

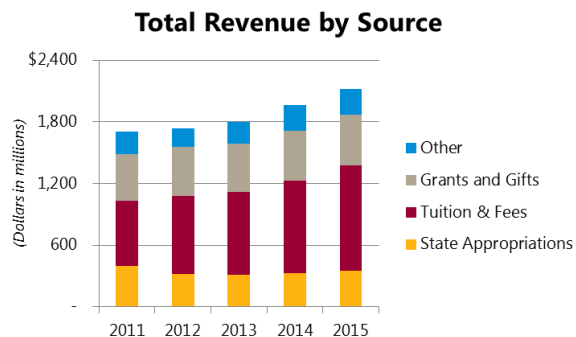
ANNUAL FINANCIAL REVIEW

PURPOSE. To assist the Regents in evaluating the financial position of Arizona State 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	\$ 329.0	\$ 353.0	\$ 352.0
Tuition and Fees, net	896.9	1,021.0	969.5
Grants and Gifts	489.9	495.1	509.7
Other Revenues	246.6	248.1	217.5
Total Revenues	\$ 1,962.4	\$ 2,117.2	\$ 2,048.7
Total Expenses	\$ 1,859.1	\$ 2,025.0	\$ 1,961.1
Net Increase	\$ 103.3	\$ 92.2	\$ 87.6

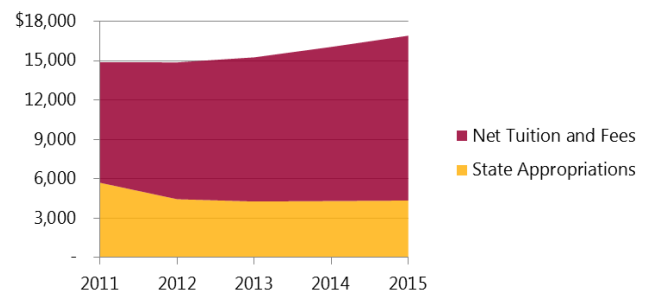
- FY 2015 state appropriations include \$21 million in additional parity funding and \$3 million of performance funding.
- Increased tuition and fees are primarily the result of a 22 percent increase in nonresident enrollment from FY 2014 to FY 2015.
- Other revenues increased primarily due to growth in sales and service revenues of \$9 million across several areas.
- FY 2015 expenses exceeded budget in response to enrollment growth and the acquisition of Thunderbird School of Global Management.

Revenue



- Over the five years ended June 30, 2015, revenues grew 22 percent from \$1.7 billion to \$2.1 billion. During this period, state appropriations declined from 23 percent of total revenues to 17 percent and tuition increased from 37 percent to 48 percent.
- Net tuition and fee revenue increased \$124 million in FY 2015 primarily due to enrollment growth, as total revenues increased \$155 million from FY 2014 to FY 2015.

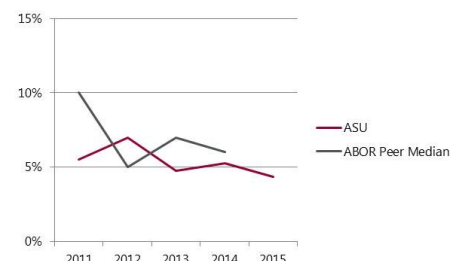
State Appropriations and Net Tuition and Fees per FTE Enrollment



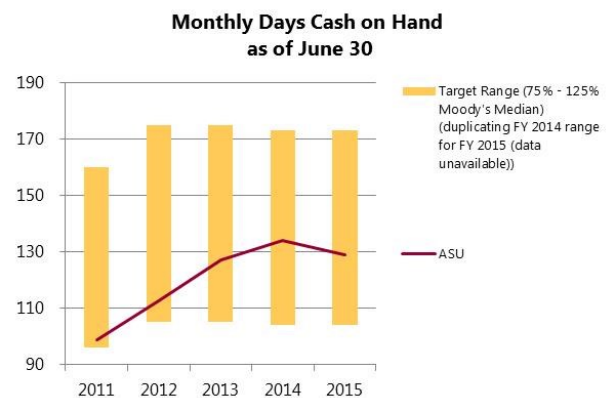
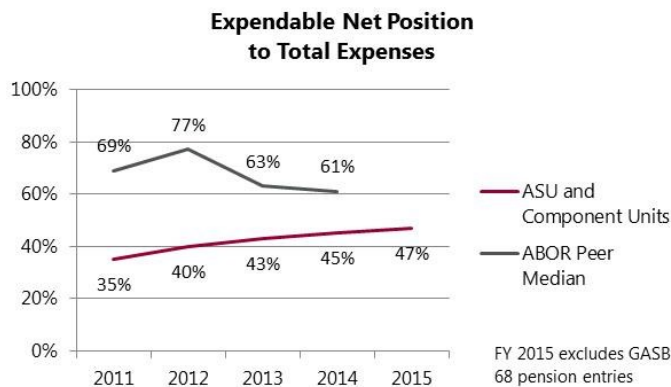
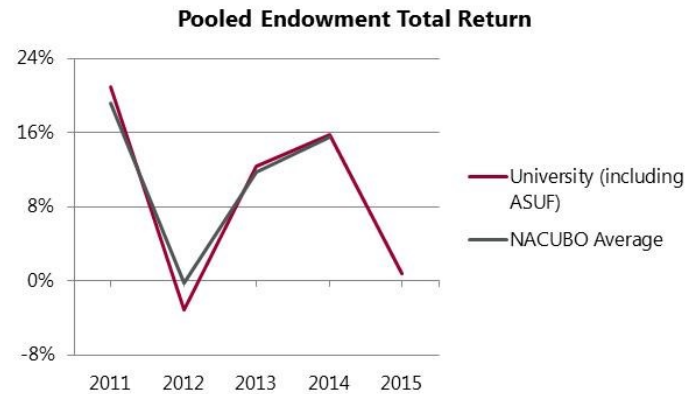
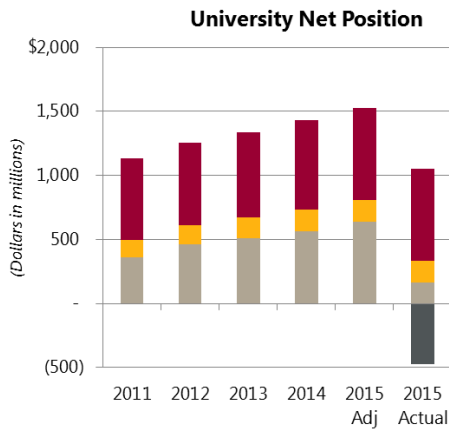
- State appropriations per Fall FTE slightly increased from \$4,307 in FY 2014 to \$4,344 in FY 2015, as net tuition revenue per FTE increased from \$11,743 in FY 2014 to \$12,366 in FY 2015.
- The increased funding from net tuition and fees can be attributed to the 22 percent increase in Fall headcount for nonresident students between FY 2014 and FY 2015.

Net Revenues as a Percent of Total Revenues

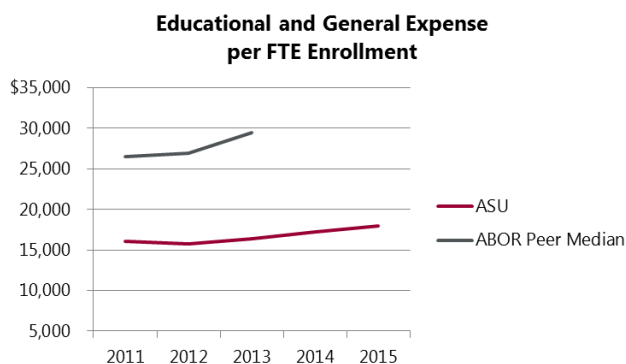
- ASU's net revenues as a percent of total revenues remained stable from FY 2011 to FY 2015. A positive ratio is an indicator of the University's ability to operate within its means and to improve its financial position through net position growth.
- ABOR peers with more substantial endowments experienced volatility due to changes in investment return during a period of instability in the financial markets.



Financial Viability



- The University's net position increased 7 percent in FY 2015 and has grown 35 percent since FY 2011. To provide comparability with earlier years, FY 2015 net position excludes the GASB 68 required pension liability.
- 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 and limits the University's flexibility to address unplanned demands on resources.
- The ASU and ASU Foundation endowment, with a total market value of \$648 million, earned 0.7 percent in FY 2015 as compared to its benchmark of -1.6 percent.
- 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 2015, ASU's monthly days cash on hand represents 18 weeks of liquidity.



AUXILIARY SUMMARY (Dollars in millions)				
	FY 2015 Actuals			
	Residential Life & Dining	Sun Devil Athletics	Other Auxiliaries	Total
Revenue	\$74.1	\$65.0	\$43.6	\$182.7
Expenses, including net transfers	74.1	64.5	42.6	181.2
Change	0.0	0.5	1.0	1.5
Ending Balance	\$0.4	\$(8.4)	\$16.2	\$8.2

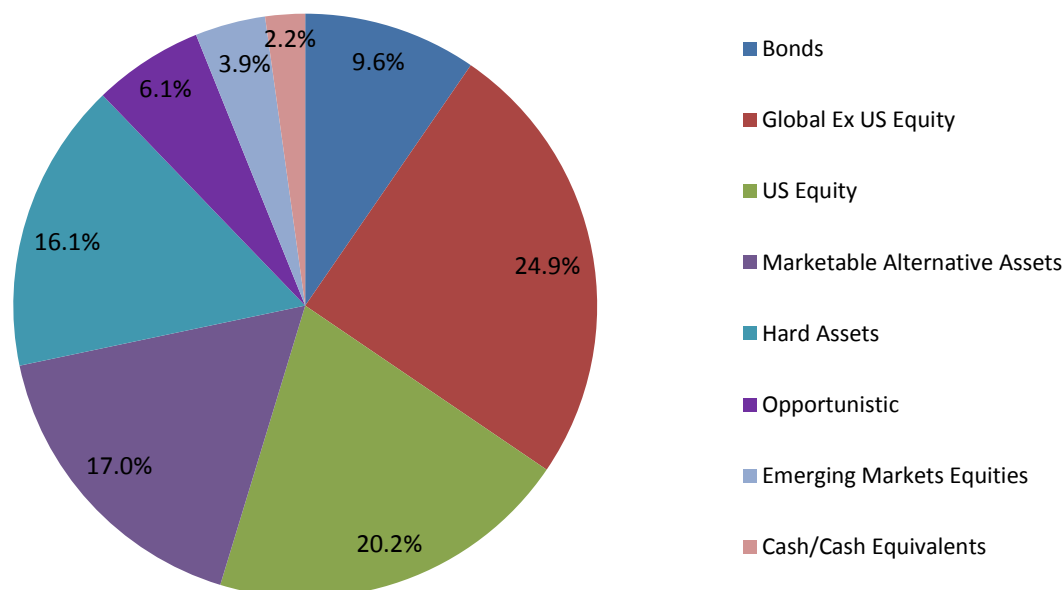
- Educational and General (E&G) expenses include all operating expenses of the University, excluding research and auxiliary expenses.
- Auxiliary enterprises are self-supporting activities whose primary customers are affiliated with the university, including students, faculty and staff.

ARIZONA STATE 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	\$68,854	\$69,233	\$62,344	\$66,810
Total Net Return	0.7%	15.8%	12.4%	9.6%
FA Trust Fund:				
Market Value	\$47,556	\$45,174	\$37,777	\$43,502
Total Net Return	0.7%	15.8%	12.4%	9.6%

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

Bonds	9.6%
Global Ex US Equity	24.9%
US Equity	20.2%
Marketable Alternative Assets	17.0%
Hard Assets	16.1%
Opportunistic	6.1%
Emerging Markets Equities	3.9%
Cash/Cash Equivalents	2.2%
Total	100.0%



ARIZONA STATE 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	\$650,237	\$617,299	\$526,942	\$598,159
Total Net Return	0.7%	1.0%	-0.1%	0.5%

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

Corporate Notes/Bonds	53.0%
Agency Bonds	24.0%
US Treasury	18.2%
Municipal Bonds	4.3%
Other Investments	0.5%
Total	<u><u>100.0%</u></u>

