



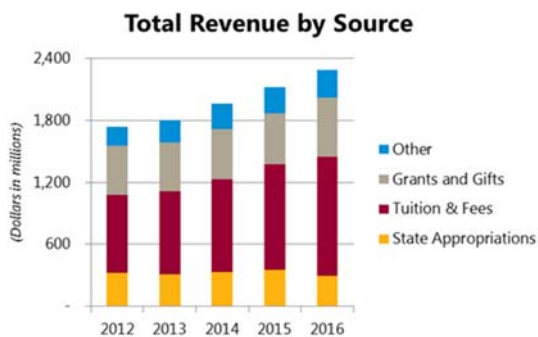
ANNUAL FINANCIAL REVIEW

PURPOSE. To assist the Regents in evaluating the financial position of Arizona State 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 Unaudited	FY 2016 Budget
State Appropriations	\$ 353.0	\$ 292.8	\$ 292.8
Tuition and Fees, net	1,021.0	1,157.5	1,179.1
Grants and Gifts	495.1	571.3	518.6
Other Revenues	248.1	267.4	259.1
Total Revenues	\$ 2,117.2	\$ 2,289.0	\$ 2,249.6
Total Expenses	\$ 2,025.0	\$ 2,156.6	\$ 2,171.0
Net Increase	\$ 92.2	\$ 132.4	\$ 78.6

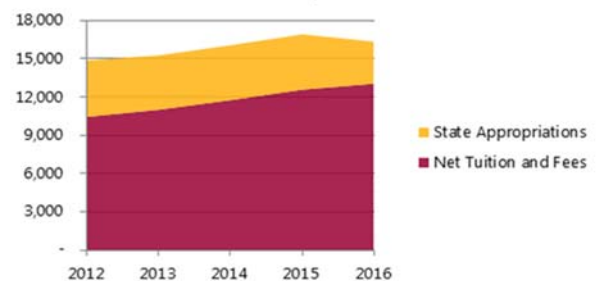
- FY 2016 state appropriations reflected a reduction due to the state's FY 2016 budget concerns.
- Increased tuition and fees are primarily the result of a 23 percent increase in nonresident enrollment from FY 2015 to FY 2016.
- Grants and Gifts in total increased 15.4 percent, of which, grants grew by 8 percent due to new agreements, renewals and extensions. Gifts growth includes receipts from the Thunderbird corporate entity.
- FY 2016 expenses were slightly less than budgeted.

Revenue



- Over the five years ended June 30, 2016, revenues grew 35 percent from \$1.7 billion to \$2.3 billion. During this period, state appropriations declined from 19 percent of total revenues to 13 percent and tuition increased from 44 percent to 51 percent.
- Net tuition and fee revenue increased \$136.5 million in FY 2016 primarily due to enrollment growth, as total revenues increased \$172 million from FY 2015 to FY 2016.

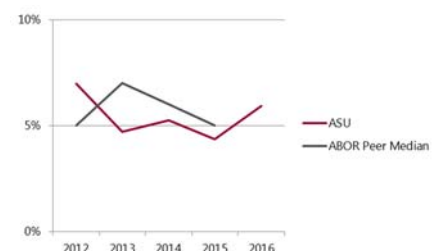
State Appropriations and Net Tuition and Fees per FTE Enrollment



- State appropriations per Fall FTE decreased from \$4,344 in FY 2015 to \$3,299 in FY 2016, as net tuition revenue per FTE increased from \$12,566 in FY 2015 to \$13,038 in FY 2016 due to non-resident growth of over 7,600 students.

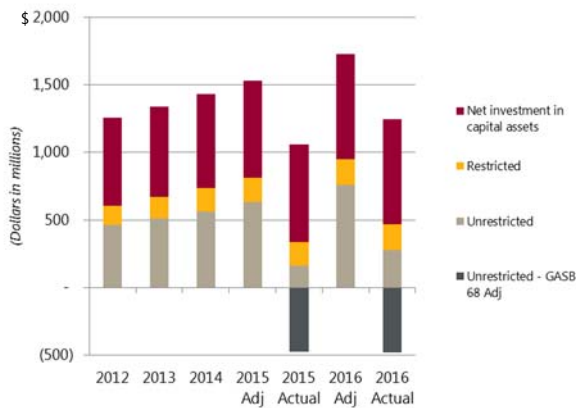
Net Revenues as a Percent of Total Revenues

- ASU's net revenues as a percent of total revenues remained stable from FY 2012 to FY 2016 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.

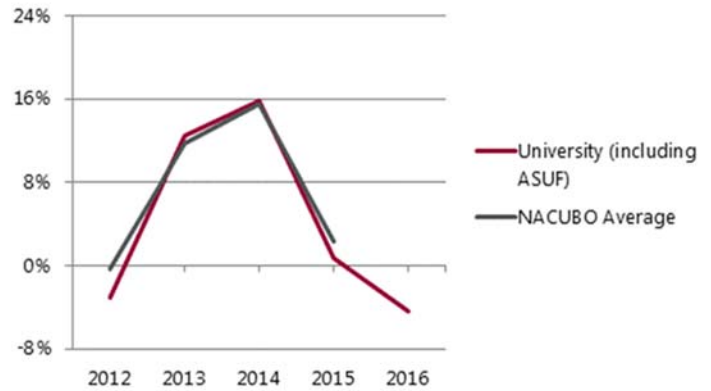


Financial Viability

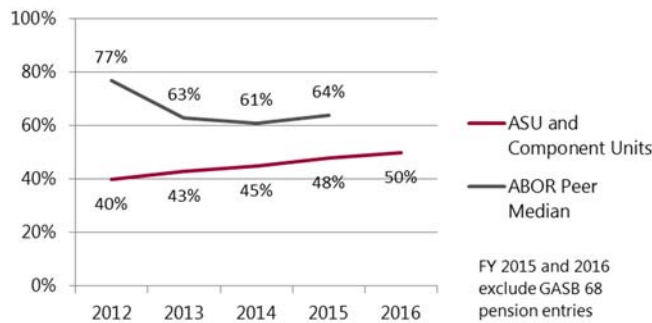
University Net Position



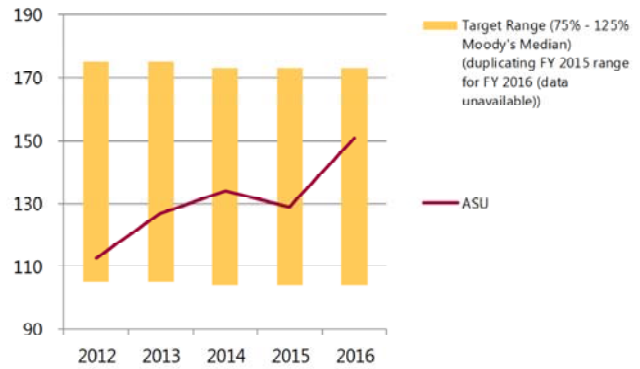
Pooled Endowment Total Return



Expendable Net Position to Total Expenses

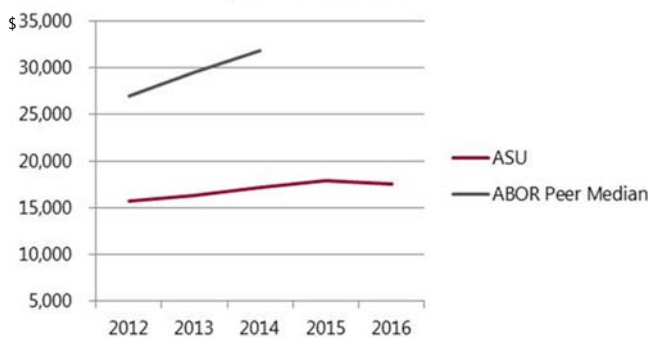


Monthly Days Cash on Hand as of June 30



- The University's net position increased 12 percent in FY 2016 and has grown 37 percent since FY 2012, adjusted for the impact of GASB 68 in FY 2015 and FY 2016 (Note 1).
- The ASU and ASU Foundation endowment, with a total market value of \$613 million, earned -4.37 percent in FY 2016 as compared to its benchmark of +0.13 percent. For the past ten years, the average annual compound return was 4.72 percent compared to a benchmark value of 4.53%
- 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 2016, ASU's monthly days cash on hand represents 22 weeks of liquidity. The increase from FY 2015 to FY 2016 is due primarily to the funding of the State of Arizona rollover.

Educational and General Expense per FTE Enrollment



AUXILIARY SUMMARY (Dollars in millions)

	FY 2016 Actuals			
	Residential Life & Dining	Sun Devil Athletics	Other Auxiliaries	Total
Revenue	\$74.6	\$75.2	\$48.5	\$198.3
Expenses, including net transfers	74.5	67.4	48.2	190.1
Change	0.1	7.8	0.3	8.2
Ending Balance	\$0.5	\$0.0	\$16.5	\$17.0

- Educational and General (E&G) expenses include all operating expenses of the University, excluding research and auxiliary expenses.
- Auxiliary enterprises are self-supporting activities whose primary customers are affiliated with the university, including students, faculty and staff.

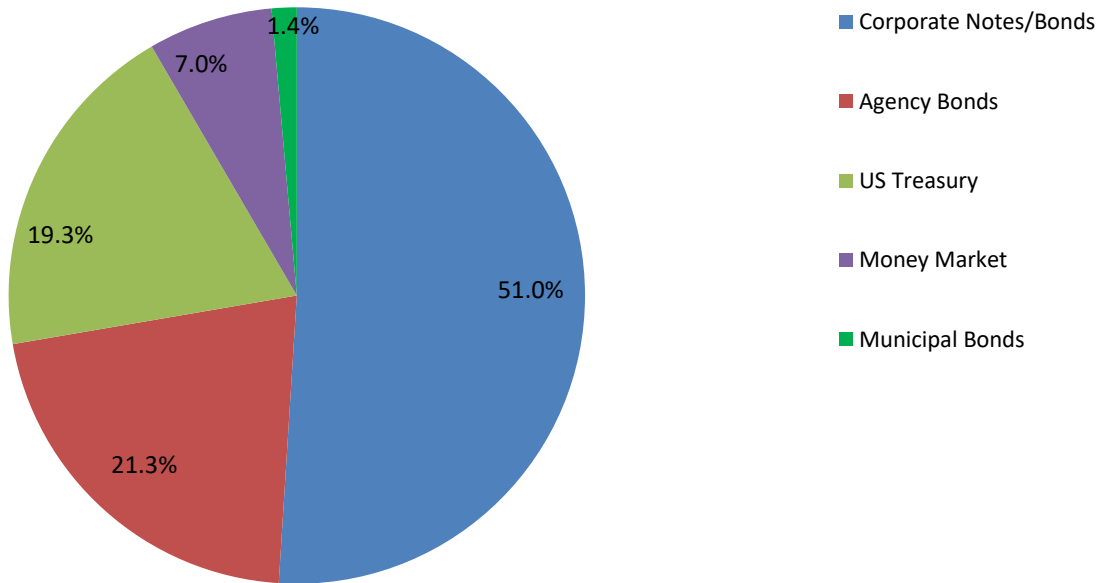
Note 1: GASB 68 became effective during Fiscal Year 2015 and requires government employers that sponsor defined benefit pension plans to recognize their proportional share of the net unfunded pension liability in their statement of net position.

ARIZONA STATE UNIVERSITY
Operating Fund Investments
June 30, 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	\$828,622	\$650,237	\$617,299	\$698,719
Total Net Return	1.7%	0.7%	1.0%	1.1%

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

Corporate Notes/Bonds	51.0%
Agency Bonds	21.3%
US Treasury	19.3%
Money Market	7.0%
Municipal Bonds	1.4%
Total	100.0%



ARIZONA STATE 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	\$66,129	\$68,854	\$69,233	\$68,072
Total Net Return	-4.4%	0.7%	15.8%	4.0%
FA Trust Fund:				
Market Value	\$47,530	\$47,556	\$45,174	\$46,753
Total Net Return	-4.4%	0.7%	15.8%	4.0%

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

GlobalEquity	48.7%
Absolute Return	14.2%
Real Assets	13.9%
Fixed Income	12.9%
Private Capital	8.4%
Cash/Cash Equivalents	1.9%
Total	100.0%

