



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, 2016. 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.

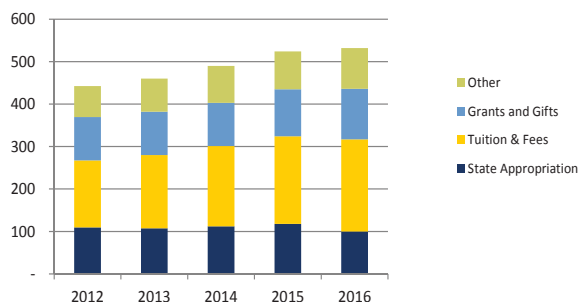
Overall Financial Highlights (Dollars in millions)

	FY 2015 Actual	FY 2016 Actual*	FY 2016 Budget
State Appropriations	\$ 117.8	\$ 100.1	\$ 102.1
Tuition and Fees, net	205.5	217.0	217.3
Grants and Gifts	111.0	119.3	111.0
Other Revenue	89.3	95.3	90.2
Total Revenue	\$ 523.6	\$ 531.7	\$ 520.6
Total Expenses	\$ 513.6	\$ 534.7	\$ 524.6
Net Increase (Decrease)	\$ 10.0	\$ (3.0)	\$ (4.0)

- Total revenue in FY 2016 exceeded budget by \$11.1 million. The increases are attributable to increases in other revenue of \$5.1 million primarily due to growth in sales and service revenues across several areas, and grant and gifts of \$8.3 million mainly due to increased grant activity.
- Total expenses exceeded budget by \$10.1 million primarily due to increased student enrollment and increased grant activity.

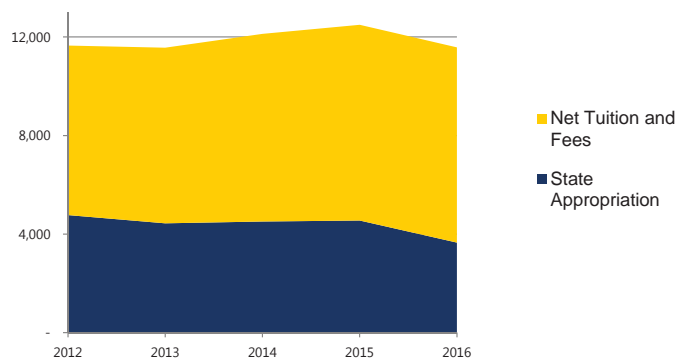
Revenue

Total Revenue by Source



- Overall, revenues increased 20 percent from FY 2012 to FY 2016. 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 \$11.5 million over FY 2015 due to increases in enrollment and moderate tuition rate increases.

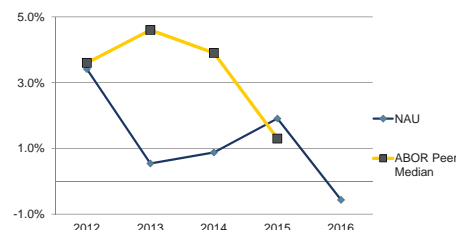
State Appropriations and Net Tuition and Fees per FTE Enrollment



- NAU has experienced a 19 percent increase in fall student FTE from 22,964 in FY 2012 to 27,375 in FY 2016. At the same time, state appropriations per student FTE decreased from \$4,771 in FY 2012 to \$3,658 in FY 2016.
- Combined state appropriations and net tuition revenue has been relatively flat since FY 2012 despite the decreases in state appropriations.

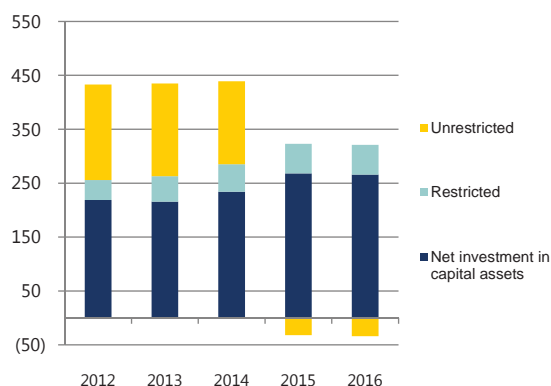
Net Revenue as a Percent of Total Revenue

- 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 has been positive and increasing since FY 2013, but decreased in FY 2016 due to the large decrease in state appropriations and a GASB 68 adjustment.



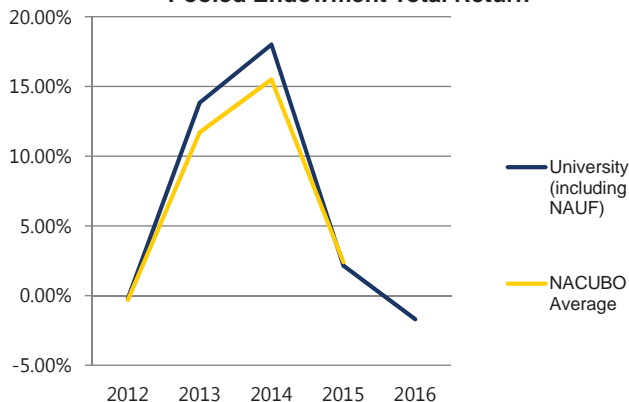
Financial Viability

University Net Position
(Dollars in millions)



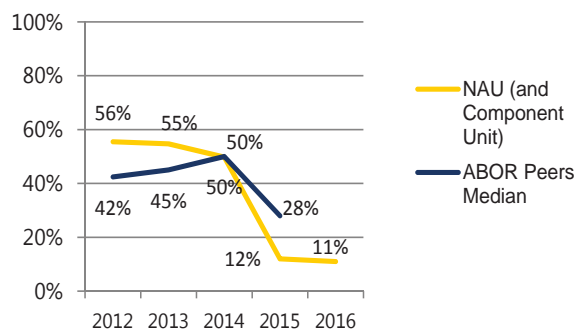
- The University's net position decreased 1.0 percent from \$291.1 million in FY 2015 to \$288.1 million in FY 2016

Pooled Endowment Total Return



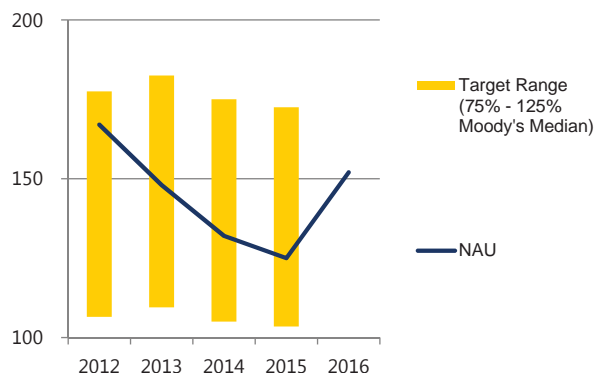
- The NAU foundation endowment lost 1.70 percent in FY 2016. The five-year average return from FY 2012 to FY 2016 is 6.41 percent.

Expendable Net Position to Total Expenses



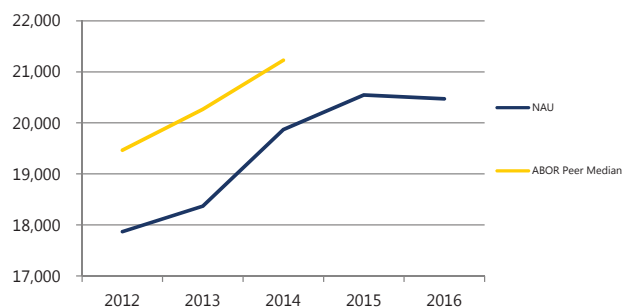
- Expendable net position includes unrestricted net position and the expendable portion of restricted net position. The ratio has decreased over the last several years due to the spending down of reserves for capital projects.

Monthly 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, 2016, NAU had 152 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 2016 Actual*				
	Residence				
	Life	Parking	Athletics	Other	Total
Revenue	\$39.3	\$5.2	\$4.1	\$27.2	\$75.8
Expenses, including net transfers	37.5	4.9	4.1	28.1	74.6
Change	1.8	0.3	0.0	(0.9)	1.2
Ending balance	\$15.6	\$1.5	\$0.1	\$8.8	\$26.0

- Auxiliary enterprises include Residence Life, Parking and student programs. Auxiliary revenues represent 10.7% of total revenue.

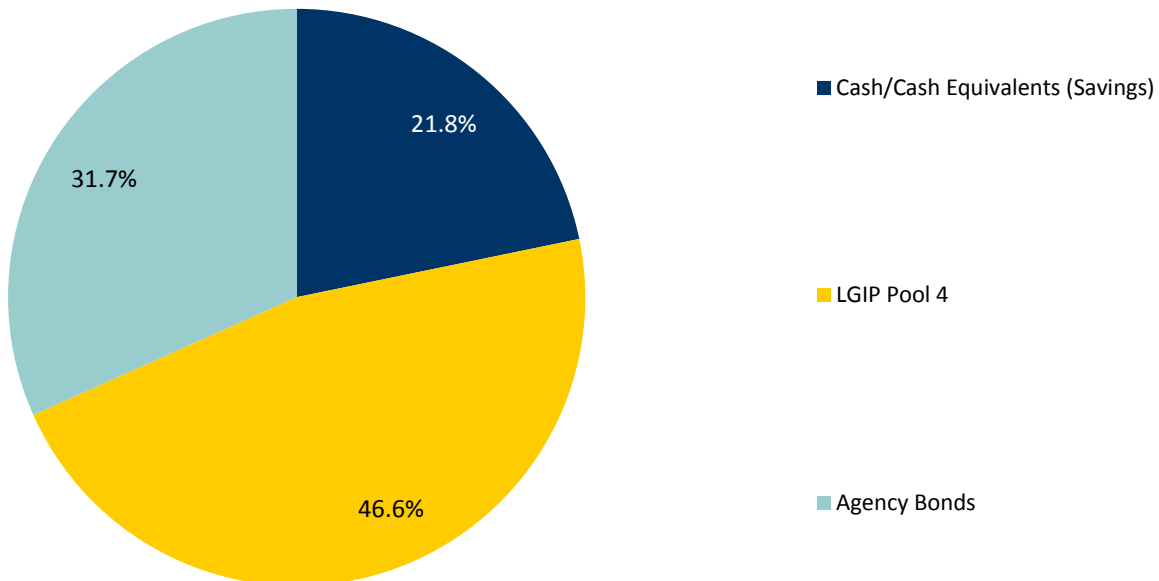
*Unaudited

NORTHERN ARIZONA UNIVERSITY
Operating Fund Investments
June 30, 2016

	Market Value & Returns (Dollars in Thousands)			
	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>06/30/2014</u>	<u>3 Year Average</u>
Year-End Market Value	\$175,014	\$145,082	\$127,137	\$149,078
Total Net Return	0.8%	0.7%	0.7%	0.7%

Operating Funds Breakdown (by investment) - 06/30/2016:

Cash/Cash Equivalents (Savings)	21.8%
LGIP Pool 4	46.6%
Agency Bonds	31.7%
Total	100.0%



NORTHERN ARIZONA UNIVERSITY
Endowment Fund Investments
June 30, 2016

	Market Values & Returns			
	(Dollars in Thousands)			
	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>06/30/2014</u>	<u>3 Year Average</u>
Pooled Endowments:				
Market Value	\$6,852	\$7,095	\$7,074	\$7,007
Total Net Return	-4.2%	0.0%	15.0%	3.6%
FA Trust Fund:				
Market Value	\$20,856	\$20,522	\$19,427	\$20,268
Total Net Return	-3.6%	0.1%	15.1%	3.9%

Endowment Funds Breakdown (by asset allocation) - 06/30/2016:

Bonds	23.2%
US Equity	36.7%
Global Ex US Equity	33.1%
Real Estate	5.3%
Cash/Cash Equivalents	1.7%
Total	<u><u>100.0%</u></u>

