

EXECUTIVE SUMMARY

The Analysis of Financial Condition (AFC) was performed by using financial information found in the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position. In addition, debt and interest expense are allocated to the individual institutions. All ratios calculated are commonly used by bond rating agencies, public accounting, and consulting firms.

The analysis includes a scorecard that uses broad factors with sub-categories of quantitative and qualitative characteristics as demonstrated in the grid below. A five-year historical view is provided for each sub-category for all institutions.

Broad Factors for Academic Institutions	Broad Factors for Healthcare Institutions
Market Profile <ul style="list-style-type: none"> Operating Revenue Annual Change in Operating Revenues Strategic Positioning 	Market Position <ul style="list-style-type: none"> Operating Revenue 3-year Operating Revenue Market Landscape
Operating Performance <ul style="list-style-type: none"> Operating Cash Flow Margin Maximum Single Revenue Contribution 	Operating Performance & Liquidity <ul style="list-style-type: none"> 3-year Average Operating Cash Flow Margin Gross Revenue of Payor Mix Cash on Hand Financial Management & Reinvestment
Wealth & Liquidity <ul style="list-style-type: none"> Total Cash & Investments Spendable Cash & Investments to Operating Expenses Cash on Hand 	Leverage <ul style="list-style-type: none"> Unrestricted Cash & Investments to Total Debt Total Debt to Cash Flow
Leverage <ul style="list-style-type: none"> Spendable Cash & Investments to Total Debt Total Debt to Cash Flow 	

In addition to the scorecard factors, a five-year historical analysis is provided for all institutions on the following ratios:

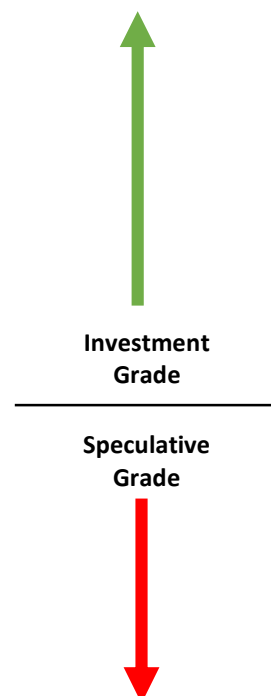
- Debt Service to Operations
- Operating Performance (Annual Operating Margin including and excluding depreciation/amortization expense)
- Spendable Cash & Investments to Total Debt for Academic Institutions
- Unrestricted Cash & Investments to Total Debt for Healthcare Institutions

The results of all calculations, the strategic positioning for academic institutions, and market landscape for health institutions, was collectively reviewed and discussed with executive vice chancellors and chief business officers at each institution to determine an annual financial evaluation.

The table on the following page provides a summary of the overall scorecard rating for all institutions.

Institution	FY 21 Overall Scorecard Rating
Academics	
The University of Texas at Arlington	
The University of Texas at Austin	
The University of Texas at Dallas	
The University of Texas at El Paso	
The University of Texas Permian Basin	
The University of Texas Rio Grande Valley	
The University of Texas at San Antonio	
The University of Texas at Tyler	
Healths	
The University of Texas Southwestern Medical Center	
The University of Texas Medical Branch at Galveston	
The University of Texas Health Science Center at Houston	
The University of Texas Health Science Center at San Antonio	
The University of Texas M. D. Anderson Cancer Center	

Scorecard Outcome	Aggregate Weighted Factor Score
Aaa	1.5
Aa1	1.5 - 2.5
Aa2	2.5 - 3.5
Aa3	3.5 - 4.5
A1	4.5 - 5.5
A2	5.5 - 6.5
A3	6.5 - 7.5
Baa1	7.5 - 8.5
Baa2	8.5 - 9.5
Baa3	9.5 - 10.5
Ba1	10.5 - 11.5
Ba2	11.5 - 12.5
Ba3	12.5 - 13.5
B1	13.5 - 14.5
B2	14.5 - 15.5
B3	15.5 - 16.5
Caa1 and below	> 16.5



Analysis of Financial Condition

2021

ACADEMIC INSTITUTIONS SCORECARD

<i>Broad Factors</i>	<i>Factor Weighting</i>	<i>Sub-Factors</i>	<i>Sub-Factor Weighting</i>
<i>Market Profile</i>	20%	Operating Revenue	15%
		Annual Change in Op. Revenue	5%
<i>Operating Performance</i>	30%	Operating Cash Flow Margin	20%
		Max Single Revenue Contribution	10%
<i>Wealth & Liquidity</i>	30%	Total Cash & Investments	15%
		Spendable C&I to Op. Expenses	10%
		Cash on Hand (days)	5%
<i>Leverage</i>	20%	Spendable C&I to Total Debt	10%
		Total Debt to Cash Flow	10%

After calculating each sub-factor, the outcomes are mapped to a broad rating typically used by bond rating agencies.

EXHIBIT 2

HEALTHCARE INSTITUTIONS SCORECARD

<i>Broad Factors</i>	<i>Factor Weighting</i>	<i>Sub-Factors</i>	<i>Sub-Factor Weighting</i>
<i>Market Profile</i>	35%	Operating Revenue	25%
		3-year Operating Revenue (CAGR)	10%
<i>Operating Performance & Liquidity</i>	35%	3-year Avg Operating Cash Flow Margin	15%
		Gross Rev of Payor Mix (%)	10%
		Cash on Hand (days)	10%
<i>Leverage</i>	30%	Unrestricted Cash & Inv to Total Debt	15%
		Total Debt to Cash Flow	15%

After calculating each sub-factor, the outcomes are mapped to a broad rating typically used by bond rating agencies.

The University of Texas at San Antonio 2021 Summary of Financial Condition

Financial Condition: Satisfactory

EXECUTIVE SUMMARY

Highlights

General Overview

The University of Texas at San Antonio's (U. T. San Antonio) Incentivized Resource Management budget model continues to guide resource allocation. This model aligns resources with institutional priorities while still providing greater decision-making authority within the academic colleges and other revenue units. U. T. San Antonio's current institutional investment priorities surround the pending acquisition of the Southwest School of Art and the collaboration with the University of Texas Health Science Center at San Antonio (UTHSC-San Antonio) to establish a School of Public Health. The partnership with the Southwest School of Art provides a natural expansion of academic fine art programs, while also offering expanded opportunities to the U. T. San Antonio community. The partnership with UTHSC-San Antonio is dedicated to meeting the strong demand for public health education in San Antonio and to develop the next generation of public health professionals. The two U. T. System institutions are federally designated Hispanic Serving Institutions with the knowledge and expertise to meet the unique health needs of the region's diverse population.

Due to the receipt of large earmarked or restricted funds, U. T. San Antonio's operating margin for 2021 was \$126.1 million (16.9%). The large margin was primarily due to following: the university receiving two of the largest gifts in its history (\$40 million and \$20 million); \$14 million growth in other operating gifts; a \$28 million reimbursement from Higher Education Emergency Relief Funds (HEERF) funding for lost revenue that is earmarked but not yet spent; and a 4% increase in enrollment.

In addition, with an unknown pandemic environment, decreased state appropriations and a projected enrollment decrease, U. T. San Antonio implemented budget reductions for fiscal year 2021 from state and tuition funding sources of 9% for colleges and 10% in other units. Therefore, overall operating expenses only increased 2%. Fiscal year 2021 financial activity included the following measurable COVID-19 effects:

- \$19.2 million lower revenue from housing, meals, and parking,
- \$2.8 million lower revenue from events, sales and services,
- \$1.5 million lower revenue from two mandatory student fees not charged during the year, and
- \$6.3 million in decreases for costs like travel and entertainment due to reduced pandemic activity.

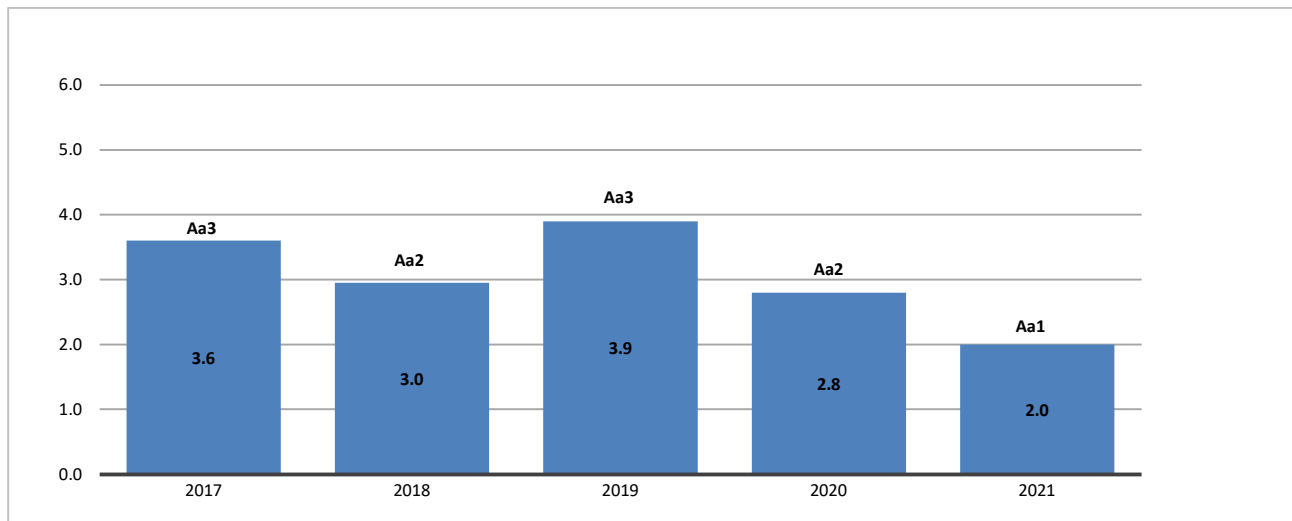
Over the past two years, the university has been awarded more than \$176.4 million in HEERF funding. A total of \$94.8 million has been spent, of which \$72.3 million was spent during fiscal year 2021. Of total HEERF expenditures, U. T. San Antonio spent 53% on student payments, 33% on the lost revenue reimbursement for both fiscal year 2021 and fiscal year 2020, 11% on technology-related purchases and 3% on other expenses.

Observations

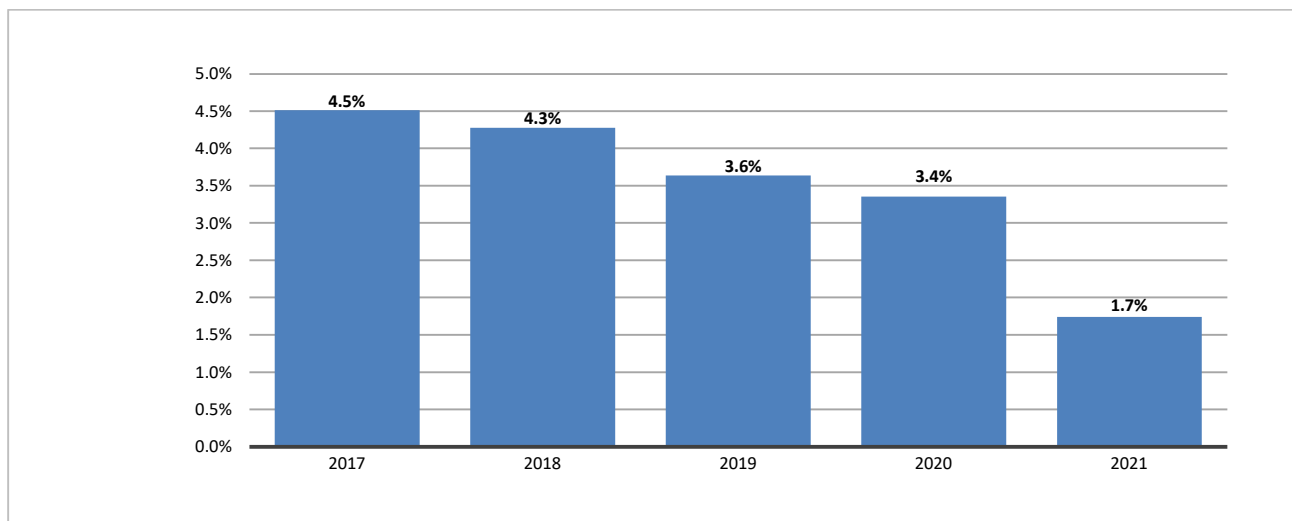
- Historic giving levels benefitted U. T. San Antonio in fiscal year 2021. In addition to a \$40 million gift from Mackenzie Scott's foundation, U. T. San Antonio received a \$20 million pledge for the Alvarez College of Business, a \$4 million restricted research gift and five other gifts greater than \$1 million.
- Fiscal year 2021 was the inaugural year of U. T. San Antonio's Bold Promise Program, which provided tuition and fee coverage to qualified students with family incomes of \$50,000 or less. The average gift aid was \$13,387. The program income level has been increased to \$70,000 for the future.
- The university placed two new buildings in service and assumed ownership of another:
 - Guadalupe Hall provides 101,350 gross square feet of student residency space for 360 students and expands the number of students living on campus to 4,508.
 - The Roadrunner Athletics Center of Excellence (RACE) offers 95,000 square feet of academic and athletic space, promoting the academic success, health, wellness, and performance of the university's student-athletes. U. T. San Antonio leases the RACE facility but has recorded the full value of the net present value of lease payments, \$14.8 million, in accordance with accounting principles.
 - Chisolm Hall transferred ownership to U. T. San Antonio after a 30-year management agreement at a \$711,000 value based upon tax assessment value.
- The university's net tuition and fees include \$23.1 million of state exemptions, the largest of which is the Hazlewood program. Of that exemption amount, the state reimbursed U. T. San Antonio for \$1.6 million.
- U. T. San Antonio's cash and investment ratios increased due to the large gifts received, as well as almost \$80 million in overall market appreciation.
- The university's endowments appreciated by \$46.7 million and, with the investment of the \$40 million gift, grew from \$181 million to \$277 million.
- U. T. San Antonio's administrative cost measure decreased from 7.9% to 7.6% due to the continued emphasis on operational efficiency.

ANALYSIS OVERVIEW

1. Overall Scorecard Rating

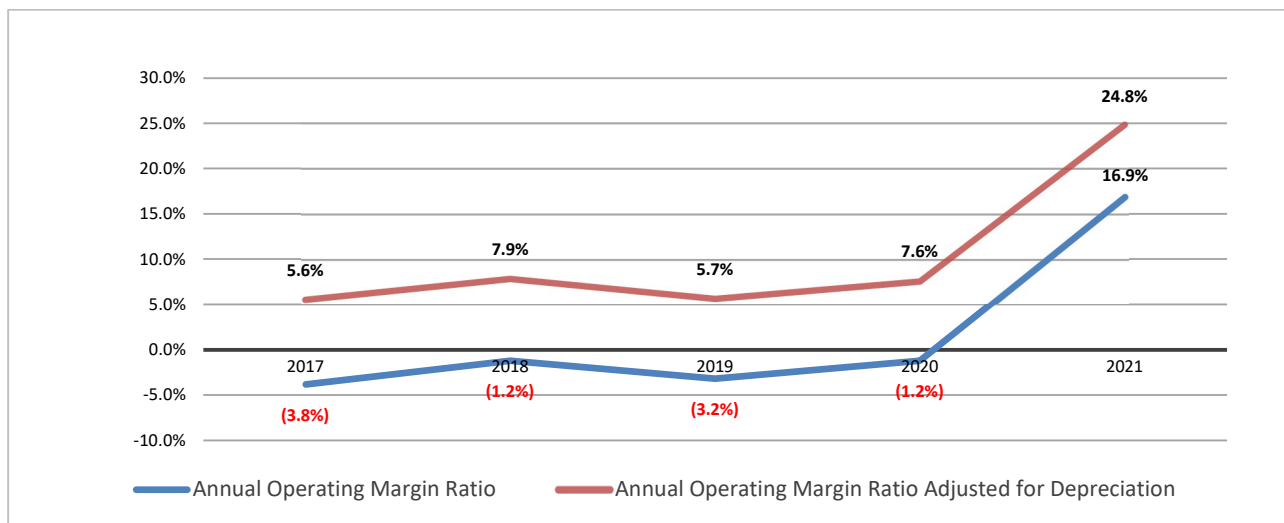


2. Debt Service to Operations

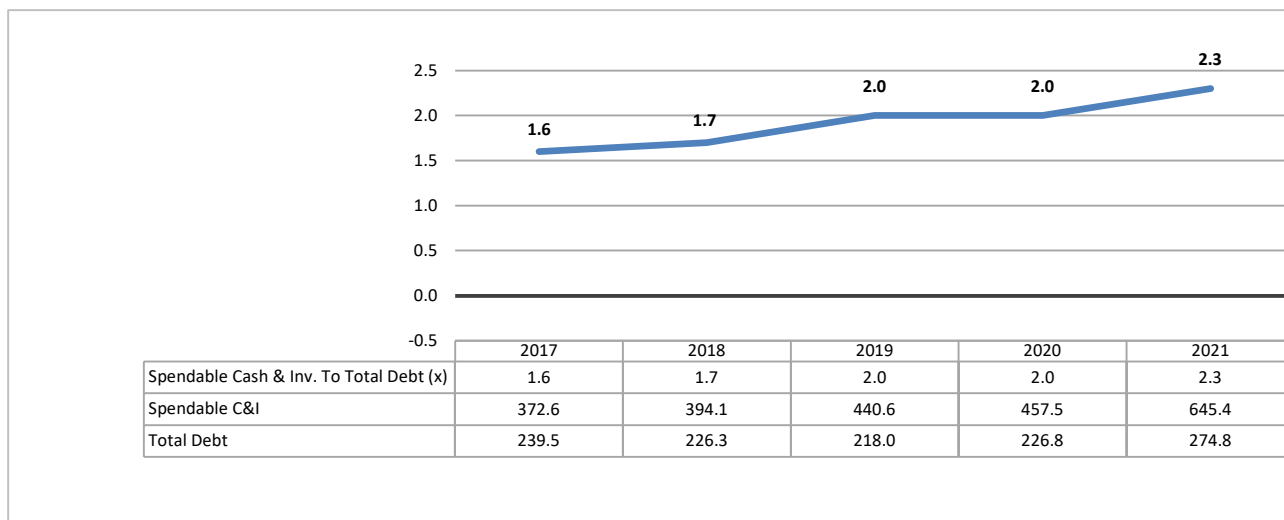


NOTE: In FY 2021 some principal payments were deferred.

3. Operating Performance



4. Spendable Cash & Investments to Total Debt



Appendix A - Definitions of Evaluation Factors

1. **Overall Scorecard Rating** – The Overall Scorecard Rating has four broad factors for academic institutions and three broad factors for healthcare institutions.

➤ Factors for Academic Institutions

- Market Profile
- Operating Performance
- Wealth and Liquidity, and
- Leverage

➤ Factors for Healthcare Institutions

- Market Position
- Operating Performance & Liquidity, and
- Leverage

There are sub-factor calculations under these broad factors and each sub-factor is assigned a weight and a value. After calculating each sub-factor, the results are mapped to a rating category. The sub-factor ratings are then converted to alpha numeric values, which are multiplied by the assigned weights and summed to produce an aggregate weighted score. That aggregate score is then mapped to the appropriate rating. See Appendix B for each institution's calculation.

2. **Debt Service to Operations** - This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. The debt service transfers used in this calculation exclude the debt service for tuition revenue bonds (TRBs) and the interest expense excludes the interest expense for TRBs.

$$\frac{\text{Debt Service Transfers (excluding TRB debt service)}}{\text{Operating Exp. + Interest Exp. (excluding TRB interest exp.)}}$$

3. **Operating Performance** – These ratios indicate whether an institution is operating within its available resources.

Annual Operating Margin Ratio – The interest expense used in this calculation excludes interest expense on TRBs and the general revenue supporting interest and principal payments is also excluded.

$$\frac{(\text{Op Rev} + \text{GR} + \text{Op Gifts} + \text{NonexchSP} + \text{Inv Inc} + \text{LTF/RAHC/AUF/ILP} + \text{NSERB Appr} + \text{Hazelwood/NRUF/TCMHCC Trans}) - (\text{Op Exp} + \text{Int Exp})}{\text{Op Rev} + \text{GR} + \text{Op Gifts} + \text{NonexchSP} + \text{Inv Inc} + \text{LTF/RAHC/AUF/ILP} + \text{NSERB Approp} + \text{Hazelwood/NRUF/TCMHCC Trans}}$$

Annual Operating Margin Ratio Adjusted for Depreciation – This ratio is calculated in the same manner as the ratio above with the exception that depreciation and amortization expense is excluded.

$$\frac{(\text{Op Rev} + \text{GR} + \text{Op Gifts} + \text{NonexchSP} + \text{Inv Inc} + \text{LTF/RAHC/AUF/ILP} + \text{NSERB Appr} + \text{Hazelwood/NRUF/TCMHCC Trans}) - (\text{Op Exp} + \text{Int Exp, excluding Depr\&Amort Exp})}{\text{Op Rev} + \text{GR} + \text{Op Gifts} + \text{NonexchSP} + \text{Inv Inc} + \text{LTF/RAHC/AUF/ILP} + \text{NSERB Approp} + \text{Hazelwood/NRUF/TCMHCC Trans}}$$

4. **Spendable Cash & Investments to Total Debt Ratio for Academic Institutions** – This ratio examines the ability of an academic institution to repay bondholders from wealth that can be accessed over time or for a specific purpose. The total debt used in this calculation excludes TRBs.

$$\frac{\text{Total Cash and Investments less Nonexpendable Net Position}}{\text{Debt not on Institution's Books (excluding TRBs) + Capital Lease Liabilities}}$$

5. **Unrestricted Cash & Investments to Total Debt Ratio for Healthcare Institutions** – This ratio examines the ability of a healthcare institution to repay bondholders from unrestricted cash and investments. The total debt used in this calculation excludes TRBs.

$$\frac{\text{Total Unrestricted Cash and Investments}}{\text{Debt not on Institution's Books (excluding TRBs) + Capital Lease Liabilities}}$$