



ANNUAL FINANCIAL REVIEW

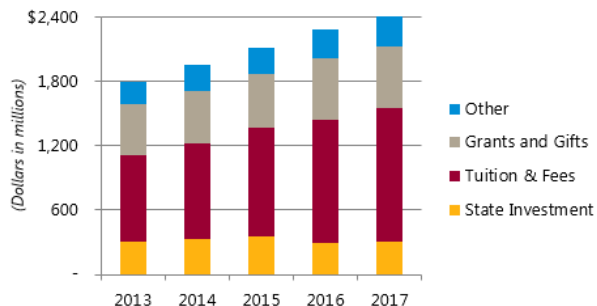
PURPOSE. To assist the Regents in evaluating the financial position of Arizona State University as of June 30, 2017. Financial information is one indicator of the University's performance and should be assessed along with other relevant nonfinancial indicators in order to evaluate the University overall.

Overall Financial Highlights (Dollars in millions)			
	FY 2016 Actual	FY 2017 Actual	FY 2017 Budget
State Investment	\$ 292.8	\$ 308.1	\$ 308.1
Tuition and Fees, net	1,157.5	1,250.8	1,283.5
Grants and Gifts	571.3	568.8	544.2
Other Revenues	267.4	314.1	267.6
Total Revenues	\$ 2,289.0	\$ 2,441.8	\$ 2,403.4
Total Expenses	\$ 2,180.5	\$ 2,342.4	\$ 2,360.5
Net Increase	\$ 108.5	\$ 99.4	\$ 42.9

- FY 2017 state investment included permanent and one-time funding increases of \$7 million each and technical adjustments of \$1 million.
- Increased tuition and fees are primarily the result of an increase in FTE enrollment of 6 percent and modest increases in tuition (2 percent resident, 4 percent non-resident). Tuition and fees were less than originally budgeted due to the enrollment mix.
- Other revenues increased due to inclusion of Thunderbird activity and increase in auxiliary revenues.
- FY 2017 expenses were slightly less than budgeted.

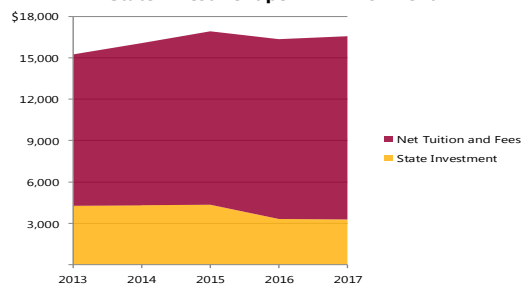
Revenue

Total Revenue by Source



- Over the five years ended June 30, 2017, revenues grew 36 percent from \$1.8 billion to \$2.4 billion. During this period, state investment declined from 17 percent of total revenues to 13 percent and tuition increased from 45 percent to 51 percent.
- Net tuition and fee revenue increased \$93.3 million in FY 2017 primarily due to enrollment growth, as total revenues increased \$152.8 million from FY 2016 to FY 2017.

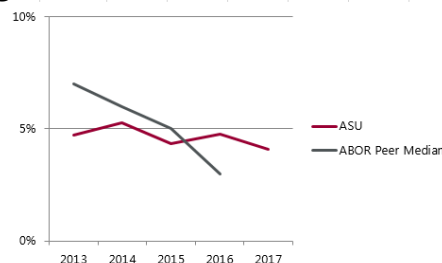
Net Tuition and Fees and State Investment per FTE Enrollment



- State investment per Fall FTE decreased slightly from \$3,299 in FY 2016 to \$3,275 in FY 2017, as net tuition revenue per FTE increased from \$13,038 in FY 2016 to \$13,295 in FY 2017 primarily due to nonresident and international enrollment growth.

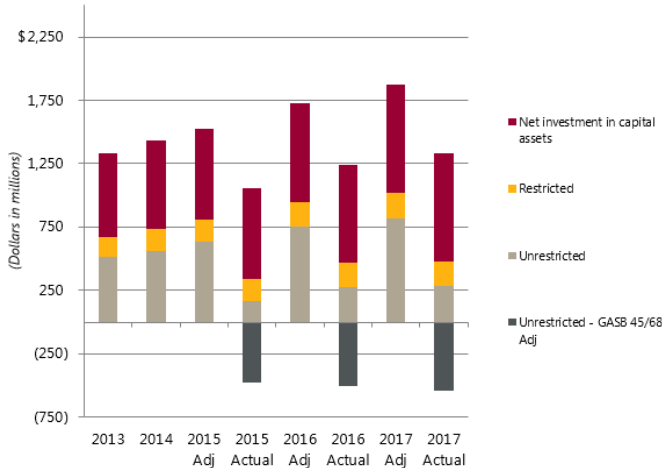
Net Revenues as a Percent of Total Revenues

- ASU's net revenues as a percent of total revenues remained stable from FY 2013 to FY 2017 averaging 5 percent. A positive ratio is an indicator of the University's ability to operate within its means and to improve its financial position through net position growth.

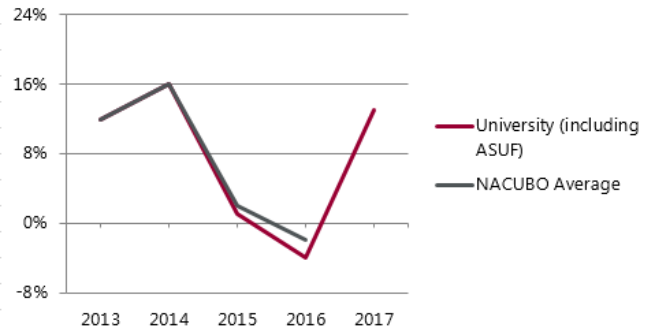


Financial Viability

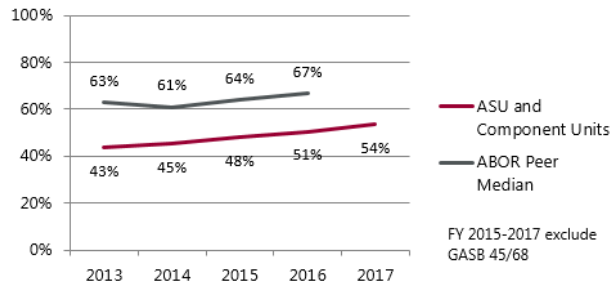
University Net Position



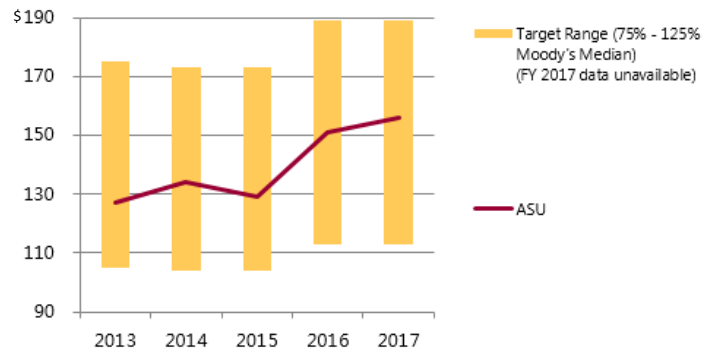
Pooled Endowment Total Return



Expendable Net Position to Total Expenses

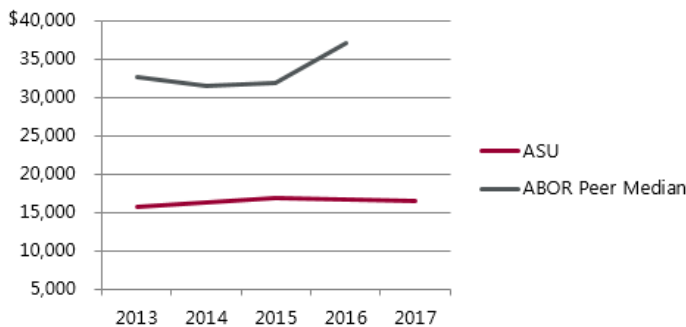


Monthly Days Cash on Hand as of June 30



- The University's net position increased 8 percent in FY 2017 and has grown 49 percent since FY 2013, adjusted for the impacts of GASB 45 and GASB 68 (Note 1).
- The ASU and ASU Foundation endowment, with a total market value of \$665 million, earned 12.8 percent in FY 2017 as compared to its benchmark of 12.1 percent. For the past ten years, the average annual compound return was 4.2 percent compared to a benchmark value of 3.9 percent.
- Expendable net position includes unrestricted net position and the expendable portion of restricted net position. The ratio of expendable net position to total expenses improved over the past few years, but remains low relative to peers.
- Monthly days cash on hand measures how long the University is able to operate using unrestricted cash and investments that can be liquidated and spent within thirty days. For FY 2017, ASU's monthly days cash on hand represents 22 weeks of liquidity.

Educational and General Expense per FTE Enrollment



- Educational and General (E&G) expenses include all operating expenses of the University, excluding research and auxiliary expenses.

AUXILIARY SUMMARY (Dollars in millions)

	FY 2017 Actuals			
	Residential Life & Dining	Sun Devil Athletics	Other Auxiliaries	Total
Revenue	\$71.8	\$68.3	\$49.2	\$189.3
Expenses, including net transfers	71.8	67.0	60.8	199.6
Change	\$0.0	\$1.3	\$(11.6)	\$(10.3)
Ending Balance	\$0.5	\$1.3	\$4.9	\$6.7

- Auxiliary enterprises are self-supporting activities whose primary customers are affiliated with the university, including students, faculty and staff. Other Auxiliaries ending balance declined due to transfers to reserve accounts for future capital investments.

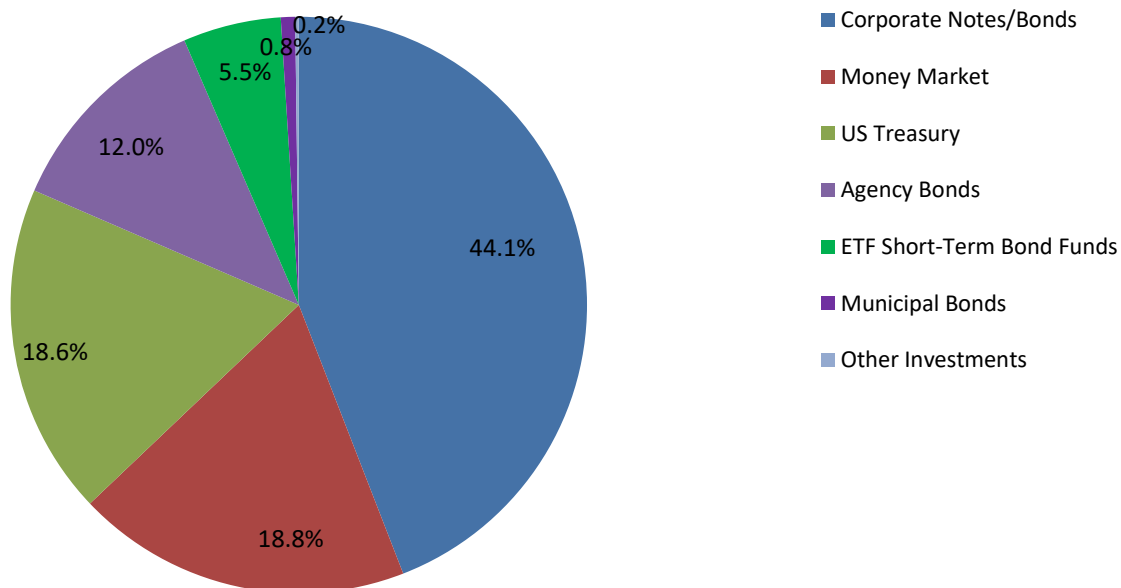
Note 1: GASB 45 requires government employers that participate in other post-employment benefit (OPEB) plans to recognize their proportionate share of the net unfunded OPEB liability in their statement of net position. GASB 68 requires government employers that sponsor defined benefit pension plans to recognize their proportional share of the net unfunded pension liability in their statement of net position.

ARIZONA STATE UNIVERSITY
Operating Fund Investments
June 30, 2017

Market Value & Returns (Dollars in Thousands)				
	<u>06/30/2017</u>	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>3 Year Average</u>
Year-End Market Value	\$907,034	\$828,622	\$650,237	\$795,298
Total Net Return	0.6%	1.7%	0.7%	1.0%

Operating Funds Breakdown (by investment) - 06/30/2017:

Corporate Notes/Bonds	44.1%
Money Market	18.8%
US Treasury	18.6%
Agency Bonds	12.0%
ETF Short-Term Bond Funds	5.5%
Municipal Bonds	0.8%
Other Investments	0.2%
Total	100.0%



ARIZONA STATE UNIVERSITY
Endowment Fund Investments
June 30, 2017

Market Values & Returns (Dollars in Thousands)				
	<u>06/30/2017</u>	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>3 Year Average</u>
Pooled Endowments:				
Market Value	\$74,351	\$66,129	\$68,854	\$69,778
Total Net Return	12.8%	-4.4%	0.7%	3.0%
FA Trust Fund:				
Market Value	\$55,767	\$47,530	\$47,556	\$50,284
Total Net Return	12.8%	-4.4%	0.7%	3.0%

Endowment Funds Breakdown (by asset allocation) - 06/30/2017:

GlobalEquity	47.8%
Absolute Return	14.6%
Fixed Income	13.9%
Real Assets	12.3%
Private Capital	8.2%
Cash/Cash Equivalents	3.2%
Total	100.0%

