WHEREAS, the University experienced numerous financial challenges; and

WHEREAS, the Wright State University Board of Trustees implemented a University Financial Governance Policy on June 8, 2017, to place the University in a position of sound fiscal footing into the future; and

WHEREAS, the University has made significant steps to achieving sustainable financial footing, allowing for changes in the existing University Financial Governance Policy; therefore, be it

RESOLVED that the amendments to the University Financial Governance Policy are hereby approved.
FINANCIAL GOVERNANCE
POLICY
ADOPTED JUNE 8, 2017
REVIEWED and REVISED _____, 2022
Wright State University
Financial Governance Policy

A. Overview
Wright State University (WSU) is committed to transforming the lives of its students and the communities it serves. In order to accomplish this mission, Wright State University must remain financially strong with consistently positive operating margins, and responsible levels of reserves. Maintaining a strong financial position yields multiple benefits, among the most important of which include:

1. Ensuring Wright State University maintains sufficient and flexible resources for supporting the university’s mission including its obligations to students, faculty, staff, and other stakeholders;

2. Protecting the University from unanticipated financial stress such as from funding shortfalls or excessive operating expenses;

3. Providing the University with responsible levels of reserves to absorb short term financial shocks;

4. Maintaining a growing investment portfolio with appropriate liquidity which allows strategic investments for the future;

5. Providing access to capital markets at favorable interest rates.

The financial strength and credit rating of Wright State University are also strongly influenced by a number of non-financial factors including the quality of management and governance, student enrollment and retention, strength of research programs, and the institution’s ability to attract and retain high quality faculty and staff. The level and consistency of state support is also an important factor in determining financial policy.

The Board of Trustees is responsible for ensuring Wright State University operates in a fiscally responsible manner. It performs this task primarily through the annual budgeting process and ongoing financial reviews through a Finance Committee. The purpose of this governance policy is to provide a framework through which the Board exercises its fiduciary duty regarding the ongoing financial health of the University.

B. Policy Objective
The objective of this policy is to document guidelines for Wright State University’s Board of Trustees to employ in exercising governance oversight of the University’s financial affairs. The Board’s fiduciary responsibility is to ensure financial resources are used responsibly in support of the University’s mission and that cash reserves are sufficient to protect against unexpected downturns in financial circumstances and to take advantage of strategic opportunities. Accordingly, this policy:

1. Defines roles and responsibilities of the WSU Finance, Audit, Governance, and Compliance Committee (FAGC);

2. Establishes performance benchmarks against which financial performance will be evaluated;
3. Establishes key indicators of financial performance for assessing overall financial health and long-term trends;

4. Provides direction to the President or his/her designees regarding the Board’s financial expectations for strategic investments, normal operating purchasing/expenditures, and actions to be taken when reserves fall below minimum levels;

5. Requires the Board of Trustees to approve the University’s investment strategy by adopting and regularly reviewing an Investment Policy Statement and investment performance over time;

6. Sets a policy for minimum funding levels required to begin capital projects and establishes a reporting/approval requirement for non-base budgeted strategic projects which exceed prescribed levels;

7. Sets appropriate reporting and policy review guidelines.

C. Finance, Audit, Governance, and Compliance Committee (FAGC)

The WSU Finance Committee FAGC is the Board of Trustee’s primary means of overseeing the University’s financial affairs.

1. Membership

The chairperson of the Board of Trustees will appoint the chair and membership of the FAGC Finance Committee. The committee shall consist of at least three members of the Board of Trustees (including national trustees) who shall be voting members. In addition:

a) At least one member of the committee should be a financial professional. This is a person who has an understanding of concepts of commercial finance, generally accepted accounting principles, financial statements, managing budgets, management, investing, or related skills, with experience in applying such principles in a working environment. The financial professional may be a non-Board member who meets the criteria to serve in an advisory capacity but who shall not be a voting member.

b) One member should be a representative of the Faculty Senate as recommended by faculty leadership. This person will be a non-voting member from the Faculty Senate Finance Committee to lend faculty perspective to the Board of Trustees regarding university financial matters.

c) One member should be a representative of the Classified classified and/or Unclassified unclassified Staff Senate as recommended by staff leadership. These staff members will be a non-voting member(s) to lend staff perspective to the Board of Trustees regarding university financial matters.

2. Administrative Liaison

The President of Business and Finance will serve as primary liaison to the FAGC Finance Committee. Other members of the Division of Business and Finance may assist the Finance Committee in its work.

3. Meetings

The FAGC Finance Committee shall meet at least nine times per fiscal year, and may convene additional meetings as circumstances require or to align with the University’s budgeting and planning cycle. Meeting agendas will be prepared and provided in advance to members and participants along
Duties and Responsibilities
Duties and Responsibilities of the FAGC Finance Committee include, but are not limited to, the following:

a) Engaging in long-range strategic financial planning;

b) Recommending the annual budget to the full board for approval;

c) Regular reviewing of the University’s current and historical financial position including cash position, current and projected operating revenue and expenses as compared to board-approved budgets, actual and projected number of days of cash on hand, and other financial performance measurements as appropriate;

d) Receiving the University’s audited annual financial statements and related documents such as a management letter of recommendation or other related reports as a result of an external audit;

e) Reviewing and making appropriate financial policy recommendations to the Board of Trustees regarding financial governance policies;

f) Ensuring that sound financial controls are in place;

g) Recommending capital budgets for board approval and reviewing actual expenditures on such projects;

h) Reviewing substantial expenditures according to current policy and, when appropriate, making recommendations to the Board of Trustees for board approval of such expenditures;

i) Reviewing and making recommendations to the Board of Trustees for recommending board approval regarding the issuance of new debt, and/or the early retirement of existing debt, for capital and other projects;

j) Overseeing University investments and the board-approved Investment Policy Statement;

k) Reporting on committee activities to the Board of Trustees;

l) At the discretion of the committee chair, the Finance Committee may consider other University financial matters as may arise from time to time;

m) Reviewing key financial metrics.

D. Financial Performance Benchmarks
The Board of Trustees directs the President to efficiently operate the University in a manner that supports and maximizes its academic mission while maintaining a responsible level of financial health. The benchmarks in this section provide guidelines to assist the Board in evaluating financial resources, debt levels and cash reserves available for serving the strategic and long term interests of Wright State University and its stakeholders.
1. **Minimum Credit Rating**: Wright State University (WSU) will manage its financial affairs to maintain a minimum Moody’s implied credit rating of A2 – Stable.

2. **Composite Financial Index**: In order to evaluate WSU’s overall financial health in support of its mission and to assess the future its financial prospects of the institution, the university will adopt and track the Composite Financial Index (CFI) as developed by KPMG, LLC and Prager, McCarthy, & Sealy LLC. This index assists in understanding the institution’s university’s current financial position and provides insight into regarding future trends prospects. The methodology utilizes core financial ratios, strength, and weighting factors to arrive at a composite score ranging from -4 to 10. A score of 1.1 represents the minimum score of a financially healthy university per the Higher Learning Commission (HLC). WSU will strategically manage its financial health at targets a CFI score of 3.0 or higher as a measure of long-term financial health.

3. **Operating Performance**: Revenues and expenses should be matched so that the average annual operating surplus runs between 2% and 4% percent of total revenues. Higher surpluses may be required when reserves fall below minimum levels as required by this policy.

4. **Minimum Reserve Levels**: Unrestricted reserves are critical for maintaining a financial buffer against uncertainty, unexpected financial downturns, short-term financial losses, as well as providing resources for unanticipated opportunities. Accordingly, Wright State University will maintain unrestricted reserves at a level that will result in a Primary Reserve Ratio no less than 0.4.

5. **Debt**: Wright State University’s direct and indirect debt (the amount of debt attributed to the University by ratings agencies as a result of its relationship with third parties) should be maintained to produce a viability ratio that does not fall below 1.25. While there may be strategic reasons for a viability ratio below 1.25, in these instances it will be WSU’s objective to return to 1.25% within a reasonable period of time. In addition, the University will manage its debt levels such that the Viability Ratio will not fall below 1.25.

6. **Liquidity**: Wright State University will monitor its liquidity position according to a short term (one year) and intermediate term (three-year) liquidity ratio. Short term liquidity will be maintained at a ratio of at least 1.15 and intermediate term will be maintained at a ratio of at least 1.0.

   **Cash Flow**: Wright State University will manage its financial performance to produce positive cash flow (cash inflows exceed cash outflows) each operating year. The Board of Trustees may approve exceptions when sufficient reserves are on hand in order to take advantage of strategic opportunities in support of overall mission.

3. **Senate Bill 6 Composite Score**: This index, developed by Ohio’s 122nd General Assembly and administered by the Ohio Department of Higher Education, utilizes a standard set of measures for monitoring the fiscal health of state colleges and universities based on both audited financial statements and quarterly forecasts. Composite scores range from 0 to 5. A composite score of 1.75 or below for two consecutive years results in an institution being placed on fiscal watch. WSU will target a Senate Bill 6 composite score of 3.0 or better.

7.4. **Other Financial and Market Indicators**: WSU will track other financial and market indicators that assist the board in evaluating the university’s long term financial health. These indicators will not include targets but provide the FAGC with directional trends of the university. See Appendix D: Other Financial and Market Indicators.

The Board of Trustees directs the President or his/her designee to submit an annual report to the board via the Finance Committee FAGC describing the university’s most recent performance in these benchmark
areas. The Board of Trustees will monitor key financial indicators over time to assess long term financial trends. The Board will make these financial indicators available for review by the university community. If the FAGC deems performance is substantially below the standards described herein, it may event any of the above benchmarks are not being achieved the Board of Trustees directs the President president to submit a written plan for bringing overall performance into substantial compliance with this policy achieving these benchmarks to the board through the Finance Committee.

E. Key Indicators of Financial Performance
The Board of Trustees will monitor key financial indicators over time to assess long term financial trends. Primary indicators will be tracked in the following areas: Financial Health, Debt Position, and Market Demand. Secondary indicators will also be reviewed to provide further insight into financial performance. The Board will make these financial indicators available for review by the University community. A list of primary and secondary indicators are included in Appendices A and B.

F.E. University Reserves
The Board of Trustees will monitor levels of reserves as described in this policy. In circumstances when unrestricted reserves fall below minimum guidelines (see Financial Benchmarks, above), the President will suspend spending of business unit carryovers and/or include accumulation of new reserves in the annual operating budget until minimum reserve levels for the University are met.

G.F. Governance of Strategic Investments
The Board of Trustees recognizes the benefit of making strategic investments in projects that further the University’s mission, and that such projects may at times require use of unrestricted reserves or debt capacity. Because of the unfunded nature of such projects the Board directs the President to report expenditures of non-budgeted funds with a total expected cost of $100,000 or more to the Board accompanied by a robust cost/benefit analysis. Further, expenditures (projects) with a total expected cost of $250,000 or more must be approved by the Board of Trustees prior to being started.

Guidelines for evaluating such projects and/or expenditures should include, but are not limited, to evaluations of the following:

1. The relationship of each investment to the University’s Strategic Plan and its potential for helping achieve WSU’s academic mission;

2. The potential to enhance the quality of the university’s educational programs and/or the student experience;

3. The extent to which an investment will increase the number of students who progress towards and ultimately graduate from the institution with a degree from WSU;

4. The extent to which an investment is required to maintain the condition of the campus and its facilities;

5. The long-term (3-5 year) expected future financial impact of the project including the effect on primary financial performance indicators, revenue-generating potential, and expenses which will become part of future budgets;

6. The relationship of each investment to University research priorities.
**H.G. Governance of Purchases and Expenditures**

In order to exercise stewardship over financial resources, the Board of Trustees directs the President to develop a policy requiring the following with regard to multi-year agreements and single purchase transactions in a single fiscal year to a single vendor:

1. Notification to the Finance Committee of purchases between $150,000 and $249,999;
2. Approval by the Finance Committee of purchases between $250,000 and $499,999; and
3. Approval by the Board of Trustees of purchases of $500,000 or more.

In addition, the administration will provide a list of the following expenditures at least annually:

1. A list of external consultants paid more than $100,000.00 per fiscal year;
2. A list of external consultants employed by the university for more than two consecutive fiscal years.
3. A list of all stipends/allowances/bonuses paid by the university.

The actual amount of individual purchases approved by the Board of Trustees or Finance Committee may vary by 10% without further Board or Committee action, however the Finance Committee should be informed of any overruns. Purchases approved which exceed the approved amount by more than 10% must be re-approved by the Board of Finance Committee. Should a single project require the use of multiple vendors/suppliers, the aggregate amount spent should be reported/approved based upon the criterion defined above.

For capital projects, cost overruns exceeding 5% of approved projections are to be reported to the Board of Trustees through the Finance Committee with a plan on how the overruns are to be funded. The Building and Grounds Committee shall also be notified.

**I.H. Investment Policy Statement**

The Board of Trustees will adopt an Investment Policy Statement to effectively define, monitor, and evaluate the University’s investment strategy. The purpose of the Investment Policy Statement is to ensure University funds are prudently invested in a prudent manner to maximize returns in asset classes that do not exceed policy guidelines for risk. The Finance Committee will review the Investment Policy Statement at least annually and make policy modification recommendations to the Board of Trustees as may be appropriate.

**J.I. Debt Policy Statement**

The Board of Trustees will adopt a Debt Policy Statement that establishes guidelines for the management and oversight of external debt. Debt management guidelines will provide a framework for implementing the University’s debt issuances, imposing discipline on capital financing and operating budget decisions, managing interest rate risk and assisting in the continued investment in University facilities. The goal of the debt policy is to ensure adequate financial strength to service existing and proposed debt, to maintain leverage within acceptable risk tolerance while investing in strategic capital initiatives, and to enhance a strong financial profile to ensured continued access to capital and money markets. The Finance Committee will review the Debt Policy Statement at least every three years and make policy modification recommendations to the Board of Trustees as may be appropriate.

**K.J. Use of Reserves for Capital Projects**
In order to maintain University unrestricted financial resources at responsible levels, the Board of Trustees directs the President to enforce a policy requiring 100% of project funding to be in hand prior to beginning capital projects. During times of financial stress where unrestricted reserves are below minimum levels as described in this policy, the Board may require higher amounts of project funding to be on hand prior to beginning projects. The President may request the Board of Trustees to make exceptions to this policy as conditions warrant.

**1.K. Financial Reporting**

The Board of Trustees, through the Finance Committee, will review annual audited financial statements and interim financial reports throughout each fiscal year. Accordingly, the President or his/her designee will present the following financial reports to the Finance Committee as such become available during each fiscal year:

1. Audited fiscal-year ending financial statements;
2. Monthly Cash Report including sources and uses of cash and fiscal-year ending cash projections;
2.3. Monthly investment report with portfolio holdings and yield;
2.4. Operating Monthly Revenue/Expense Report including year-to-date actual versus budgeted revenues and expenses and fiscal year-ending actual versus budgeted revenue and expense projections;
2.5. 5-Year trends for annual financial performance benchmarks and other financial data (see Appendix DE).

**M.L. Policy Compliance**

The Finance Committee will monitor university financial performance for compliance with this financial policy. In the event the Committee deems the university’s performance falls substantially below the standards described herein, or in the event performance indicates negative trends which cannot be strategically justified, the Committee may direct the President to present a written plan for reversing negative trends or bringing overall performance into substantial compliance with this policy.

**N.M. Policy Review**

This financial governance policy will be reviewed by the Finance Committee of the Board of Trustees at least annually every three years.

**INSERT : APPENDICES to replace following sections**
Appendix A: Primary Financial Performance Indicators (Annual Indicators)

Financial Health Indicators

**Primary Reserve Ratio**
Purpose: Measures the financial strength of the institution by comparing expendable net assets to total expenses. One of four ratios (weighted at 35%) used to determine the Composite Financial Index.

Target: 0.40 or higher

Calculation: Expendable Net Assets Divided By: Total operating expenses

**Return on Net Assets Ratio**
Purpose: Determines whether the institution is financially better off than in previous years by measuring total economic return. One of four ratios (weighted at 20%) used to determine the Composite Financial Index.

Target:

Calculation: Change in Net Assets Divided By: Total Net Assets

**Viability Ratio (%)**
Purpose: Measures adequacy of reserves to cover total debt. One of four ratios (weighted at 30%) used to determine the Composite Financial Index.

Target: 1.25 or higher

Calculation: Expendable net assets Divided by: Total debt

**Net Income Ratio (%)**
Purpose: Measures whether the University is operating at a gain or a loss. Third of three ratios (weighted at 20%) used to determine composite Senate Bill 6 score.

Target: .02 - .04

Calculation: Change in total net assets Divided by: total operating revenues

**Liquidity Ratio**
Purpose: Measures liquid resources available to meet expected and potential demands on cash. Measured for both the short term (one year) and intermediate term (three years).
Target: 1.15 (short term) and 1.0 (intermediate term). Targets may evolve based on risk tolerance, reliability/confidence in cash projections, and changes in operating environment.

Calculation Sources of Liquidity
Divided by: Uses of liquidity

*Cash Flow Ratio (%)*
Purpose: Measures how much of total revenue is returned to the institution in cash. It eliminates the effects of accrual accounting (which recognizes non-cash income and expenses) to determine how much net cash is flowing into or out of the institution. This is one of the ratios used in the FB score discussed in Appendix E.

Target: > 0.0% (Cash flow positive)
Calculation: Operating Cash Flow
Divided by: Total Revenue

**Debt Position Indicators**

*Debt Burden Ratio*
Purpose: Examines the institution’s dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with total expenditures.

Target: < 6.0%
Calculation: Debt Service
Divided by: Total Expenditures

*Debt Coverage Ratio*
Purpose: Measures the excess of income over adjusted expenses available to cover annual debt service payments. It determines whether the institution has a net income stream available to meet its debt burden.

Target: TBD
Calculation: Adjusted Change in Net Assets
Divided by: Debt Service

*Leverage Ratio*
Purpose: Determines the proportion of debt contained in the institution’s capital structure.

Target: TBD
Calculation: Available Net Assets
Divided by: Long Term Debt

The numerator includes unrestricted and temporarily restricted net assets. Denominator includes all long term debt.

*Age of Facility Ratio*

**Purpose:** Measures the average age of total plant facilities by measuring the relationship of current depreciation to total depreciation. It provides a sense of the age of facilities and the potential need for future resources to be invested in plant to cover deferred maintenance.

**Target:** Typically 10 years or less. However, a low ratio is better as it indicates less need for investment in facilities. A high ratio signifies the potential need for significant expenditure for plant facilities in the near future.

**Calculation:** Accumulated Depreciation
Divided by: Depreciation Expense

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## Market Demand Indicators

### Total Applications Received

**Purpose:** Measures the total number of applications to attend WSU. May be subdivided into graduate, undergraduate, domestic, international, or other important.

**Target**

N/A

**Calculation:** Total applications received.

### Selectivity Ratio (%)

**Purpose:** Measures the number of students who the university accepts relative to how many apply.

**Target:** TBD

**Calculation:**
Number of acceptances
Divided by: Number of applicants

### Matriculation (Yield) Ratio (%)

**Purpose:** Measures the number of students enrolling as a percentage of acceptances.

**Target:** TBD

**Calculation:** Number of students enrolling
Divided by: Number of acceptances

*Total Tuition Discount Rate (%)*

**Purpose:** Measures the rate at which the institution subsidizes students on average relative to published tuition and fees.

**Target:** TBD

**Calculation:** The sum of:
- Scholarship discounts, fee waivers, and allowances paid by the institution in exchange for attendance.
- Plus scholarship expense
- Divided by: gross tuition and fee revenue

*University-Provided Financial Aid (%)*

**Purpose:** Measures the percentage of full tuition forgiven by the university in exchange for attendance.

**Target:** TBD

**Calculation**
- Scholarship discounts, allowances, and fee waivers paid from the WSU operating budget to reduce tuition for students in exchange for attendance
- Divided by: Gross tuition and fee revenue.
Appendix B: Secondary Financial Performance Indicators

*Senate Bill 6 Composite Score*

**Purpose:** A composite score used by the State of Ohio to assess the University’s overall financial health. A score below 1.75% for two consecutive years places an institution on fiscal watch.

**Calculation:** See table in Appendix D.

*Fichtenbaum-Bunsis (FB) Score*

**Purpose:** A composite score similar to the Senate Bill 6 Composite Score but that also includes a cash flow component (cash flow as a percentage of total revenues) with different weighting. The cash flow component produces a more conservative composite score by not including non-cash incomes based upon accruals.

**Calculation:** See table in Appendix E

*Unrestricted Financial Resources/Debt (%)*

**Purpose:** Measures the University’s most liquid funds as compared to outstanding debt.

**Target:** TBD

**Calculation:** The sum of:
- Unrestricted reserves
- Divided by: Total debt

*Debt Service Coverage (x)*

**Purpose:** Measures cash available to make principle and interest payments on University debt from annual operations.

**Target:** The median ratio of Moody’s A2 universities.

**Calculation:** The sum of:
- Annual operating surplus (deficit)
- Plus: non-cash depreciation expense
- Plus: Interest expense
- Divided by: Total of principal and interest payments on direct and indirect debt.

*Total financial resources per student ($)*

**Purpose:** Measures the amount of money from all sources available to the University per FTE student.

**Target:** N/A
Calculation: The sum of:
- Unrestricted net assets
- Plus: restricted expendable net assets
- Plus: restricted nonexpendable net assets
- Plus: foundation total net assets less foundation net investment in plant
Divided by: Total FTEs

Resource Sources (%)
Purpose: Measures financial resources received from the following areas:
- Tuition & Fees
- State Appropriations
- Contracts and Grants
- Auxiliary Activities
- Endowment and Investment Income
- Gifts
- Departmental Sales & Services
- Other

Target: N/A
Calculation: Total resources received from each area measured
Divided by: Total resources received

Spending per FTE Student
By Standard Expense Category ($)
Purpose: Measures University spending per FTE student in each of the following standard categories:
- Instruction
- Academic Support
- Student Services
- Research
- Net Scholarships & Fellowships
- Institutional Support
- Public Service
- Operations & Maintenance

Target: N/A
Calculation: Expenses for each category
Divided by: Total FTE

Note:
### Average Operating Margin (%)

**Purpose:** Measures average operating margin over the previous three fiscal years. Allows a longer term view of profitability not affected by results (positive or negative) from a single year.

**Target:** N/A

**Calculation:** The sum of:
- Last three years Operating Margin
- Divided by: Last three years of operating revenue

### Net Tuition per Student (%)

**Purpose:** Measures the actual amount students pay to attend WSU. Does not include amounts paid via scholarship or forgiven via discounts and allowances.

**Target:** N/A

**Calculations:** The sum of:
- Gross tuition and fees revenue
- Less Scholarship discount and allowances
- Less Scholarship expense
- Divided by total FTEs
Appendix C: Composite Financial Index (CFI)¹

Wright State University will use the Composite Financial Index (CFI) developed by Prager, Sealy & Co. LLC, as its primary means of analyzing financial position and in assessing future prospects. In this regard the CFI functions as an “affordability index” for the institution’s strategic plan.

The methodology for calculating the CFI requires calculating four core financial ratios (Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Assets Ratio, and Viability Ratio), applying a strength factor, and then a weighting factor to arrive at the composite score.

The strength factor used as a threshold level for WSU is based on threshold levels recommended by Prager, Sealy & Co. for public institutions. A strength factor of “3” on each ratio indicates that an institution is relatively financially healthy, that nearly 150 days of annualized expenses are retained in expendable resources, the net operating revenues generated are sufficient to keep pace with and likely exceed the growth of moderate expense levels, and expendable net assets exceed institutional debt levels (although not be excessive amounts). This is the relative mid-point on a range of strength factors between a floor of -4 and a ceiling of +10.

Weightings are based on recommendations for institutions with long-term debt.

The formula for calculating the index:

1. Calculate the value of each core ratio
2. Divide each core ratio value by the threshold strength factor
3. Multiply the result by the weighting factor
4. Add the resulting scores together to arrive at the total CFI

The example below is for the 2016 Fiscal Year ending June 30, 2016

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Ratio Value</th>
<th>Strength Factor</th>
<th>Weighting Factor</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve</td>
<td>0.10</td>
<td>0.133</td>
<td>35%</td>
<td>0.0875</td>
</tr>
<tr>
<td>Net Operating Revenues</td>
<td>0.470</td>
<td>0.417</td>
<td>10%</td>
<td>0.113</td>
</tr>
<tr>
<td>Return on Net Assets</td>
<td>-.093</td>
<td>.013</td>
<td>20%</td>
<td>-.000</td>
</tr>
<tr>
<td>Viability</td>
<td>-.09246</td>
<td>.02</td>
<td>35%</td>
<td>-.9246</td>
</tr>
<tr>
<td><strong>Total Score:</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>(0.8371)</strong></td>
</tr>
</tbody>
</table>

¹ (Prager, Sealy, LLC and KPMG, 2010)
Appendix D: Senate Bill 6 Composite Score Calculation

Wright State University’s Senate Bill 6 Composite Score calculation is the primary measure of financial health from the State of Ohio. The score is determined by weighting the scores for the Viability Ratio, Primary Reserve Ratio, and Net Income Ratio according to the following table:

<table>
<thead>
<tr>
<th>Ratio Scores</th>
<th>0</th>
<th>1 to .29</th>
<th>.30 to .59</th>
<th>.6 to .99</th>
<th>1.0 to 2.5</th>
<th>&gt; 2.5 or N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viability Ratio</td>
<td>&lt;0</td>
<td>0 to .29</td>
<td>.30 to .59</td>
<td>.6 to .99</td>
<td>1.0 to 2.5</td>
<td>&gt; 2.5 or N/A</td>
</tr>
<tr>
<td>Primary Reserve Ratio</td>
<td>&lt;-0.1</td>
<td>-.1 to .049</td>
<td>.05 to 0.99</td>
<td>.10 to .249</td>
<td>.25 to .49</td>
<td>.5 or greater</td>
</tr>
<tr>
<td>Net Income Ratio</td>
<td>&lt;-.05</td>
<td>-.05 to 0</td>
<td>0 to .009</td>
<td>.01 to .029</td>
<td>.03 to .049</td>
<td>.05 or greater</td>
</tr>
</tbody>
</table>

The composite score equals the sum of the assigned viability score multiplied by 30%, the assigned primary reserve score multiplied by 50%, and the assigned net income score multiplied by 20%.

Note: A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch. The highest composite score possible is 5.00.
Appendix E: Fichtenbaum-Bunsis (FB) Score

The Fichtenbaum-Bunsis Score is a composite scoring index similar to the Senate Bill 6 Composite Score calculation except that it includes a cash flow ratio in the calculation. The score is determined by weighting scores for the Viability Ratio, Primary Reserve Ration, Net Income Ratio, and Cash Flow Ratio according to the following table:

<table>
<thead>
<tr>
<th>Ratio Scores</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viability Ratio</td>
<td>&lt;0</td>
<td>0 to .29</td>
<td>.30 to .59</td>
<td>.6 to .99</td>
<td>1.0 to 2.5</td>
<td>&gt; 2.5 or N/A</td>
</tr>
<tr>
<td>Primary Reserve Ratio</td>
<td>&lt; -0.1</td>
<td>-.1 to .049</td>
<td>.05 to 0.99</td>
<td>.10 to .249</td>
<td>.25 to .49</td>
<td>.5 or greater</td>
</tr>
<tr>
<td>Net Asset Ratio</td>
<td>&lt; -.05</td>
<td>-.05 to 0</td>
<td>0 to .009</td>
<td>.01 to .029</td>
<td>.03 to .049</td>
<td>.05 or greater</td>
</tr>
<tr>
<td>Cash Flow Ratio</td>
<td>&lt; -5%</td>
<td>-5% to 0.00%</td>
<td>0.00% to 0.99%</td>
<td>1.0% to 2.99%</td>
<td>3.0% to 4.99%</td>
<td>&gt; 5.00%</td>
</tr>
</tbody>
</table>

The composite score equals the sum of the assigned viability score multiplied by 22.5%, the assigned primary reserve score multiplied by 45%, the net asset ratio at 12.5%, and the cash flow ratio at 20%.
### Appendix F: Financial Trends Summary

#### Wright State University
Financial Trends Report

<table>
<thead>
<tr>
<th>Primary Financial Indicators</th>
<th>FY 2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Financial Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Reserve Ratio</td>
<td></td>
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</tr>
<tr>
<td>Return on Net Assets Ratio</td>
<td></td>
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<tr>
<td>Viability Ratio</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net Income Ratio</td>
<td></td>
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<tr>
<td>Liquidity Ratio – Short Term</td>
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<tr>
<td>Liquidity Ratio – Intermediate Term</td>
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<tr>
<td>Cash Flow Ratio</td>
<td></td>
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<tr>
<td>Debt Burden Ratio</td>
<td></td>
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<tr>
<td>Debt Coverage Ratio</td>
<td></td>
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</tr>
<tr>
<td>Leverage Ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Age of Facility Ratio</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Applications Received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selectivity Ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matriculation (Yield) Ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Tuition Discount Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University-Provided Financial Aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Secondary Financial Indicators

| Senate Bill 6 Composite Score |         |        |        |        |        |
| Fichtenbaum-Bunsis Score      |         |        |        |        |        |
| Unrestricted Financial Resources to Debt % |   |        |        |        |        |
| Debt Service Coverage Ratio   |         |        |        |        |        |
| Total Financial Resources per Student |   |        |        |        |        |
| 3-Year Average Operating Margin |         |        |        |        |        |
| Net Tuition per FTE Student   |         |        |        |        |        |
| Total Tuition Discount %      |         |        |        |        |        |
| Operating Expenses per Student |         |        |        |        |        |
| State Appropriations per Student |       |        |        |        |        |

#### Other Performance Data

| Total FTE Enrollment |         |        |        |        |        |
| Total Financial Resources |         |        |        |        |        |
| Total Direct Debt     |         |        |        |        |        |
| Total Operating Revenue |       |        |        |        |        |
| Reliance on Tuition/Auxiliary Revenue as % Op. Revenue |   |        |        |        |        |
| Reliance on State Appropriate Revenue as % of Op. Revenue |   |        |        |        |        |
INSERTED APPENDICES
Appendix A: Moody’s Scorecard

A scorecard composed of nine factors (6 quantitative and 3 qualitative) used to assess the credit profile and relative strength of the university or as a part of a peer group.

Target: A2- Stable; Minimum Baa3 (investment grade)

Calculation: Based on mapping of each factor calculation to corresponding Moody’s rating category and to a numerical score. The numeric score for each factor is multiplied by the weight for that factor, with the results then summed to produce an aggregate numeric score. The aggregate numeric score is then mapped back to a scorecard-indicated outcome (rating). Deficiencies in one factor can be compensated by factors with stronger metrics.

<table>
<thead>
<tr>
<th>Component Ratio</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative Factors:</td>
<td></td>
</tr>
<tr>
<td>Scale of Operations (Adjusted Operating Revenue)</td>
<td>15%</td>
</tr>
<tr>
<td>Operating Performance (EBIDA Margin)</td>
<td>15%</td>
</tr>
<tr>
<td>Total Cash &amp; Investments</td>
<td>10%</td>
</tr>
<tr>
<td>Total Cash &amp; Investments to Operating Expenses</td>
<td>10%</td>
</tr>
<tr>
<td>Total Cash &amp; Investments to Adjusted Debt</td>
<td>15%</td>
</tr>
<tr>
<td>Annual Debt Service Coverage</td>
<td>10%</td>
</tr>
<tr>
<td>Financial Policy and Strategy</td>
<td>10%</td>
</tr>
<tr>
<td>Qualitative Factors:</td>
<td></td>
</tr>
<tr>
<td>Brand and Strategic Positioning Initiatives</td>
<td>10%</td>
</tr>
<tr>
<td>Operating Environment</td>
<td>10%</td>
</tr>
<tr>
<td>Financial Policy and Strategy</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aggregate Numerical Score Range</th>
<th>Scorecard Indicated Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 0.5 to 1.5</td>
<td>Aaa</td>
</tr>
<tr>
<td>Over 1.5 to 2.5</td>
<td>Aa1</td>
</tr>
<tr>
<td>Over 2.5 to 3.5</td>
<td>Aa2</td>
</tr>
<tr>
<td>Over 3.5 to 4.5</td>
<td>Aa3</td>
</tr>
<tr>
<td>Over 4.5 to 5.5</td>
<td>A1</td>
</tr>
<tr>
<td>Over 5.5 to 6.5</td>
<td>A2</td>
</tr>
<tr>
<td>Over 6.5 to 7.5</td>
<td>A3</td>
</tr>
<tr>
<td>Over 7.5 to 8.5</td>
<td>Baa1</td>
</tr>
<tr>
<td>Over 8.5 to 9.5</td>
<td>Baa2</td>
</tr>
<tr>
<td>Over 9.5 to 10.5</td>
<td>Baa3</td>
</tr>
</tbody>
</table>

Below is Fiscal 2021 as an example:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Value</th>
<th>Corresponding Score</th>
<th>Weight</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Operating Revenue</td>
<td>$292 million</td>
<td>6.1 (A2)</td>
<td>15%</td>
<td>0.91</td>
</tr>
<tr>
<td>Operating Cash Flow Margin</td>
<td>15.66%</td>
<td>4.2 (Baa1)</td>
<td>10%</td>
<td>0.42</td>
</tr>
<tr>
<td>Total Cash &amp; Investments</td>
<td>$282 million</td>
<td>4.3 (Aa3)</td>
<td>10%</td>
<td>0.43</td>
</tr>
<tr>
<td>Cash &amp; Investments to Operating Expenses</td>
<td>1.06x</td>
<td>2.7 (A1)</td>
<td>15%</td>
<td>0.40</td>
</tr>
<tr>
<td>Cash and Investments to Adjusted Debt</td>
<td>0.40x</td>
<td>6.7 (A3)</td>
<td>10%</td>
<td>0.67</td>
</tr>
<tr>
<td>Annual Debt Service Coverage</td>
<td>5.37x</td>
<td>0.8 (Aa2)</td>
<td>10%</td>
<td>0.08</td>
</tr>
<tr>
<td>Brand and Strategic Positioning</td>
<td>Good</td>
<td>9.0 (Baa2)</td>
<td>10%</td>
<td>0.90</td>
</tr>
<tr>
<td>Operating Environment</td>
<td>Good</td>
<td>9.0 (Baa2)</td>
<td>10%</td>
<td>0.90</td>
</tr>
<tr>
<td>Financial Policy and Strategy</td>
<td>Good</td>
<td>9.0 (Baa2)</td>
<td>10%</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Total Score: 5.61

Implied Rating: A2
**Adjusted Operating Revenue**
Purpose: Is an important indicator of the overall depth of the university’s business and its success in attracting students, donor and faculty, as well as resilience to shocks. Higher education institutions with larger scales of operations typically have higher brand recognition, broader diversification of educational programs and revenue sources and a greater ability to take advantage of economies of scale during economically challenged times.

Target: $235 million or better (minimum A2 level)

Calculation: Unrestricted Operating Revenue, adjusted to account for pass-through Scholarships and Fellowship Expenses and normalized endowment draws.

**Operating Performance (EBIDA Margin)**
Purpose: Operating performance is an important indicator of the university’s ability to repay debt from operating revenues as well as invest in academic programs and facilities to advance its strategic objectives. A core aspect of a university’s operating performance as its earnings before interest, depreciation and amortization (EBIDA Margin).

Target: 10.4% or better (minimum A2 level)

Calculation: [Earnings before Interest, Depreciation, Amortization and other large non-cash expenses] divided by [Adjusted Operating Revenue]

**Total Cash and Investments**
Purpose: Total cash and investments is an important indicator of a university’s financial flexibility and resilience and its ability to generate investment income.

Target: $50 million or better (minimum A2 level)

Calculation: Cash and Investments (including Foundation)

**Total Cash and Investments to Operating Expenses (x)**
Purpose: Provides important indications of the extent to which the university could use financial reserves to meet expenses over time. The ratio is of particular importance during periods of financial stress, where revenue may be subject to volatility or declines.

Target: Minimum 0.59x (Moody’s A2 minimum level)

Calculation: [Total Cash and Investments (including Foundation)] divided by [Operating Expenses]

**Total Cash and Investments to Total Adjusted Debt (x)**
Purpose: The ratio of total cash and investments to total adjusted debt is an important indicator of a university’s ability to repay debt and other debt-like obligations such as pensions, over time. A university with a higher ratio is in a better position to repay its obligations.

Target: Minimum 0.47x (Moody’s A2 minimum level)

Calculation: [Total cash and Investments (including Foundation)] divided by [Adjusted Debt (which includes unfunded pension liability, operating leases and guaranteed debt obligations)]

**Annual Debt Coverage Ratio**
Purpose: Measures the university’s ability to consistently generate sufficient cash flow to repay debt.

Target: Minimum 1.66x (Moody’s A2 minimum level)

Calculation: [Earnings before Interest, Depreciation, Amortization and other large non-cash expenses] divided by [Debt Service]
Appendix B: Composite Financial Index

Purpose: A composite scorecard developed by Prager, Sealy & Co. LLC as a means to analyzing financial position and in assessing future prospects. In this regard the CFI functions as an “affordability index” for the institution’s strategic plan. The methodology utilizes four core financial ratios, strength and weighting factors to arrive at the composite score.

Target: Target is 3.0; Minimum is 1.1 (floor of -4 and ceiling of +10).

Calculation:
Calculate the values of each core ratio
Divide each core ratio value by the threshold strength factor
Multiply the result by the weighting factor
Add the resulting scores together to arrive at the total CFI

Below is Fiscal 2021 as an example:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Ratio Value</th>
<th>Strength Factor</th>
<th>Weighting Factor</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve</td>
<td>0.373</td>
<td>0.133</td>
<td>35%</td>
<td>0.98</td>
</tr>
<tr>
<td>Viability</td>
<td>1.774</td>
<td>0.417</td>
<td>35%</td>
<td>1.49</td>
</tr>
<tr>
<td>Return on Net Assets</td>
<td>11.50%</td>
<td>2.00%</td>
<td>20%</td>
<td>1.15</td>
</tr>
<tr>
<td>Net Operating Revenues</td>
<td>10.11%</td>
<td>1.30%</td>
<td>10%</td>
<td>0.78</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total Score: 4.40</td>
</tr>
</tbody>
</table>

Primary Reserve Ratio
Purpose: Measures how long an institution could conduct operations if no new revenues were being generated. Measures relative wealth of the university and the financial viability.

Target: Long-term target of 0.40

Calculation: [Unrestricted Net Assets plus Expendable Restricted Net Assets] divided by [Operating Expenses (excluding Pension and OPEB) plus Interest on Capital Asset-Related Debt]

Viability Ratio
Purpose: Measures the amount of debt that could repaid just from reserves.

Target: Long-term target of 1.25

Calculation: [Unrestricted Net Assets plus Expendable Restricted Net Assets] divided by [Long-Term Debt (Includes Premium)]

Return on Net Asset
Purpose: Measures financial performance of the institution and indicates the percentage of net income the institution is generating from the assets. Higher return on net assets means the university is using its assets and working capital efficiently and effectively.

Target: Long-term target of 6.0%

Calculation: [Change in Total Net Assets] divided by [Beginning Net Assets]

Net Operating Revenues Ratio
Purpose: Indicates whether an institution was able to conduct operating activities by using just the operating revenues generated during the period. An institution able to do this will contribute to reserves by generating more operating revenues than operating expenses.

Target: Long-term target of 2%

Calculation: [Operating Loss (adjusted for exclusion of Pension and OPEB) plus Net Nonoperating Revenues] divided by [Operating Revenues plus Nonoperating Revenues (adjusted for exclusion of Interest on Capital Asset-Related Debt)]
Appendix C: Senate Bill 6 Composite Score

Purpose: A composite score used by the State of Ohio to assess the university’s overall financial health. A score below 1.75 for two consecutive years places an institution on fiscal watch.

Target: Target is >3.0; Minimum is 1.75 (floor of 0 and ceiling of 5).

Calculation: Weighted average sum of Ratio Scores
The composite score equals the sum of the assigned viability score multiplied by 30%, the assigned primary reserve score multiplied by 50%, and the assigned net income score multiplied by 20%.

<table>
<thead>
<tr>
<th>Ratio Scores</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve Ratio</td>
<td>&lt; -0.1</td>
<td>-.1 to .049</td>
<td>.05 to 0.099</td>
<td>.10 to .249</td>
<td>.25 to .49</td>
<td>.5 or greater</td>
</tr>
<tr>
<td>Viability Ratio</td>
<td>&lt;0</td>
<td>0 to .29</td>
<td>.30 to .59</td>
<td>.6 to .99</td>
<td>1.0 to 2.5</td>
<td>&gt; 2.5 or N/A</td>
</tr>
<tr>
<td>Net Income Ratio</td>
<td>&lt; -.05</td>
<td>-.05 to 0</td>
<td>0 to .009</td>
<td>.01 to .029</td>
<td>.03 to .049</td>
<td>.05 or greater</td>
</tr>
</tbody>
</table>

Note: A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch. The highest composite score possible is 5.00.

Below is Fiscal 2021 as an example:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Ratio Value</th>
<th>Assigned Score</th>
<th>Weighting Factor</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve</td>
<td>0.373</td>
<td>4</td>
<td>50%</td>
<td>2.0</td>
</tr>
<tr>
<td>Viability</td>
<td>1.856</td>
<td>4</td>
<td>30%</td>
<td>1.2</td>
</tr>
<tr>
<td>Net Income</td>
<td>0.121</td>
<td>5</td>
<td>20%</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Total Score: 4.2**

**Primary Reserve Ratio**
Purpose: Measures how long an institution could conduct operations if no new revenues were being generated. Measures relative wealth of the university and the financial viability.

Target: Long-term target of 0.40

Calculation: \([\text{Unrestricted Net Assets plus Expendable Restricted Net Assets}] / \text{[Operating Expenses (excluding Pension and OPEB) plus Interest on Capital Asset-Related Debt]}\)

**Viability Ratio**
Purpose: Measures the amount of debt that could repaid just from reserves.

Target: Long-term target of 1.25

Calculation: \([\text{Unrestricted Net Assets plus Expendable Restricted Net Assets}] / \text{[Long-Term Debt (Excludes Premium)]}\)

**Net Income Ratio**
Purpose: Measures change in total net assets (net income) as a percent of total revenues. Indicates return on revenue and financial efficiency.

Target: Long-term target of 0.04

Calculation: \([\text{Change in Total Net Assets}] / \text{[Operating Revenues plus Nonoperating Revenues (adjusted for exclusion of Interest on Capital Asset-Related Debt and Other Nonoperating Expenses) plus Capital Appropriations and Capital Grants and Gifts]}\)
Appendix D: Other Financial and Market Indicators

Other Financial Indicators

**Days Cash on Hand:**
Purpose: Measures the number of days cash the university can continue to pay its operating expenses, given the amount of cash and liquid investments available.

Calculation: [Liquid Cash and Investments x 365] divided by [Operating Expenses]
Target: 180 days

**Unrestricted Financial Resources/Debt (%):**
Purpose: Measures the University’s most liquid funds as compared to outstanding debt.

Calculation: [The sum of Unrestricted Reserves] divided by [Total Debt]

**Leverage Ratio:**
Purpose: Determines the proportion of debt contained in the institution’s capital structure.

Calculation: [Available Net Assets] divided by [Long Term-Debt]

The numerator includes unrestricted and temporarily restricted net assets. Denominator includes all long-term debt.

**Age of Facility Ratio:**
Purpose: Measures the average age of total plant facilities by measuring the relationship of current depreciation to total depreciation. It provides a sense of the age of facilities and the potential need for future resources to be invested in plant to cover deferred maintenance. A low ratio is better as it indicates less need for investment in facilities. A high ratio signifies the potential need for significant expenditure for plant facilities in the near future.

Calculation: [Accumulated Depreciation] divided by [Depreciation Expense]

**Total financial resources per student ($):**
Purpose: Measures the amount of money from all sources available to the University per FTE student.

Calculation: [Unrestricted net assets + Restricted expendable net assets + Restricted nonexpendable net assets + (Foundation total net assets less foundation net investment in plant)] divided by [Total FTEs]

**Total Tuition Discount Rate (%):**
Purpose: Measures the rate at which the institution subsidizes students on average relative to published tuition and fees.

Calculation: [[(Scholarship discounts, fee waivers, and allowances paid by the institution in exchange for attendance) + (Scholarship expense)] divided by [Gross tuition and fee revenue]]

**Net Tuition per Student:**
Purpose: Measures the actual amount students pay to attend WSU. Does not include amounts paid via scholarship or forgiven via discounts and allowances.

Calculation: [(Gross tuition and fees revenue) - (Scholarship discount and allowances) - (Scholarship expense)] divided by [total FTEs]
Market Demand Indicators

Total Applications
Purpose: Measures the total number of applications for admission. Applications are for a specific entry term and may be divided by various student types including: graduate, undergraduate, domestic, international, new, non-degree, other, and transfer.

Calculation: Total applications received.

Selectivity
Purpose: Measures the percentage of students admitted to the university relative to the number of applications.

Calculation: [Number of acceptances] divided by [Number of applicants]

Yield Rate
Purpose: Measures the number of students enrolling as a percentage of acceptances.

Calculation: [Number of students enrolling] divided by [Number of acceptances]

Retention Rate
Purpose: Measures the number of first-time, full-time, degree-seeking students, the number that are enrolled in courses at the same institution in the fall term of the following year.

Calculation: [Number of first-time, full-time, degree seeking students enrolled second year] divided by [Number of first-time, full-time, degree seeking students enrolled first year]
## Appendix E: 5-Year Trend for Financial Performance Benchmarks and Other Financial and Market Indicators

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody's Credit Implied Rating</td>
<td>A2</td>
<td>Baa3</td>
<td>A3</td>
<td>A2</td>
<td>A3</td>
<td>A2</td>
</tr>
<tr>
<td>Current Rating</td>
<td>Stable</td>
<td>Baa2</td>
<td>Baa2</td>
<td>Baa2</td>
<td>Baa1</td>
<td>Baa1</td>
</tr>
<tr>
<td>Weighted Score</td>
<td>&lt;6.5</td>
<td>9.57</td>
<td>6.95</td>
<td>6.44</td>
<td>6.55</td>
<td>5.62</td>
</tr>
<tr>
<td>Operating Revenue (in millions)</td>
<td>&gt; $235</td>
<td>$341.4</td>
<td>$327.6</td>
<td>$313.9</td>
<td>$293.4</td>
<td>$291.7</td>
</tr>
<tr>
<td>Operating Performance Margin (EBIDA)</td>
<td>&gt; 10.4%</td>
<td>-2.3%</td>
<td>7.8%</td>
<td>11.0%</td>
<td>7.9%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Cash &amp; Investments (in millions)</td>
<td>&gt; $50</td>
<td>$163.4</td>
<td>$176.3</td>
<td>$202.2</td>
<td>$212.0</td>
<td>$281.8</td>
</tr>
<tr>
<td>Cash &amp; Investments to Operating Expenses (x)</td>
<td>&gt; .59x</td>
<td>0.44x</td>
<td>0.54x</td>
<td>0.67x</td>
<td>0.72x</td>
<td>1.06x</td>
</tr>
<tr>
<td>Total Cash &amp; Investments to Adjusted Debt (x)</td>
<td>&gt; 1.66</td>
<td>-0.80x</td>
<td>2.50x</td>
<td>3.30x</td>
<td>2.90x</td>
<td>5.37x</td>
</tr>
<tr>
<td>Annual Debt Service Coverage (x)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand and Strategic Positioning (qualitative)</td>
<td>Very Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Operating Environment (qualitative)</td>
<td>Very Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Financial Policy and Strategy (qualitative)</td>
<td>Very Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Composite Financial Index Score</td>
<td>&gt;=3.0</td>
<td>-0.92</td>
<td>0.83</td>
<td>1.69</td>
<td>1.73</td>
<td>4.40</td>
</tr>
<tr>
<td>Primary Reserve Ratio</td>
<td>0.40</td>
<td>0.043</td>
<td>0.091</td>
<td>0.151</td>
<td>0.203</td>
<td>0.373</td>
</tr>
<tr>
<td>Viability Ratio</td>
<td>1.25</td>
<td>0.197</td>
<td>0.393</td>
<td>0.670</td>
<td>0.955</td>
<td>1.774</td>
</tr>
<tr>
<td>Return on Net Assets</td>
<td>6.00%</td>
<td>-8.19%</td>
<td>2.27%</td>
<td>4.42%</td>
<td>3.81%</td>
<td>11.50%</td>
</tr>
<tr>
<td>Net Operating Revenues</td>
<td>2.00%</td>
<td>-9.12%</td>
<td>0.41%</td>
<td>3.73%</td>
<td>0.23%</td>
<td>10.11%</td>
</tr>
<tr>
<td>Senate Bill 6 Ratio Score</td>
<td>&gt;=3.0</td>
<td>0.8</td>
<td>2.2</td>
<td>3.2</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Primary Reserve Ratio</td>
<td>0.40</td>
<td>0.043</td>
<td>0.091</td>
<td>0.151</td>
<td>0.203</td>
<td>0.373</td>
</tr>
<tr>
<td>Viability Ratio</td>
<td>1.25</td>
<td>0.207</td>
<td>0.411</td>
<td>0.701</td>
<td>1.000</td>
<td>1.856</td>
</tr>
<tr>
<td>Net Income Ratio</td>
<td>0.04</td>
<td>-0.074</td>
<td>0.020</td>
<td>0.040</td>
<td>0.038</td>
<td>0.121</td>
</tr>
</tbody>
</table>
| Other Ratios:

| Days Cash on Hand                          | 180          | 27     | 52     | 85     | 106    | 185    |
| Unrestricted Financial Resources to Debt   | 0.005        | 0.208  | 0.585  | 0.886  | 1.700  |
| Leverage Ratio                             | 19.72%       | 39.29% | 66.96% | 95.54% | 177.45%|
| Age of Facility Ratio                      | 15.69        | 16.13  | 17.63  | 18.36  | 20.23  |
| Total Financial Resources per student ($)  | 10,936       | 12,364 | 14,876 | 18,222 | 27,528 |
| Total Tuition Discount Rate %              | 36.5%        | 37.3%  | 36.7%  | 39.5%  | 40.0%  |
| Net Tuition per Student                    | 10,259       | 9,727  | 9,827  | 10,236 | 10,412 |
| Total Applications Received                | 16,692       | 14,560 | 13,443 | 13,024 | 11,931 |
| Selectivity Ratio                          | 87%          | 91%    | 92%    | 93%    | 94%    |
| Matriculation Ratio                        | 48%          | 48%    | 44%    | 39%    | 37%    |
| First Year to Second Year Retention Rate   | 64.3%        | 61.0%  | 64.9%  | 65.2%  | 65.4%  |