

# **FY 2024**

# **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 2020 – FY 2024 (FY 2023 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 2020 and 2023 ranged from 0.71 to 0.82.

### 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 2020 and 2023 ranged from 1.7 percent in 2020 to 1.8 percent in 2023.

### 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 2024, the board's range is between 131 and 218 days, with 174 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 2.30 in FY 2020 to 2.65 in FY 2023.

### **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 2020 and 2023 ranged from 78 percent to 79 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 26 percent in FY 2020 to 23 percent in FY 2023.

# ARIZONA STATE UNIVERSITY

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## TOTAL REVENUE BY SOURCE

Between FY 2020 and FY 2024:

- ASU's revenues grew 38 percent from \$3.0 billion to \$4.1 billion. Between FY 2020 and FY 2024, ASU received a total of \$547.7 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. ASU has maintained an average growth rate in revenues of approximately 7 percent per year.
- State support increased 29 percent, although state support as a percent of total revenues remained constant averaging 12 percent between FY 2020 and FY 2024. 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. In recent years, the legislature appropriates nearly all new funding as one-time. Between FY 2023 and FY 2024 state support was reduced by \$35 million or about 7 percent .
- Net tuition and fees increased 31 percent from \$1.6 billion to \$2.0 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 32 percent, with scholarship allowances averaging 24 percent of gross tuition and fees the past five years.
- Gifts, Grants and Contracts increased 45 percent, from \$753.0 million to \$1.1 billion, reflecting strong award activity, COVID relief grants and philanthropic gifts. The overall variability between FY 2021 and FY 2023 is attributable to COVID-19 relief funding. GG&C and as percentage of total revenues have averaged about 28 percent over the past five years.
- 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 academic revenue-generating activities. Other revenues have increased significantly from the pandemic-related downturn in FY 2020, increasing 62 percent from \$319.0 million to \$516.3 million primarily driven by investment returns, and increase in housing and meal plan participation, increase in parking revenue and other auxiliary revenues. Other revenues have remained constant as a percentage of total revenues, averaging about 11 percent over the past five years.

# ARIZONA STATE UNIVERSITY

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## UNIVERSITY NET POSITION

- Net position is shown in four categories: Capital Assets, Restricted Nonexpendable, Restricted Expendable and Unrestricted. ASU's net position increased 69 percent between FY 2020 and FY 2024, from \$1.4 billion to 2.3 billion.
  - Capital Assets increased 29 percent from \$1.0 billion to \$1.3 billion.
  - Restricted net position (nonexpendable and expendable) increased 54 percent from \$215.1 million to \$330.7 million.
  - Unrestricted net position has increased more than six-fold from \$104.3 million to \$626.2 million. Beginning FY 2015 and FY 2017 respectively, 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 2020 and FY 2024, GASB adjustments for public pension liability/OPEB increased 14 percent from \$715.1 million to \$817.3 million. Excluding these GASB adjustments ASU's unrestricted net position increased 76 percent, from \$819.4 million to \$1.4 billion. On average, ASU's unrestricted net position (excluding GASB adjustments) increased 12 percent per year between FY 2020 and FY 2024.

## KEY INDICATORS

### ENROLLMENT

- Between FY 2020 and FY 2024, ASU's FTE enrollment increased 18 percent from 110,539 in FY 2020 to 130,053 in FY 2024 . ASU realized the largest growth in online students which increased 54 percent overall with resident undergraduate online increasing 47 percent, nonresident undergraduate online increasing 54 percent, graduate resident online increasing 57 percent and nonresident graduate online increasing 58 percent. For immersion students, ASU also experienced an increase in nonresident UG (+14%) and nonresident graduate FTE (+26%). However, for immersion resident students, FTE enrollment decreased for both undergraduate (-2%), and graduate students (-11%). For Fall 2023 (FY 2024) online students represented 35 percent of total student FTE compared to 27 percent for Fall 2019 (FY 2020).

# ARIZONA STATE UNIVERSITY

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

- ASU's E&G expenses per student increased 12 percent between FY 2020 and FY 2024, from \$17,145 in FY 2019 to \$19,168 in FY 2024, or about 2.3 percent per year. ASU's increase is largely due to costs associated with enrollment growth and inflationary pressures. In contrast, the Higher Education Price Index (HEPI) averaged 3.4 percent, and the Consumer Price Index (CPI) averaged 4.0 percent between 2020 and 2024.

## SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- ASU's SCI/OE ratio increased between FY 2020 and FY 2024, from 0.65 to 0.88. ASU's SCI/OE ratio far exceeds the pre-pandemic years which averaged 0.68 between FY 2015 and FY 2019. If the ratio is low, the university lacks the necessary liquidity to fulfill short-term obligations, navigate an emergency or have the resources to invest in programmatic expansion. If the ratio is 1.0 the university can meet 100 percent of its annual operating expenses with existing resources. From FY 2020 ASU has been in line (or above) with public universities peer median. In FY 2023 the public university peer median was 0.82.

## 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 and in FY 2024 ASU's OMR is 4.5 percent. 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. Excluding the COVID years (FY 2021/FY 2022), the median of all public universities ranged from 1.7 percent in FY 2020 to 1.8 percent in FY 2023.

## MONTHLY DAYS CASH ON HAND

- At 164 days in FY 2024, ASU is within the board's established range of 131 to 218 days. The median of all public universities was 174 days in FY 2024. Peer medians for public universities are updated in late July or early August in the year following the close of a particular fiscal year.

# ARIZONA STATE UNIVERSITY

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## DEBT SERVICE COVERAGE RATIO

- ASU's DSC ratio increased significantly between FY 2020 and FY 2024 from 2.07 to 2.74. Prior to FY 2021, the DSC ratio averaged 2.50 which aligns with all public universities median range for those years. In FY 2023, the median of all public universities was 2.65. 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 82 percent in FY 2020 to 87 percent in FY 2021 and has maintained that level through FY 2024. However, the proportion of students admitted and who enrolled dipped from 33 percent in FY 2020 to 25 percent in FY 2024. The decline aligns with the trend of all public universities median matriculation which decreased from 26 percent in FY 2020 to 23 percent in 2023.

## CREDIT RATINGS

- ASU's credit ratings with Moody's are Aa2 and AA with Standard & Poors and has maintained these ratings for the past five years. Aa2 and AA are the third highest rating for Moody's and S&P. Both ratings are considered investment grade, i.e., high quality and subject to very low credit risk. Both Moody's and S&P have indicated a stable outlook of ASU's rating. Ratings outlooks fall into four categories: Positive, Negative, Stable and Developing.

ARIZONA STATE UNIVERSITY

Financial Highlights (Dollars in thousands)

University Revenues, Expenditures and Changes in Net Position	2020	2021	2022	2023	2024	2024 Budget
State	348,954	332,186	411,512	485,286	450,286	465,900
Tuition and Fees, Net	1,550,581	1,598,180	1,689,832	1,889,421	2,028,283	2,008,900
Gifts, Grants & Contracts	753,004	1,072,576	1,029,127	957,826	1,092,266	969,200
Other Revenue	318,980	365,395	356,740	470,333	516,322	419,100
<b>Total Revenue</b>	<b>2,971,519</b>	<b>3,368,337</b>	<b>3,487,211</b>	<b>3,802,866</b>	<b>4,087,157</b>	<b>3,863,100</b>
<b>Total Expenses</b>	<b>2,964,844</b>	<b>3,120,385</b>	<b>3,243,265</b>	<b>3,612,963</b>	<b>3,893,068</b>	<b>3,784,100</b>
<b>Net Increase</b>	<b>6,675</b>	<b>247,952</b>	<b>243,946</b>	<b>189,903</b>	<b>194,089</b>	<b>79,000</b>
State as a % of total	12%	10%	12%	13%	11%	12%
T&F as % of total	52%	47%	48%	50%	50%	52%

University Tuition and Fees	2020	2021	2022	2023	2024	2024 Budget
Gross Tuition and Fees	2,013,311	2,134,308	2,276,313	2,492,825	2,655,779	2,650,000
Scholarship Allowance Applied to T&F	462,730	536,128	586,481	603,404	627,496	641,100
<b>Net Tuition and Fees</b>	<b>1,550,581</b>	<b>1,598,180</b>	<b>1,689,832</b>	<b>1,889,421</b>	<b>2,028,283</b>	<b>2,008,900</b>

University Net Position	2020	2021	2022	2023	2024
Capital Assets	1,042,673	1,107,148	1,147,404	1,205,931	1,340,722
Restricted Nonexpendable	87,497	91,623	104,729	109,039	114,261
Restricted Expendable	127,614	175,937	203,211	209,011	216,436
Unrestricted	104,279	235,307	437,294	579,506	626,157
<b>Total Net Position</b>	<b>1,362,063</b>	<b>1,610,015</b>	<b>1,892,638</b>	<b>2,103,487</b>	<b>2,297,576</b>
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	2,077,161	2,390,523	2,700,388	2,905,493	3,114,856

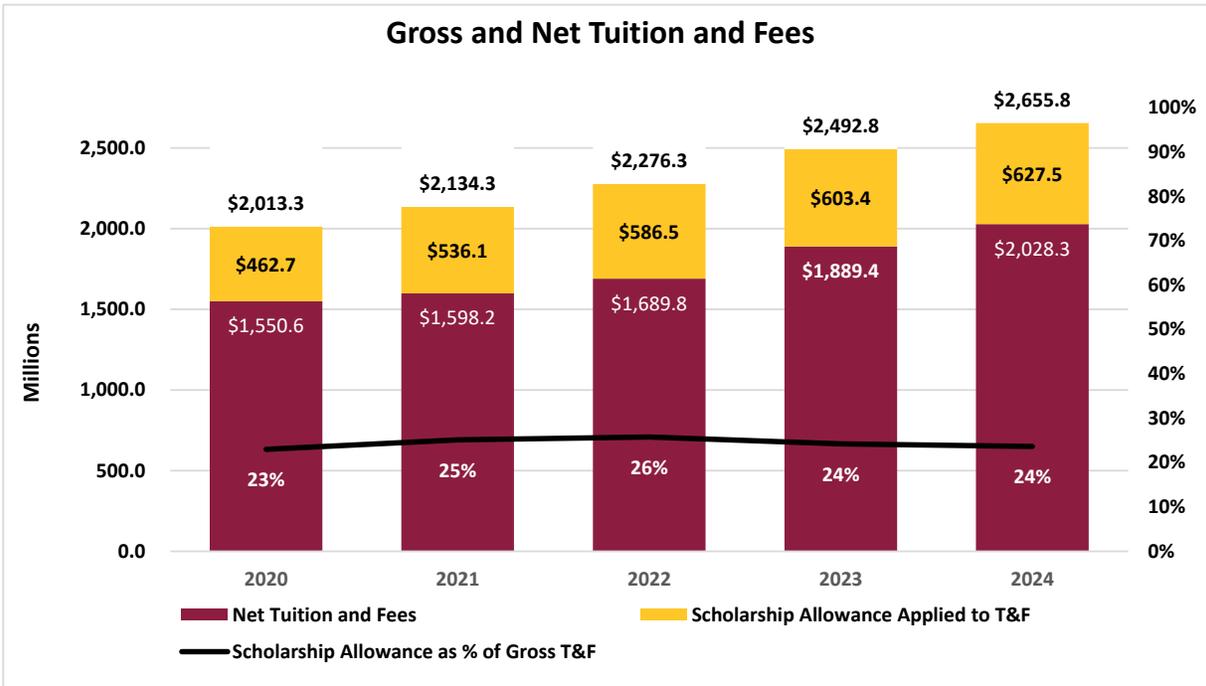
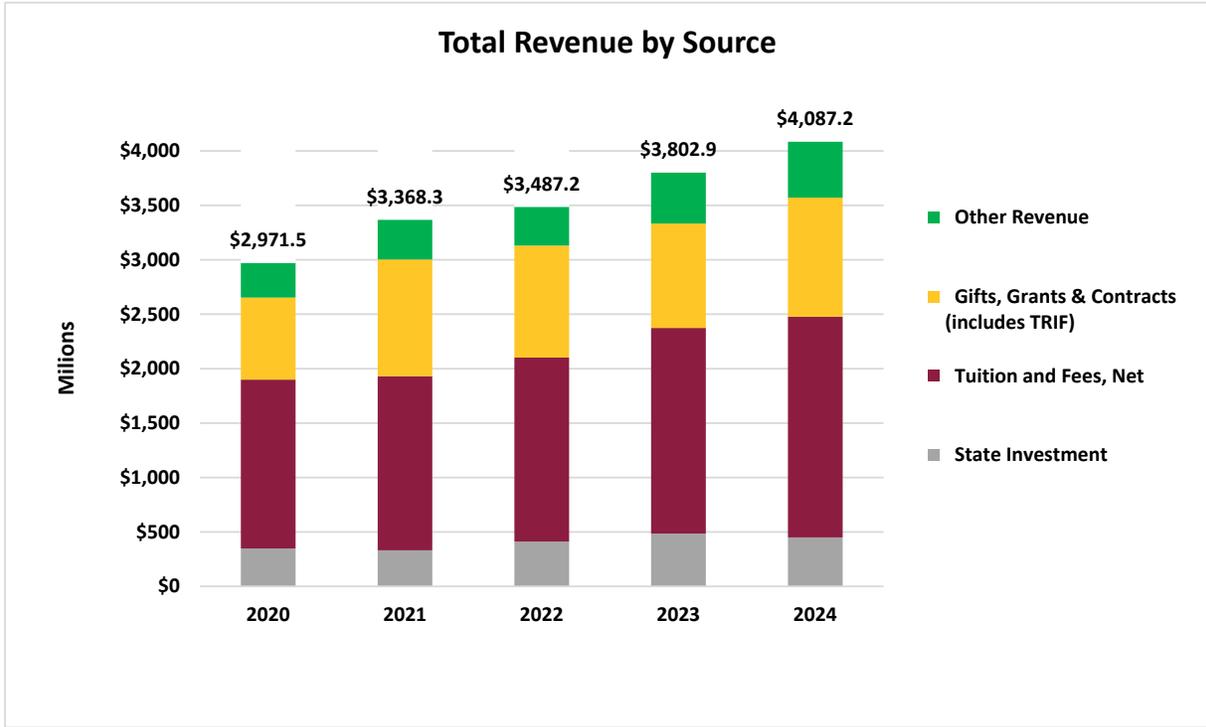
University Unrestricted Net Position	2020	2021	2022	2023	2024
Unrestricted (with GASB)	104,279	235,307	437,294	579,506	626,157
Pension & OPEB	715,098	780,508	807,740	802,006	817,280
<b>Unrestricted Net Position (unadjusted)</b>	<b>819,377</b>	<b>1,015,815</b>	<b>1,245,034</b>	<b>1,381,512</b>	<b>1,443,437</b>

Key Indicators	2020	2021	2022	2023	2024
Total Fall FTE Enrollment	110,539	116,997	121,763	127,191	130,053
State General Fund As a Percent of Total Revenues	12%	10%	12%	13%	11%
Tuition and Fee Revenues as a Percent of Total Revenues	52%	47%	48%	50%	50%
E&G Expenses per Student	17,145	17,215	16,636	18,208	19,168
Spendable Cash & Investments/Operating Expenses	0.65	0.79	0.84	0.79	0.88
SCI/OE All public universities median (Moody's)	0.71	0.88	0.83	0.82	*
Operating Margin Ratio (OMR)	2.7%	9.1%	10.0%	3.9%	4.5%
OMR All public universities median (Moody's)	1.7%	5.7%	5.2%	1.8%	*
Days Cash on Hand (DCOH)	147	163	188	171	164
DCOH All public universities median (Moody's)	154	159	191	187	174
Debt Service Coverage Ratio (DSCR)	2.07	3.45	3.88	2.63	2.74
DSCR All public universities median (Moody's)	2.30	3.33	3.54	2.65	*
Primary Market Selectivity (PMS)	82%	87%	86%	87%	87%
PMS All public universities median (Moody's)	78%	80%	80%	79%	*
Primary Market Matriculation (PMM)	33%	30%	28%	25%	25%
PMM All public universities median (Moody's)	26%	25%	24%	23%	*

Credit Ratings	2020	2021	2022	2023	2024
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

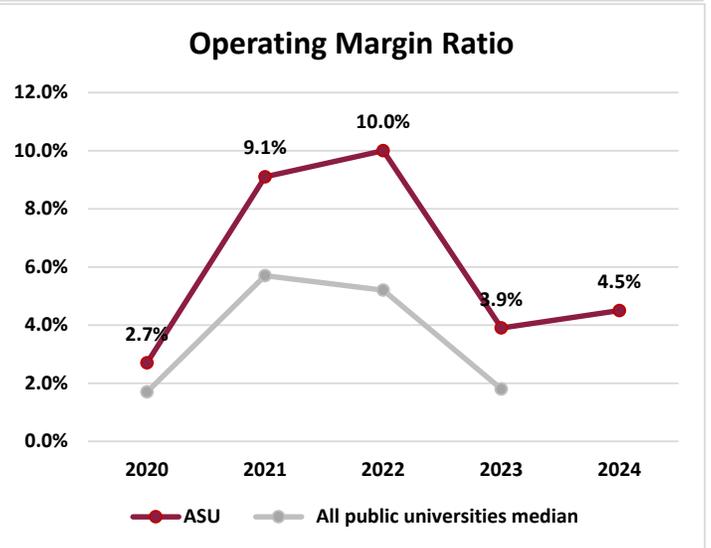
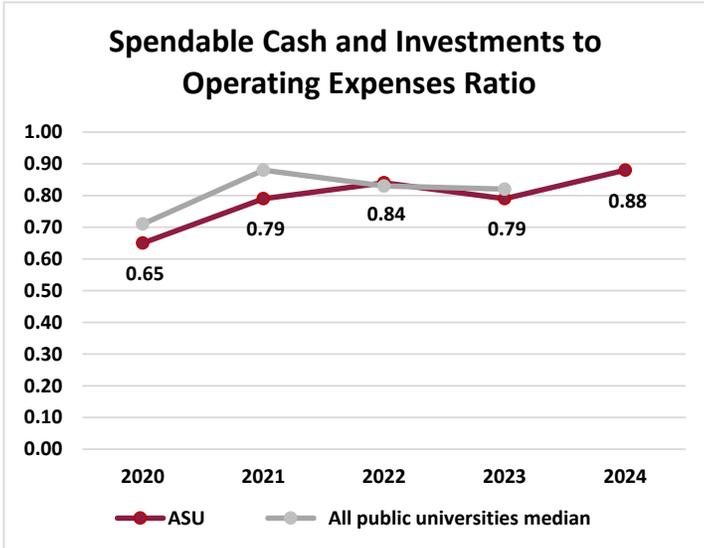
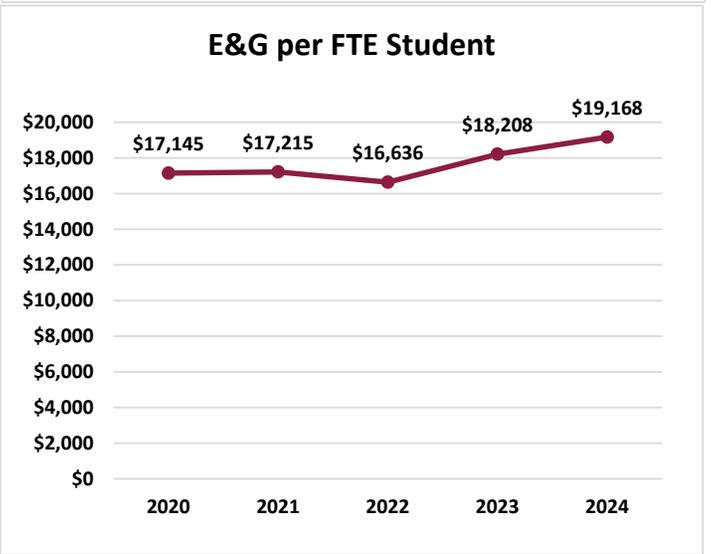
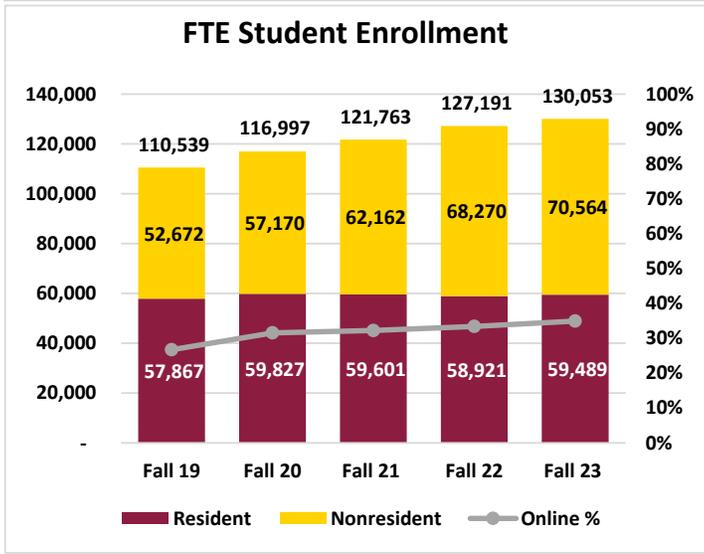
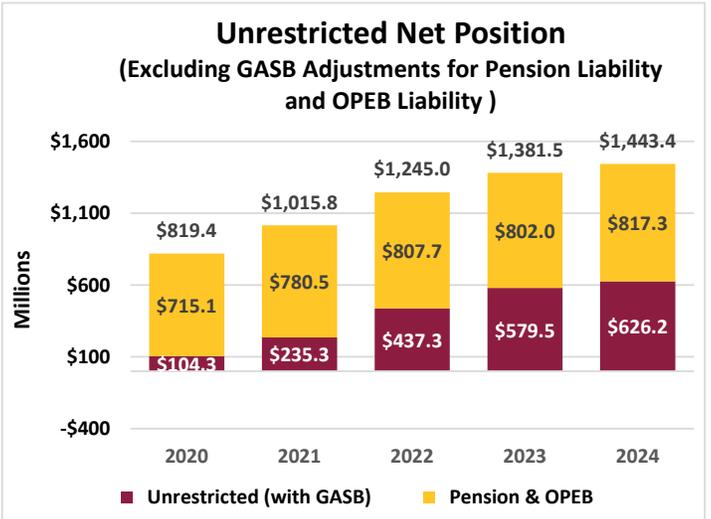
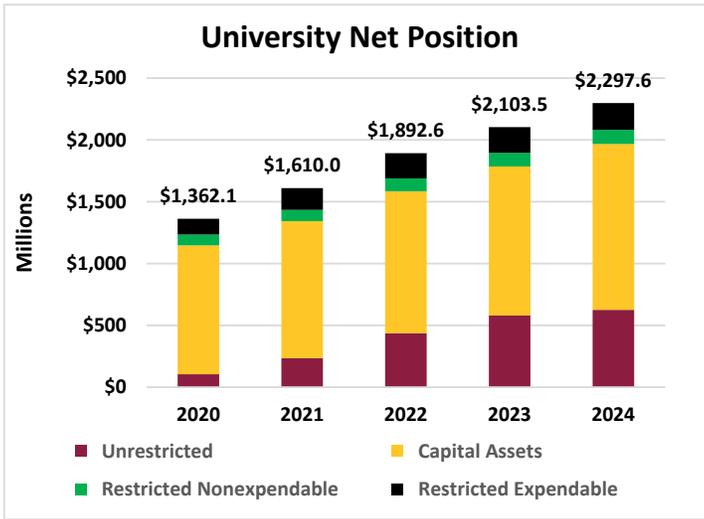
# ARIZONA STATE UNIVERSITY

## FINANCIAL HIGHLIGHTS



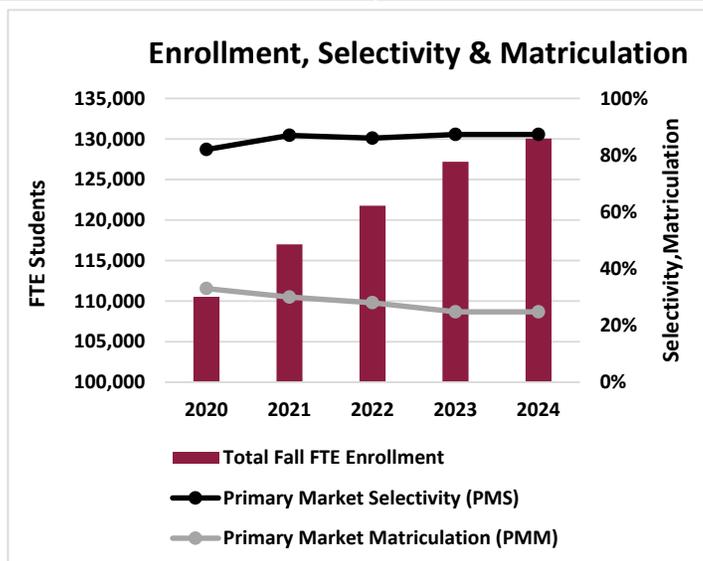
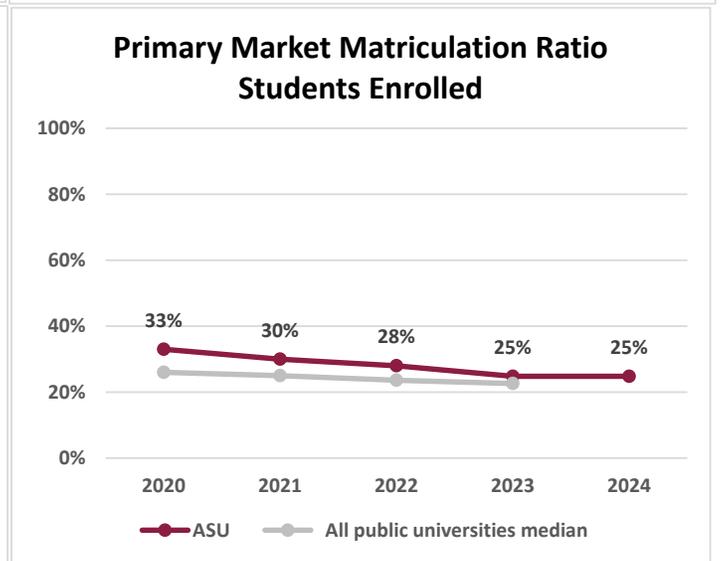
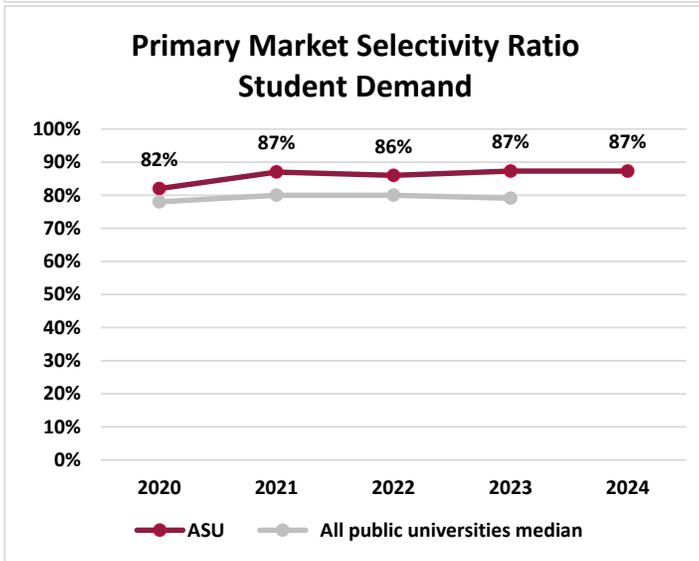
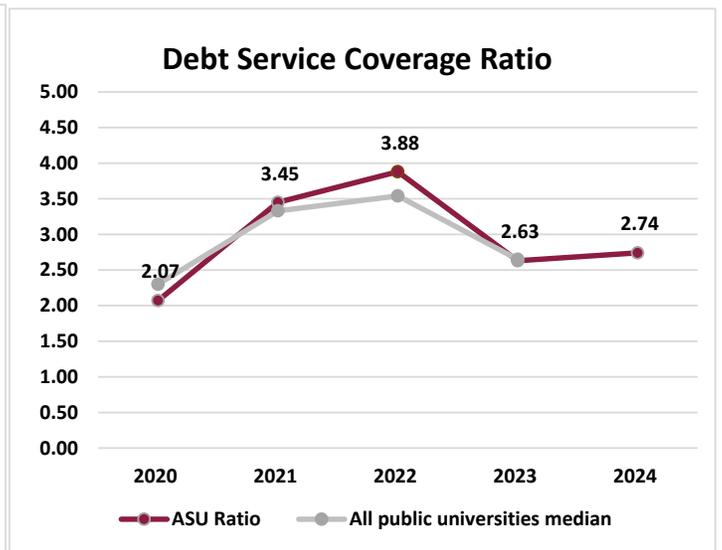
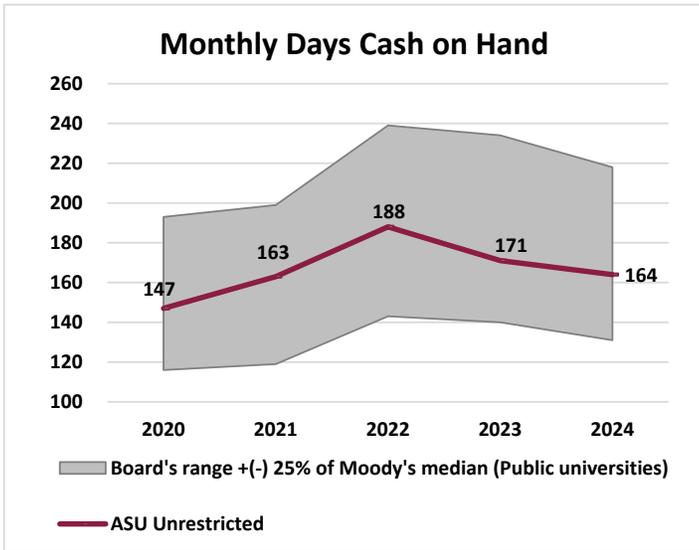
# ARIZONA STATE UNIVERSITY

## KEY INDICATORS



# ARIZONA STATE UNIVERSITY

## KEY INDICATORS



## ARIZONA STATE UNIVERSITY - INVESTMENT REPORT

(Dollars in Thousands)

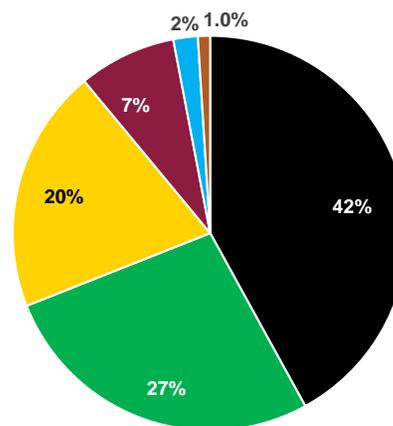
OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2024	6/30/2023	6/30/2022	3-yr Average
Year-end Market Value	\$1,407,854	\$1,381,176	\$1,248,964	\$1,345,998
Net Return	5.2%	2.3%	-2.3%	1.7%

### OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT

(June 30, 2024)

■ Corporate Notes/Bonds	42%
■ US Treasury	27%
■ Money Market	20%
■ Agency Bonds	8%
■ Muni Bonds	2%
■ Other Investments	1%

(may not equal 100% due to rounding)



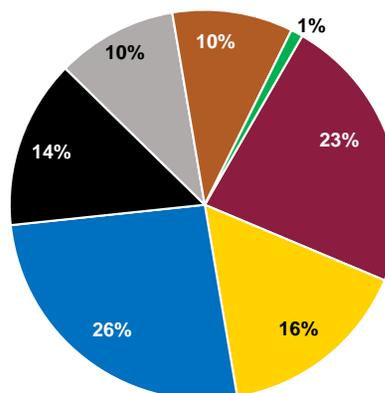
ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2024	6/30/2023	6/30/2022	3-yr Average
<b>Pooled Endowments:</b>				
Year-end Market Value	\$322,543	\$297,650	\$281,770	\$300,654
Net Return	11.3%	4.3%	2.4%	6.0%
<b>FA Trust Fund:</b>				
Year-end Value	\$122,647	\$108,346	\$101,827	\$110,940
Net Return	11.3%	4.3%	2.4%	6.0%

### ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT

(June 30, 2024)

■ US Equities	23%
■ International Equities	16%
■ Private Capital	26%
■ Fixed Income	14%
■ Real Assets	10%
■ Absolute Return	10%
■ Cash/Cash Equivalents	1%

(may not equal 100% due to rounding)



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# NORTHERN ARIZONA UNIVERSITY

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## TOTAL REVENUE BY SOURCE

Between 2020 and 2024:

- NAU's revenues grew 22 percent from \$607.3 million to \$738.1 million. Between FY 2020 and FY 2024, NAU received a total of \$170.0 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 before winding down in FY 2024.
- State support increased 27 percent (although fluctuating between years) and state support as a percentage of total revenues remained relatively flat at 20 percent in FY 2024. Most of the increase was appropriated as one-time only monies, and therefore not guaranteed to be part of ongoing base-level funding. In recent years, the legislature has appropriated nearly all new funding as one-time.
- Net tuition and fees decreased 14 percent from \$233.9 million to \$201.6 million. As a percentage of total revenues, net tuition and fee revenues decreased from 39 percent to 27 percent. The decrease is largely due to an increase in scholarship allowances, which includes Arizona Promise and Teachers Academy Awards, that are applied to tuition and fee revenues, which increased 26 percent from \$155.7 million to \$196.6. For FY 2024, scholarship allowances represent about half (49%) of gross tuition and fees.
- Gifts, Grants and Contracts increased 37 percent, from \$144.9 million to \$198.5 million reflecting strong award activity, increases in indirect cost revenue and philanthropic gifts. GCC makes up about 27 percent of total revenues, up from 24 percent in FY 2020.
- 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 68 percent from \$115.0 million to \$193.4 million, due mainly to increases in sales and services, investment income and auxiliary enterprises primarily related to residence life with increases in housing and dining revenues. Other revenues increased as a percent of total revenues from 19 percent in FY 2020 to 26 percent in FY 2024.

## UNIVERSITY NET POSITION

- Net position is shown in four categories: Capital Assets, Restricted Nonexpendable, Restricted Expendable and Unrestricted. NAU's net position increased 76 percent averaging an annual increase of 15 percent between FY 2020 and FY 2024. NAU's FY 2024 net position is \$442.6 million up from \$250.9 million in FY 2020.

# NORTHERN ARIZONA UNIVERSITY

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- Capital Assets increased 12 percent from \$248.6 million to \$277.5 million.
- Restricted net position (nonexpendable and expendable) increased 77 percent from \$73.2 million to \$129.7 million. Restricted net position primarily represents the university's permanent endowment funds received from donors for the purpose of creating permanent funding streams for specific programs and activities.
- 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 three years. Excluding these GASB adjustments, unrestricted net position is positive each year increasing 75 percent between FY 2020 and FY 2024, from \$143.6 million to \$205.1 million.

## KEY INDICATORS

### ENROLLMENT

- Between FY 2020 and FY 2024, NAU's FTE enrollment decreased 6 percent from 29,175 in FY 2020 to 27,415 in FY 2024. However, FY 2024 was the first year since FY 2018 that NAU shows positive yearly increase of 2 percent over FY 2023, although total FTE enrollment is still below previous year's levels. The decreases occurred with undergraduate students both resident (-3%) and nonresident (-26%). NAU realized growth in graduate student enrollment each year with an overall increase of about 2 percent for resident graduate students and 81 percent in nonresident graduate students with online nonresident graduate enrollment nearly tripling. Over the past five years online students represented about 12 percent of total student FTE.

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

- NAU's E&G expenses per student increased 21 percent from \$13,730 to \$16,668 between FY 2020 and FY 2024. The increase results primarily from an increase in state appropriation funding for one-time operating funds primarily for New Economy Initiatives/Healthy Tomorrow, and a reduction in student enrollment.

### SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- NAU's SCI/OE ratio averaged around 0.56 between FY 2020 and FY 2024, fluctuating from a high of 0.62 in FY 2021 to 0.54 in FY 2024. The increase in FY 2021 is primarily from COVID-19 relief funding, operational expenditure adjustments and increases in the market valuation of investments. FY 2024 is above the pre-pandemic levels which averaged 0.47 the five years prior to the pandemic. All public universities median was

# NORTHERN ARIZONA UNIVERSITY

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between 0.71 and 0.82 between FY 2020 and FY 2023. 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 percent in FY 2021, and further increasing to 8.2 percent in FY 2022 due primarily from reimbursement of COVID-19 related expenses. At 1.0 percent in FY 2024, NAU is slightly higher than pre-pandemic level of 0.7percent in FY 2019. Excluding the pandemic years, the median of all public universities averaged 1.7 percent since FY 2018. In FY 2023 all public universities ratio was 1.8 percent.

## MONTHLY DAYS CASH ON HAND

- At 181 days in FY 2024, NAU is within the board's established range of  $\pm 25$  percent of Moody's median of all public universities, or 131 to 218 days. The median of all public universities was 174 days.

## DEBT SERVICE COVERAGE RATIO

- NAU's DSC ratio improved from 1.19 to 2.38 between FY 2020 and FY 2024, dipping slightly from a high of 2.57 in FY 2022 and 2.41 in FY 2023. The median of all public universities was 2.65 in FY 2023. 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 an increase in the number of students accepted to the university from 85 percent in FY 2020 to 91 percent in FY 2024. However, the proportion of students who enrolled decreased from 17 percent in FY 2020 to 16 percent since then. This follows the trend for all public universities matriculation rate decreasing from 26 percent in FY 2020 to 22.6 percent in FY 2023.

## CREDIT RATINGS

- NAU's credit ratings with Moody's (A1-Stable), and Standard & Poors (A+-Stable) have been maintained at that level for the past ten years. Both A1 and A+ ratings fall in the middle of the investment-grade category indicating some but low credit risk.

**NORTHERN ARIZONA UNIVERSITY**

**Financial Highlights (Dollars in thousands)**

<b>University Revenues, Expenditures and Changes in Net Position</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024 BGT</b>
State	113,523	107,396	138,737	165,322	144,555	152,800
Tuition and Fees, Net	233,911	218,452	200,933	195,450	201,626	215,400
Gifts, Grants & Contracts	144,879	179,149	207,467	196,276	198,455	152,910
Other Revenue	114,960	123,442	134,742	147,522	193,436	141,740
<b>Total Revenue</b>	<b>607,273</b>	<b>628,439</b>	<b>681,879</b>	<b>704,570</b>	<b>738,072</b>	<b>662,850</b>
<b>Total Expenses</b>	<b>615,926</b>	<b>571,925</b>	<b>635,251</b>	<b>649,971</b>	<b>700,049</b>	<b>654,400</b>
Net Increase/(Decrease)	(8,653)	56,514	46,628	54,599	38,023	8,450
State as a % of total	19%	17%	20%	23%	20%	23%
T&F as % of total	39%	35%	29%	28%	27%	32%

<b>University Tuition and Fees</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024 BGT</b>
Gross Tuition and Fees	389,609	379,351	367,759	374,836	398,194	404,400
Scholarship Allowance Applied to T&F	155,697	160,899	166,826	179,386	196,568	189,000
<b>Net Tuition and Fees</b>	<b>233,911</b>	<b>218,452</b>	<b>200,933</b>	<b>195,450</b>	<b>201,626</b>	<b>215,400</b>

<b>University Net Position</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Capital Assets	248,641	262,474	234,713	269,975	277,524
Restricted Nonexpendable	19,142	17,969	17,039	23,481	24,610
Restricted Expendable	54,058	67,904	71,905	72,347	105,041
Unrestricted	(70,943)	(40,935)	26,352	38,806	35,455
<b>Total Net Position</b>	<b>250,898</b>	<b>307,412</b>	<b>350,009</b>	<b>404,608</b>	<b>442,631</b>
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	465,461	520,452	545,565	581,179	612,228

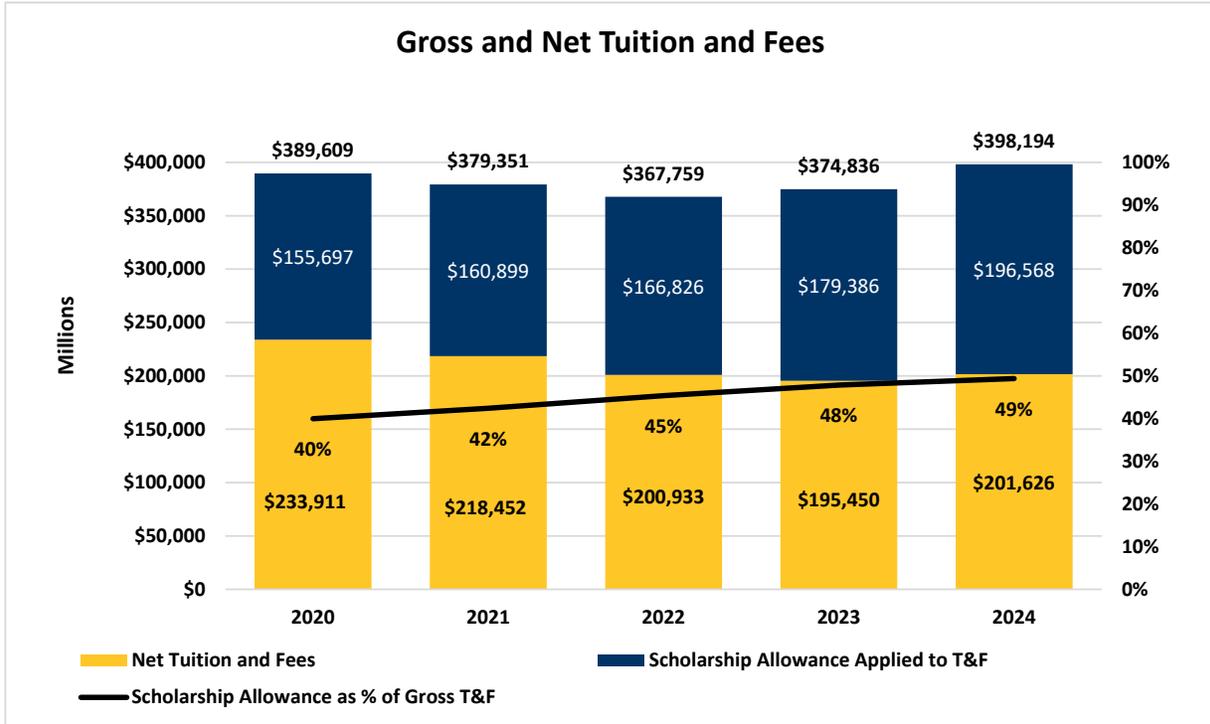
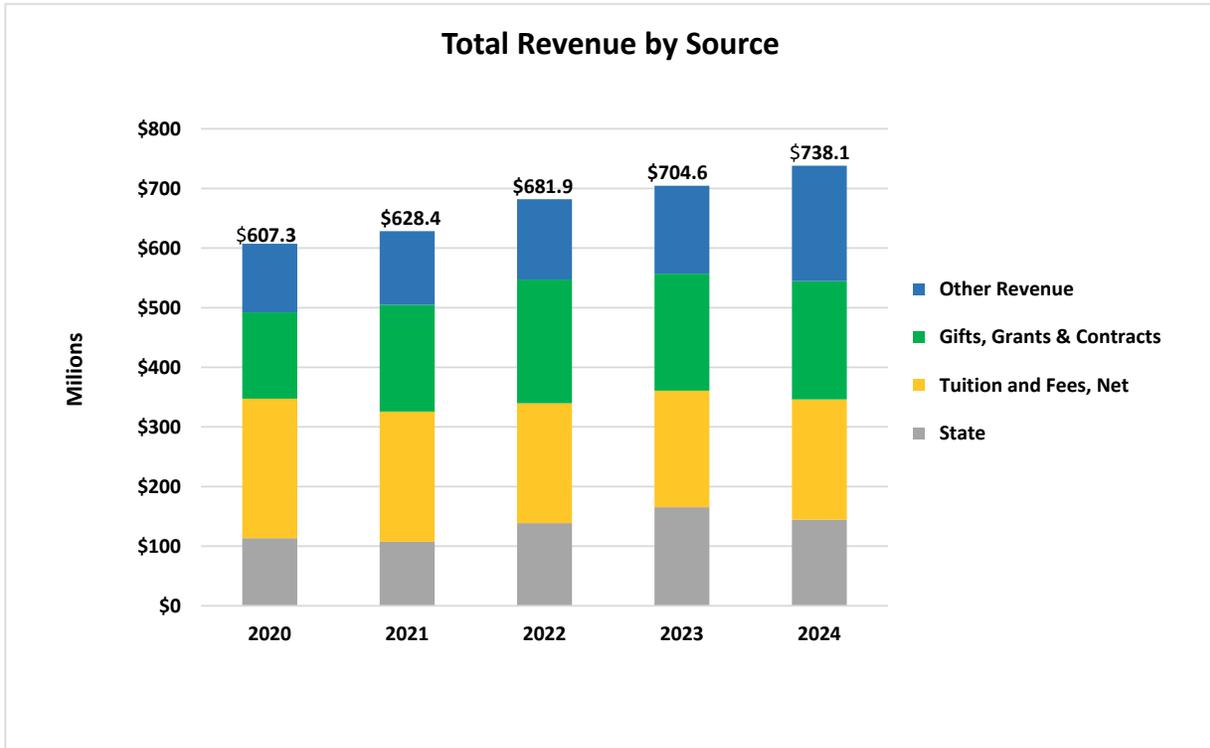
<b>University Unrestricted Net Position</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Unrestricted (with GASB)	(70,943)	(40,935)	26,352	38,806	35,455
Pension & OPEB	214,563	213,040	195,557	176,571	169,597
<b>Unrestricted Net Position (unadjusted)</b>	<b>143,620</b>	<b>172,105</b>	<b>221,908</b>	<b>215,377</b>	<b>205,052</b>

<b>Key Indicators</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Total FTE Enrollment	29,175	28,078	27,123	26,918	27,415
State General Fund As a Percent of Total Revenues	19%	17%	20%	23%	20%
Tuition and Fee Revenues as a Percent of Total Revenues	39%	35%	29%	28%	27%
E&G Expenses per Student	13,730	12,910	14,372	16,068	16,668
Spendable Cash & Investments/Operating Expenses	0.53	0.62	0.59	0.53	0.54
SC&I/OE All public universities median (Moody's)	0.71	0.88	0.83	0.82	*
Operating Margin Ratio (OMR)	-2.1%	5.2%	8.2%	0.9%	1.0%
OMR All public universities median (Moody's)	1.7%	5.7%	5.2%	1.8%	*
Days Cash on Hand (DCOH)	148	188	200	180	181
DCOH All public universities median (Moody's)	154	159	191	187	174
Debt Service Coverage Ratio (DSCR)	1.19	1.93	2.57	2.41	2.38
DSCR All public universities median (Moody's)	2.30	3.33	3.54	2.65	*
Primary Market Selectivity (PMS)	85%	82%	78%	80%	91%
PMS All public universities median (Moody's)	78%	80%	80%	79%	*
Primary Market Matriculation (PMM)	17%	16%	16%	16%	16%
PMM All public universities median (Moody's)	26%	25%	24%	23%	*
<b>Credit Ratings</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
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

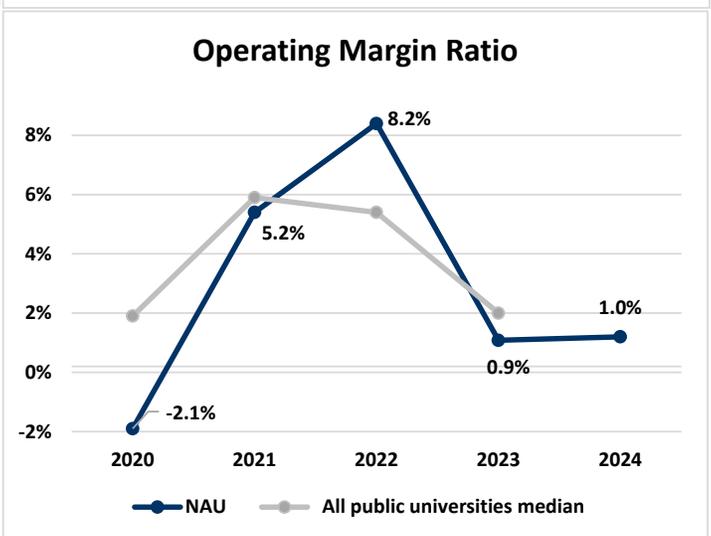
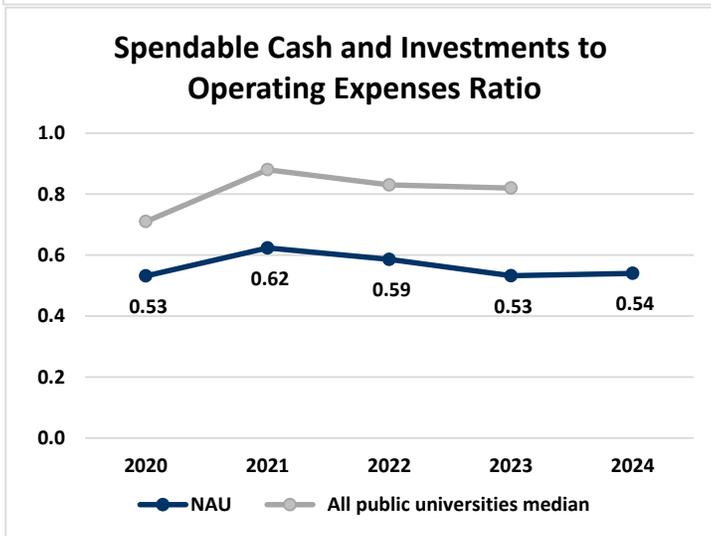
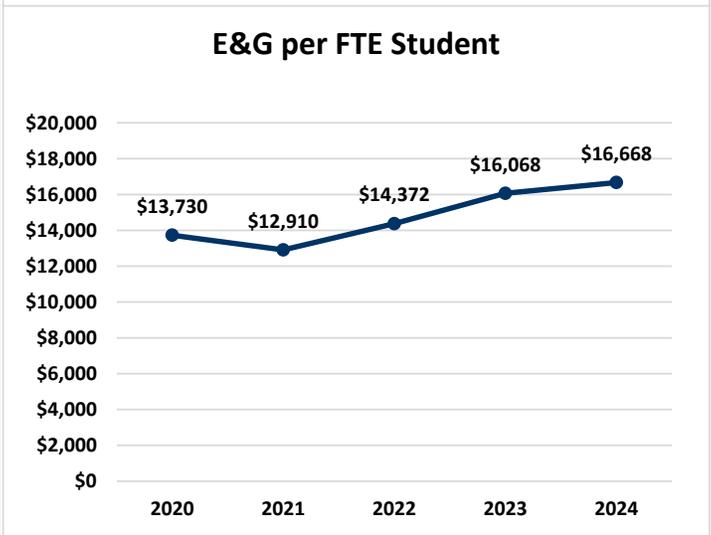
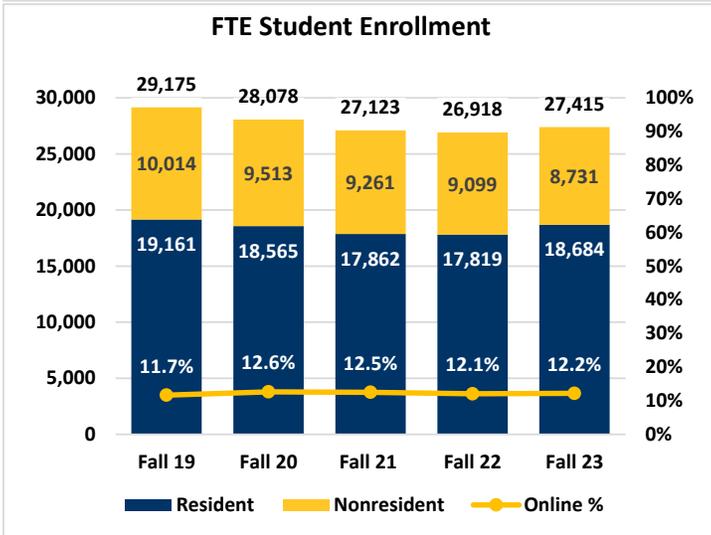
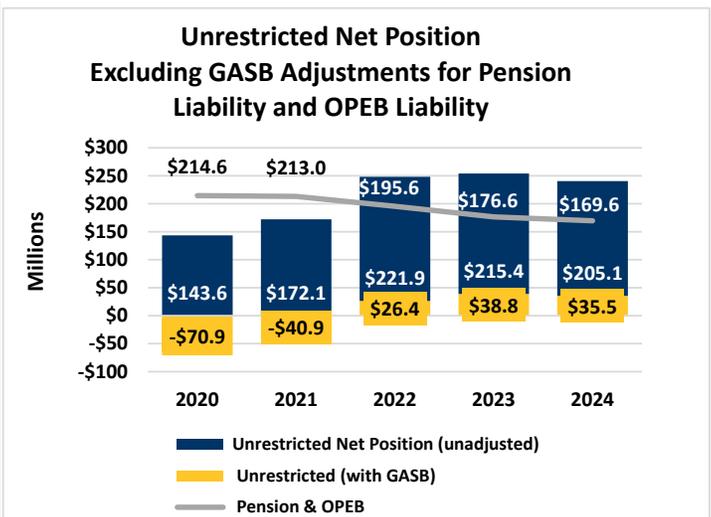
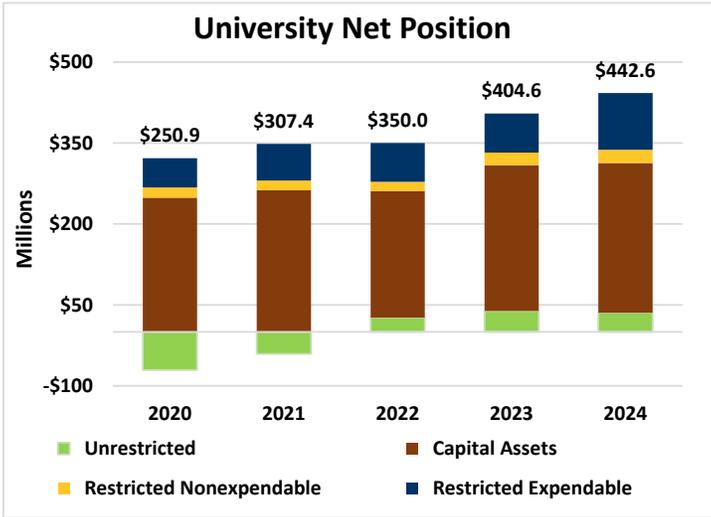
# NORTHERN ARIZONA UNIVERSITY

## FINANCIAL HIGHLIGHTS



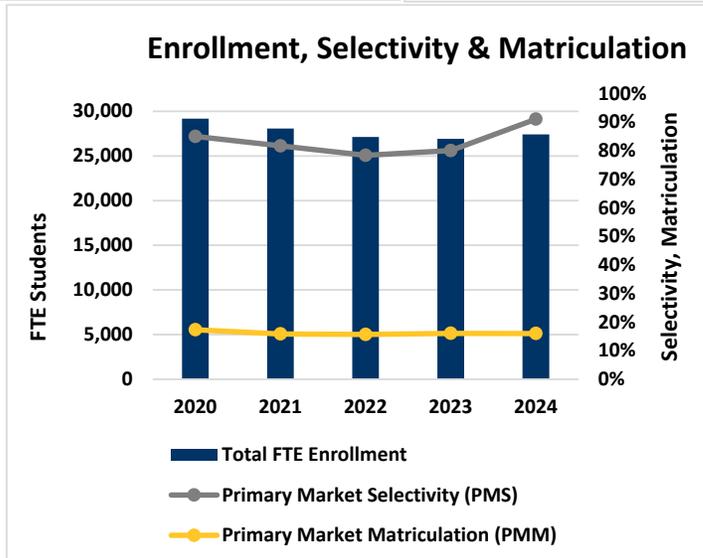
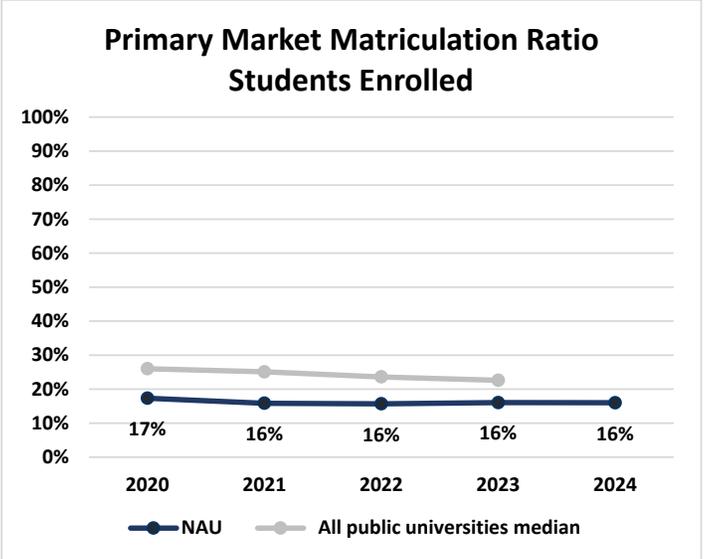
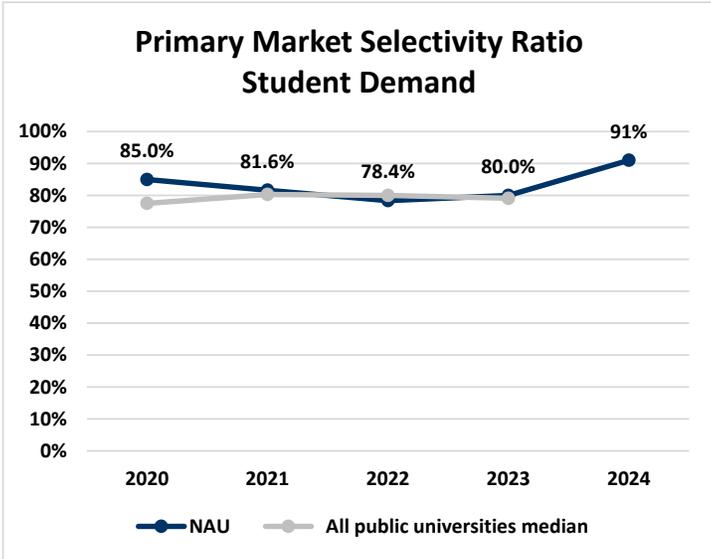
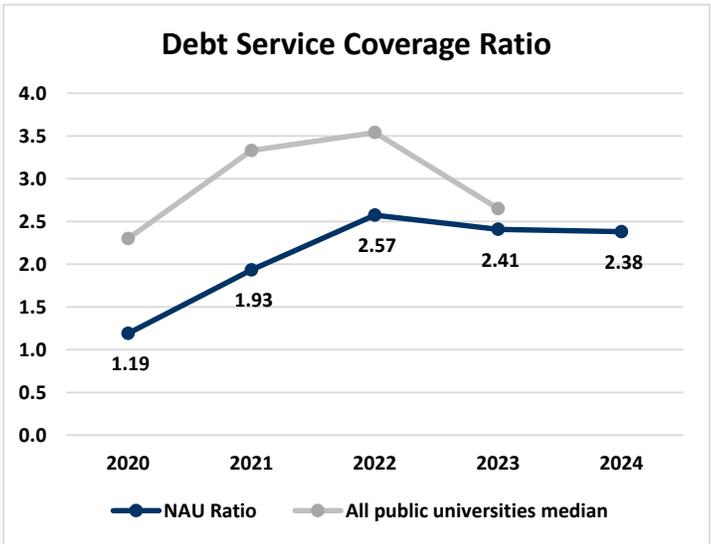
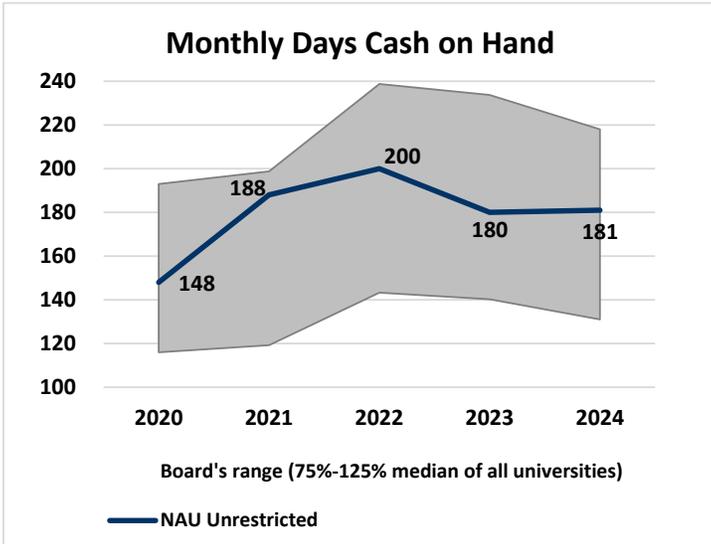
# NORTHERN ARIZONA UNIVERSITY

## KEY INDICATORS



# NORTHERN ARIZONA UNIVERSITY

## KEY INDICATORS



## NORTHERN ARIZONA UNIVERSITY - INVESTMENT REPORT

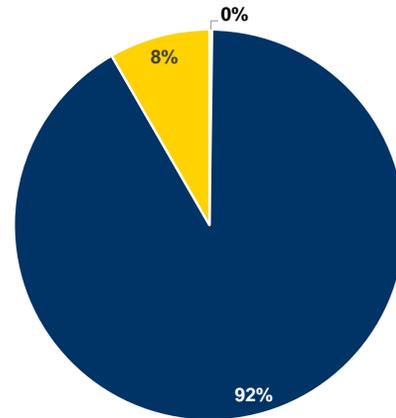
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2024	6/30/2023	6/30/2022	3-yr Average
Year-end Market Value	\$301,014	\$271,447	\$276,820	\$283,094
Net Return	4.2%	3.5%	0.4%	2.7%

### OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2024)

<span style="color: green;">■</span> Cash/Cash Equivalents (Savings)	0%
<span style="color: blue;">■</span> Local Governmental Investment Pools	92%
<span style="color: yellow;">■</span> Agency Bonds	8%

(may not equal 100% due to rounding)

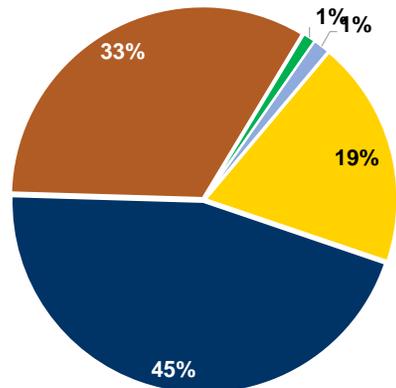


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2024	6/30/2023	6/30/2022	3-yr Average
<b>Pooled Endowments:</b>				
Year-end Market Value	\$9,097	\$8,283	\$7,730	\$8,370
Net Return	9.0%	6.7%	-28.6%	-2.8%
<b>Financial Aid Trust Fund:</b>				
Year-end Market Value	\$36,408	\$33,262	\$30,228	\$34,336
Net Return	8.6%	9.1%	-23.9%	-0.9%

### ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT (June 30, 2024)

<span style="color: yellow;">■</span> Bonds	19%
<span style="color: blue;">■</span> US Equity	45%
<span style="color: brown;">■</span> Global Ex US Equity	33%
<span style="color: black;">■</span> Real Estate	0%
<span style="color: green;">■</span> Cash/Cash Equivalents	1%
<span style="color: lightblue;">■</span> Other	1%

(may not equal 100% due to rounding)



# UNIVERSITY OF ARIZONA

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## TOTAL REVENUE BY SOURCE

Between 2020 and 2024:

- U of A's revenues grew 36 percent from \$2.2 billion to \$3.0 billion. Between FY 2020 and FY 2024, U of A received \$232.2 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. U of A's biggest gains were in net tuition and fee revenues, and gifts, grants, and contracts.
- State support increased 30 percent and state support as a percent of total revenues stayed relatively constant at 13 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. In recent years, the legislature appropriates nearly all new funding as one-time.
- Net tuition and fees increased 44 percent from \$644.4 million to \$926.5 million. As a percentage of total operating revenues, net tuition and fee revenues increased from 29 percent to 31 percent. In comparison, gross tuition and fee revenues increased 66 percent, with scholarship allowances (largely institutional financial aid) more than doubling between FY 2020 and FY 2024. As a percentage of gross tuition and fees, scholarship allowances increased from 29 percent to 39 percent between FY 2020 to FY 2024. Beginning FY 2025, U of A is reducing some of its institutional financial aid to nonresident students.
- Gifts, Grants and Contracts (GG&C) increased 41 percent from \$857.7 million to \$1.2 billion. GG&C and as percentage of total revenues, increased from 39 percent to 40 percent. GG&C have consistently ranged between 39 percent and 44 percent of total revenues over the past five years, averaging 41 percent of total revenues. Between FY 2020 and FY 2024 federal grants and contracts increased by 62.8 percent, state and local grants increased by 52.1 percent, gifts increased by 51.8 percent, and nongovernmental grants and contracts increased by 7.3 percent.
- 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 19 percent from \$423.3 million to \$505.0 million. Other revenues have remained constant as a percentage of total revenues, averaging about 17 percent over the past five years. The biggest gains in other revenues are from auxiliary operations, primarily from an increase in student housing and dining.

# UNIVERSITY OF ARIZONA

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## UNIVERSITY NET POSITION

- Net position is shown in four categories: Capital Assets, Restricted Nonexpendable, Restricted Expendable and Unrestricted. U of A's net position increased 19 percent between FY 2020 and FY 2024, from \$1.0 billion to \$1.2 billion.
  - Capital Assets increased 17 percent from \$951.4 million to \$1.1 billion. This is a considerable reduction in growth from the previous five year period with capital assets increasing 30 percent.
  - Restricted net position (nonexpendable and expendable) increased 28 percent from \$361.3 million to \$461.4 million.
  - Beginning FY 2015, U of A 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, the unrestricted net position is positive but decreased 16 percent between FY 2020 and FY 2024, from \$478.3 million to \$402.3 million.

## KEY INDICATORS

### ENROLLMENT

- Between Fall 2019 (FY 2020) and Fall 2023 (FY 2024), U of A's FTE enrollment excluding UAGC increased 17 percent from 44,714 to 52,414. The largest increase occurred between FY 2023 and FY 2024 with a 9 percent increase. Prior to FY 2024, U of A's annual enrollment growth averaged 2 percent. Nonresident FTE enrollment increased 28 percent with nonresident undergraduate FTE making up the largest increase at 50 percent. However, resident FTE increased at a much slower rate at 1.5 percent, with resident graduate students making up the growth at 30 percent, and resident undergraduate decreasing 4 percent (entirely immersion students). U of A's largest growth occurred with online students, which more than doubled from 2,857 FTE in FY 2020 to 6,007 FTE in FY 2024. For Fall 2023, online students represented 11 percent of total student FTE compared to 6 percent in Fall 2019 .
- For UAGC, enrollment in FY 2024 was 22,767, which was the first full year UAGC was fully integrated into the U of A.

# UNIVERSITY OF ARIZONA

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

- U of A's E&G expenses per student decreased 19.9 percent due to the integration of UAGC, from \$30,140 in FY 2020 to \$24,136. Excluding UAGC, U of A's E&G increased just over 1 percent from \$30,140 to \$30,571.
- Excluding College of Medicine, College of Veterinary Medicine, Agriculture Extension and UAGC, UA's E&G expenses per student increased just 6 percent from \$21,986 to \$23,380 or about 1.5 percent per year with up and down fluctuations between years. In contrast, the Higher Education Price Index (HEPI) averaged 3.4 percent, and the Consumer Price Index (CPI) averaged 4 percent between 2020 and 2024.

## SPENDABLE CASH AND INVESTMENTS/OPERATING EXPENSES

- U of A's SCI/OE ratio increased from 0.45 in FY 2020 to 0.51 in FY 2024. Between FY 2023 and FY 2024 U of A realized a notable increase from 0.43 to 0.51, but still significantly below the median of all public universities. Between 2019 and 2021, all public universities median was between 0.68 and 0.88, dropping to 0.82 in FY 2023. 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 U of A is no exception with an OMR of -3.6 percent in FY 2020, increasing to a positive 4.7 percent in FY 2022, and back down to -1.4 percent in FY 2024. A negative OMR is typically a sign of early financial difficulty, which for U of A started in FY 2019. In FY 2024, U of A's net loss equals 1.4 percent of their revenues, or for every dollar in revenue, they lost close to \$1.4 cents 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 ratios in FY 2023 and FY 2024 represent a truer picture of the universities' financial health. Excluding the COVID years, the median of all public universities was between 1.7 and 1.8 percent between FY 2020 and FY 2023.

# UNIVERSITY OF ARIZONA

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## MONTHLY DAYS CASH ON HAND

- MDCOH measures the number of days that the university can continue to pay its operating expenses given the amount of cash available. At 86 days in FY 2024, the U of A is well below the board's established range of 131 to 218 days and has been consistently below the median of all public universities since FY 2020 and below the board's minimum ranges beginning in FY 2023. In FY 2024, the median of all public universities was 174 days.

## DEBT SERVICE COVERAGE RATIO

- U of A's DSC ratio decreased from 1.81 in FY 2023 to 1.64 in FY 2024, but slightly higher than in FY 2020 and FY 2021. 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 has consistently been above the 2.30 range for the past ten years and was 2.65 in FY 2024.

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

- U of A saw an increase in the number of students accepted to the university from 85 percent in FY 2020 to 86 percent in FY 2024, averaging 86 percent between those years. However, the proportion of students who enrolled dropped from 20 percent in FY 2020 to 18 percent in FY 2024. 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 26 percent in FY 2020 to 23 percent in FY 2023.

## CREDIT RATINGS

- U of A's credit ratings with Moody's are Aa2 and with Standard & Poors AA- and has maintained these ratings for the past five years. Aa2 is the third highest rating for Moody's and AA- is the fourth highest rating for S&P. Both ratings are considered investment grade, i.e., high quality and subject to very low credit risk. However, both Moody's and S&P have indicated a negative outlook regarding the likely direction of U of A rating over the medium term. Ratings outlooks fall into four categories: Positive, Negative, Stable and Developing.

**UNIVERSITY OF ARIZONA**

**Financial Highlights (Dollars in thousands)**

University Revenues, Expenditures and Changes in Net Position	2020	2021	2022	2023	2024	2024 BGT
State	294,508	284,620	335,635	376,321	383,295	379,200
Tuition and Fees, Net	644,352	634,092	677,550	717,928	926,461	766,300
Gifts, Grants & Contracts	857,661	1,010,509	1,039,332	1,081,356	1,211,283	965,100
Other Revenue	423,300	347,186	377,605	487,546	505,044	424,600
Total Revenue	2,219,821	2,276,407	2,430,122	2,663,151	3,026,083	2,535,200
Total Expenses	2,292,689	2,220,898	2,376,133	2,583,810	3,030,795	2,488,000
Net Increase	(72,868)	55,509	53,989	79,341	(4,712)	47,200
State as a % of total	13%	13%	14%	14%	13%	15%
T&F as % of total	29%	28%	28%	27%	31%	30%

University Tuition and Fees	2020	2021	2022	2023	2024	2024 BGT
Gross Tuition and Fees	911,407	921,637	1,007,277	1,086,200	1,516,020	1,524,100
Scholarship Allowance Applied to T&F	267,055	287,545	329,727	368,272	589,559	526,700
Net Tuition and Fees	644,352	634,092	677,550	717,928	926,461	997,400

University Net Position	2020	2021	2022	2023	2024
Capital Assets	951,375	888,422	959,468	1,044,572	1,115,109
Restricted Nonexpendable	157,378	189,845	179,033	191,107	208,588
Restricted Expendable	203,957	239,189	270,661	291,609	252,828
Unrestricted	(320,257)	(269,494)	(307,211)	(345,996)	(399,945)
Total Net Position	992,453	1,047,962	1,101,951	1,181,292	1,176,580
Total Net Position excluding GASB 68 & 75 (Pension and OPEB liability adjustments)	1,791,045	1,903,790	1,946,793	1,993,540	1,978,781

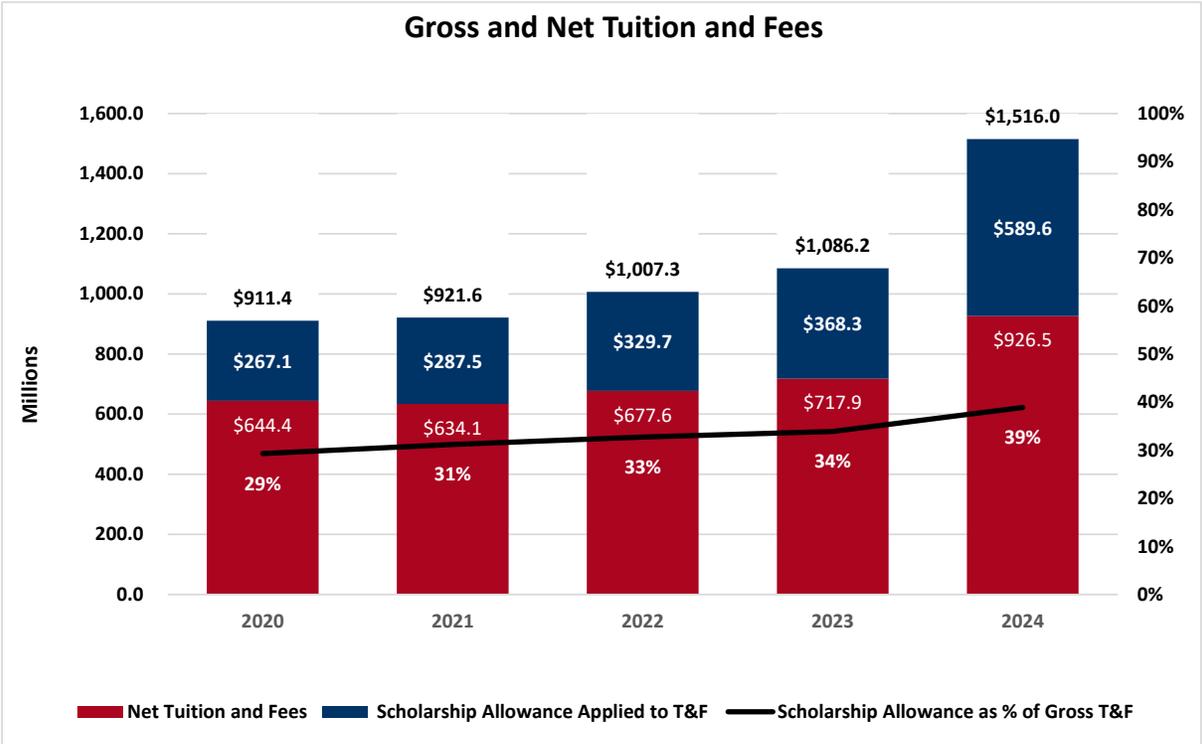
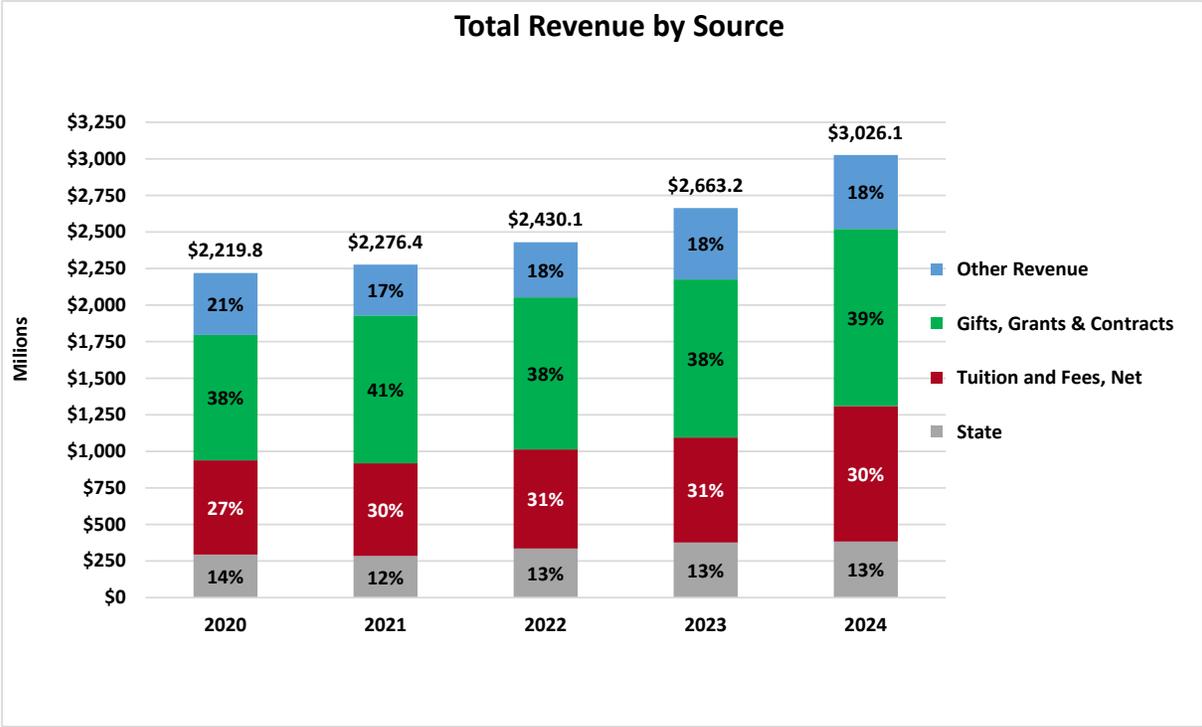
University Unrestricted Net Position	2020	2021	2022	2023	2024
Unrestricted (with GASB)	(320,257)	(269,494)	(307,211)	(345,996)	(399,945)
Pension & OPEB	798,592	855,828	844,842	812,248	802,201
Unrestricted Net Position (unadjusted)	478,335	586,334	537,631	466,252	402,256

Key Indicators	2020	2021	2022	2023	2024
Total Fall FTE Enrollment	44,714	45,517	46,829	47,926	75,181
Total Fall FTE Enrollment (Excluding UAGC)	44,714	45,517	46,829	47,926	52,414
State General Fund As a Percent of Total Revenues	13%	13%	14%	14%	13%
Tuition and Fee Revenues as a Percent of Total Revenues	29%	28%	28%	27%	31%
E&G Expenses per Student	30,140	28,402	28,347	30,745	24,136
E&G Expenses per Student (Excluding COM, CVM, Ag. Ext)	21,986	20,183	20,565	22,639	23,380
Spendable Cash & Investments/Operating Expenses	0.45	0.50	0.54	0.43	0.51
SCI/OE All public universities median (Moody's)	0.71	0.88	0.83	0.82	*
Operating Margin Ratio (OMR)	-3.6%	1.7%	4.7%	-0.6%	-1.4%
OMR All public universities median (Moody's)	1.7%	5.7%	5.2%	1.8%	*
Days Cash on Hand (DCOH)	132	173	149	110	86
DCOH All public universities median (Moody's)	154	159	191	187	174
Debt Service Coverage Ratio (DSCR)	1.00	1.00	2.56	1.81	1.64
DSCR All public universities median (Moody's)	2.30	3.33	3.54	2.65	*
Primary Market Selectivity (PMS)	85%	87%	87%	86%	86%
PMS All public universities median (Moody's)	78%	80%	80%	79%	*
Primary Market Matriculation (PMM)	20%	21%	20%	19%	18%
PMM All public universities median (Moody's)	26%	25%	24%	23%	*

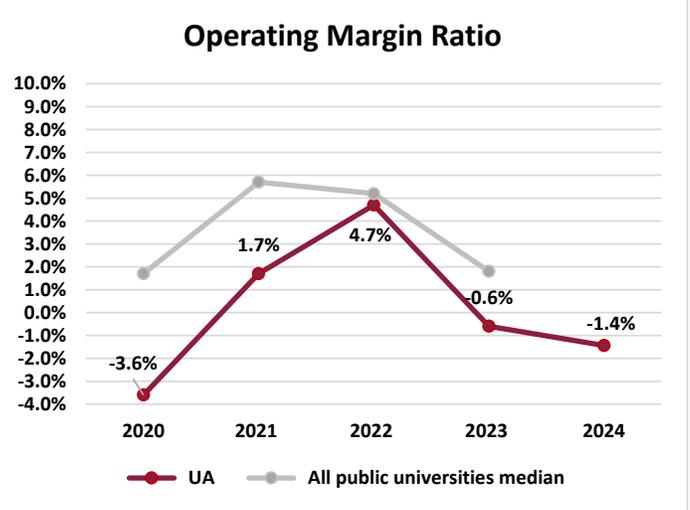
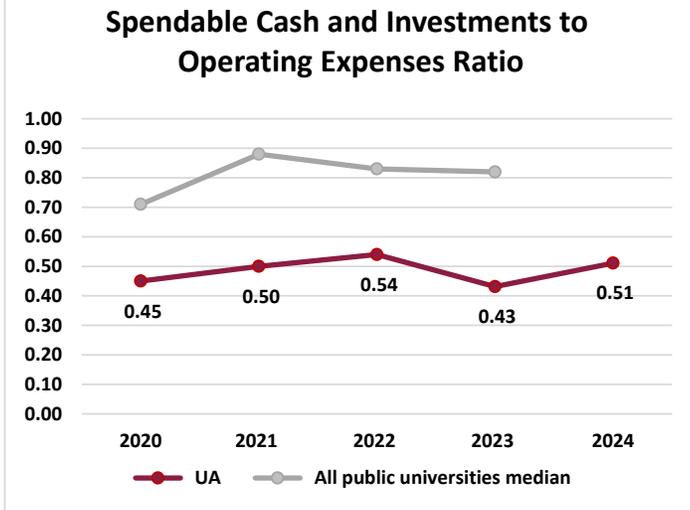
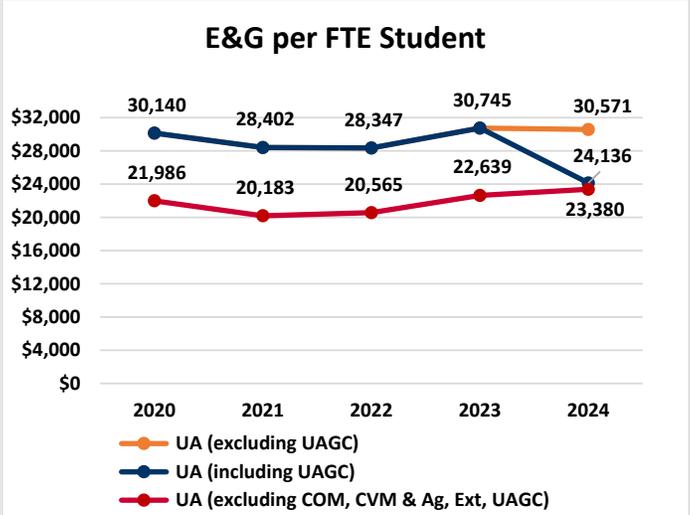
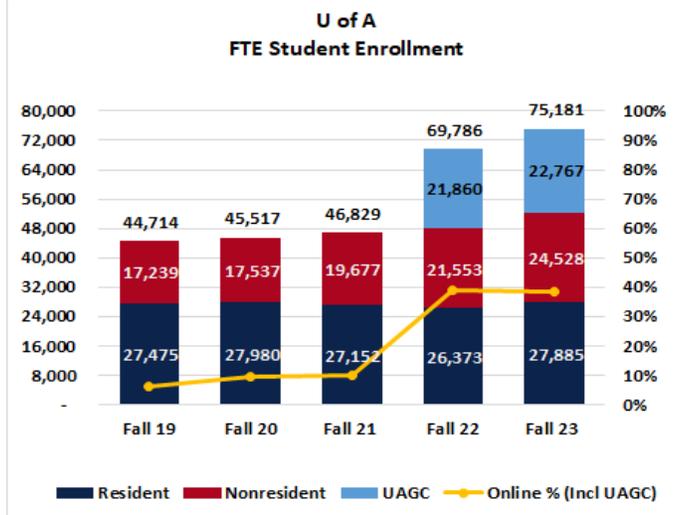
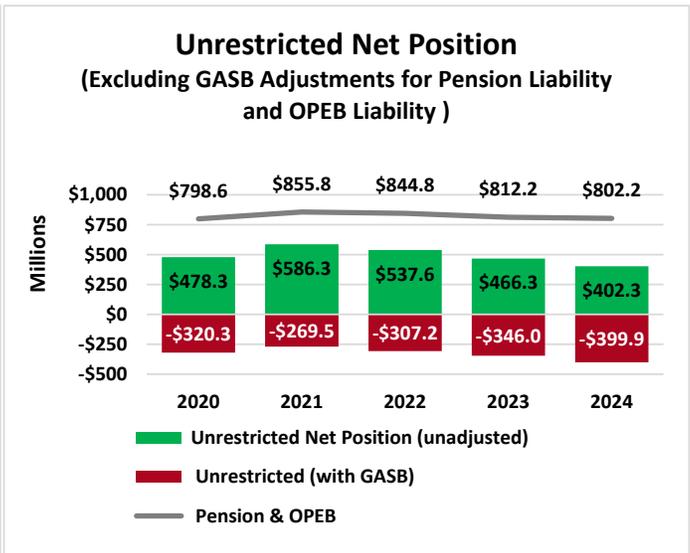
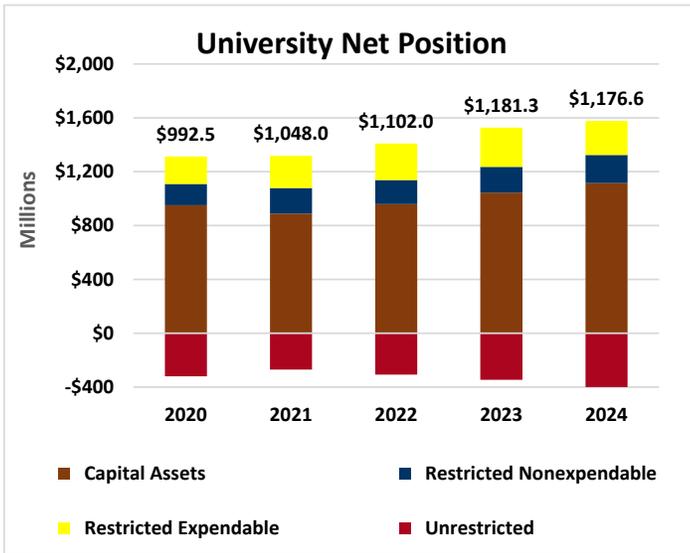
Credit Ratings	2020	2021	2022	2023	2024
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
	Stable	Negative	Negative	Stable	Negative
Standard & Poors (S&P)	AA-	AA-	AA-	AA-	AA-
	Stable	Stable	Stable	Stable	Negative

# UNIVERSITY OF ARIZONA

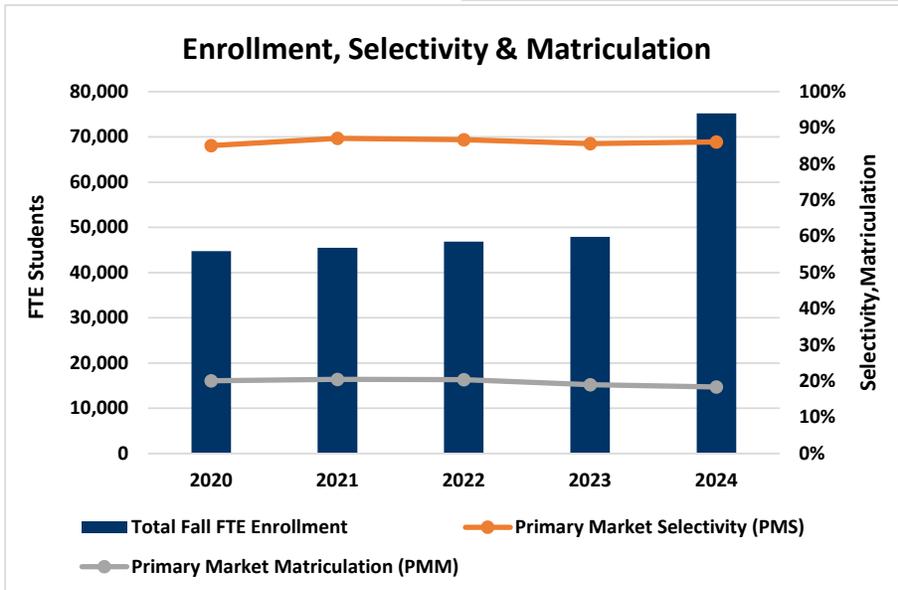
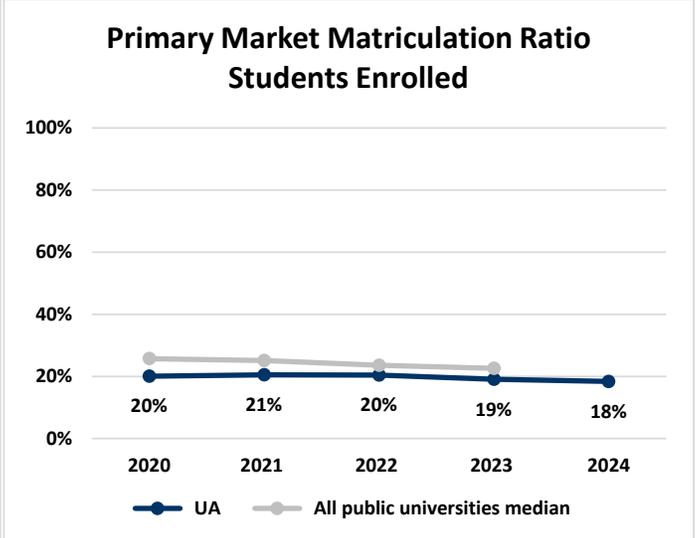
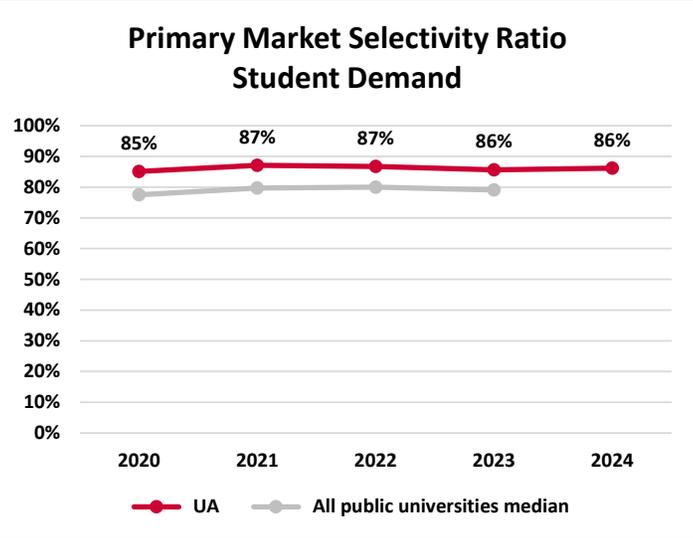
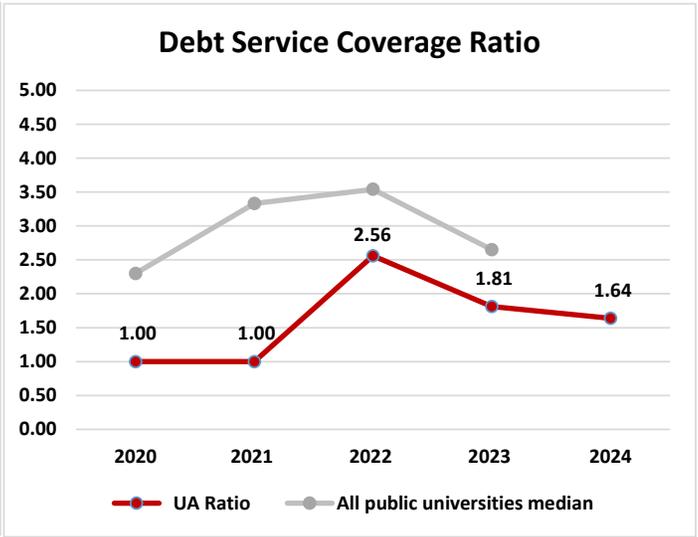
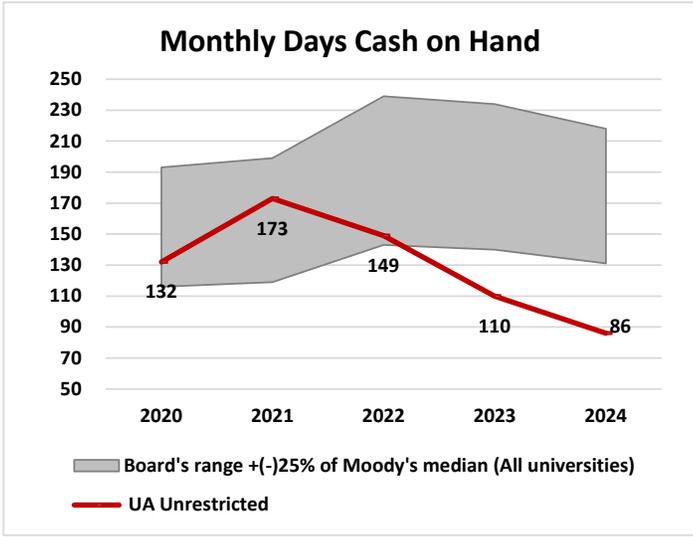
## FINANCIAL HIGHLIGHTS



# UNIVERSITY OF ARIZONA KEY INDICATORS



# UNIVERSITY OF ARIZONA KEY INDICATORS



**UNIVERSITY OF ARIZONA - INVESTMENT REPORT**

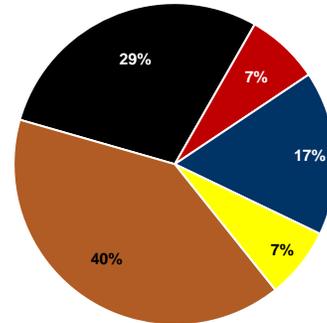
(Dollars in Thousands)

OPERATING FUND INVESTMENTS	Market Value and Returns			
	6/30/2024	6/30/2023	6/30/2022	3-yr Average
Year-end Value	\$553,212	\$620,512	\$763,085	\$645,603
Net Return	5.6%	1.5%	-3.3%	1.2%

**OPERATING FUND BREAKDOWN BY TYPE OF INVESTMENT  
(June 30, 2024)**

■ Cash and Cash Equivalents	29%
■ Equity Mutual Funds	7%
■ International Bonds	17%
■ Treasury Bonds	7%
■ US Corporate Bonds	40%

(may not equal 100% due to rounding)

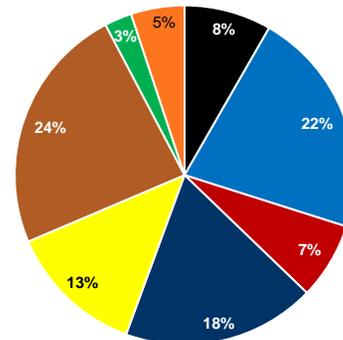


ENDOWMENT FUNDS INVESTMENTS	Market Value and Returns			
	6/30/2024	6/30/2023	6/30/2022	3-yr Average
<b>Pooled Endowments:</b>				
Year-end Market Value	\$327,793	\$312,012	\$298,519	\$312,775
Net Return*	7.7%	6.6%	-7.9%	2.1%
<b>FA Trust Fund:</b>				
Year-end Value	\$51,300	\$48,200	\$44,900	\$48,133
Net Return	7.8%	7.1%	-6.3%	2.9%

**ENDOWMENT FUND BREAKDOWN BY TYPE OF INVESTMENT  
(June 30, 2024)**

■ Commodities & Managed Futures	8%
■ Domestic Equities	22%
■ Fixed Income	7%
■ International Equities	18%
■ Marketable Alternative Strategies	13%
■ Private Equity	24%
■ Private Real Estate	3%
■ Short-Term Securities /Cash	5%

(may not equal 100% due to rounding)



\*Institutional endowments performance

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# Annual Financial Review

Bradley Kendrex

Vice President, Finance, Strategy and Governance

January 29, 2025



**The Annual Financial Review (AFR) gives the board a snapshot of the university's financial health.**

The metrics used include several credit factors rating agencies use to assess financial health of an institution including:

- Relationship to the State
- Balance sheet position
- Operating performance
- Debt position
- Market position

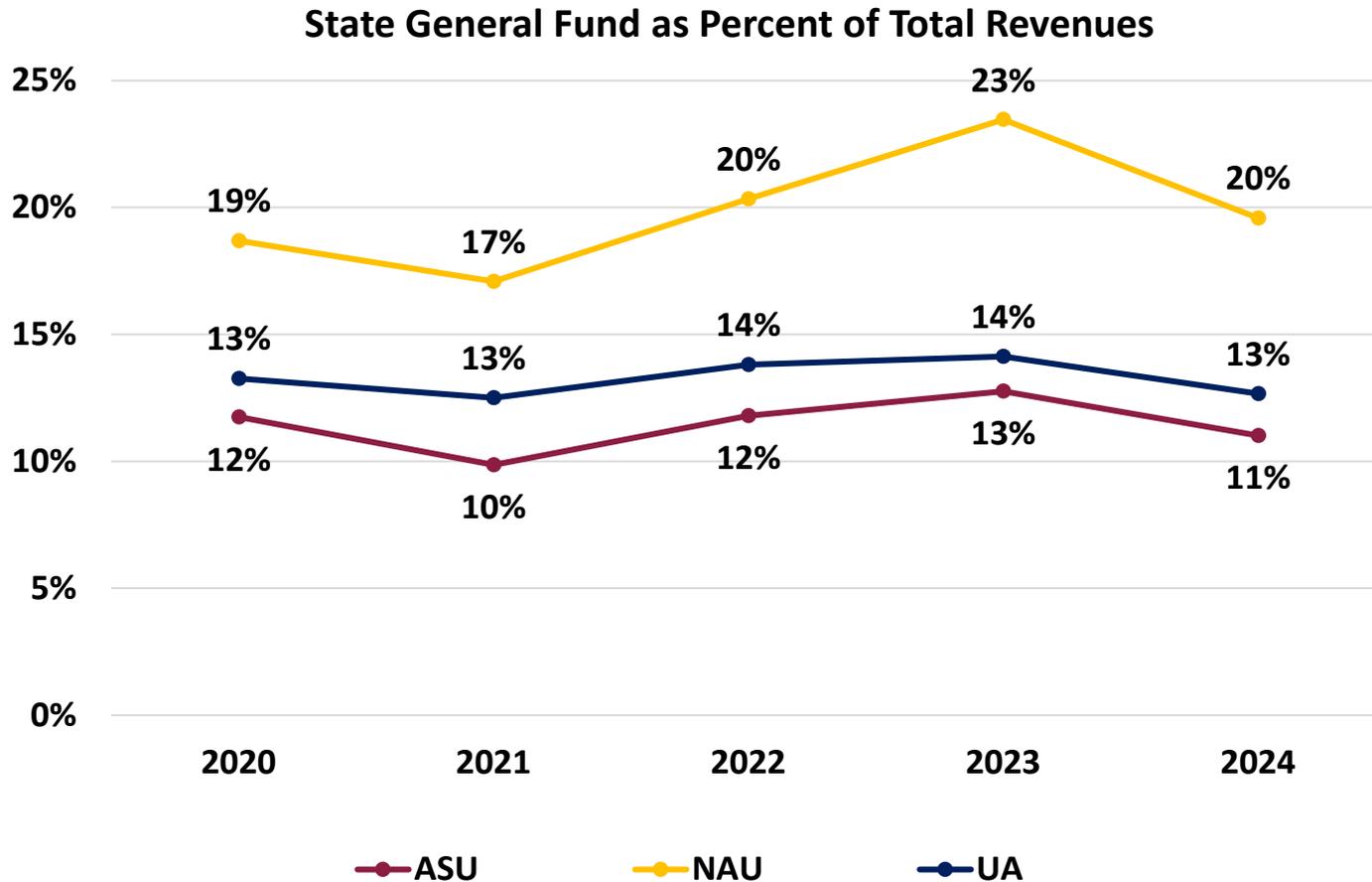
## This report address the following questions:

- How has the composition of revenue changed over time?
- Is spending per student changing over time?
- Are revenues keeping pace with expenses?
- Is there enough liquidity and operating surplus to withstand adverse or unexpected financial conditions?
- Are there enough financial resources to cover debt?
- What does student pipeline look like?

## To answer those questions, we present:

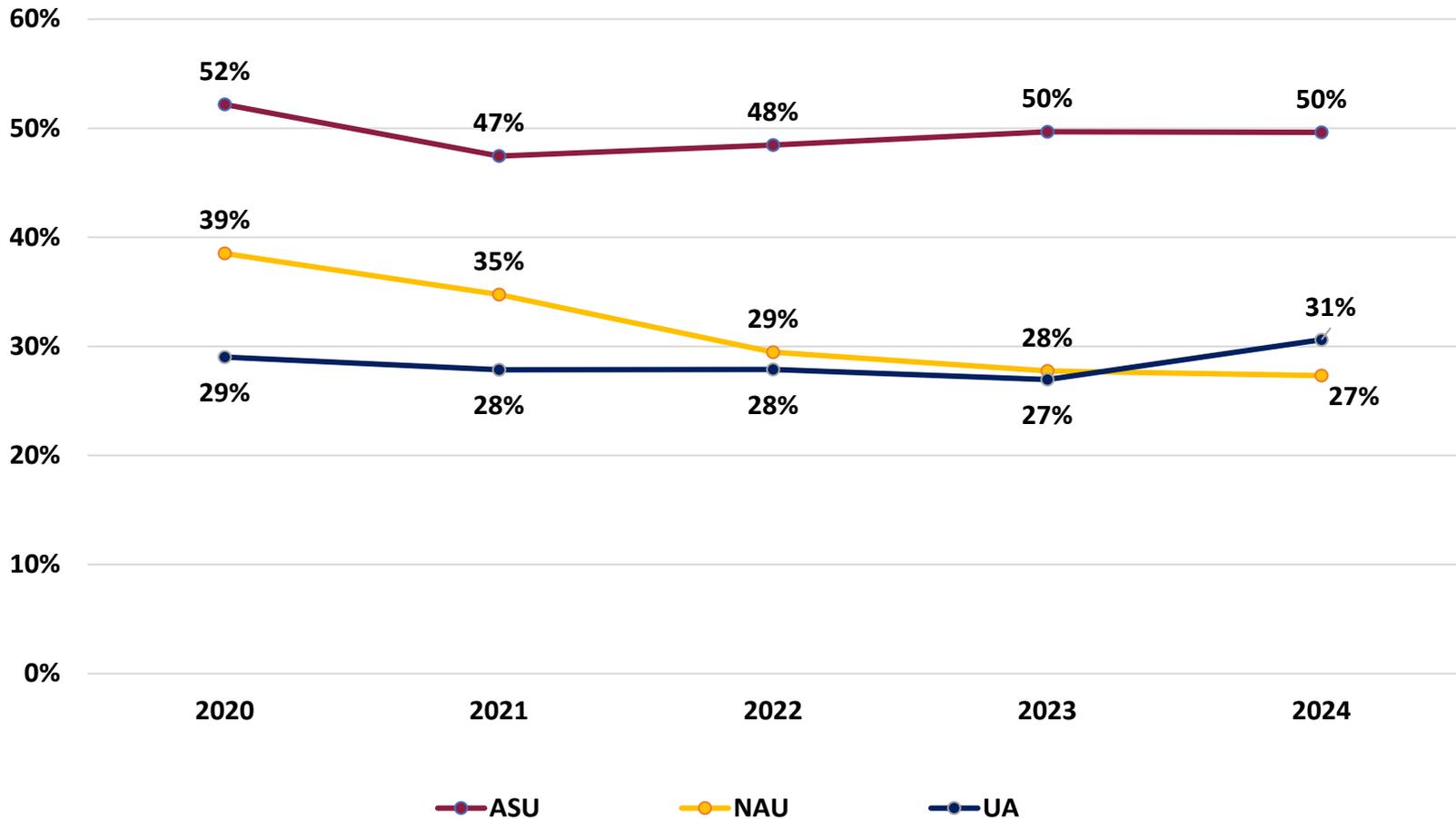
- The composition and source of operating revenues
- Education and General (E&G) expenses per FTE student
- Ratio of spendable cash and investments to operating expenses
- Operating Margin Ratio
- University liquidity (Monthly Days Cash on Hand)
- Debt Service Coverage Ratio
- Primary Market Selectivity (students accepted)
- Primary Market Matriculation (students enrolled)

# State Appropriations: *reliance and trends*



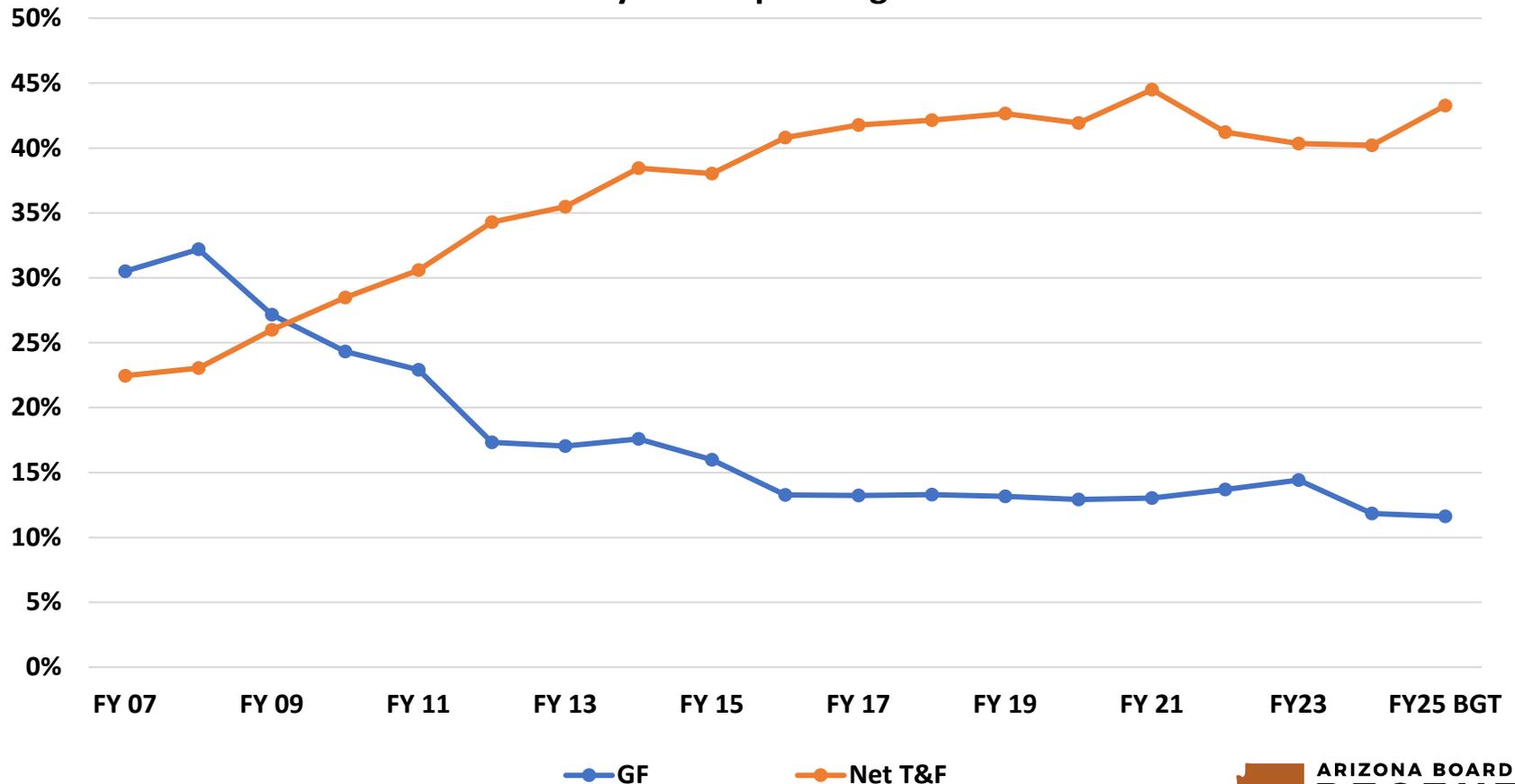
# Tuition and Fees: *reliance and trends*

## Net Tuition and Fees as a Percent of Total Operating Revenues

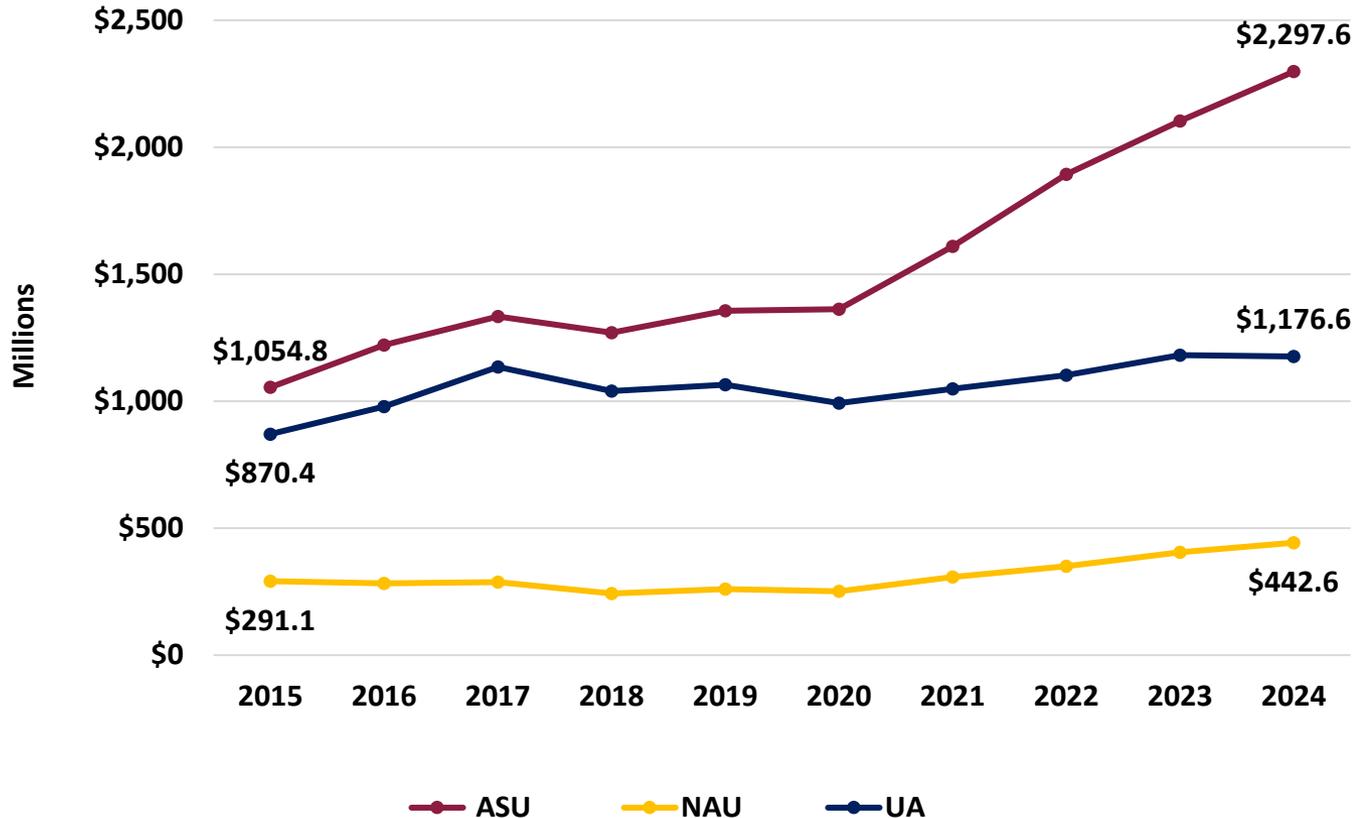


# Reliance on Appropriations vs. Tuition/Fees

General Fund and Net Tuition & Fees as a Percent of University Total Operating Revenues

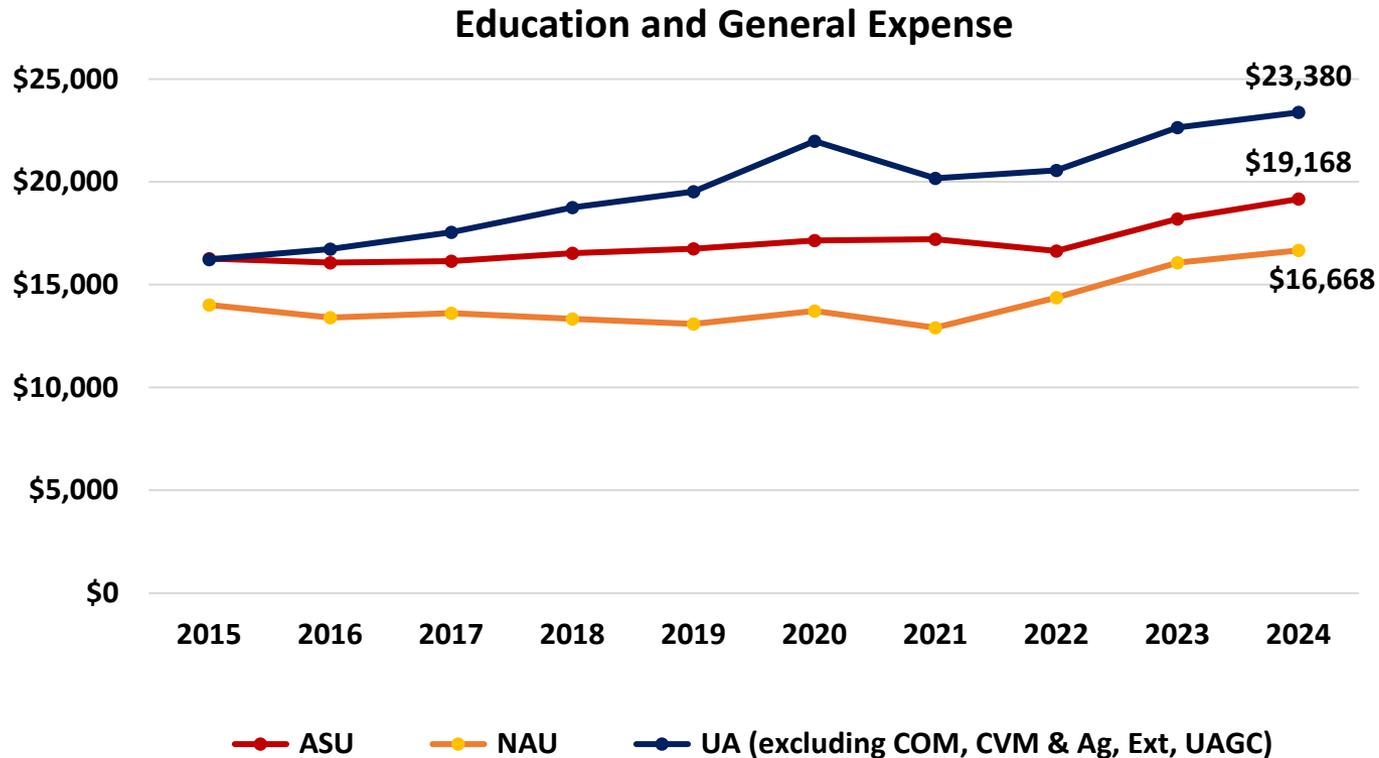


# University Net Position



*Driven by efforts to reduce costs and refinance debt, accelerated growth in tuition/fees and research revenue, and improved financial markets.*

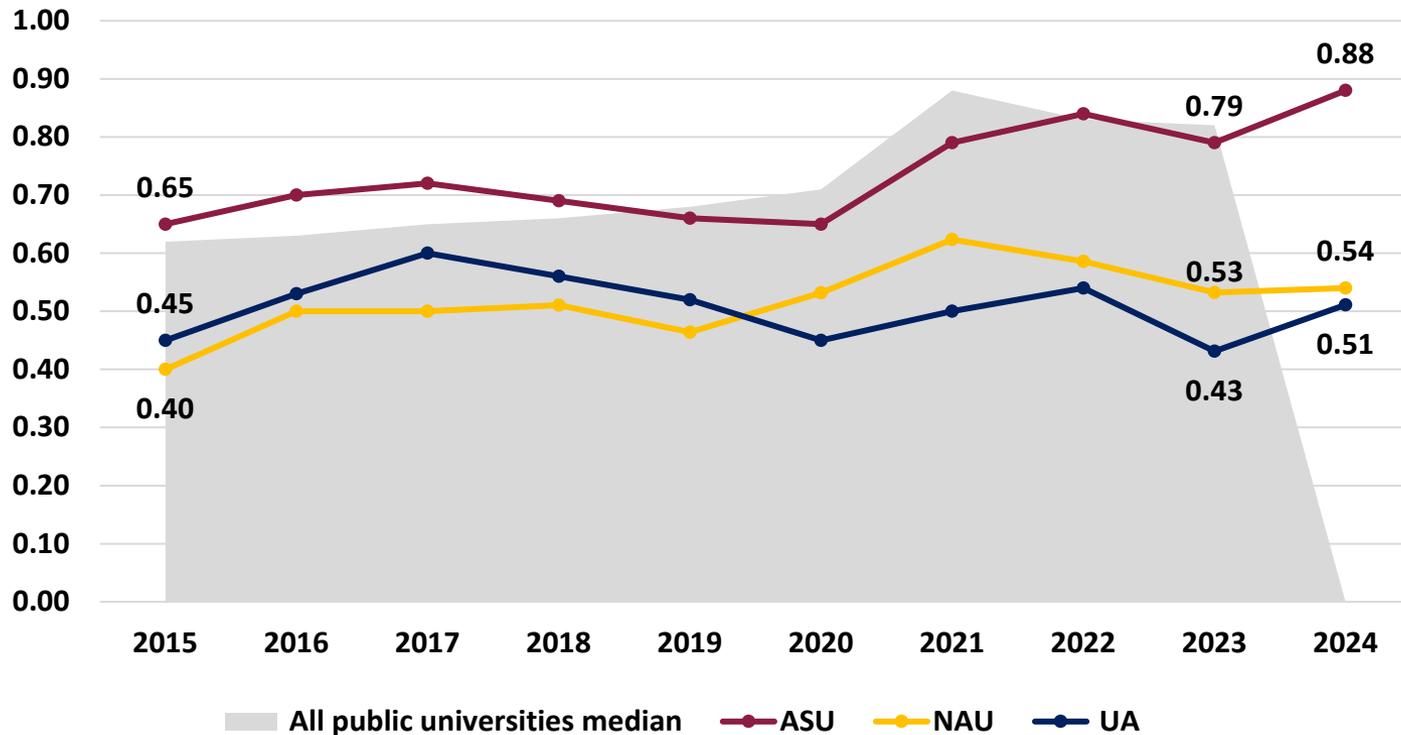
# Education and General (E&G) Expenses



*Accounts for all instructional related activities, including instruction, student services, academic support, libraries, administration, public service, and maintenance of facilities.*

# Metrics to Measure Financial Resiliency

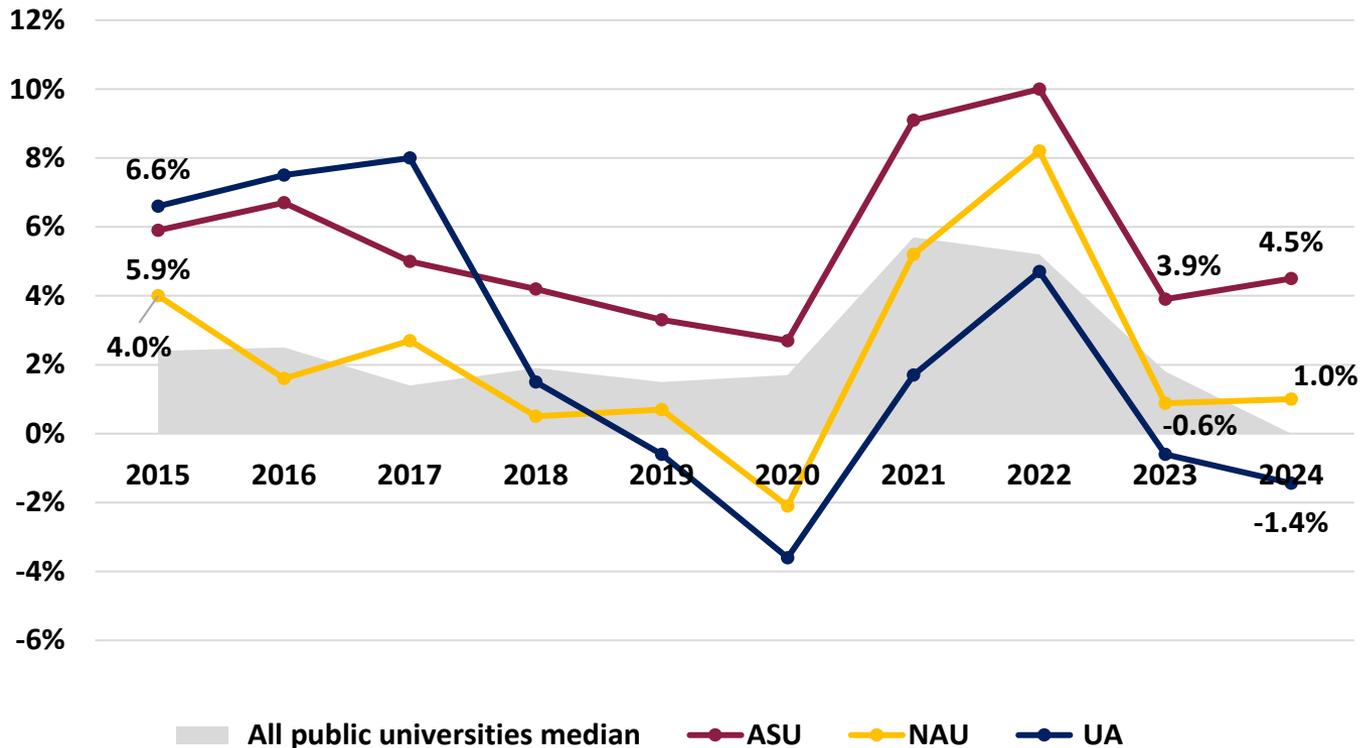
## Spendable Cash & Investments to Operating Expenses



*Indicator of the university's ability to meet its current obligations.*

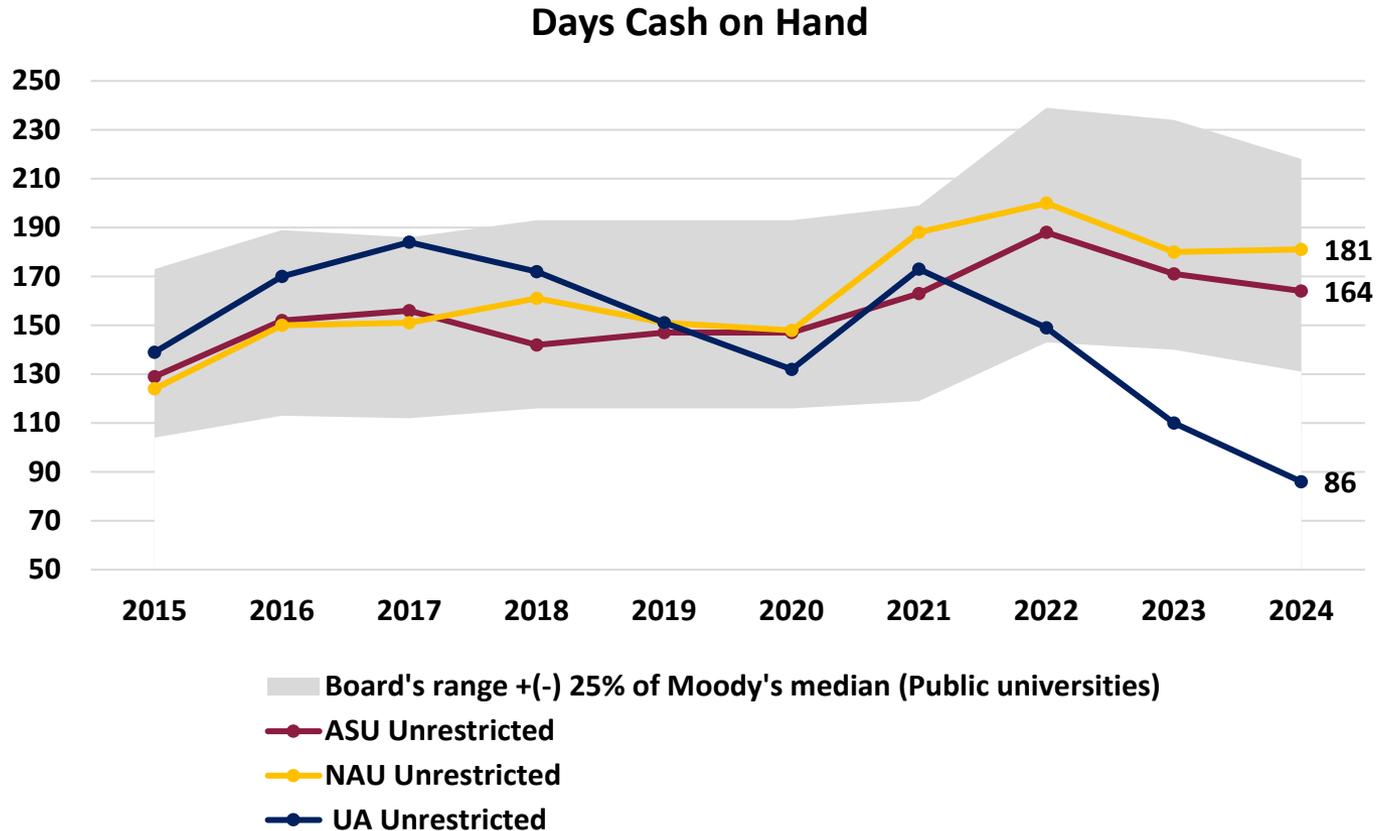
# Metrics to Measure Financial Resiliency

## Operating Margin Ratio



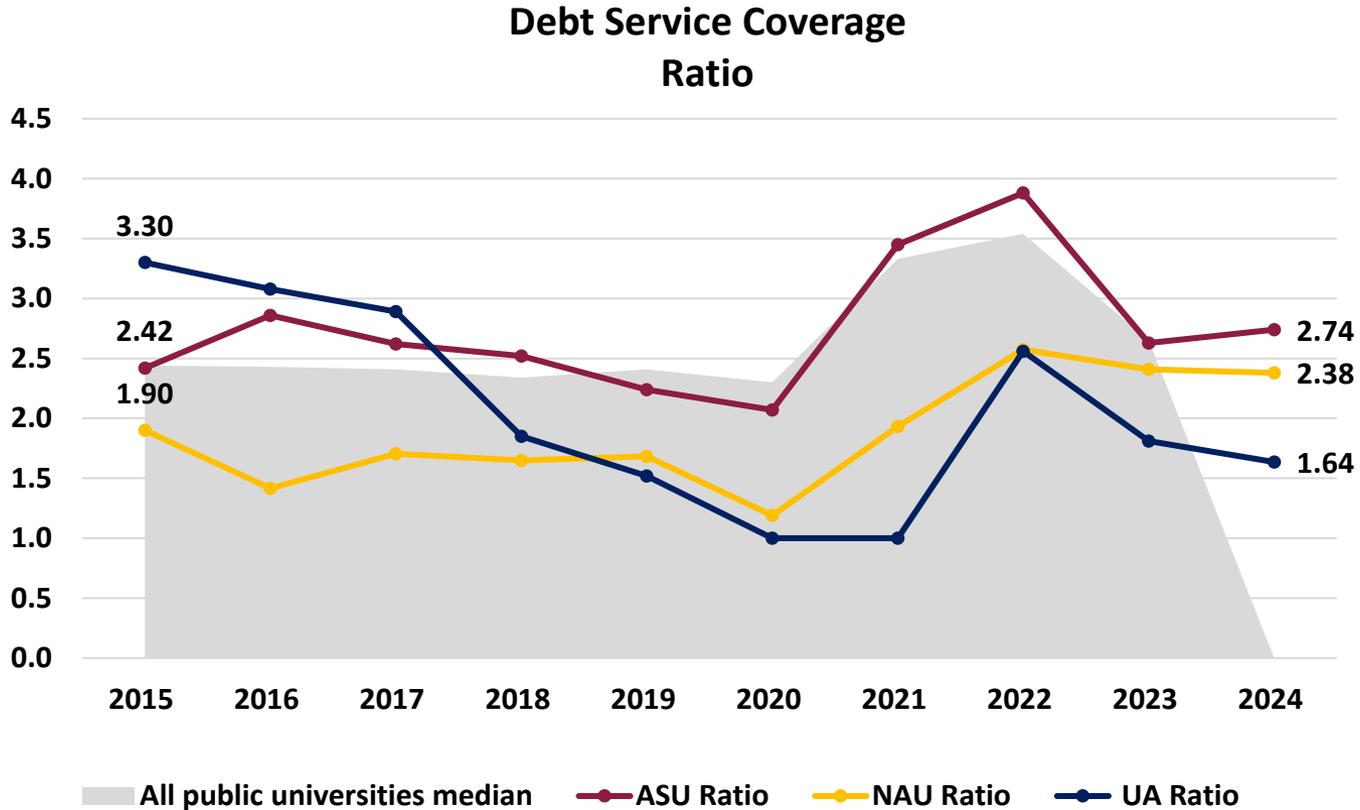
*Measures operating efficiency – generating revenue and managing costs.*

# Metrics to Measure Financial Resiliency



*Days Cash on Hand is a metric used by credit agencies to assess credit risks. ABOR requires universities to maintain +/- 25% of the median of public universities.*

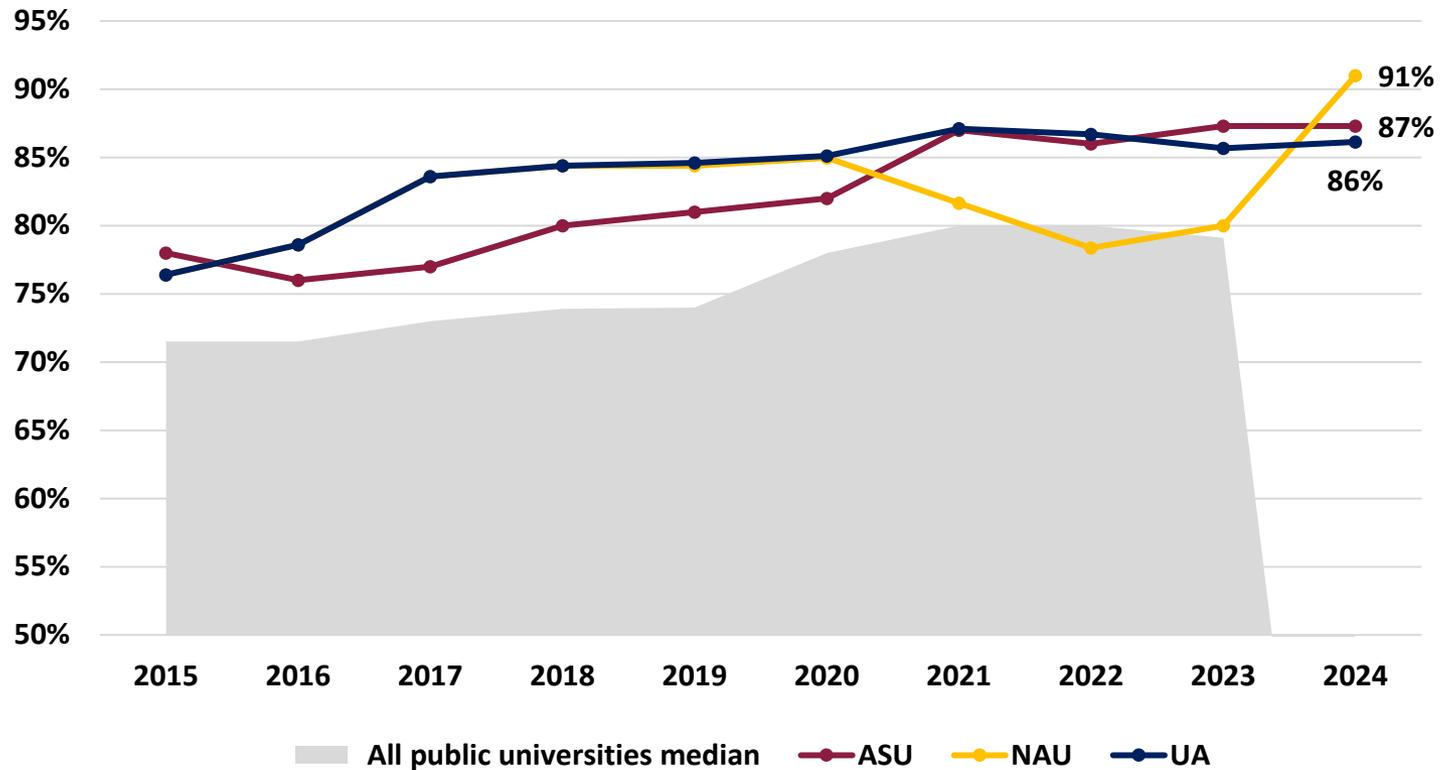
# Ratio to Measure Debt Service



*Measures the ability to cover debt service with operating revenues.*

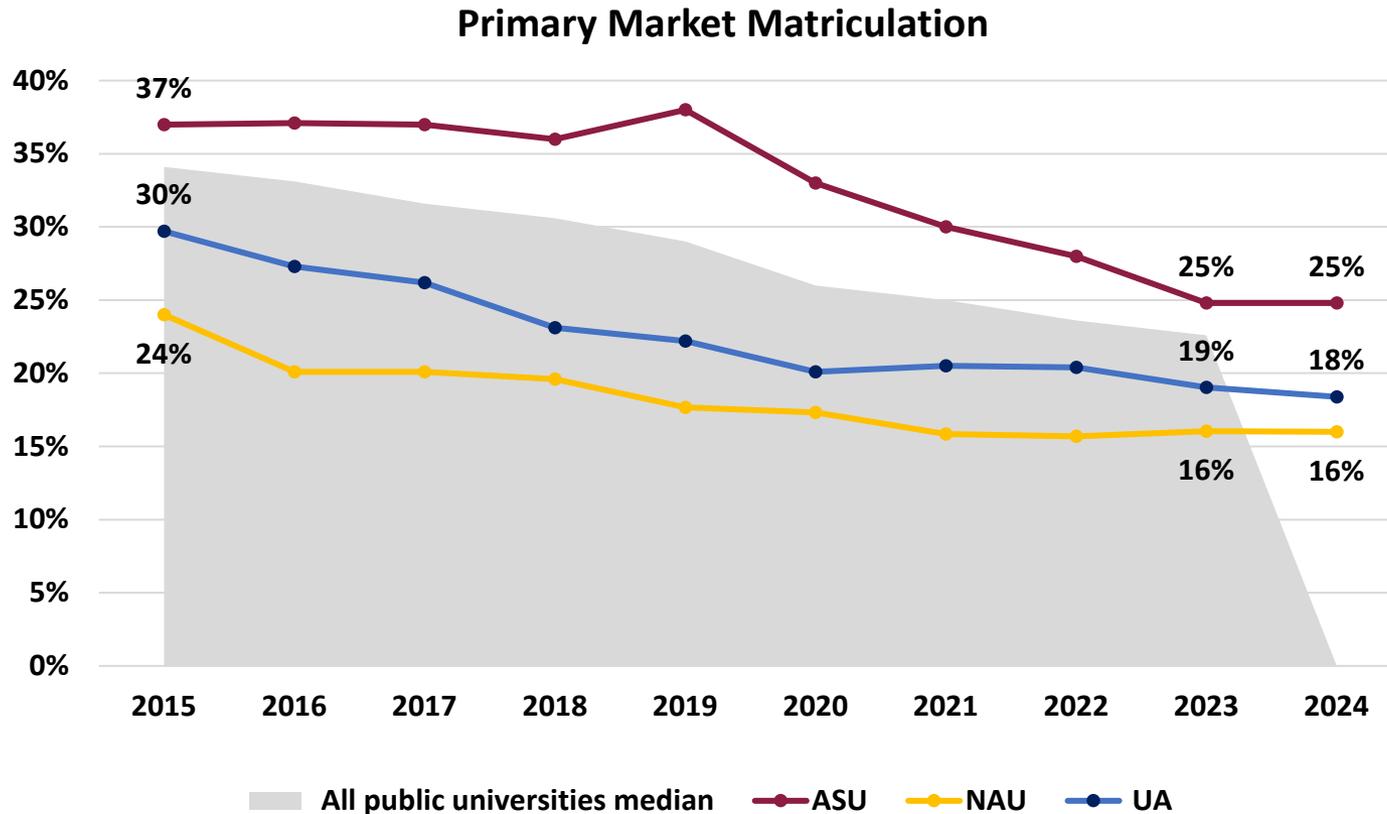
# Market Position

## Primary Market Selectivity



*Measures student demand – the number of students vs. the number of applicants.*

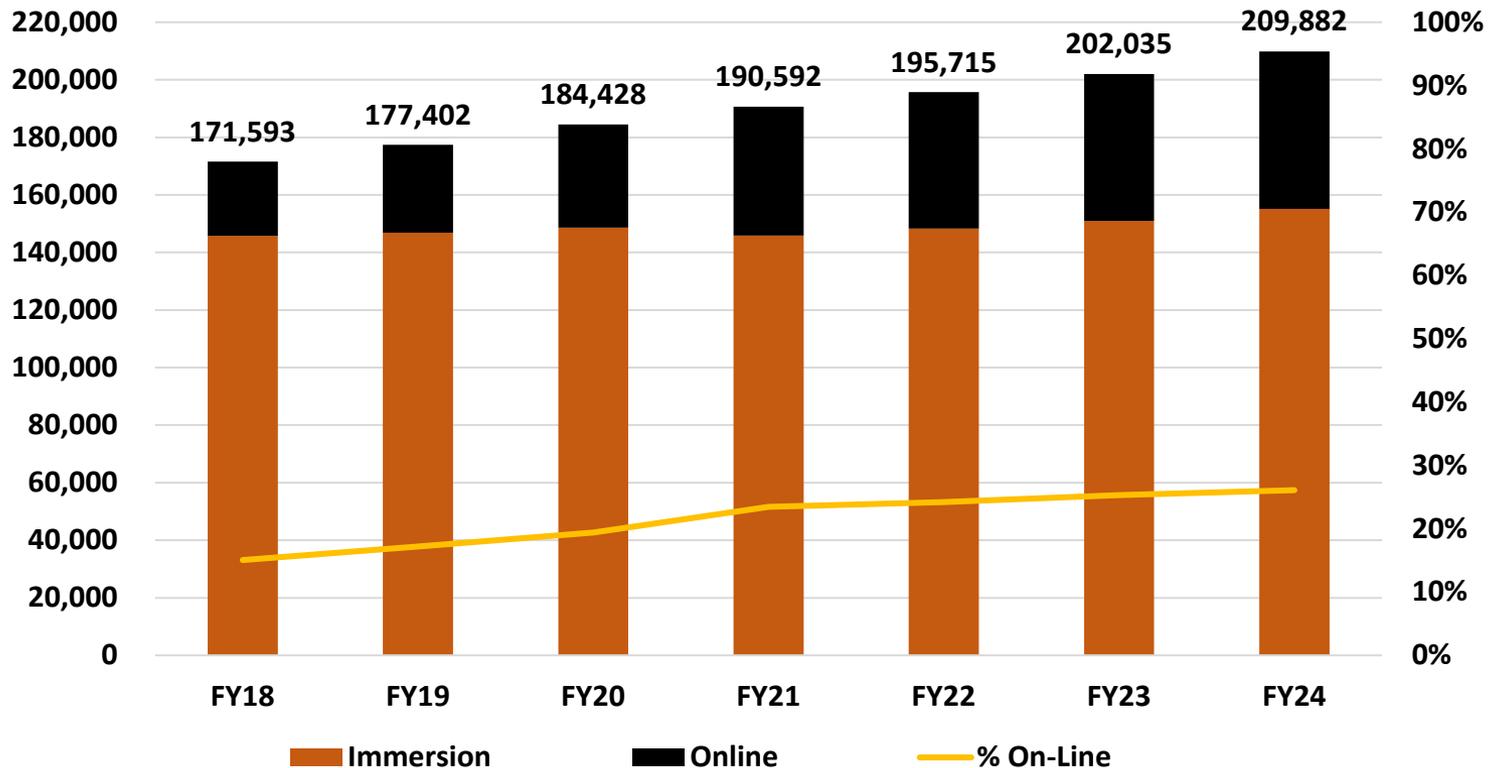
# Market Position



*Measures final student demand – the percentage of student who attend vs. the number of applicants accepted.*

# Market Position

## University Student FTE Enrollment



*All three universities increased total enrollment last year.*

# Credit Rating

Credit Ratings	2020	2021	2022	2023	2024
<b>ASU</b>					
Moody's	Aa2 Stable	Aa2 Stable	Aa2 Stable	Aa2 Stable	Aa2 Stable
Standard & Poors (S&P)	AA Stable	AA Stable	AA Stable	AA Stable	AA Stable
<b>NAU</b>					
Moody's	A1 Stable	A1 Stable	A1 Stable	A1 Stable	A1 Stable
Standard & Poors (S&P)	A+ Stable	A+ Stable	A+ Stable	A+ Stable	A+ Stable
<b>UA</b>					
Moody's	Aa2 Stable	Aa2 Negative	Aa2 Negative	Aa2 Stable	Aa2 Negative
Standard & Poors (S&P)	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Negative

*All three universities have maintained their credit ratings over the past five years.*

# University Investments

## UNIVERSITY OPERATING FUNDS

\$ Thousands	6/30/2024	6/30/2023	6/30/2022	3-yr Average
<b>ASU</b>				
Year-end Market Value	\$1,407,854	\$1,381,176	\$1,248,964	\$1,345,998
Net Return	5.2%	2.3%	-2.3%	1.7%
<b>NAU</b>				
Year-end Market Value	\$301,014	\$271,447	\$276,820	\$283,094
Net Return	4.2%	3.5%	0.4%	2.7%
<b>UA</b>				
Year-end Market Value	\$553,212	\$620,512	\$763,085	\$645,603
Net Return	5.6%	1.5%	-3.3%	1.2%

# University Investments

## UNIVERSITY POOLED ENDOWMENTS

\$ Thousands	6/30/2024	6/30/2023	6/30/2022	3-yr Average
<b>ASU</b>				
Year-end Market Value	\$322,543	\$297,650	\$281,770	\$300,654
Net Return	11.3%	4.3%	2.4%	6.0%
<b>NAU</b>				
Year-end Market Value	\$9,097	\$8,283	\$7,730	\$8,370
Net Return	9.0%	6.7%	-28.6%	-2.8%
<b>UA</b>				
Year-end Market Value	\$327,793	\$312,012	\$298,519	\$312,775
Net Return	7.7%	6.6%	-7.9%	2.1%

# Questions and Discussion

- MORGAN OLSEN – ARIZONA STATE UNIVERSITY
- BJORN FLUGSTAD – NORTHERN ARIZONA UNIVERSITY
- JOHN ARNOLD – UNIVERSITY OF ARIZONA