

BAYLOR UNIVERSITY
ANNUAL DISCLOSURE INFORMATION

For Fiscal Year Ended May 31, 2019

Updated as of November 1, 2019

The following financial information and operating data is provided by Baylor University in accordance with the provisions of its continuing disclosure agreements described in the respective Official Statement under the heading “CONTINUING DISCLOSURE OF INFORMATION”:

1. First-time freshman applications, admittances, and enrolled, for or as of the most recently concluded fall semester (Appendix A, “Section III - Students”).

First-Time Freshman	Fall				
	2015	2016	2017	2018	2019
Number of completed applications	32,137	34,661	37,084	34,689	34,582
Number of students admitted	14,033	13,758	14,442	17,918	15,676
% of completed applications	44%	40%	39%	52%	45%
Number of students enrolled	3,394	3,503	3,320	3,366	3,307
% of admitted	24%	26%	23%	19%	21%
Enrolled Freshman SAT ⁽¹⁾ :					
Top 25% scored at or above:	1370	1350	1350	1350	1370
Top 75% scored at or above:	1210	1200	1200	1200	1210
Average	1293	1284	1276	1277	1293
Enrolled Freshman ACT:					
Top 25% scored at or above:	30	30	31	31	32
Top 75% scored at or above:	25	26	26	26	26
Average	27.7	28.1	28.2	28.5	28.8

Note:

⁽¹⁾ SAT scores for Fall 2015 and 2016 have been updated to reflect the redesigned SAT scoring scale for consistency with Fall 2017, 2018 and 2019.

2. Enrollment (FTE) by undergraduate and graduate; enrollment by academic unit; and retention rate and graduation rate of first-time freshman classes, all for or as of the most recently concluded fall semester (Appendix A, “Section III - Students”).

Enrollment Trends (FTE)	Fall				
	2015	2016	2017	2018	2019
Undergraduate	14,089	14,250	14,223	14,105	14,031
Graduate ⁽¹⁾	1,491	1,558	1,637	2,066	2,789
Law School	396	368	381	428	474
Seminary	325	296	302	288	271
Health Science – Military Programs ⁽¹⁾	210	182	199	-	-
Total	16,511	16,654	16,742	16,887	17,565

Note:

⁽¹⁾ Beginning in Fall 2018, the military programs are reported in graduate enrollment in the College of Health and Human Sciences and are no longer reported separately.

**Enrollment by Academic Unit
(Headcount)**

	Fall				
	2015	2016	2017	2018	2019
College of Arts & Sciences	6,478	6,387	6,609	6,600	6,796
College of Health & Human Sciences ⁽¹⁾	1,706	1,829	1,869	2,174	2,638
Honors College	289	294	304	323	322
School of Business	4,083	4,241	4,031	4,040	3,906
School of Education	630	620	611	686	843
School of Engineering & Computer Science	1,179	1,159	1,119	990	899
School of Law	398	369	385	431	479
School of Music	357	356	359	353	335
School of Nursing	830	904	936	1,028	1,106
School of Social Work	264	281	285	266	386
Truett Seminary	361	336	348	322	320
Other ⁽¹⁾	212	183	203	4	3
Total	<u>16,787</u>	<u>16,959</u>	<u>17,059</u>	<u>17,217</u>	<u>18,033</u>

Note:

⁽¹⁾ Beginning in Fall 2018, the military programs are reported in graduate enrollment in the College of Health and Human Sciences and are no longer reported separately.

**Retention of First-Time
Freshman Classes**

	Fall				
	2015	2016	2017	2018	2019
Freshman Retention Rate	89%	89%	90%	89%	88%
Graduation Rate	70%	74%	77%	79%	78%
(From the freshman class 6 years previous)					

Leading States of Origin

	Fall				
	2015	2016	2017	2018	2019
Texas	11,778	11,572	11,451	11,258	11,273
California	817	976	1,014	1,071	1,218
Colorado	410	412	402	389	417
Illinois	214	240	268	295	312
Oklahoma	210	202	212	211	229
Louisiana	175	166	178	202	219
Florida	159	181	194	197	203
Missouri	154	153	159	189	184
Tennessee	170	174	179	177	174
Arizona	136	147	146	163	173

3. Student/faculty ratio; staff/faculty ratio; full-time and part-time faculty; and full-time and part-time staff, all for or as of the most recently concluded fall semester (Appendix A, “Section IV - Faculty & Staff”).

	Fall				
	2015	2016	2017	2018	2019
Full-Time Teaching Faculty	1,022	1,062	1,103	1,133	1,171
Part-Time Teaching Faculty	271	277	307	329	422
% of FT Faculty w/ Terminal Degrees	83%	83%	83%	84%	85%
Library Faculty	40	34	33	33	36
Full-Time Staff	1,604	1,621	1,707	1,742	1,786
Part-Time Staff	54	53	55	48	56
Student FTE (excludes Military)	16,301	16,472	16,543	16,641	17,310
Faculty FTE	1,112.3	1,154.3	1,205.3	1,242.7	1,311.7
Staff FTE	1,622.0	1,638.7	1,725.3	1,758.0	1,804.7
Student/Faculty Ratio	14.7	14.3	13.7	13.4	13.2
Staff/Faculty Ratio	1.5	1.4	1.4	1.4	1.4

4. Campus facilities information as most recently available (Appendix A, “Section VI - Campus Facilities”).

Campus Facilities

Existing Campus

The University’s approximate 1,200-acre campus in Waco, Texas, is located along the banks of the Brazos River and, as of November 1, 2019, included 132 buildings with over 9.4 million square feet of space. Campus facilities include:

<u>Buildings</u>	<u>Approximate Square Footage</u>
38 academic	2,948,000
7 administrative	311,000
19 athletic	1,487,000
6 dining facilities	129,000
15 residence facilities	1,647,000
15 apartments	518,000
5 libraries	334,000
5 maintenance facilities	98,000
2 warehouses	29,000
20 student services facilities	1,977,000

Recent & Current Projects

In May 2018, the Board of Regents approved the implementation of a new cloud-based enterprise resource planning system to transform and streamline Baylor’s administrative processes and the underlying technology across financial, human resources, administrative, and research functions in support of the University’s academic strategic plan, *Illuminate*. This two-year project is being internally funded by the University.

In November 2018, the University announced *Give Light*, the \$1.1 billion comprehensive philanthropic fundraising initiative as part of *Illuminate*. The capital projects described in the following paragraphs are included in the *Give Light* campaign.

In November 2018, Baylor announced a lead gift from Mark and Paula Hurd, to create the Mark and Paula Hurd Welcome Center. Fundraising for the new center is included in the *Give Light* campaign. The Welcome Center is slated to be a 100,000 to 125,000 square-foot complex designed to create interest and enthusiasm in the University through a high-tech and interactive experience, and serve as the epicenter for academic, cultural and social activities. Phase I of the project, which is design, was

approved by the Board of Regents in October 2019. The project is expected to be funded by gifts.

In May 2019, the Board of Regents approved the planning and design for the complete renovation of the Tidwell Bible Building. The total project is estimated at approximately \$18.4 million and will include adding faculty offices and workspace, and full replacement of mechanical and electrical systems. Plans call for new office and work space on every floor, the creation of new classrooms of varying sizes, and other University and Academic Unit needs. The renovation will be funded by gifts and University funds.

In October 2019, the planning and design for the Baylor Basketball Pavilion, a state-of-the-art facility that will become the new home of the men’s and women’s basketball teams, was approved by the Board of Regents. The 150,000 square foot facility will seat 7,000 fans and will be located along the Brazos River. Additionally, the University’s athletic master plan includes a new football operations center and creating specific practice facility space for Baylor’s volleyball and acrobatics and tumbling teams. The projects are expected to be funded by gifts and University funds.

Also approved by the Board at their October 2019 meeting was the design and construction to build out shared research lab space for mechanical engineering in the Baylor Research and Innovation Collaborative (BRIC) building. The shared lab facility will accommodate up to five faculty researchers, including future hires with assignable, ready lab space for mechanical engineering faculty. The project will be funded with University funds.

5. Investment market value by asset type and investment return as of the end of or for the most recently completed fiscal year (Appendix A, “Section VIII - Financial”, “Investments”).

Long-term investments are reported at fair value. The University diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. As with most large endowments, these financial assets are managed primarily through external investment management firms selected and monitored by the University’s Office of Investments and the Baylor Executive Investment Committee in accordance with the University’s Endowment Investment Policy (“IP”). The investment management firms are predominately organized in limited partnership, private fund, registered investment company (1940 Act mutual fund), separately managed account, and trust format. Within these various structures, capital is allocated to domestic and international markets and is also diversified across numerous market sectors and investment strategies. The portfolio is structured to provide, over time, an average rate of return at least equal to the spending policy requirements, plus the rate of inflation. Actual returns in any given year may vary from this amount.

Long-term investments include fixed income securities, public equities, and alternative assets. Alternative assets include private equities, hedge funds, and real assets, including mineral interests. The estimated fair value of investments is based on quoted market prices, except for certain alternative assets, for which quoted market prices are not available. In accordance with Generally Accepted Accounting Principles (GAAP), the estimated fair value of these alternative assets is primarily based on the most recent net asset valuations provided by external investment fund managers, adjusted for cash flows through the end of each fiscal year, or other available information. In instances where external investment fund manager provided net asset values are not used, the University applies additional valuation procedures to arrive at a fair value. At May 31, 2019, assets in the University’s long-term investments pool, Baylor University Fund (“BUF”), were invested with 88 different managers. Of those, alternative assets were invested with 65 managers.

Baylor’s IP specifies the four asset classes as detailed in the following table.

Asset Allocation	Allocation Ranges	Midpoint Allocations	2018 FYE Actual	2019 FYE Actual
Fixed Income	5 – 25%	15%	11.2%	9.8%
Public Equities	20 – 50%	35%	34.1%	30.3%
Hedge Funds	5 – 25%	15%	22.6%	22.3%
Private Investments (including Private Equities, Real Assets & Mineral Rights)	20 – 50%	35%	32.1%	37.6%

Midpoint Allocations represent passive mid-points of the asset allocation ranges approved within the IP.

Fixed Income Securities are assets predominately invested (directly or indirectly) in domestic and international government or corporate bonds for which active trading markets exist, including open and closed-end mutual funds holding such securities.

Public Equities are assets invested (directly or indirectly) in publicly traded equity shares which are listed on national and international exchanges, as well as publicly traded mutual fund trusts and private fund structures holding such securities.

Hedge Funds are generally open-end funds structured in limited partnership format. These funds employ various investment strategies such as long/short equity, fundamental value, multi-strategy (including a small allocation to fund-of-funds), distressed asset and debt, and short credit.

Private Equities are primarily structured in private limited partnership format and invest in buyouts, venture capital, distressed/special situations, emerging markets, and secondary markets.

Real Assets are predominately private limited partnerships investing in numerous types of properties and strategies such as commercial real estate, energy, power, and infrastructure, as well as timber and other natural resources and commodities including industrial and precious metals.

Mineral Rights are held and managed for the benefit of the University under various contractual and revocable trust arrangements and are not held in the fund and limited partnership structures described above. The University retains ultimate ownership and control of these assets.

The following table reflects the asset categories of the University's investments in accordance with the IP.

Long-Term Investments (at fair value)
(in thousands of dollars)

	May 31,				
	2015	2016	2017	2018	2019
Fixed Income Securities	\$ 137,530	\$ 173,499	\$ 230,654	\$ 152,617	\$ 133,966
Public Equities	489,961	432,607	422,362	463,535	416,028
Hedge Funds	315,861	300,413	271,228	308,049	306,137
Private Investments					
Private Equities	138,302	166,425	185,813	217,993	280,867
Real Assets	99,102	100,479	148,446	199,337	210,285
Mineral Rights	36,005	24,625	19,751	19,469	24,716
Total Long-Term Investments	<u>\$ 1,216,761</u>	<u>\$ 1,198,048</u>	<u>\$ 1,278,254</u>	<u>\$ 1,361,000</u>	<u>\$ 1,371,999</u>

Long-Term Investment Return
(in thousands of dollars)

	Year Ended May 31,				
	2015	2016	2017	2018	2019
Investment Return	\$ 27,813	\$ (10,544)	\$ 122,822	\$ 129,644	\$ 53,517
Investment Expenses	(5,771)	(6,832)	(6,959)	(5,582)	(6,274)
Total Long-Term Investment Return, Net of Expenses	<u>\$ 22,042</u>	<u>\$ (17,376)</u>	<u>\$ 115,863</u>	<u>\$ 124,062</u>	<u>\$ 47,243</u>

As of May 31, 2019, Baylor's endowment and Board designated endowment net assets totaled \$1,322.8 million, an increase of \$12 million from the prior fiscal year. Of the total, \$1,131.9 million was invested in the Baylor managed BUF. The BUF is a unitized fund consisting of publicly traded equity and fixed income securities, alternative assets, and mineral rights and serves as the primary investment vehicle for the University's endowment and other long-term investments.

As permitted under Texas law, the Board has adopted a spending policy for the BUF that authorizes a dividend to be paid for endowments participating in the BUF to be used for the purposes intended by the donors. This policy attempts to meet three objectives: (1) provide a predictable, stable stream of earnings to participating accounts; (2) ensure that the purchasing power of this revenue stream does not decline over time; and (3) ensure that the purchasing power of the endowment assets do not decline over time. Under this policy, actual earnings, as well as a prudent portion of realized and unrealized gains may be distributed for operational needs or in accordance with donor restrictions. For the fiscal years ended May 31, 2015 through 2019, the annual distribution (dollar dividend amount per BUF unit) from investments in the BUF was based on 5% of the previous 48 months

average net asset values, subject to a 0% minimum and 6% maximum dividend increase from the previous year, and an overall limit of 7% of the previous 48 months average net asset values. The 0% minimum dividend increase was applied for the years ended May 31, 2015 through 2019.

6. Tuition, fees, room and board per student for the most recently approved academic year (Appendix A, “Section VIII - Financial”, “Tuition & Fees”).

Tuition & Fees

The University’s primary source of revenues is student tuition and fees. Tuition and fees, net of scholarships, provided 61.1% and 61.0% of total unrestricted operating revenues in fiscal year 2019 and 2018, respectively.

Tuition, Fees, Room & Board per Student
(Academic Year Costs - 2 Semesters)

	Year Ended May 31,				
	2017	2018	2019	2020	2021
Tuition & Fees ⁽¹⁾	\$ 42,456	\$ 44,240	\$ 46,002	\$ 47,824	\$ 49,706
Room & Board ⁽²⁾	9,945	11,466	11,874	12,247	12,521
Total	\$ 52,401	\$ 55,706	\$ 57,876	\$ 60,071	\$ 62,227

Notes:

- (1) Average cost of tuition and fees based on 30 semester hours; actual cost per student may be higher or lower.
- (2) Average cost of room and meal plans available to students; actual cost per student may be higher or lower; beginning in 2018, meal plans reflect increase from 10 meals per week to all access dining 5 days per week; beginning in 2021, meal plans reflect increase from \$100 dining dollars to \$200 dining dollars.

7. Balance sheet and statements of activities and cash flows as of the end of or for the most recently completed fiscal year (Appendix B).

The University’s audited May 31, 2019 financial statements have been filed separately.