



ANNUAL FINANCIAL REVIEW

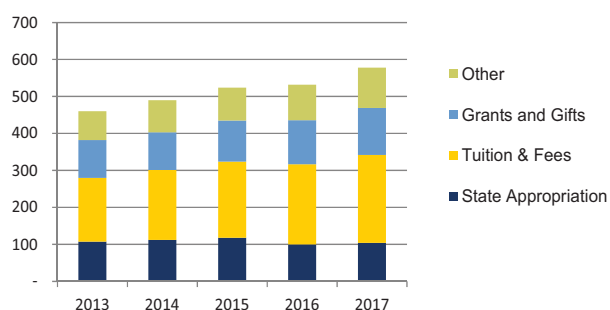
PURPOSE: To assist the Arizona Board of Regents (ABOR) in evaluating the financial position of Northern Arizona University as of June 30, 2017. Financial information is one indicator of the University's performance and should be assessed along with other relevant nonfinancial indicators in order to evaluate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

| Overall Financial Highlights (Dollars in millions) | | | |
|--|----------------|----------------|----------------|
| | FY 2016 Actual | FY 2017 Actual | FY 2017 Budget |
| State Appropriations | \$ 100.1 | \$ 104.3 | \$ 103.4 |
| Tuition and Fees, net | 217.1 | 237.9 | 230.4 |
| Grants and Gifts | 119.2 | 126.5 | 120.5 |
| Other Revenue | 95.3 | 109.4 | 94.8 |
| Total Revenue | \$ 531.7 | \$ 578.1 | \$ 549.1 |
| Total Expenses | \$ 540.4 | \$ 572.9 | \$ 545.2 |
| Net Increase (Decrease) | \$ (8.7) | \$ 5.2 | \$ 3.9 |

- Total revenue in FY 2017 exceeded budget by \$29.0 million. The increases are attributable to increases in other revenue of \$11.9 million primarily due to growth in sales and service revenues across several areas, tuition and fees of \$7.5 million due to growth in student enrollment and tuition rate increases, and grants, contracts, and gifts of \$5.9 million due to increased grant activity including renewals.
- Total expenses exceeded budget by \$27.7 million in response to enrollment growth and increased grant activity.

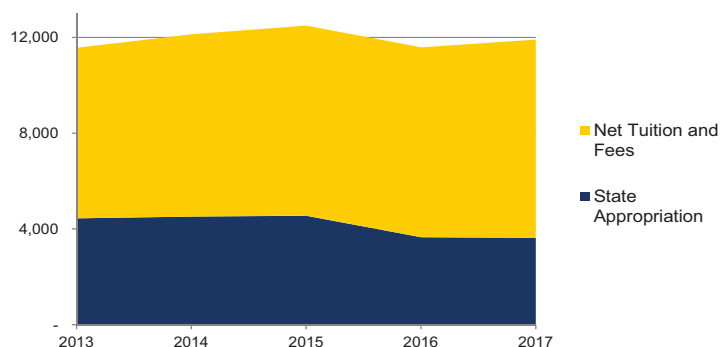
Revenue

Total Revenue by Source



- Overall, revenues increased 25.6 percent from FY 2013 to FY 2017. During this period state appropriations declined from 23 percent of total revenues to 18 percent.
- Net tuition and fee revenue continues to be the largest revenue source and increased \$20.8 million over FY 2016 due to increases in enrollment and moderate tuition rate increases.

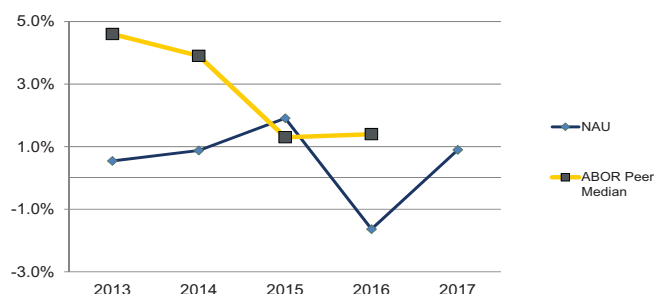
State Appropriations and Net Tuition and Fees per FTE Enrollment



- NAU has experienced a 19 percent increase in fall student FTE from 24,208 in FY 2013 to 28,710 in FY 2017. At the same time, state appropriations per student FTE decreased from \$4,437 in FY 2013 to \$3,622 in FY 2017.
- Combined state appropriations and net tuition revenue has been relatively flat since FY 2013 despite the decrease in state appropriations.

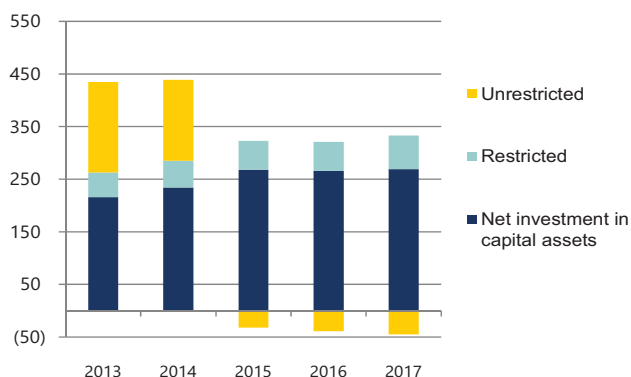
Net Revenue as a Percent of Total Revenue

- A positive net revenue to total revenue ratio is an indicator of the University's ability to retain financial strength through net asset growth, an important institutional goal. The University's ratio is back to positive after a drop in FY 2016 due to a GASB 68 adjustment and decreases in state appropriations.



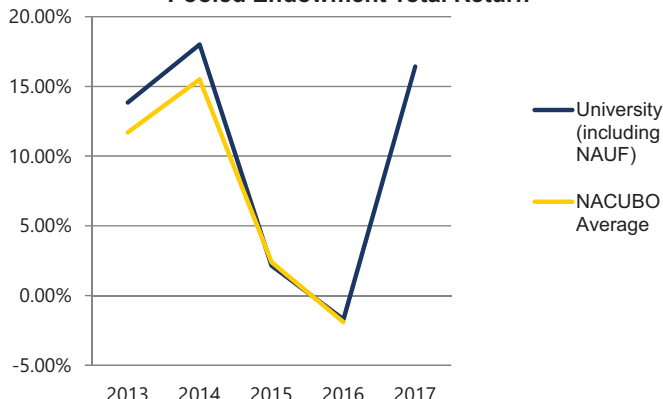
Financial Viability

University Net Position
(Dollars in millions)



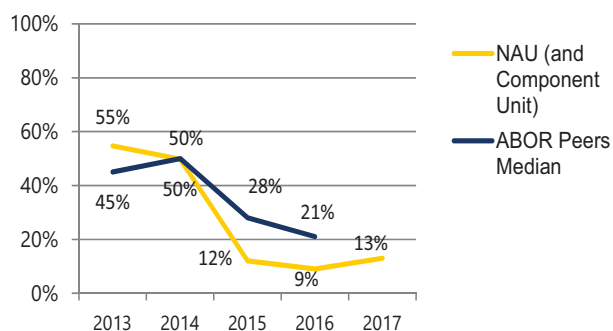
- The University's net position increased 1.8 percent from \$282.4 million in FY 2016 to \$287.7 million in FY 2017.

Pooled Endowment Total Return



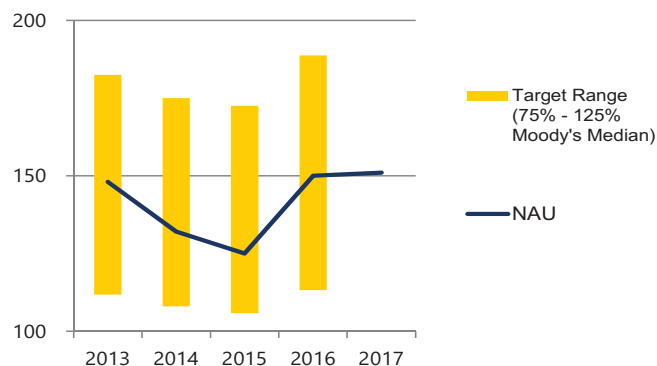
- The NAU foundation endowment gained 16.4 percent in FY 2017. The five-year average return from FY 2013 to FY 2017 is 9.74 percent.

Expendable Net Position to Total Expenses



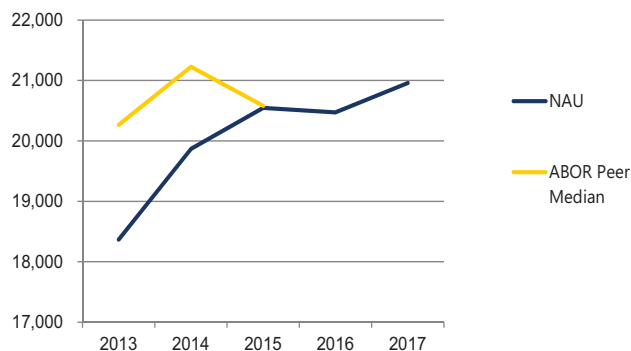
- Expendable net position includes unrestricted net position and the expendable portion of restricted net position. The ratio increased this year after decreasing over the last several years due to the use of reserve funds for critical capital projects.

Days Cash on Hand



- Monthly days cash on hand measures how long the University is able to operate using unrestricted cash and investments from both operating and long-term accounts that can be liquidated and spent within thirty days. At June 30, 2017, NAU had 151 days cash on hand.

Educational & General Expenses per Student FTE



- Educational and general expense include all operating expenses of the University, excluding research, auxiliary, and depreciation expenses. NAU continues to perform favorably compared to the median of its peer institutions.

AUXILIARY SUMMARY (Dollars in millions)

| FY 2017 Actual | | | | | |
|-----------------------------------|-----------|---------|-----------|--------|--------|
| | Residence | | | | |
| | Life | Parking | Athletics | Other | Total |
| Revenue | \$41.0 | \$5.9 | \$4.4 | \$34.5 | \$85.8 |
| Expenses, including net transfers | 40.7 | 5.4 | 4.5 | 31.4 | 82.0 |
| Change | 0.3 | 0.5 | -0.1 | 3.1 | 3.8 |
| Ending balance | \$15.9 | \$2.0 | \$0.0 | \$11.9 | \$29.8 |

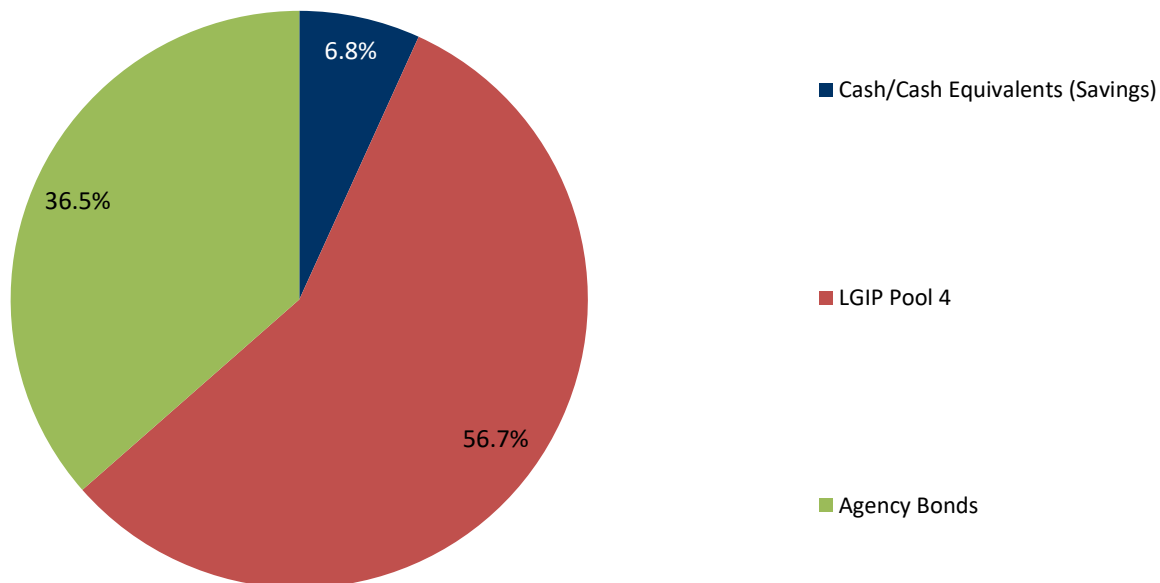
- Auxiliary enterprises exist to furnish goods or services to students, faculty and staff. This includes housing, parking, and student services. Auxiliary revenues represent 10.5% of total University revenue.

NORTHERN ARIZONA 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 | \$171,659 | \$175,014 | \$145,082 | \$163,918 |
| Total Net Return | 0.5% | 0.8% | 0.7% | 0.7% |

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

| | |
|---------------------------------|----------------------|
| Cash/Cash Equivalents (Savings) | 6.8% |
| LGIP Pool 4 | 56.7% |
| Agency Bonds | 36.5% |
| Total | <u><u>100.0%</u></u> |



NORTHERN ARIZONA 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 | \$7,298 | \$6,852 | \$7,095 | \$7,082 |
| Total Net Return | 6.1% | -4.2% | 0.0% | 0.6% |
| FA Trust Fund: | | | | |
| Market Value | \$23,224 | \$20,856 | \$20,522 | \$21,534 |
| Total Net Return | 6.3% | -3.6% | 0.1% | 0.9% |

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

| | |
|-----------------------|----------------------|
| Bonds | 19.3% |
| US Equity | 37.9% |
| Global Ex US Equity | 37.3% |
| Real Estate | 4.0% |
| Cash/Cash Equivalents | 1.4% |
| Total | <u><u>100.0%</u></u> |

