

Primary Reserve Ratio

The Primary Reserve Ratio measures the financial strength of the institution by comparing expendable net assets to total expenses. Expendable net assets represent those assets that the institution can access relatively quickly and spend to satisfy its debt obligations. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. Trend analysis indicates whether an institution has increased its net worth in proportion to the rate of growth in its operating size.

Resource Sufficiency and Flexibility: Are resources sufficient and flexible enough to support the mission?

A **Primary Reserve Ratio** of 0.40X or better is advisable to give institutions the flexibility to transform the enterprise. The implication of a 0.40X ratio is that the institution would have the ability to cover about five months of expenses. Generally institutions operating at this level are able to carry on a reasonable level of activities, and appear capable of managing modest unforeseen adverse financial events. ⁽¹⁾



UTSA's CONDITION: Above standard and flat for 2 years.

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	Change
Primary Reserve Ratio	0.49	0.47	0.55	0.57	0.59	0.49	0.50	1%
<i>Data</i>								
Expendable Net Assets	\$ 117,216,224	\$ 130,213,038	\$ 168,027,052	\$ 184,882,027	\$ 210,902,701	\$ 197,452,816	\$ 221,085,866	\$ 23,633,051
Total Expense	\$ 239,473,092	\$ 277,771,460	\$ 303,992,497	\$ 321,418,711	\$ 358,124,406	\$ 401,406,174	\$ 443,365,720	\$ 41,959,546

Formula

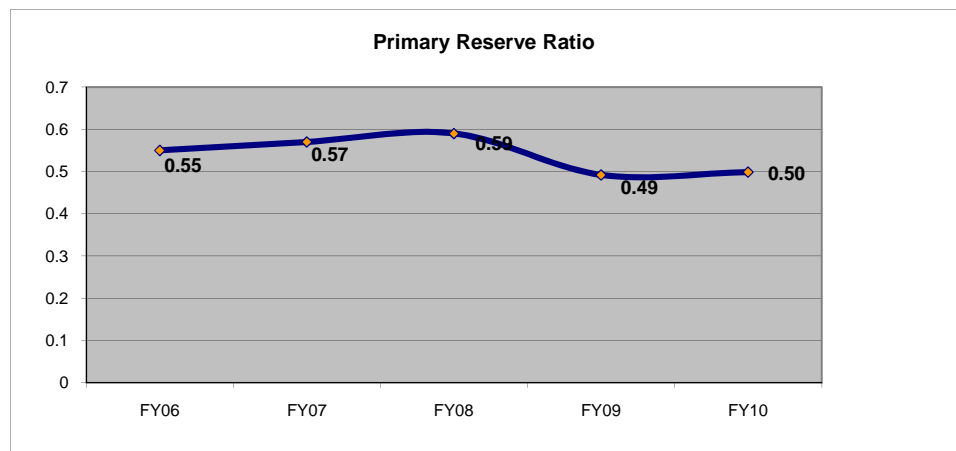
$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

Numerator

Expendable net assets = Total Net Assets minus Restricted Endowments minus Investment in Capital Assets

Denominator

Comprises all expenses on a GASB basis in the statement of revenues, expense and changes in net assets, including operating expenses and nonoperating expenses such as interest expense. Investment losses should be excluded from expenses for both the institution and its component units.



(1) "Ratio Analysis in Higher Education-Measuring Past Performance to Chart Future Direction", 1999, Fourth Edition, KPMG LLP and Prager, McCarthy & Sealy, LLC, pages 11-13.