

## Appendix A : Key Financial Indicators

Key Financial Indicators include the following higher education medians (as provided in the Moody's Public College and University Financial Ratio Definitions Report):

- a. Financial Leverage: This ratio measures the University's ability to repay bondholders from wealth that can be accessed over time or for a specific purpose and is a determinant of medium to long term financial health based on the strength of its balance sheet. Spendable Cash & Investments include cash and investments plus funds held in trust by others plus pledges receivable reported in permanently restricted net assets, less funds permanently restricted by third parties.

$$\frac{\text{Spendable Cash and Investments}}{\text{Total Debt}}^1$$

- b. Debt Service to Operations: This ratio measures the percentage of operating expenses that support debt service and is a determinant of the University's operating flexibility to finance existing obligations and new initiatives. Total operating expense calculation includes interest expenses less student aid.

$$\frac{\text{Annual Debt Service}}{\text{Total Operating Expense Times 100}}^2$$

- c. Debt Service Coverage: This ratio measures the University's ability to cover debt service requirements with operating revenues and is a determinant of the strength of the operating income to meet its annual obligations.

$$\frac{\text{Operating Surplus (Deficit) Plus Interest and Depreciation}}{\text{Annual Debt Service}}^2$$

- d. Annual Days Cash on Hand: This ratio measures the number of days the University is able to operate (cover its cash operating expenses) from unrestricted cash and investments that can be liquidated annually and is a determinant of the liquidity and flexibility the University maintains to finance existing obligations, potential liquidity funding, and new initiatives.

$$\frac{\text{Annual Liquidity Times 365}}{\text{Total Expenses Less Depreciation and Unusually Large Non-Cash Expenses}}^2$$

- e. Operating Reserve: this ratio measures the extent to which a University can rely on wealth that can be accessed over time or for a specific purpose to operate without earning any additional revenue and is a determinant of financial health of the University to meet its current obligations. Spendable Cash & Investments include cash and investments plus

funds held in trust by others plus pledges receivable reported in permanently restricted net assets, less funds permanently restricted by third parties. Total operating expense calculation includes interest expense less student aid.

Spendable Cash and Investments

Total Operating Expenses<sup>3</sup>

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<sup>1</sup> Numerator and denominator include all component units

<sup>2</sup> Numerator and denominator include only GMU

<sup>3</sup> Numerator includes all component units, denominator includes only GMU