

FY 2023

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 2019 – FY 2023 (FY 2022 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 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 2019 and 2022 ranged from 0.68 to 0.83.

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 2019 and 2022 ranged from 1.5 percent in 2019 to 5.2 percent in 2022.

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 median among rated public colleges and universities. For 2023, the board's range is between 140 and 234 days, with 187 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 2.41 in FY 2019 to 3.54 in FY 2022.

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 2019 and 2022 ranged from 74 percent to 80 percent.

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 29 percent in FY 2019 to 24 percent in FY 2022.

TOTAL REVENUE BY SOURCE

Between FY 2019 and FY 2023:

- ASU's revenues grew 36 percent from \$2.8 billion to \$3.8 billion. Between FY 2020 and FY 2023, ASU received a total of \$481.6 million in COVID-19 funding either directly or by way of the Arizona Governor's Office, with the bulk of that funding received in FY 2021 and FY 2022.
- State support increased 48 percent, although state support as a percent of total revenues remained relatively constant averaging 12 percent between FY 2019 and FY 2023. A sizable portion of the increase was appropriated as one-time only monies, and therefore not guaranteed to be part of ongoing base-level funding.
- Net tuition and fees increased 33 percent from \$1.4 billion to \$1.9 billion. Net tuition and fees as a percentage of total revenues remained constant, averaging approximately 50 percent over the past five years. Gross tuition and fee revenues increased 37 percent, with scholarship allowances averaging 24 percent of gross tuition and fees the past five years.
- Gifts, Grants and Contracts increased 36 percent, from \$702.1 million to \$957.8 million. The overall decrease between FY 2021 and FY 2023 is attributable to the winding down of the COVID-19 relief funding.
- Other revenues represent activities distributed throughout the University and include a variety of non-state revenue sources, such as revenues from auxiliary operations, investment income and self-supporting designated activities. Other revenues have increased significantly from the pandemic-related downturn in FY 2021, increasing 34 percent from \$352.0 million to \$470.3 million primarily due to investment returns and rebounding of auxiliary activities. Other revenues have remained constant as a percentage of total revenues, averaging about 11 percent over the past five years.

UNIVERSITY NET POSITION

- Net position is shown in four categories: Capital Assets, Restricted Nonexpendable, Restricted Expendable and Unrestricted. ASU's net position increased 55 percent between FY 2019 and FY 2023, from \$1.4 billion to 2.1 billion.
 - o Capital Assets increased 22 percent from \$985.1 million to \$1.2 billion.
 - o Restricted net position (nonexpendable and expendable) increased 56 percent from \$203.3 million to \$318.1 million.

- Unrestricted net position more than tripled from \$166.9 million to \$579.5 million. Beginning FY 2015, the Governmental Accounting Standards Board (GASB) began requiring governments providing defined benefit pensions to recognize the long-term obligation for pension benefits and post-employment benefits as a liability, thereby reducing net position. Between FY 2019 and FY 2023, GASB adjustments for public pension liability/OPEB increased 22 percent from \$659.2 million to \$802.0 million. Excluding these GASB adjustments ASU's unrestricted net position increased 67 percent, from \$826.1 million to \$1.4 billion. On average, ASU's unrestricted net position increased 37 percent per year between FY 2019 and FY 2023.

KEY INDICATORS

ENROLLMENT

- Between FY 2019 and FY 2023, ASU's FTE enrollment increased 23 percent from 103,642 in FY 2019 to 127,191 in FY 2023. ASU realized the largest growth in online students which increased 73 percent for resident undergraduate online, 71 percent for nonresident undergraduate online, 73 percent for nonresident graduate online, and 55 percent for resident graduate online. For immersion students, ASU also experienced an increase in nonresident UG (+13%) and nonresident graduate FTE (+34%). For immersion resident students, FTE enrollment grew more slowly at 3.0 percent for undergraduate resident students, and for resident graduate students, decreased 13 percent. For Fall 2022 (FY 2023) online students represented 33 percent of total student FTE compared to 24 percent for Fall 2018 (FY 2019).

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

- ASU's E&G expenses per student increased 9 percent between FY 2019 and FY 2023, from \$16,753 in FY 2019 to \$18,208 in FY 2023, or less than 2.0 percent per year. The Higher Education Price Index (HEPI) averaged 3 percent and the Consumer Price Index (CPI) averaged 4 percent between 2019 and 2023. ASU's increase is largely due to costs associated with enrollment growth.

SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- ASU's SCI/OE ratio increased between FY 2019 and FY 2023, from 0.66 to 0.80, although slightly down from a high of 0.84 in FY 2022, due primarily from COVID-19 relief funding winding down in FY 2023 and inflationary impacts on operating expenses. Prior to FY 2021, SCI/OE was on a downward trend ranging from 0.72 in FY 2017 to 0.65 in FY 2020. Between FY 2019 and FY 2022, all public universities median was between 0.68 and 0.83. 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. ASU is in line with the public universities peer median for FY 2023.

OPERATING MARGIN RATIO

- ASU's OMR has consistently outpaced the median of all public universities. Although OMR was robust in FY 2021 and FY 2022, it was anticipated that it would return to historic levels beginning in FY 2023, with ASU's OMR at 5.9%. A university with a higher operating margin ratio illustrates efficiency in its operations and has greater financial strength and is an important measure of overall bottom line. The median of all public universities ranged from 1.5 percent in FY 2019 to 5.2 percent in FY 2022.

MONTHLY DAYS CASH ON HAND

- At 171 days in FY 2023, ASU is within the board's established range of 140 to 234 days. The median of all public universities was 187 days in FY 2022. Peer medians for public universities are updated in late July or early August in the year following the close of a particular fiscal year.

DEBT SERVICE COVERAGE RATIO

- ASU's DSC ratio increased significantly between FY 2019 and FY 2023 with a slight decrease in FY 2023 to 3.05. Prior to FY 2021, the DSC ratio was consistently above 2.0, ranging from 2.24 in FY 2019 to 2.07 in FY 2020 which aligns with all public universities median range for those years. This measure indicates that ASU could more than cover 100 percent of its debt service payments with its annual operating cash flow.

PRIMARY MARKET SELECTIVITY AND MATRICULATION

- ASU saw an increase in the number of students accepted to the university from 81 percent in FY 2019 to 87 percent in FY 2023. However, the proportion of students admitted and who enrolled dipped from 38 percent in FY 2019 to 27 percent in FY 2023. The decline aligns with the trend of all public universities median matriculation which decreased from 29 percent in FY 2019 to 24 percent in 2022.

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2019	2020	2021	2022	2023	2023 Budget
State	328,776	348,954	332,186	411,512	485,286	416,700
Tuition and Fees, Net	1,423,052	1,550,581	1,598,180	1,689,832	1,889,421	1,856,400
Gifts, Grants & Contracts	702,081	753,004	1,072,576	838,027	957,826	840,500
Other Revenue	351,950	318,980	365,395	356,740	470,333	365,500
Total Revenue	2,805,859	2,971,519	3,368,337	3,296,111	3,802,866	3,479,100
Total Expenses	2,720,456	2,964,844	3,120,385	3,243,265	3,612,963	3,439,800
Net Increase	85,403	6,675	247,952	52,846	189,903	39,300
State as a % of total	12%	12%	10%	12%	13%	12%
T&F as % of total	51%	52%	47%	51%	50%	53%

University Tuition and Fees	2019	2020	2021	2022	2023
Gross Tuition and Fees	1,825,606	2,013,311	2,134,308	2,276,313	2,492,825
Scholarship Allowance Applied to T&F	402,554	462,730	536,128	586,481	603,404
Net Tuition and Fees	1,423,052	1,550,581	1,598,180	1,689,832	1,889,421

University Net Position	2019	2020	2021	2022	2023
Capital Assets	985,149	1,042,673	1,107,148	1,147,404	1,205,931
Restricted Nonexpendable	84,714	87,497	91,623	104,729	109,039
Restricted Expendable	118,626	127,614	175,937	203,211	209,011
Unrestricted	166,899	104,279	235,307	437,294	579,506
Total Net Position	1,355,388	1,362,063	1,610,015	1,892,638	2,103,487
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	2,014,580	2,077,161	2,390,523	2,700,388	2,905,493

University Unrestricted Net Position	2019	2020	2021	2022	2023
Unrestricted (with GASB)	166,899	104,279	235,307	437,294	579,506
Pension & OPEB	659,192	715,098	780,508	807,740	802,006
Unrestricted Net Position (unadjusted)	826,091	819,377	1,015,815	1,245,034	1,381,512

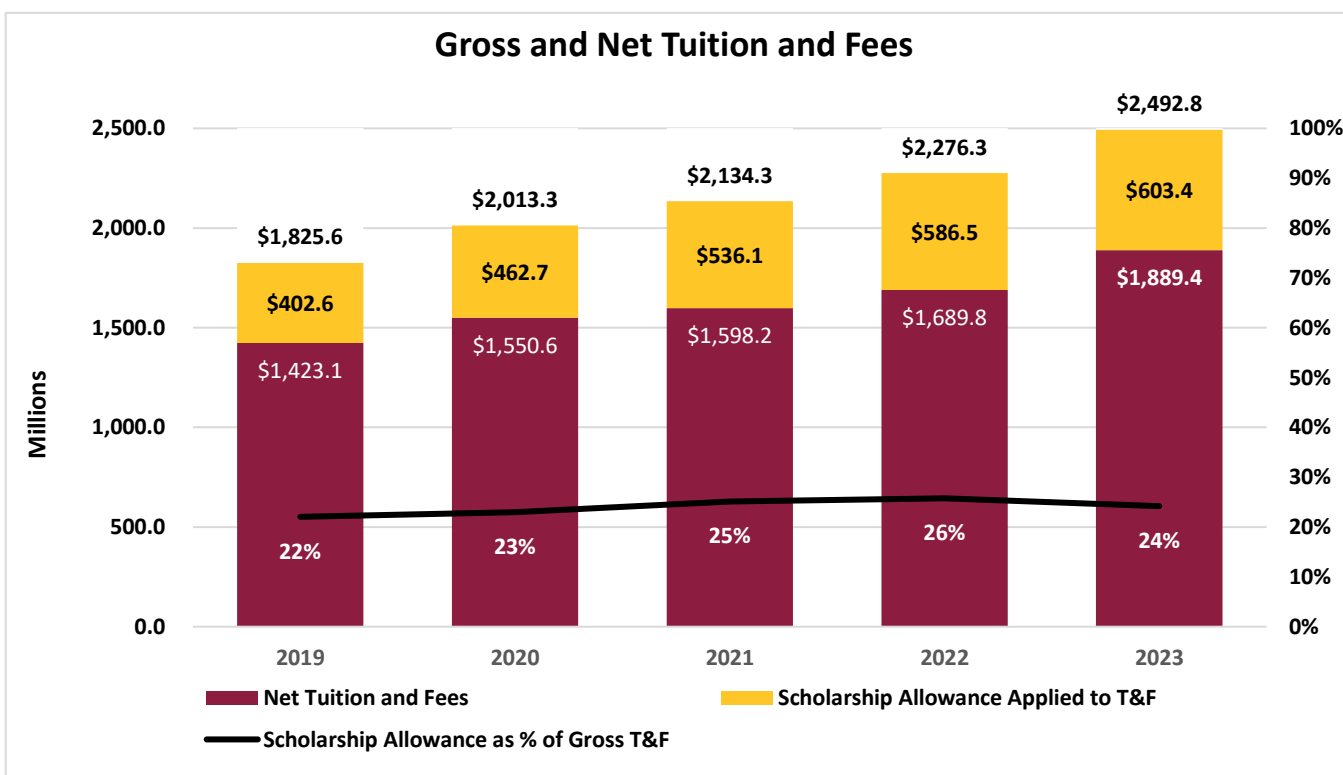
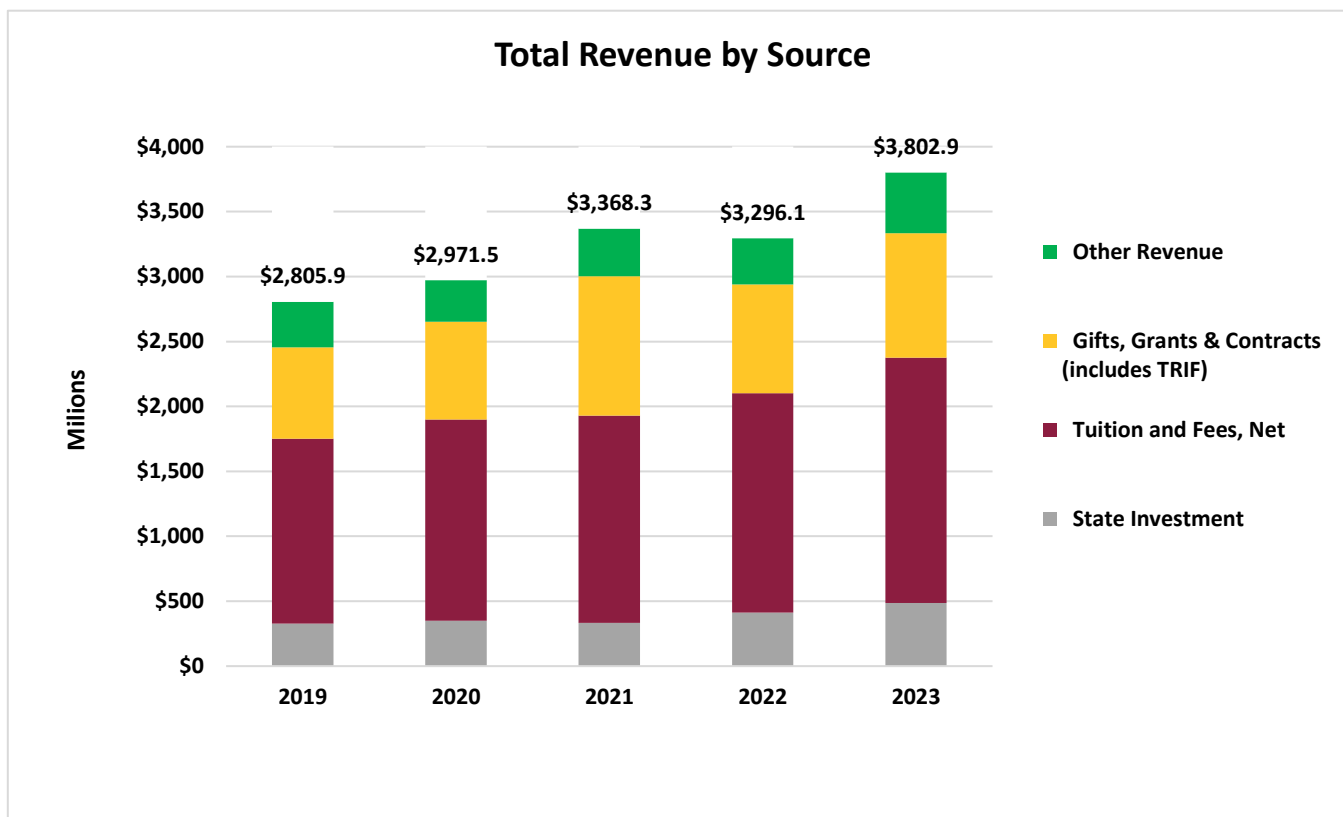
	2019	2020	2021	2022	2023
Total Fall FTE Enrollment	103,654	110,539	116,997	121,763	127,191
State General Fund As a Percent of Total Revenues	12%	12%	10%	12%	13%
Tuition and Fee Revenues as a Percent of Total Revenues	51%	52%	47%	51%	50%
E&G Expenses per Student	16,753	17,145	17,215	16,636	18,208
Spendable Cash & Investments/Operating Expenses	0.66	0.65	0.79	0.84	0.80
SCI/OE All public universities median (Moody's)	0.68	0.71	0.88	0.83	0.00 *
Operating Margin Ratio (OMR)	3.3%	2.7%	9.1%	10.0%	5.9%
OMR All public universities median (Moody's)	1.5%	1.7%	5.7%	5.2%	0.0% *
Days Cash on Hand (DCOH)	147	147	163	188	171
DCOH All public universities median (Moody's)	154	154	159	191	187
Debt Service Coverage Ratio (DSCR)	2.24	2.07	3.45	3.88	3.05
DSCR All public universities median (Moody's)	2.41	2.30	3.33	3.54	0.00 *
Primary Market Selectivity (PMS)	81%	82%	87%	86%	87%
PMS All public universities median (Moody's)	74%	78%	80%	80%	0% *
Primary Market Matriculation (PMM)	38%	33%	30%	28%	27%
PMM All public universities median (Moody's)	29%	26%	25%	24%	0% *

Credit Ratings	2019	2020	2021	2022	2023
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

* Not yet available

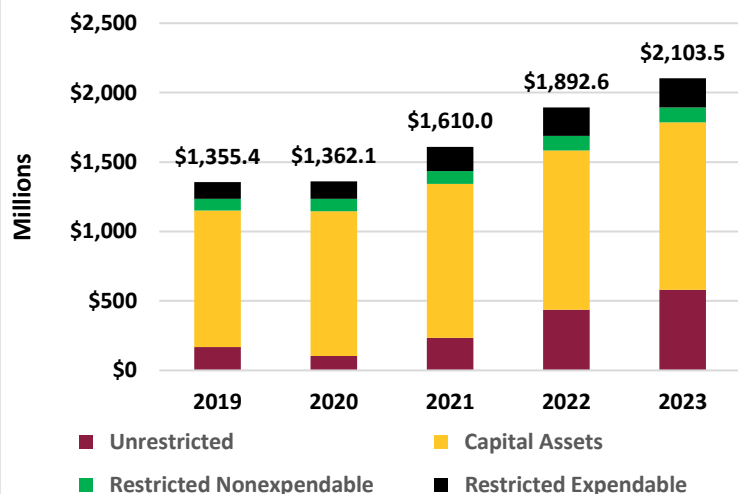
ARIZONA STATE UNIVERSITY

FINANCIAL HIGHLIGHTS

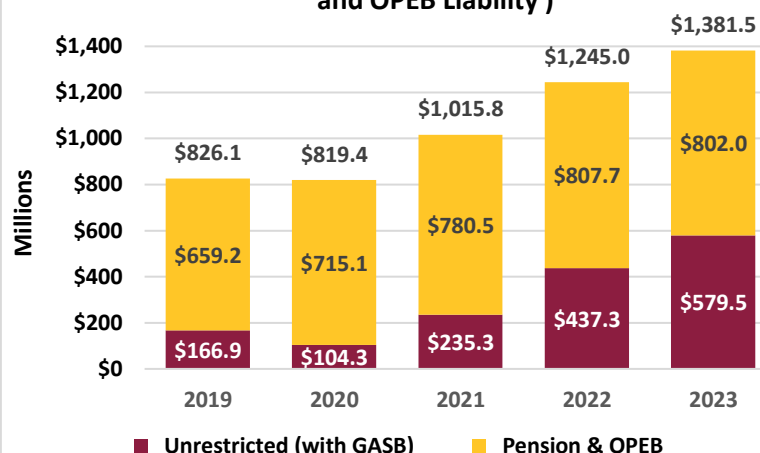


ARIZONA STATE UNIVERSITY KEY INDICATORS

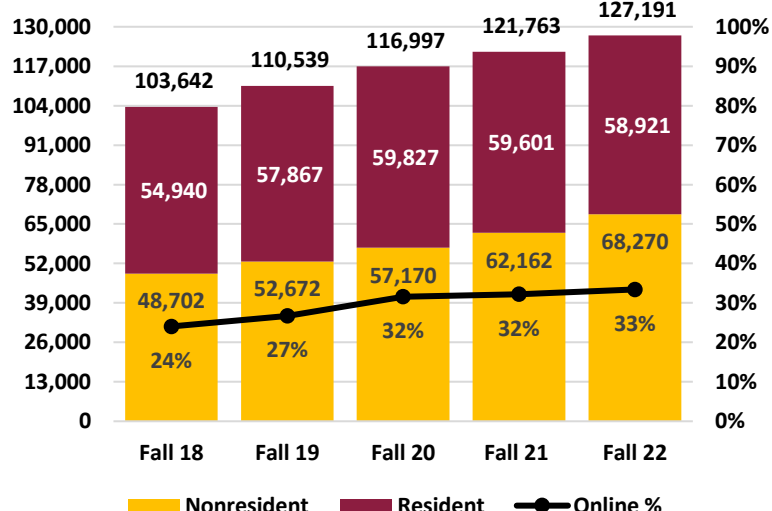
University Net Position



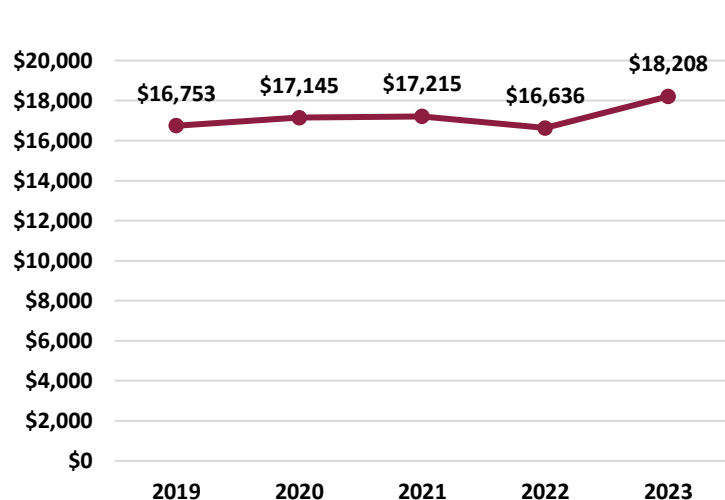
Unrestricted Net Position (Excluding GASB Adjustments for Pension Liability and OPEB Liability)



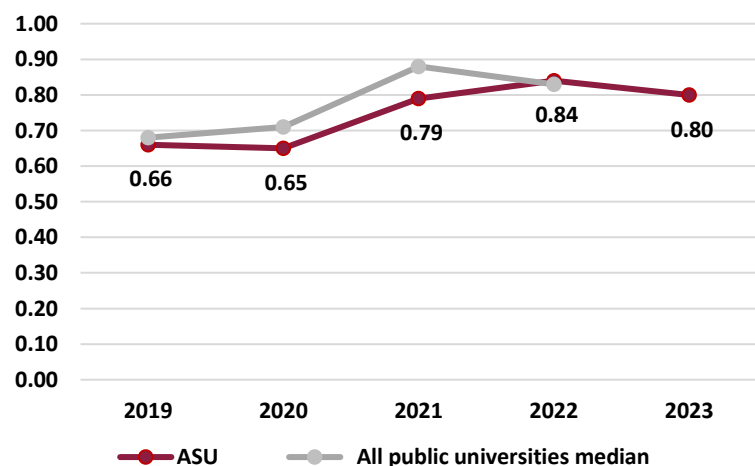
FTE Student Enrollment



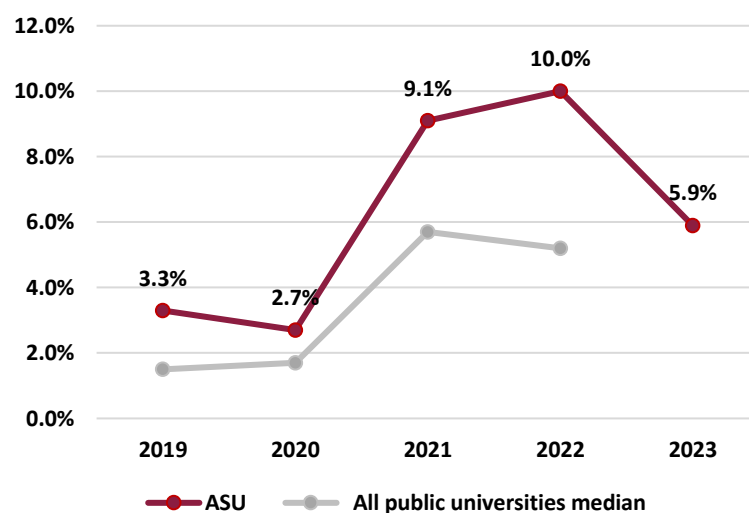
E&G per FTE Student



Spendable Cash and Investments to Operating Expenses Ratio

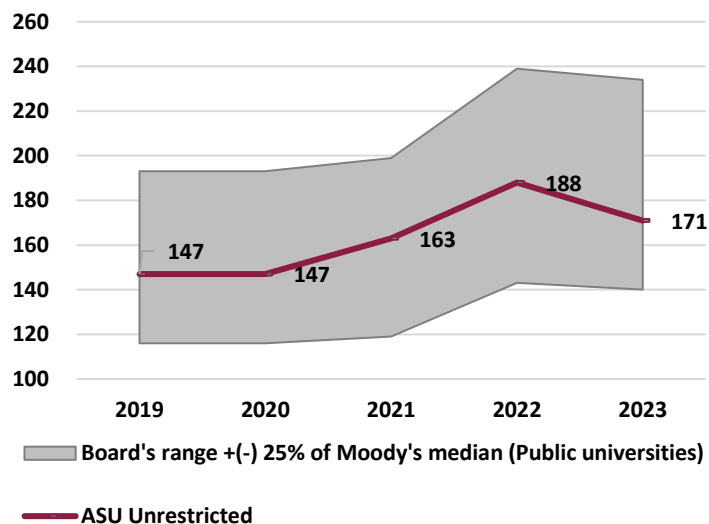


Operating Margin Ratio

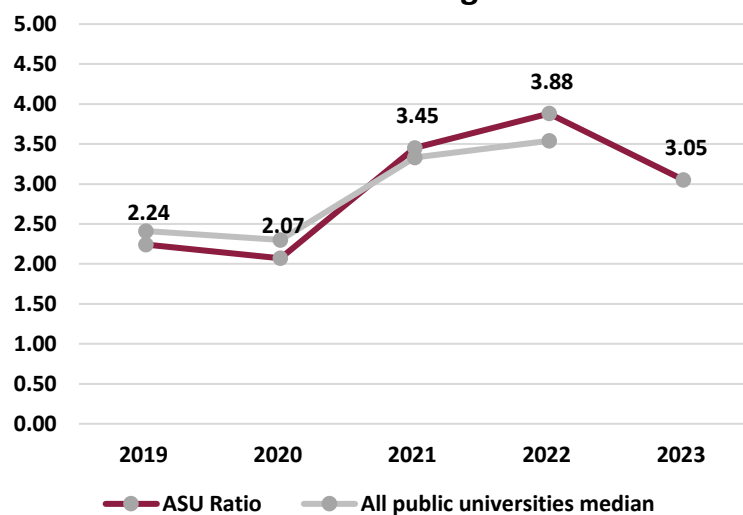


ARIZONA STATE UNIVERSITY KEY INDICATORS

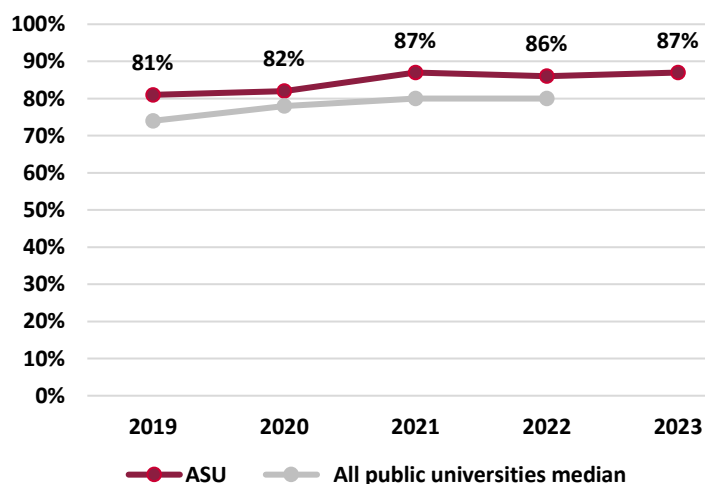
Monthly Days Cash on Hand



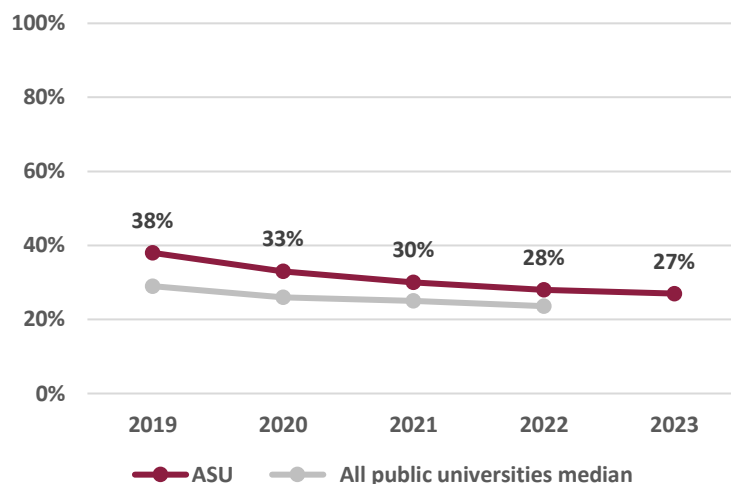
Debt Service Coverage Ratio



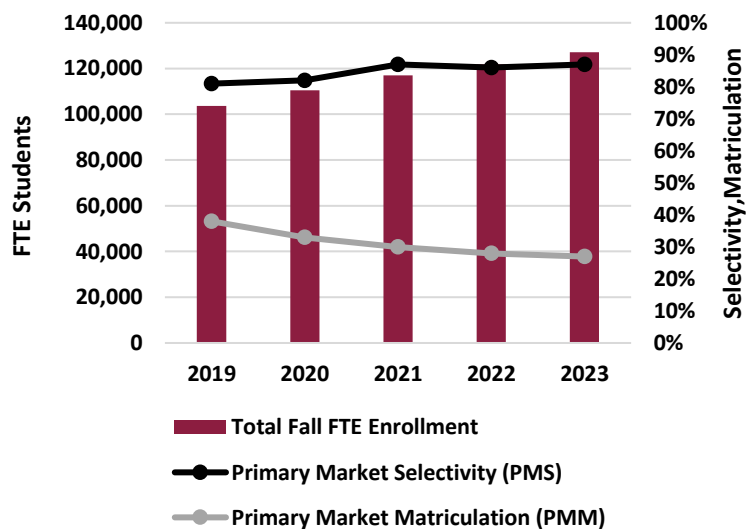
Primary Market Selectivity Ratio Student Demand



Primary Market Matriculation Ratio Students Enrolled



Enrollment, Selectivity & Matriculation



ARIZONA STATE UNIVERSITY - INVESTMENT REPORT

(Dollars in Thousands)

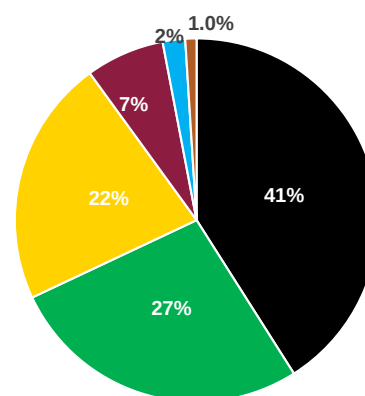
OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2023	6/30/2022	6/30/2021	3-yr Average
Year-end Market Value	\$1,381,176	\$1,248,964	\$1,047,241	\$1,225,794
Net Return	2.3%	-2.3%	1.0%	0.3%

OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT

(June 30, 2023)

Corporate Notes/Bonds	41%
US Treasury	27%
Money Market	22%
Agency Bonds	7%
Muni Bonds	2%
Other Investments	1%

(may not equal 100% due to rounding)



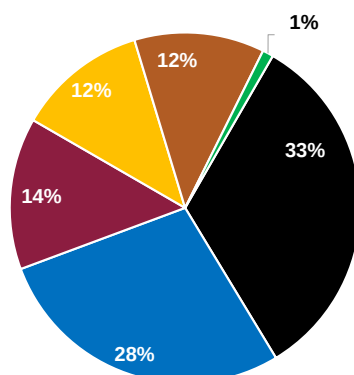
ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2023	6/30/2022	6/30/2021	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$297,650	\$281,770	\$273,852	\$284,424
Net Return	4.3%	2.4%	24.9%	10.5%
FA Trust Fund:				
Year-end Value	\$108,346	\$101,827	\$97,326	\$102,500
Net Return	4.3%	2.4%	24.9%	10.5%

ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT

(June 30, 2023)

Global Ex US Equity	33%
Private Capital	28%
Fixed Income	14%
Real Assets	12%
Absolute Return	12%
Cash/Cash Equivalents	1%

(may not equal 100% due to rounding)



TOTAL REVENUE BY SOURCE

Between 2019 and 2023:

- NAU's revenues grew 17 percent from \$603.1 million to \$704.6 million. Between FY 2020 and FY 2023, NAU received a total of \$157.0 million in COVID-19 funding either directly or by way of the Arizona Governor's Office, with the bulk of that funding received in FY 2021 and FY 2022, winding down in FY 2023 with draws totaling \$11.9 million.
- State support increased 60 percent (although fluctuating between years) and state support as a percentage of total revenues increased from 17 percent to 23 percent. Most of the increase was appropriated as one-time only monies, and therefore not guaranteed to be part of ongoing base-level funding.
- Net tuition and fees decreased 18 percent from \$237.6 million to \$195.5 million. As a percentage of total revenues, net tuition and fee revenues decreased from 39 percent to 28 percent. The decrease is largely due to an increase in scholarship allowances that are applied to tuition and fee revenues, which increased 24 percent from \$144.7 million to \$179.4 million. For FY 2023, scholarship allowances represent about 48 percent of gross tuition and fees.
- Gifts, Grants and Contracts increased 37 percent, from \$143.1 million to \$196.3 million of which \$11.9 million is attributable to COVID-19 relief funding and a capital donation of art from the NAU Foundation in the amount of \$24.6 million. Net of COVID-19 funding and capital donation in FY 2023, NAU's GGC increased 17 percent. GCC makes up about 28 percent of total revenues up from 24 percent in FY 2019.
- Other revenues represent hundreds of local accounts and supported by a variety of non-state revenue sources, such as revenues from auxiliary operations, investment income and self-supporting designated activities. Other revenues have rebounded from the pandemic-related downturn increasing 24 percent from \$119.1 million to \$147.5 million, due mainly to increases in sales and services and auxiliary enterprises. Other revenues have remained constant as a percent of total revenues, averaging about 20 percent over the past five years.

UNIVERSITY NET POSITION

- Net position is shown in four categories: Capital Assets, Restricted Nonexpendable, Restricted Expendable and Unrestricted. NAU's net position increased 56 percent between FY 2019 and FY 2023, from \$259.6 million to \$404.6 million.
 - o Capital Assets increased 10 percent from \$245.9 million to \$270.0 million.

- Restricted net position (nonexpendable and expendable) increased 29 percent from \$74.4 million to \$95.8 million.
- Due to GASB regulations requiring governments providing defined benefit pensions to recognize the long-term obligation for pension benefits and post-employment benefits as a liability, NAU reported negative unrestricted net asset balances beginning FY 2015 through FY 2021, but now reports positive balances in each of the last two years. Excluding these GASB adjustments, unrestricted net position is positive each year increasing 38 percent between FY 2019 and FY 2023, from \$156.3 million to \$215.4 million.

KEY INDICATORS

ENROLLMENT

- Between FY 2019 and FY 2023, NAU's FTE enrollment decreased 8 percent from 29,384 in FY 2019 to 26,918 in FY 2023. The decreases occurred with undergraduate students both resident (-11%) and nonresident (-17%). NAU realized growth in graduate student enrollment each year with an overall increase of about 6 percent for resident graduate students and 69 percent in nonresident graduate students with online nonresident graduate enrollment more than doubling. For Fall 2022 (FY 2023) 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 23 percent from \$13,088 to \$16,068 between FY 2019 and FY 2023. The increase results primarily from an increase in state appropriation funding for New Economy Initiatives and one-time operating funds, and a reduction in student enrollment.

SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- NAU's SCI/OE ratio averaged around 0.55 between FY 2019 and FY 2023, decreasing from a high of 0.62 in FY 2021 to 0.53 in FY 2023. The increase in FY 2021 is primarily from COVID-19 relief funding, operational expenditure adjustments and increases in the market valuation of investments. FY 2023 is above the pre-pandemic levels which averaged 0.46 the five years prior to the pandemic. All public universities median was between 0.68 and 0.88, dropping slightly to 0.83 in FY 2022. 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.

OPERATING MARGIN RATIO

- OMR can fluctuate from year to year due to irregular timing of when revenues and expenditures are incurred. 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, and further increasing to 8.2% in FY 2022 due primarily from reimbursement of COVID-19 related expenses. At 0.9% in FY 2023, NAU is slightly higher than pre-pandemic level of 0.7% in FY 2019. The median of all public universities was between 1.5 and 5.2 percent between FY 2019 and FY 2023.

MONTHLY DAYS CASH ON HAND

- At 180 days in FY 2023, NAU is within the board's established range of $\pm 25\%$ of Moody's median of all public universities, or 140 to 234 days. The median of all public universities was 187 days.

DEBT SERVICE COVERAGE RATIO

- NAU's DSC ratio improved from 1.68 to 2.41 between FY 2019 and FY 2023, dipping slightly from a high of 2.57 in FY 2022. The median of all public universities was 2.41 in FY 2019 to 3.54 in FY 2022. This measure indicates 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 minor decrease in the number of students accepted to the university from 84 percent in FY 2019 to 80 percent in FY 2023. The proportion of students who enrolled also decreased from 18 percent in FY 2019 to 16 percent in FY 2021, FY 2022 and FY 2023 following the trend for all public universities matriculation rate decreasing from 29 percent in FY 2019 to 24 percent in 2022.

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2019	2020	2021	2022	2023	2023 Budget
State	103,200	113,523	107,396	138,737	165,322	139,600
Tuition and Fees, Net	237,605	233,911	218,452	200,933	195,450	206,200
Gifts, Grants & Contracts	143,107	144,879	179,149	207,467	196,276	153,900
Other Revenue	119,140	114,960	123,442	134,742	147,522	117,700
Total Revenue	603,052	607,273	628,439	681,879	704,570	617,400
Total Expenses	586,240	615,926	571,925	635,251	649,971	609,500
Net Increase/(Decrease)	16,812	(8,653)	56,514	46,628	54,599	7,900
State as a % of total	17%	19%	17%	20%	23%	23%
T&F as % of total	39%	39%	35%	29%	28%	33%

University Tuition and Fees	2019	2020	2021	2022	2023
Gross Tuition and Fees	382,331	389,609	379,351	367,759	374,836
Scholarship Allowance Applied to T&F	144,726	155,697	160,899	166,826	179,386
Net Tuition and Fees	237,605	233,911	218,452	200,933	195,450

University Net Position	2019	2020	2021	2022	2023
Capital Assets	245,903	248,641	262,474	234,713	269,975
Restricted Nonexpendable	26,258	19,142	17,969	17,039	23,481
Restricted Expendable	48,146	54,058	67,904	71,905	72,347
Unrestricted	(60,756)	(70,943)	(40,935)	26,352	38,806
Total Net Position	259,551	250,898	307,412	350,009	404,608
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	476,600	465,461	520,452	545,565	581,179

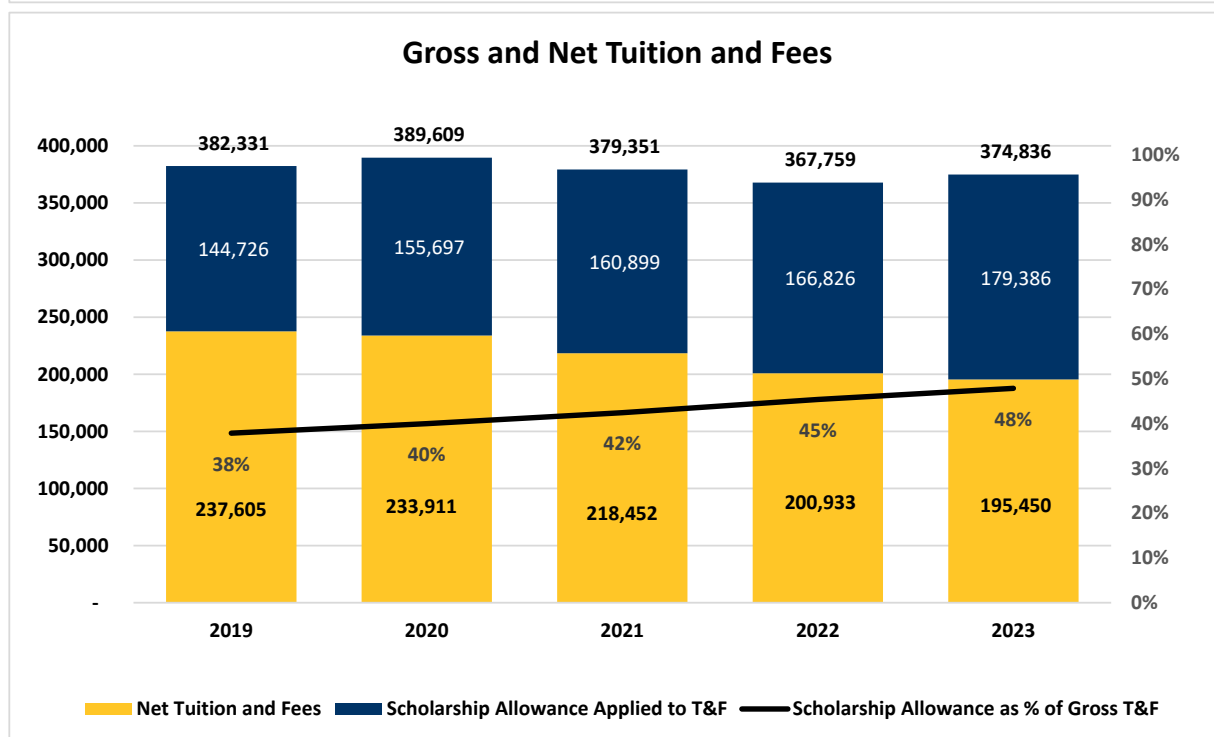
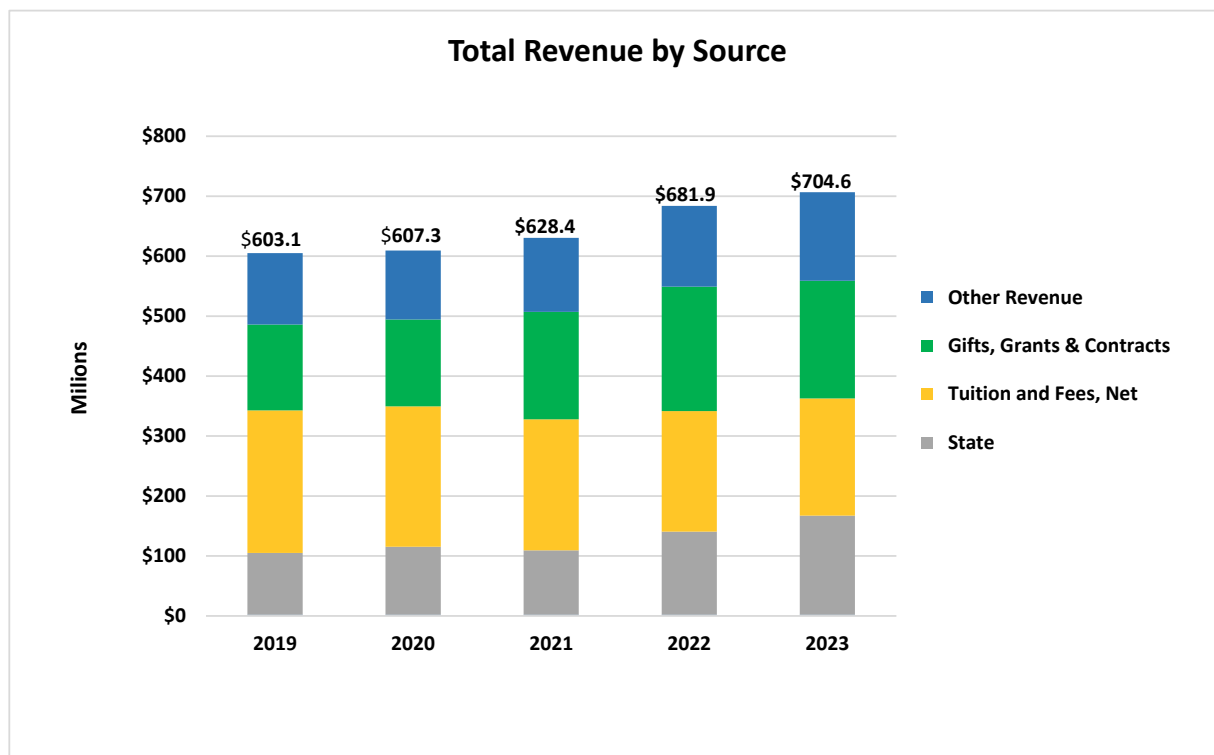
University Unrestricted Net Position	2019	2020	2021	2022	2023
Unrestricted (with GASB)	(60,756)	(70,943)	(40,935)	26,352	38,806
Pension & OPEB	217,049	214,563	213,040	195,557	176,571
Unrestricted Net Position (unadjusted)	156,293	143,620	172,105	221,908	215,377

Key Indicators	2019	2020	2021	2022	2023
Total FTE Enrollment	29,384	29,175	28,078	27,123	26,918
State General Fund As a Percent of Total Revenues	17%	19%	17%	20%	23%
Tuition and Fee Revenues as a Percent of Total Revenues	39%	39%	35%	29%	28%
E&G Expenses per Student	13,088	13,730	12,910	14,372	16,068
Spendable Cash & Investments/Operating Expenses	0.46	0.53	0.62	0.59	0.53
SC&I/OE All public universities median (Moody's)	0.68	0.71	0.88	0.83	0.00 *
Operating Margin Ratio (OMR)	0.7%	-2.1%	5.2%	8.2%	0.9%
OMR All public universities median (Moody's)	1.5%	1.7%	5.7%	5.2%	0.0% *
Days Cash on Hand (DCOH)	151	148	188	200	180
DCOH All public universities median (Moody's)	154	154	159	191	187
Debt Service Coverage Ratio (DSCR)	1.68	1.19	1.93	2.57	2.41
DSCR All public universities median (Moody's)	2.41	2.30	3.33	3.54	0.00 *
Primary Market Selectivity (PMS)	84%	85%	82%	78%	80%
PMS All public universities median (Moody's)	74%	78%	80%	80%	0% *
Primary Market Matriculation (PMM)	18%	17%	16%	16%	16%
PMM All public universities median (Moody's)	29%	26%	25%	24%	0% *
Credit Ratings	2019	2020	2021	2022	2023
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

* Not yet available

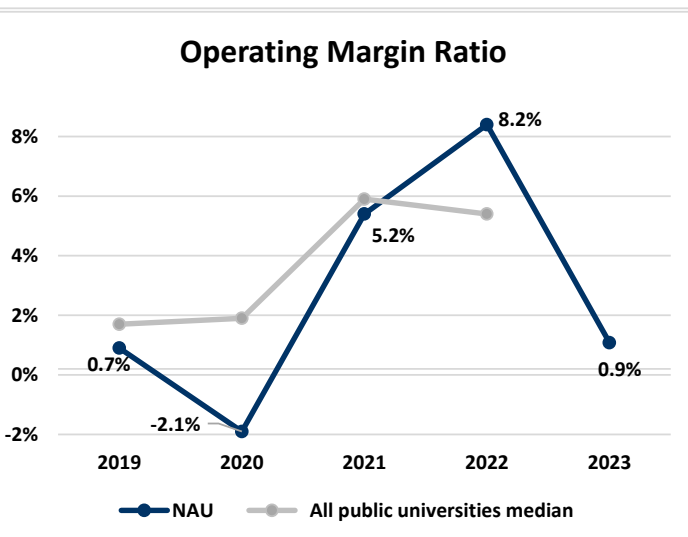
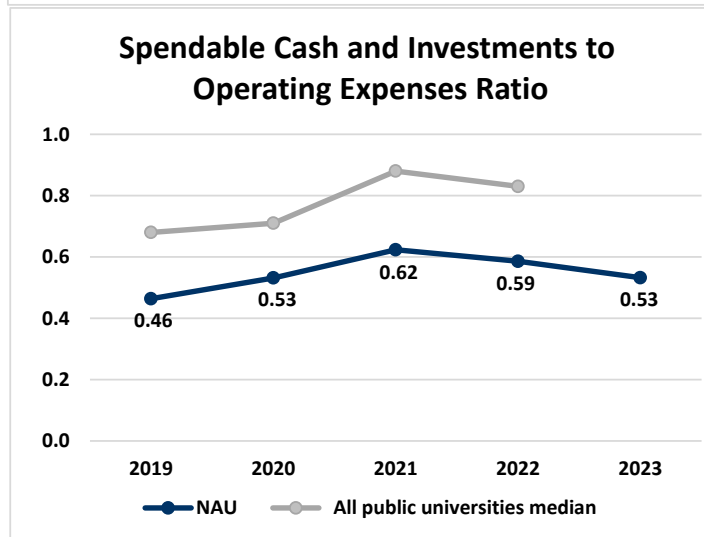
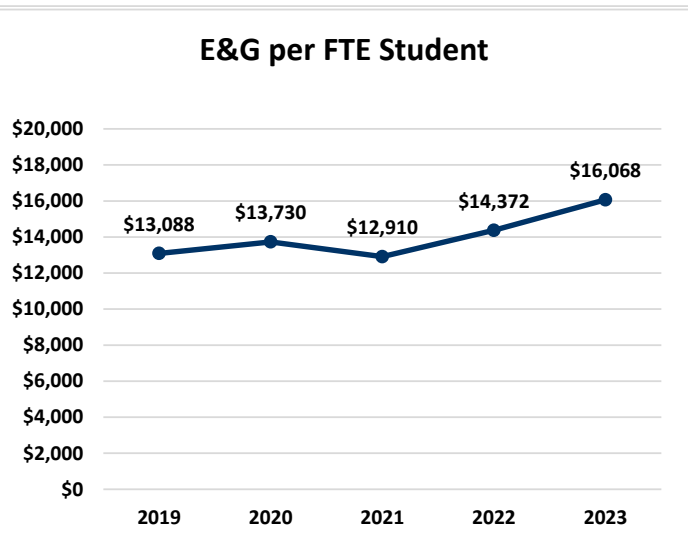
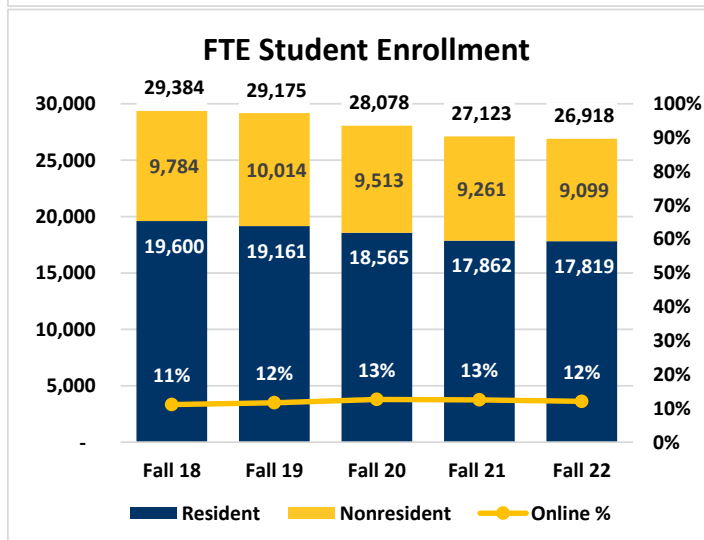
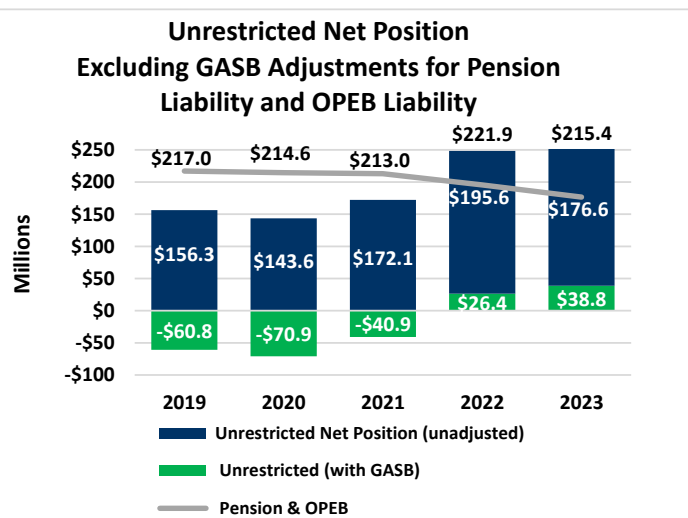
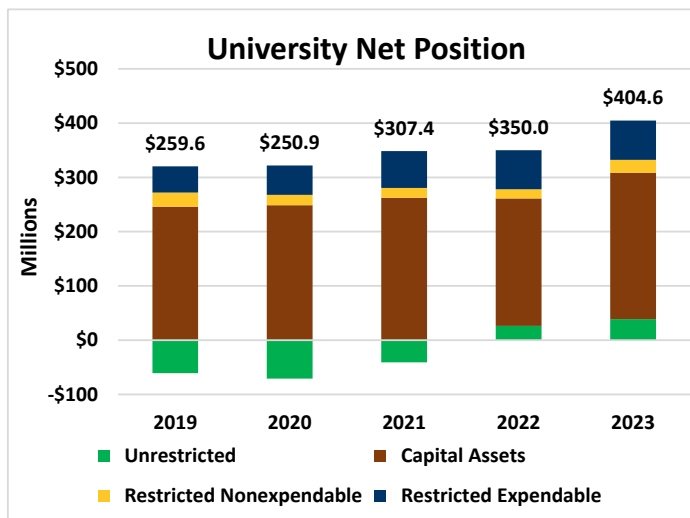
NORTHERN ARIZONA UNIVERSITY

FINANCIAL HIGHLIGHTS



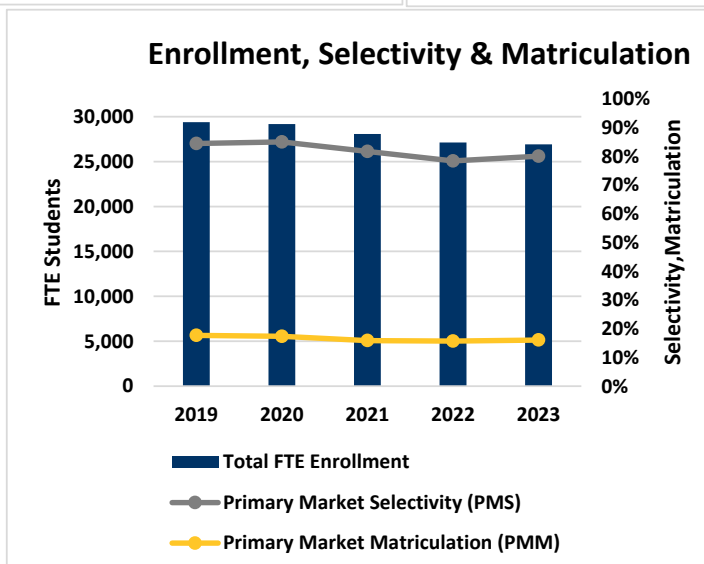
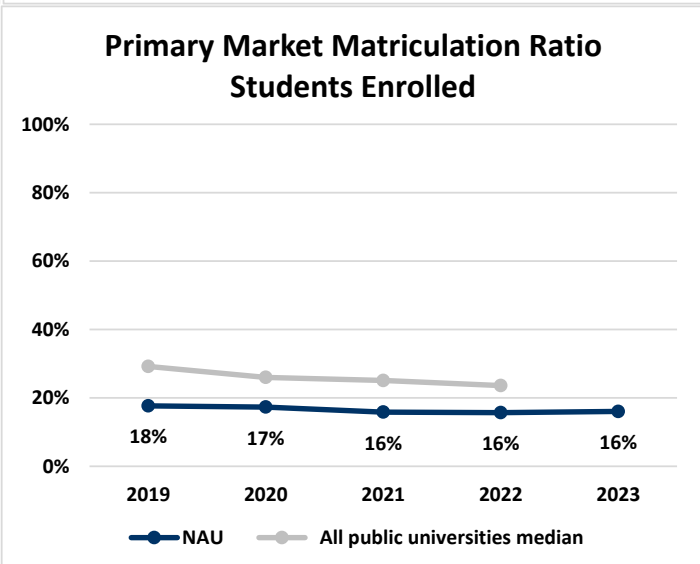
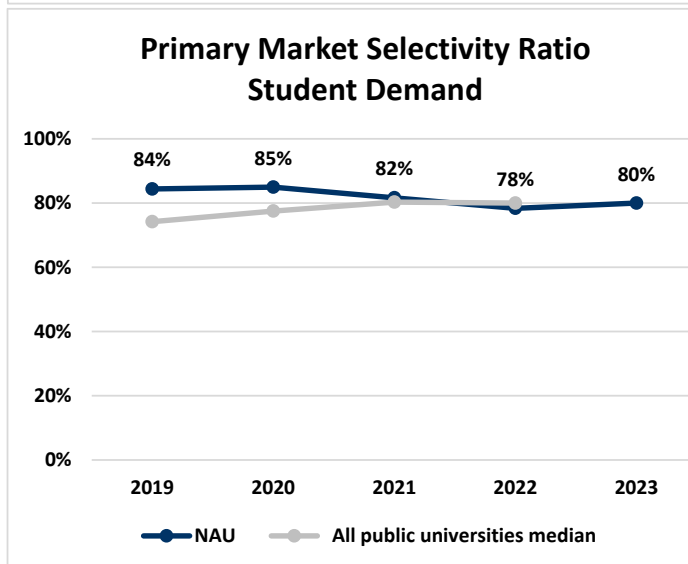
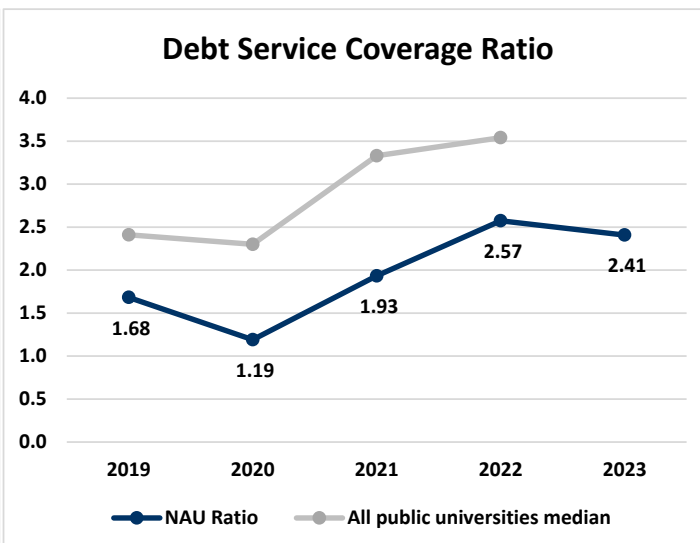
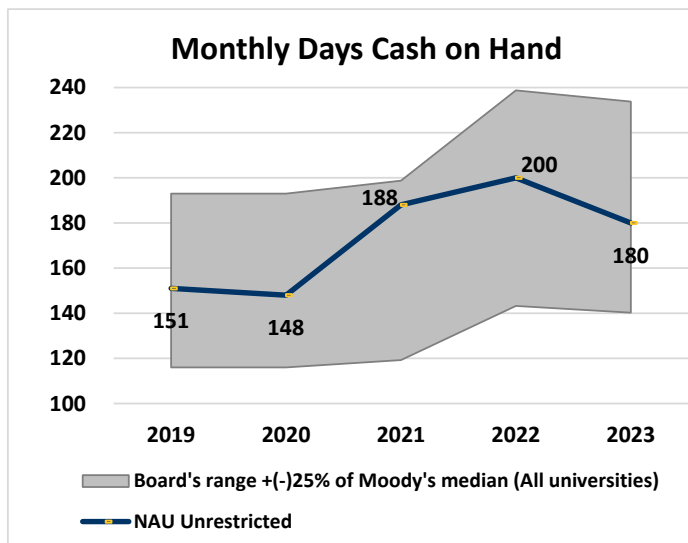
NORTHERN ARIZONA UNIVERSITY

KEY INDICATORS



NORTHERN ARIZONA UNIVERSITY

KEY INDICATORS



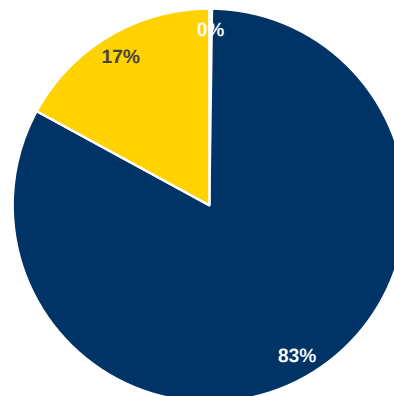
NORTHERN ARIZONA UNIVERSITY - INVESTMENT REPORT

(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2023	6/30/2022	6/30/2021	3-yr Average
Year-end Market Value	\$271,447	\$276,820	\$225,297	\$242,180
Net Return	3.5%	0.4%	0.7%	13.0%

OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2023)

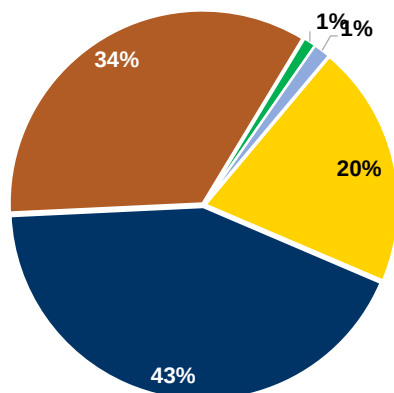
Cash/Cash Equivalents (Savings)	0%
Local Governmental Investment Pools	83%
Agency Bonds	17%
(may not equal 100% due to rounding)	



ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2023	6/30/2022	6/30/2021	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$8,283	\$7,730	\$9,945	\$8,317
Net Return	6.7%	-28.6%	26.5%	4.4%
FA Trust Fund:				
Year-end Market Value	\$33,261	\$30,228	\$37,447	\$31,871
Net Return	9.1%	-23.9%	29.1%	8.4%

ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2023)

Bonds	20%
US Equity	43%
Global Ex US Equity	34%
Real Estate	0%
Cash/Cash Equivalents	1%
Other	1%
(may not equal 100% due to rounding)	



TOTAL REVENUE BY SOURCE

Between 2019 and 2023:

- UArizona's revenues grew 22 percent from \$2.2 billion to \$2.7 billion. Between FY 2020 and FY 2023, UArizona received \$220.7 million in COVID-19 funding either directly or by way of the Arizona Governor's Office, with the bulk of that funding received in FY 2021 and FY 2022.
- State support increased 35 percent and state support as a percent of total revenues increased slightly from 13 percent to 14 percent. A sizable portion of the increase was appropriated as one-time only monies, and therefore not guaranteed to be part of ongoing base-level funding.
- Net tuition and fees increased 9 percent from \$658.1 million to \$717.9 million. As a percentage of total revenues, net tuition and fee revenues decreased from 30 percent to 27 percent. In comparison, gross tuition and fee revenues increased 22 percent, with scholarship allowances increasing 58 percent between FY 2019 and FY 2023. As a percentage of gross tuition and fees, scholarship allowances increased from 26 percent to 34 percent between FY 2019 to FY 2023.
- Gifts, Grants and Contracts (GG&C) increased 27 percent from \$848.5 million to \$1.1 billion. GG&C as a percentage of total revenues, increased from 39 percent to 41 percent. GG&C have consistently ranged between 39 percent and 44 percent of total revenues over the past five years.
- Other revenues represent hundreds of local accounts and supported by a variety of non-state revenue sources, such as revenues from auxiliary operations, investment income and self-supporting designated activities. Other revenues have rebounded from the pandemic-related downturn in FY 2021 and FY 2022, increasing 21 percent from \$403.4 million to \$487.5 million. Other revenues have remained constant as a percentage of total revenues, averaging about 17 percent over the past five years.

UNIVERSITY NET POSITION

- Net position is shown in four categories: Capital Assets, Restricted Nonexpendable, Restricted Expendable and Unrestricted. UArizona's net position increased 11 percent between FY 2019 and FY 2023, from \$1.1 billion to \$1.2 billion.
 - o Capital Assets increased 30 percent from \$801.2 million to \$1.0 billion.
 - o Restricted net position (nonexpendable and expendable) increased 22 percent from \$394.8 million to \$482.7 million.

- o Beginning FY 2015, UArizona consistently reported negative unrestricted net assets due to GASB regulations requiring governments providing defined benefit pensions to recognize the long-term obligation for pension benefits and post-employment benefits as a liability, thereby reducing net position. Excluding these GASB adjustments unrestricted net position is positive but has decreased 24 percent between FY 2019 and FY 2023, from \$614.5 million to \$466.3 million.

KEY INDICATORS

ENROLLMENT

- Between Fall 2018 (FY 2019) and Fall 2022 (FY 2023), UArizona's FTE enrollment increased 8 percent from 44,376 to 47,926. Nonresident FTE enrollment increased 29 percent with nonresident undergraduate FTE making up the largest increase at nearly 33 percent. However, resident FTE declined 5 percent, with resident undergraduate FTE declining nearly 6 percent and resident graduate FTE remaining relatively flat, increasing slightly less than one percent. UArizona's largest growth occurred with online students, which more than doubled from 2,328 FTE in FY 2019 to 5,352 FTE in FY 2023, while immersion student enrollment experienced little growth at just one percent. For Fall 2022, online students represented 11 percent of total student FTE compared to 5 percent in FY 2019.

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

- UArizona's E&G expenses per student grew 7.1 percent from \$28,720 in FY 2019 to \$30,745 in FY 2023 or less than 1.5 percent per year. In contrast, the Higher Education Price Index (HEPI) averaged 3 percent and the Consumer Price Index (CPI) averaged 4 percent between 2019 and 2023.
- Excluding College of Medicine, College of Veterinary Medicine and Agriculture Extension from the E&G calculation, E&G expenses per student grew 16 percent from \$19,532 to \$22,639, or about 3.2 percent per year.

SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- UArizona's SCI/OE ratio decreased from 0.52 in FY 2019 to a low of 0.43 in FY 2023. Between 2019 and 2021, all public universities median was between 0.68 and 0.88, dropping slightly to 0.83 in FY 2022. 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.

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 -0.6 percent in FY 2019 and -3.6 percent in FY 2020, increasing to 4.7 percent in FY 2022, and back down to -0.6 percent in FY 2023. A negative OMR is typically a sign of early financial difficulty. In FY 2023, UArizona's net loss equals 0.6 percent of their revenues, or for every dollar in revenue, they lost close to one cent in operations. The large decrease in FY 2020 is 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 1.5 and 5.2 percent between FY 2019 and FY 2022.

MONTHLY 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. At 110 days in FY 2023, the UArizona is well below the board's established range of 140 to 234 days. The median of all public universities was 187 days.

DEBT SERVICE COVERAGE RATIO

- UArizona's DSC ratio decreased from 2.56 in FY 2022 to 1.81 in FY 2023, but slightly higher than in FY 2019. A ratio of one or above indicates that there are enough funds to cover upcoming debt payments with operating cash flow. The median of all public universities was 2.41 in FY 2019 increasing to 3.54 in FY 2022.

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

- UArizona saw an increase in the number of students accepted to the university from 85 percent in FY 2019 to 87 percent in FY 2022, averaging 86 percent between those years. However, the proportion of students who enrolled dropped from 22 percent in FY 2019 to 19 percent in FY 2023. Although below the national average, this follows the national trend where the PMM median has been decreasing over the past years. For all public universities, the PMM decreased from 29 percent in FY 2019 to 24 percent in 2022.

Financial Highlights

University Revenues, Expenditures and Changes in Net Position	2019	2020	2021	2022	2023	2023 BGT
State	277,734	294,508	284,620	335,635	376,321	344,400
Tuition and Fees, Net	658,090	644,352	634,092	677,550	717,928	743,800
Gifts, Grants & Contracts	848,485	857,661	1,010,509	1,039,332	1,081,356	849,100
Other Revenue	403,350	423,300	347,186	377,605	487,546	383,700
Total Revenue	2,187,659	2,219,821	2,276,407	2,430,122	2,663,151	2,321,000
Total Expenses	2,161,978	2,292,689	2,220,898	2,376,133	2,583,810	2,274,800
Net Increase	25,681	(72,868)	55,509	53,989	79,341	46,200
State as a % of total	13%	13%	13%	14%	14%	15%
T&F as % of total	30%	29%	28%	28%	27%	32%

University Tuition and Fees	2019	2020	2021	2022	2023
Gross Tuition and Fees	890,558	911,407	921,637	1,007,277	1,086,200
Scholarship Allowance Applied to T&F	232,468	267,055	287,545	329,727	368,272
Net Tuition and Fees	658,090	644,352	634,092	677,550	717,928

University Net Position	2019	2020	2021	2022	2023
Capital Assets	801,215	951,375	888,422	959,468	1,044,572
Restricted Nonexpendable	161,496	157,378	189,845	179,033	191,107
Restricted Expendable	233,337	203,957	239,189	270,661	291,609
Unrestricted	(130,727)	(320,257)	(269,494)	(307,211)	(345,996)
Total Net Position	1,065,321	992,453	1,047,962	1,101,951	1,181,292
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,810,559	1,791,045	1,903,790	1,946,793	1,993,540

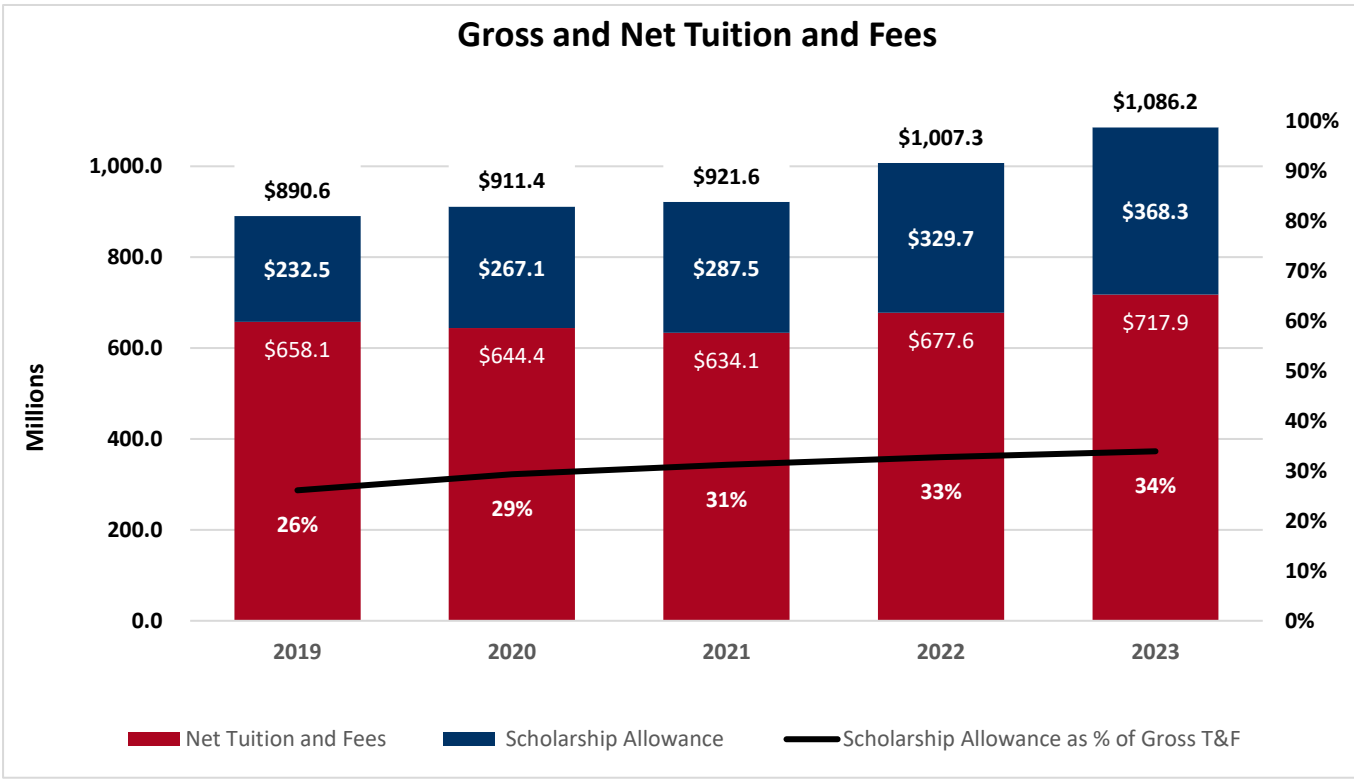
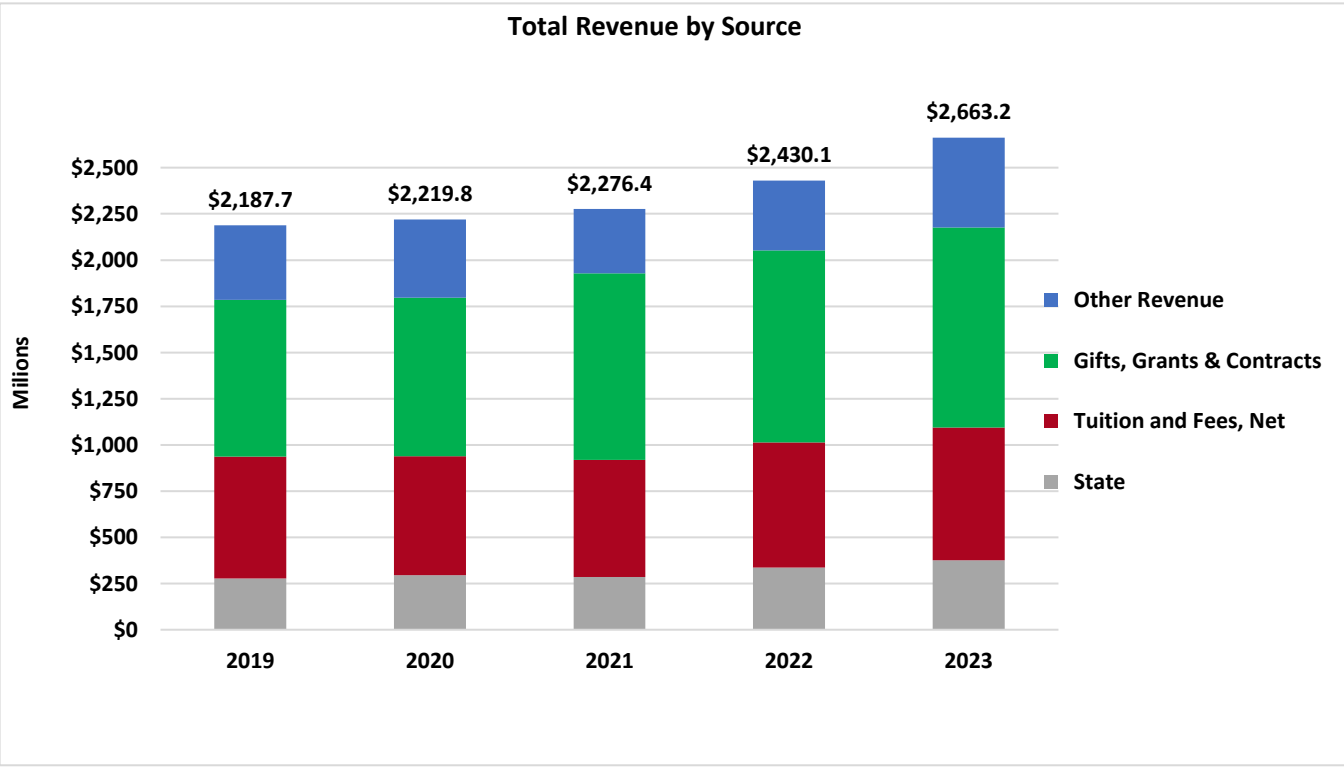
University Unrestricted Net Position	2019	2020	2021	2022	2023
Unrestricted (with GASB)	(130,727)	(320,257)	(269,494)	(307,211)	(345,996)
Pension & OPEB	745,238	798,592	855,828	844,842	812,248
Unrestricted Net Position (unadjusted)	614,511	478,335	586,334	537,631	466,252

	2019	2020	2021	2022	2023
Total Fall FTE Enrollment	44,376	44,714	45,517	46,829	47,926
State General Fund As a Percent of Total Revenues	13%	13%	13%	14%	14%
Tuition and Fee Revenues as a Percent of Total Revenues	30%	29%	28%	28%	27%
E&G Expenses per Student	28,720	30,140	28,402	28,347	30,745
E&G Expenses per Student (Excluding COM, CVM, Ag. Ext)	19,532	21,986	20,183	20,565	22,639
Spendable Cash & Investments/Operating Expenses	0.52	0.45	0.50	0.54	0.43
SCI/OE All public universities median (Moody's)	0.68	0.71	0.88	0.83	0.00 *
Operating Margin Ratio (OMR)	-0.6%	-3.6%	1.7%	4.7%	-0.6%
OMR All public universities median (Moody's)	1.5%	1.7%	5.7%	5.2%	0.0% *
Days Cash on Hand (DCOH)	151	132	173	149	110
DCOH All public universities median (Moody's)	154	154	159	191	187
Debt Service Coverage Ratio (DSCR)	1.52	1.00	1.00	2.56	1.81
DSCR All public universities median (Moody's)	2.41	2.30	3.33	3.54	0.00 *
Primary Market Selectivity (PMS)	85%	85%	87%	87%	86%
PMS All public universities median (Moody's)	74%	78%	80%	80%	0% *
Primary Market Matriculation (PMM)	22%	20%	21%	20%	19%
PMM All public universities median (Moody's)	29%	26%	25%	24%	0% *
Credit Ratings	2019	2020	2021	2022	2023
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
	Stable	Stable	Negative	Negative	Stable
Standard & Poors (S&P)	AA-	AA-	AA-	AA-	AA-
	Stable	Stable	Stable	Stable	Stable

* Not yet available

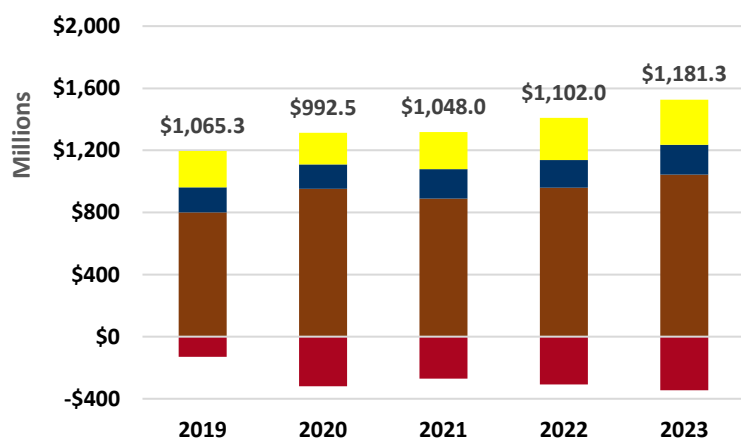
UNIVERSITY OF ARIZONA

FINANCIAL HIGHLIGHTS

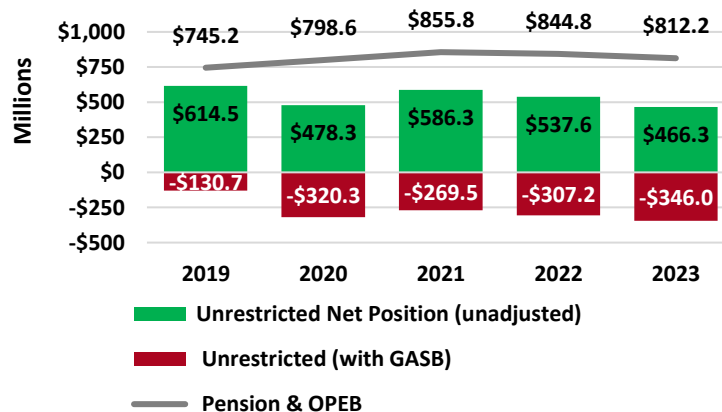


UNIVERSITY OF ARIZONA KEY INDICATORS

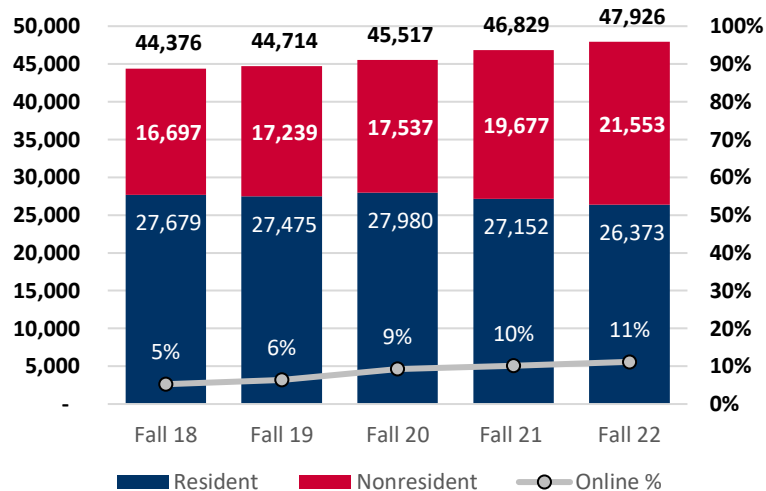
University Net Position



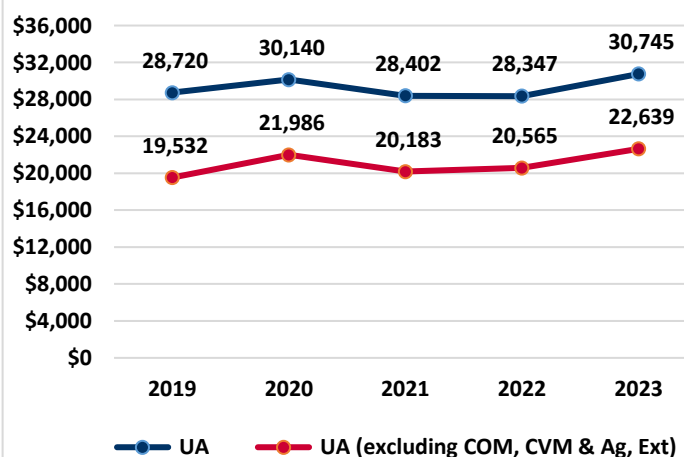
Unrestricted Net Position (Excluding GASB Adjustments for Pension Liability and OPEB Liability)



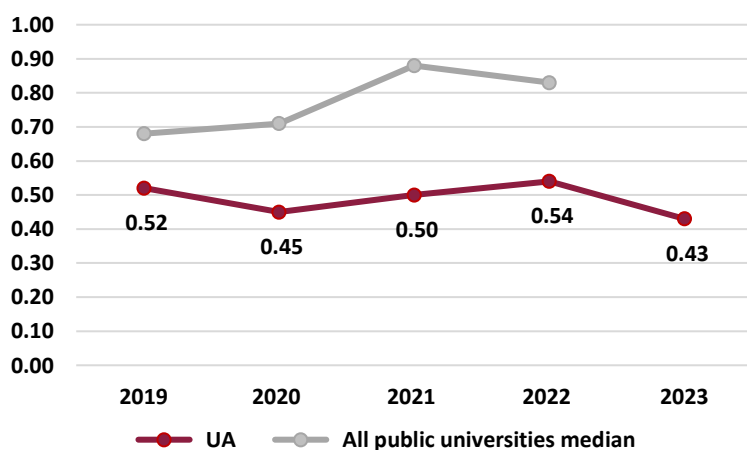
FTE Student Enrollment



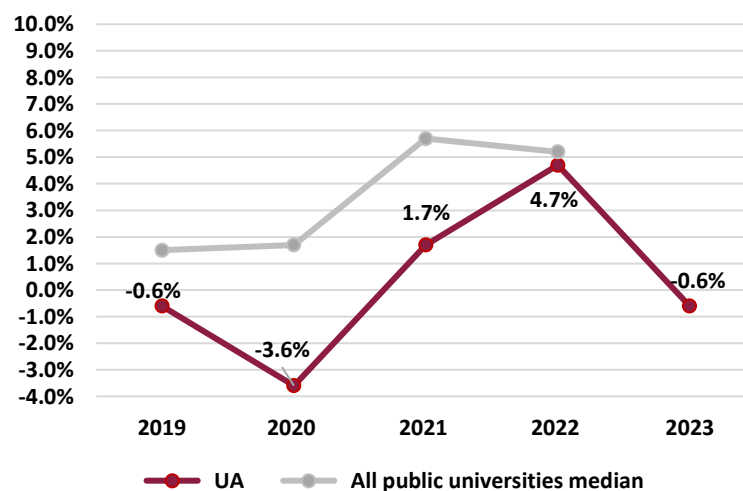
E&G per FTE Student



Spendable Cash and Investments to Operating Expenses Ratio

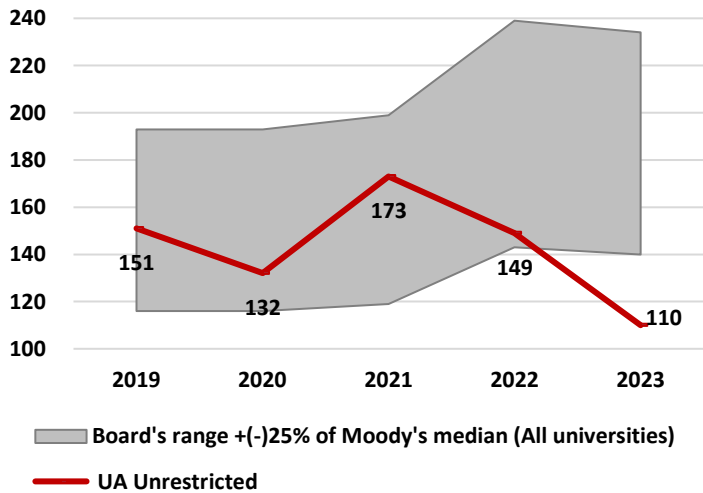


Operating Margin Ratio

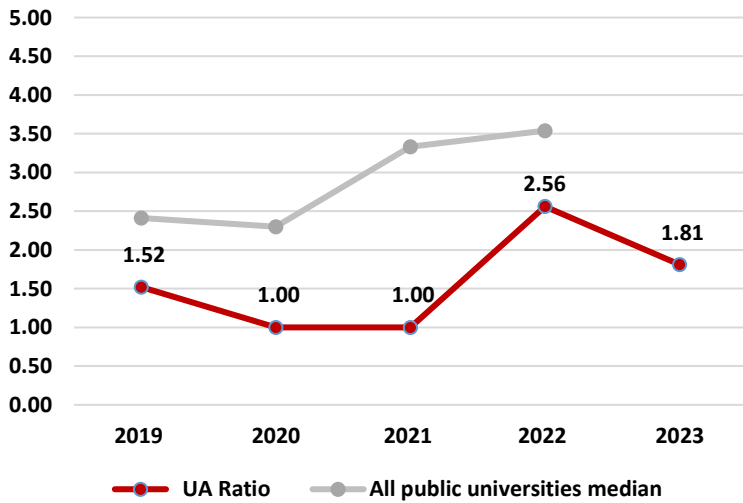


UNIVERSITY OF ARIZONA KEY INDICATORS

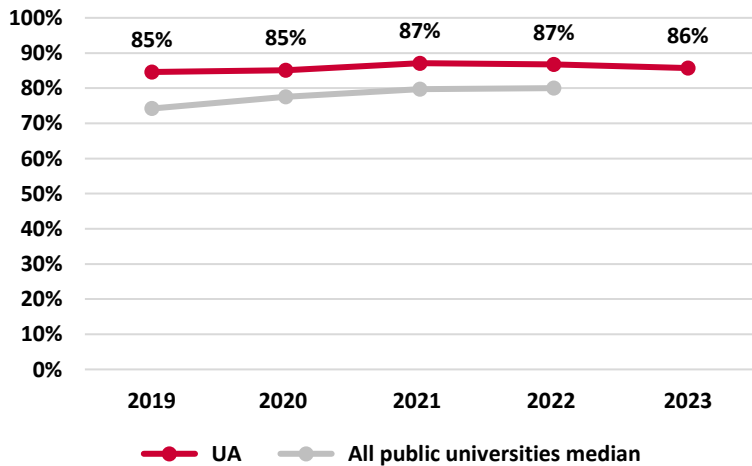
Monthly Days Cash on Hand



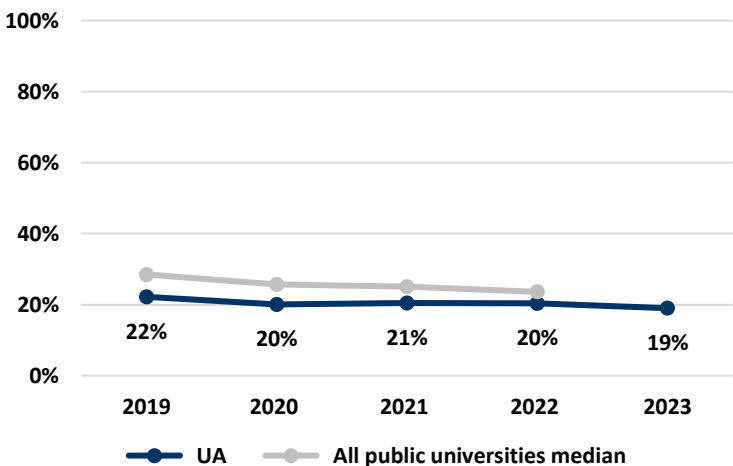
Debt Service Coverage Ratio



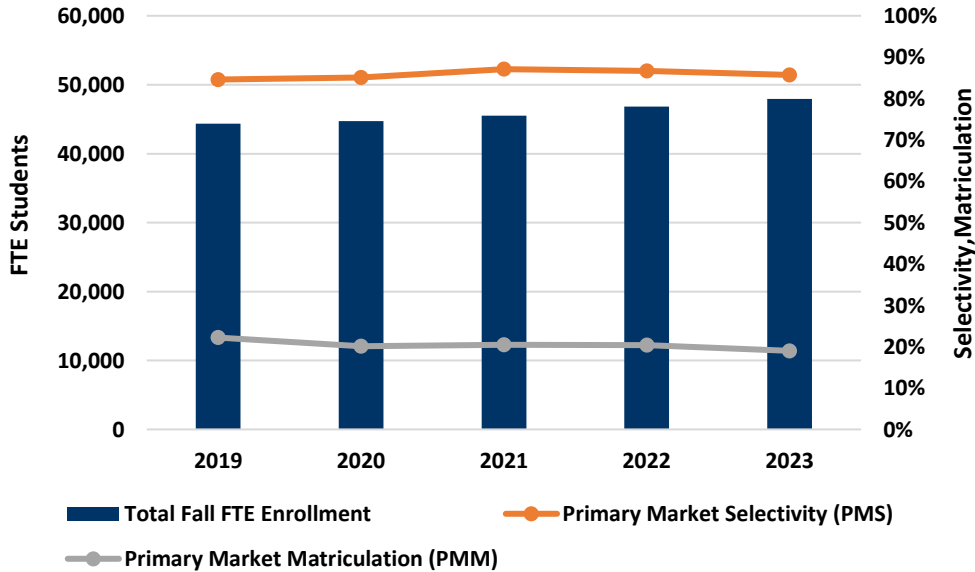
Primary Market Selectivity Ratio
Student Demand



Primary Market Matriculation Ratio
Students Enrolled



Enrollment, Selectivity & Matriculation



UNIVERSITY OF ARIZONA - INVESTMENT REPORT

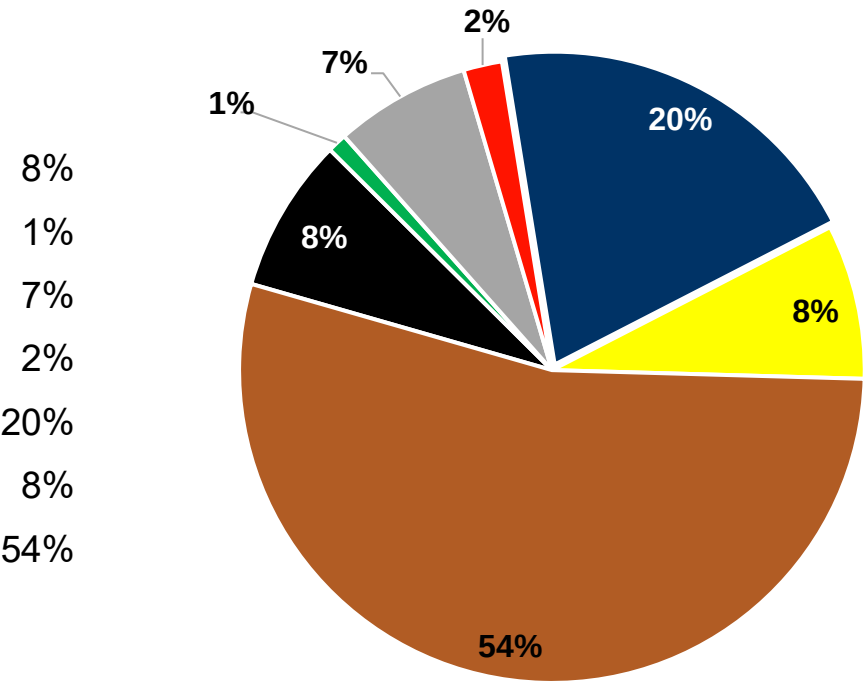
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2023	6/30/2022	6/30/2021	3-yr Average
Year-end Value	\$620,512	\$763,085	\$710,122	\$697,906
Net Return	1.5%	-3.3%	1.4%	-0.2%

OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT
(June 30, 2023)

- Cash Deposits (Savings)
- Certificates of Deposit
- Equity Mutual Funds
- Government Agency Bonds
- International Bonds
- Treasury Bonds
- US Corporate Bonds

(may not equal 100% due to rounding)

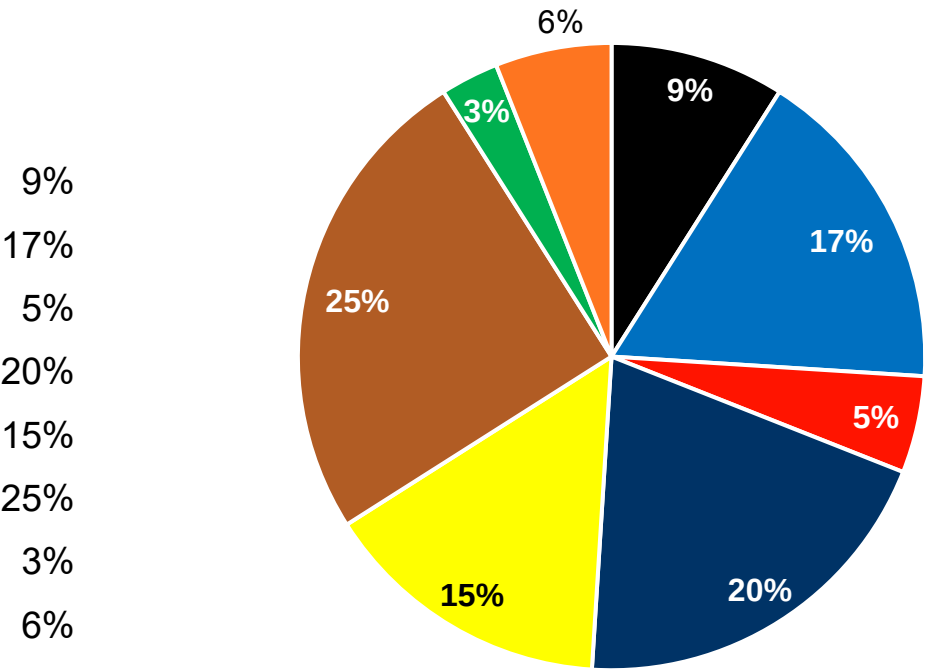


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2023	6/30/2022	6/30/2021	3-yr Average
Pooled Endowments:				
Year-end Market Value	\$312,012	\$298,519	\$326,850	\$312,460
Net Return*	6.6%	-7.9%	26.0%	8.2%
FA Trust Fund:				
Year-end Value	\$48,200	\$44,900	\$47,569	\$46,890
Net Return	7.1%	-6.3%	29.9%	10.2%

ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT
(June 30, 2023)

- 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