

Medians for Private Universities

Moody's Investors Service has released data on 2020 non-for-profit private university medians. Despite the pandemic, private universities' financial performance was relatively steady in fiscal 2020 as colleges cut expenses to cope with weaker revenue growth. Notably, pandemic-related drop-offs only impacted the final three months of fiscal 2020 in most cases and some revenue losses were recouped through federal CARES Act funding. Continue federal funding infusions will help, though the decrease in enrollment last fall will constrain fiscal 2021 revenue growth. Medians are based on fiscal year 2020 financial data and fall 2020 enrollment data.

Private University Medians by Broad Rating Category: Fiscal Year-End 2020

| | <u>Aaa</u> | <u>Aa</u> | <u>A</u> | <u>Baa</u> |
|--|------------|-----------|----------|------------|
| Sample Size | 12 | 53 | 86 | 58 |
| Total Debt to Total Capitalization (%) * | 10.4 | 15.5 | 21.6 | 25.5 |
| Annual Days Cash on Hand (x) * | 1,828 | 549 | 395 | 270 |
| Operating Margin (%) * | 8.9 | 3.7 | 3.6 | 0.5 |
| MADS Coverage (x) * | 2.11 | 2.12 | 2.43 | 1.78 |
| Tuition & Auxiliaries (%) * | 25.6 | 52.7 | 76.7 | 80.2 |

Private University Medians by Size: Fiscal Year-End 2020

| | <u>Comprehensive *</u> | <u>Moderate *</u> | <u>Small *</u> |
|--|------------------------|-------------------|----------------|
| Sample Size | 46 | 89 | 90 |
| Total Debt-to-Total Capitalization (%) * | 21.5 | 25.2 | 14.9 |
| Annual Days Cash on Hand (x) * | 365 | 339 | 465 |
| Operating Margin (%) * | 2.9 | 3.7 | 2.0 |
| MADS Coverage (x) * | 2.38 | 2.42 | 1.87 |
| Tuition & Auxiliaries (%) * | 52.9 | 81.2 | 65.6 |

***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) / (the maximum principal and interest payment)

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

Comprehensive Private Universities – either have total FTE enrollment of greater than 10,000 students, or greater than 3,000 students with at least 15% of operating reliance from patient care plus grants and contracts combined.

Moderate Sized Private Universities - have total FTE enrollment between 3,000 and 10,000 students and less than 15% total revenue reliance from patient care revenue plus grants and contracts combined.

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

(Source: Moody's Investors Service; Sector Profile: Medians –Private Universities Demonstrated Flexibility Amid Pandemic in Fiscal 2020; April 26, 2021)