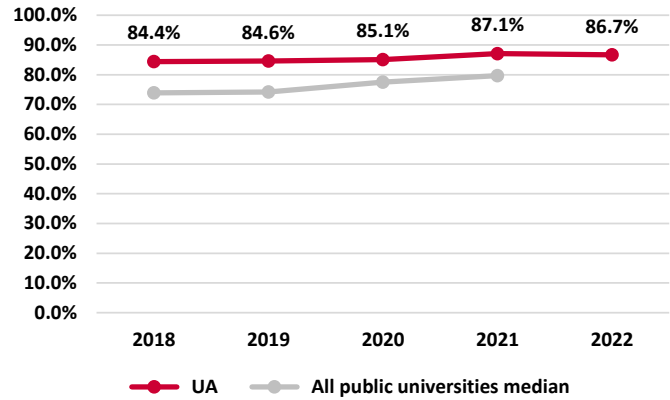
# UNIVERSITY OF ARIZONA

## KEY INDICATORS

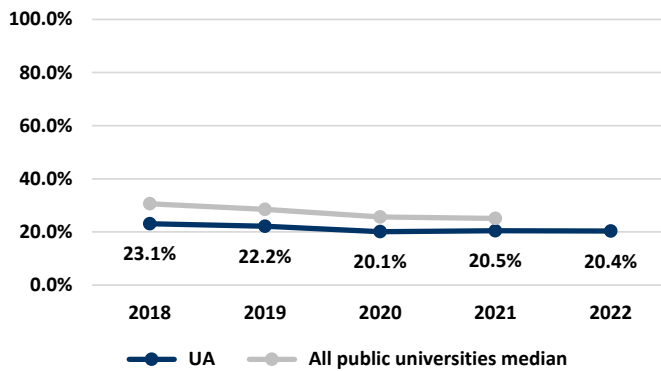
### Monthly Days Cash on Hand



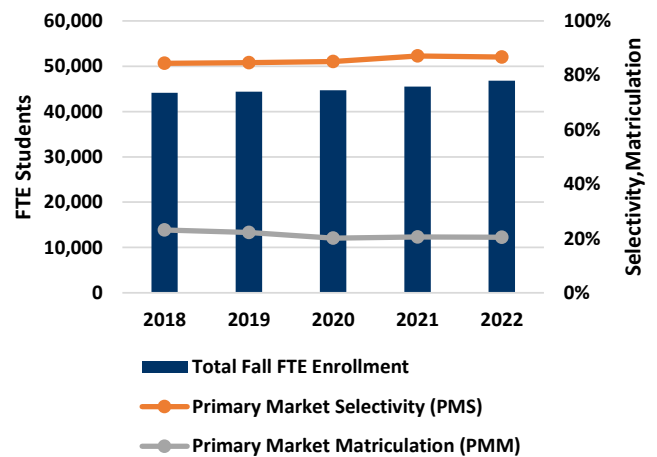
### Primary Market Selectivity Ratio Student Demand



### Primary Market Matriculation Ratio Students Enrolled



### Enrollment, Selectivity & Matriculation



## UNIVERSITY OF ARIZONA - INVESTMENT REPORT

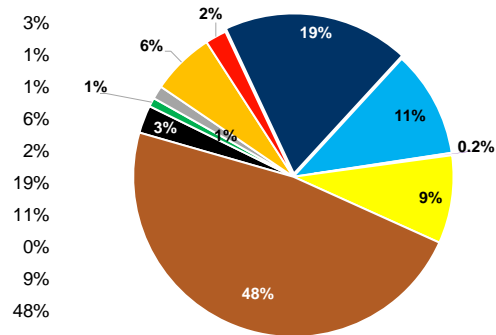
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2022	6/30/2021	6/30/2020	3-yr Average
Year-end Value	\$763,085	\$710,122	\$611,784	\$694,997
Net Return	-3.3%	1.4%	4.0%	0.7%

### OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2022)

- Cash Deposits (Savings)
- Certificates of Deposit
- Commercial Paper
- Equity Mutual Funds
- Government Agency Bonds
- International Bonds
- Money Market
- Municipal Bonds
- Treasury Bonds
- US Corporate Bonds

(may not equal 100% due to rounding)

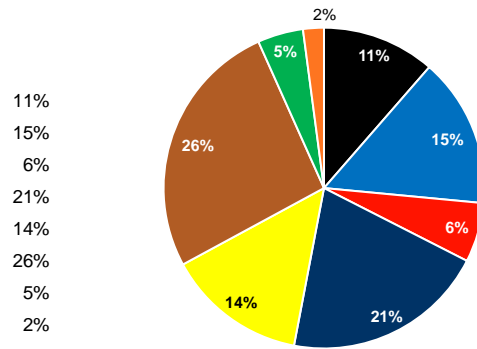


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2022	6/30/2021	6/30/2020	3-yr Average
<b>Pooled Endowments:</b>				
Year-end Market Value	\$298,519	\$326,850	\$285,408	\$303,592
Net Return*	-7.9%	26.0%	-4.4%	4.6%
<b>FA Trust Fund:</b>				
Year-end Value	\$44,900	\$47,569	\$37,287	\$43,252
Net Return	-6.3%	29.9%	-3.0%	6.9%

### ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2022)

- Commodities & Managed Futures
- Domestic Equities
- Fixed Income
- International Equities
- Marketable Alternative Strategies
- Private Equity
- Private Real Estate
- Short-Term Securities /Cash

(may not equal 100% due to rounding)



\*Institutional endowments performance