



ANNUAL FINANCIAL REVIEW

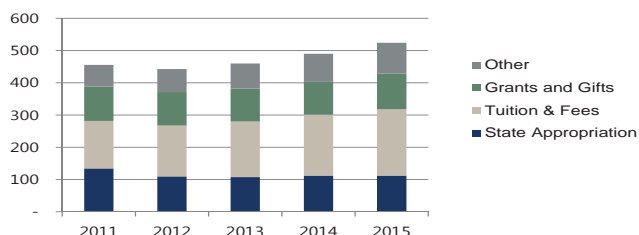
PURPOSE: To assist the Arizona Board of Regents (ABOR) in evaluating the financial position of Northern Arizona University as of June 30, 2015. Financial information is one indicator of the University's performance and should be assessed along with other relevant nonfinancial indicators in order to evaluate the University overall.

Overall Financial Highlights (Dollars in millions)			
	FY 2014 Actual	FY 2015 Actual	FY 2015 Budget
State Appropriations	\$111.5	\$117.8	\$119.4
Tuition and Fees, net	188.8	205.5	202.7
Grants and Gifts	102.1	111.0	111.2
Other Revenue	87.9	89.3	85.0
Total Revenue	\$490.3	\$523.6	\$518.3
Total Expenses	\$486.0	\$513.6	\$512.7
Net Increase (Decrease)	\$4.3	\$10.0	\$5.6

- University total revenue sources were higher than budget by \$5.3 million mostly due to increase in enrollment levels and a favorable enrollment mix.
- Total expenses were higher than budget by \$9 million and were adjusted over the fiscal year as investments were made in personnel and technology initiatives.

Revenue

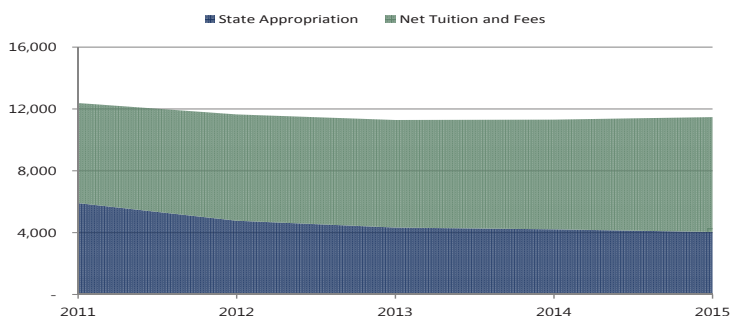
Total Revenue by Source



- FY 2015 revenues increased by \$33.3 million over FY 2014.
- Net tuition and fees continue to be the highest revenue source and increased almost \$16.7 million over FY 2014 due to enrollment growth and moderate tuition rate increases.
- Steady increases in enrollment and tuition offset the impact of the reduction in State appropriations.

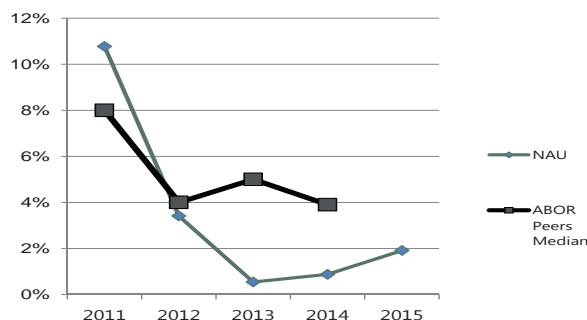
State Appropriation and Net Tuition and Fees per Student FTE

NAU has experienced an 14 percent increase in fall student FTE from 22,746 in FY 2011 to 25,934 in FY 2015. At the same time, combined state appropriations and net tuition and fees revenues per FTE have decreased from \$12,380 to \$11,474 a change of 7.9%.



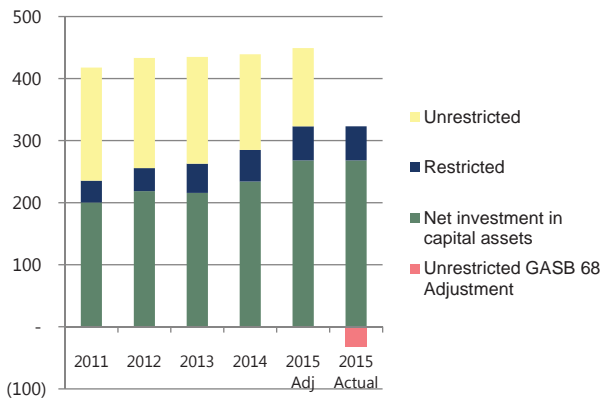
Net Revenue as a Percent of Total Revenues

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. NAU's ratio has increased slightly since FY 2013.



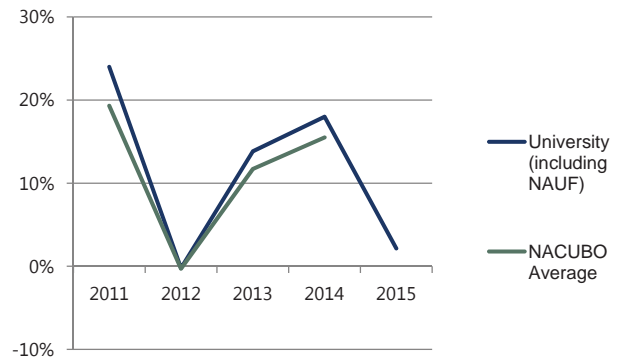
Financial Viability

University Net Position
(Dollars in millions)



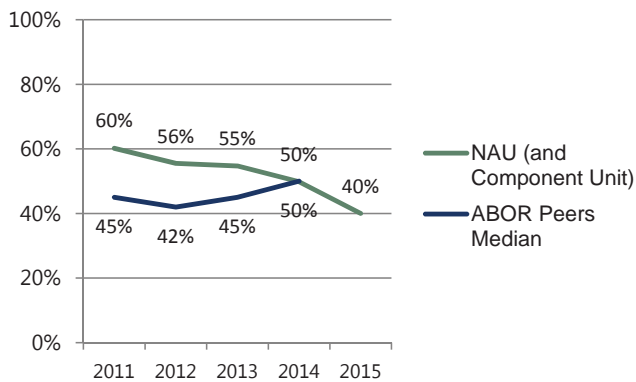
The University's net position increased 3.44% from \$281 million in FY 2014 to \$291 million in FY 2015.

Pooled Endowment Total Return



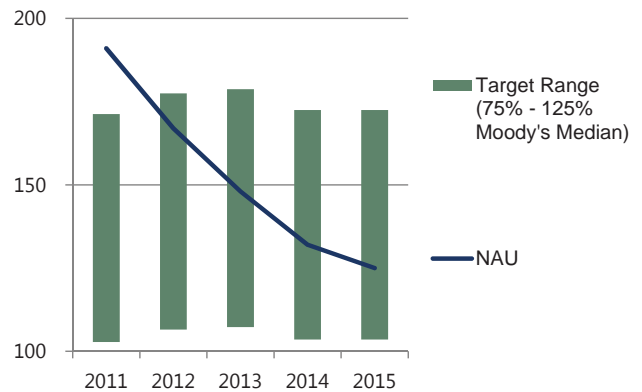
The NAU foundation endowment earned 2.14 percent in FY 2015. The five-year average return from FY 2011 to FY 2015 is 11.55%.

Expendable Net Position to Total Expenses



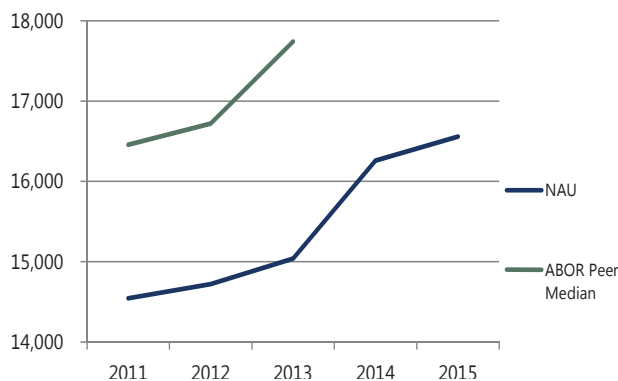
Expendable net position includes unrestricted net position and the expendable portion of restricted net position. The ratio has decreased over the last several years due to the spending down of reserves for capital projects.

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, 2015 NAU had 125 days cash on hand.

Educational & General Expenses per Student FTE



Educational and general (E&G) expenses include all operating expenses of the University, excluding research, auxiliary, and depreciation expenses. NAU continues to perform favorably compared to the median of its ABOR peers.

AUXILIARY SUMMARY (Dollars in millions)

FY 2015 Actuals					
	Residence				
	Life	Parking	Athletics	Other	Total
Revenue	\$38.2	\$4.8	\$1.9	\$29.0	\$73.9
Expenses, including net transfers	35.4	4.5	1.8	26.9	68.6
Change	2.8	0.3	0.1	2.1	5.3
Ending balance	13.8	1.2	0.1	9.7	24.8

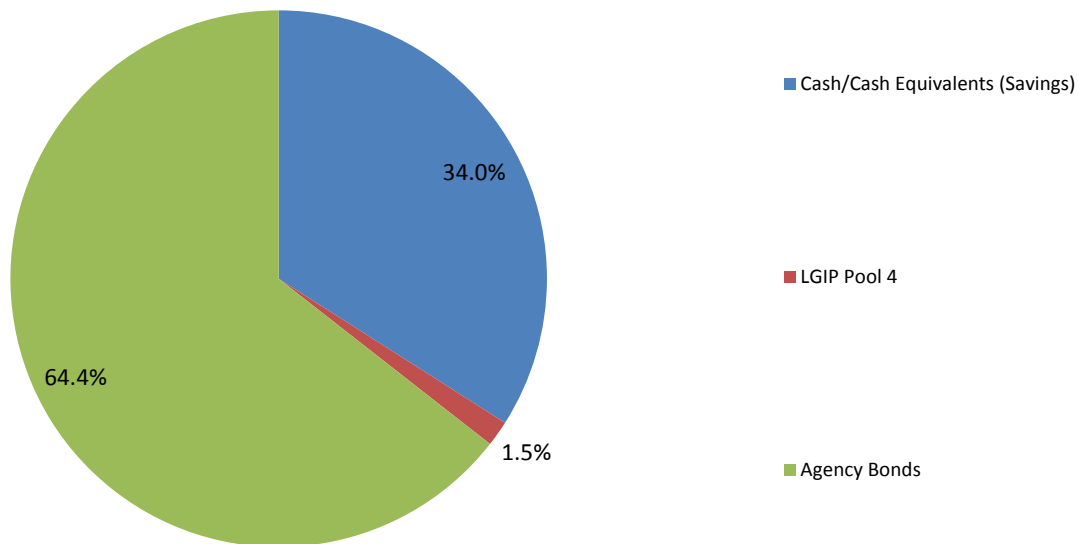
Auxiliary enterprises include Residence Life, Parking, and student programs. Auxiliary revenues represent 7% of operating revenue.

NORTHERN ARIZONA UNIVERSITY
Operating Fund Investments
June 30, 2015

	Market Value & Returns (Dollars in Thousands)			
	<u>06/30/2015</u>	<u>06/30/2014</u>	<u>06/30/2013</u>	<u>3 Year Average</u>
Year-End Market Value	\$145,082	\$127,137	\$152,944	\$141,721
Total Net Return	0.7%	0.7%	0.2%	0.5%

Operating Funds Breakdown (by investment) - 06/30/2015:

Cash/Cash Equivalents (Savings)	34.0%
LGIP Pool 4	1.5%
Agency Bonds	64.4%
Total	<u><u>100.0%</u></u>



NORTHERN ARIZONA UNIVERSITY
Endowment Fund Investments
June 30, 2015

Market Values & Returns				
(Dollars in Thousands)				
	<u>06/30/2015</u>	<u>06/30/2014</u>	<u>06/30/2013</u>	<u>3 Year Average</u>
Pooled Endowments:				
Market Value	\$7,095	\$7,074	\$6,130	\$6,766
Total Net Return	0.0%	15.0%	8.1%	7.7%
FA Trust Fund:				
Market Value	\$20,522	\$19,427	\$15,951	\$18,633
Total Net Return	0.1%	15.1%	10.3%	8.5%

Endowment Funds Breakdown (by asset allocation) - 06/30/2015:

Bonds	20.7%
US Equity	37.1%
Global Ex US Equity	35.8%
Real Estate	6.4%
Cash/Cash Equivalents	0.0%
Total	<u><u>100.0%</u></u>

