

Medians for Private Universities

Moody's Investors Service has released data on 2016 non-for-profit private university medians. Private colleges and universities continue to adapt to a constrained revenue growth environment and produce largely stable median operating cash flows, according to the fiscal 2016 medians. However, there continues to be increasing divergence across the sector with a growing number of small universities in particular confronting increased financial stress. Medians are based on Fiscal Year 2016 financial data and fall 2016 enrollment data.

Private College & University Medians by Rating Category: Fiscal Year-End 2016:

	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Sample Size	15	54	104	66
Total Debt-to-Total Capitalization (%) *	11.9	16.5	21.0	26.9
Annual Days Cash on Hand *	1,536	542	335	246
Operating Margin (%) *	8.0	4.1	3.9	3.9
MADS Coverage (x)	2.53	2.32	2.39	2.24
Tuition & Auxiliaries (%) *	23.8	52.8	77.7	84.2

Private College & University Medians by Size: Fiscal Year-End 2016:

	<u>Comprehensive *</u>	<u>Moderate *</u>	<u>Small *</u>
Sample Size	54	73	79
Total Debt-to-Total Capitalization (%) *	20.5	23.5	16.8
Annual Days Cash on Hand *	338	250	419
Operating Margin (%) *	3.7	5.8	3.0
MADS Coverage (x)	2.67	2.47	1.98
Tuition & Auxiliaries (%) *	48.2	83.0	70.8

***Definitions:**

Total Debt-to-Total Capitalization (%) – total debt / (sum of total net assets + total debt)

Annual Days Cash on Hand – (annual liquidity x 365) / (operating expenses – annual depreciation expense and additional, unusually large non-cash expenses)

Operating Margin (%) – (operating revenue - operating expenses) / operating revenue

MADS Coverage (x) – (annual operating surplus (deficit) + interest and depreciation expenses + additional, unusually large non-cash expenses) / (maximum principal and interest payment)

Tuition & Auxiliaries (%) – net tuition and auxiliary revenue / operating revenue

Comprehensive Private Universities – either have total FTE enrollment greater than 10,000 or greater than 3,000 with 15% of operating revenue from patient care revenue and grants & contracts.

Moderate Sized Private Universities - have total FTE enrollment greater than 3,000 and less than 10,000 with less than 15% of operating revenue from patient care revenue and grants & contracts.

Small Private Universities - have total FTE enrollment less than 3,000 students with less than 15% of operating revenue from patient care revenue and grants and contracts.

(Source: Moody's Investors Service; Sector In-Depth: Medians – Financial Performance Diverges Among US Private Universities; June 12, 2017)