



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended | June 30, 2019

Included as an Enterprise Fund of the State of Arizona



Comprehensive Annual Financial Report

Fiscal year ended June 30, 2019

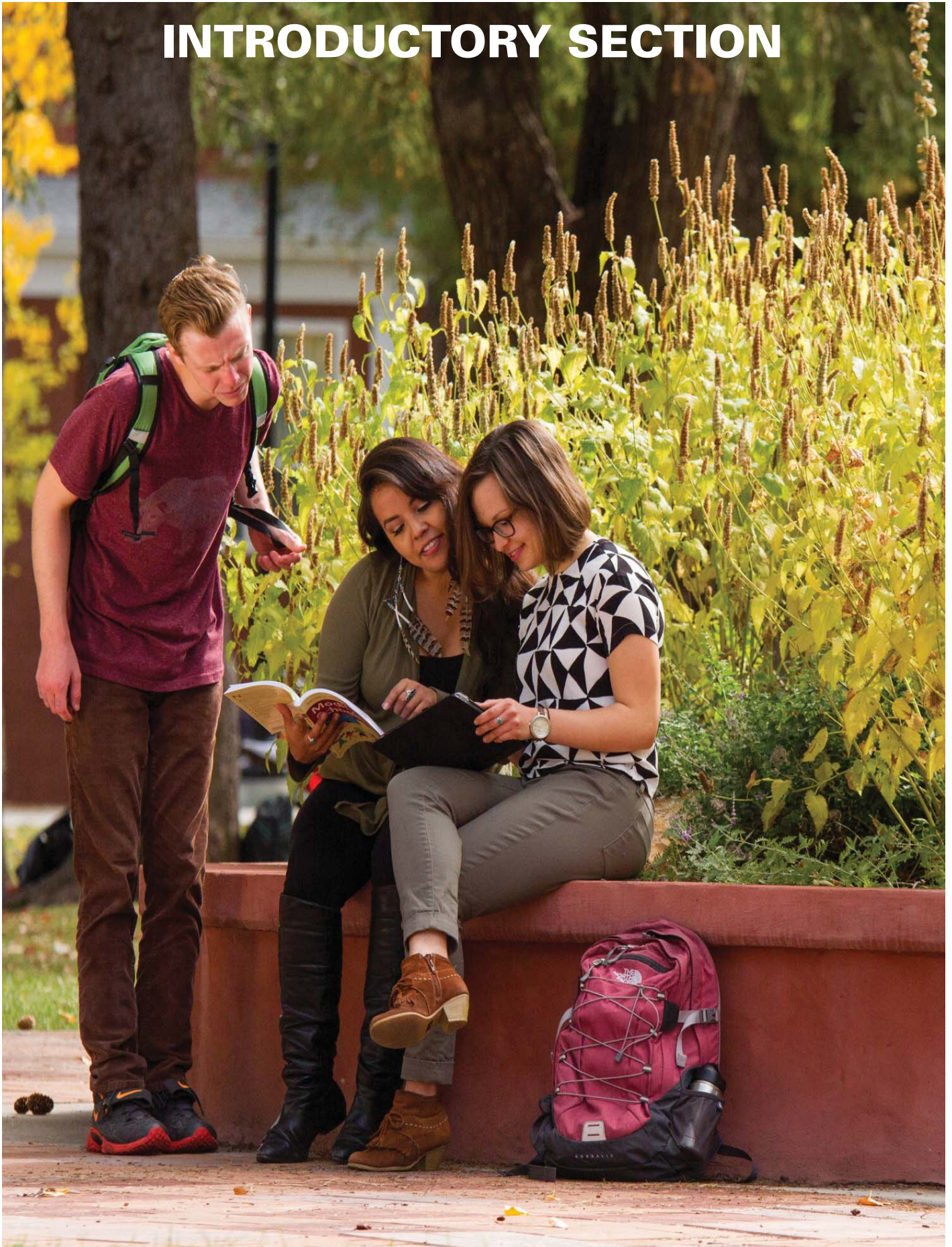
Northern Arizona University
Flagstaff, Arizona
Prepared by the Comptroller's Office



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INTRODUCTORY SECTION





A Message from the President

Since 1899, students have been bringing their aspirations to NAU and leaving with degrees and an experience that leads to exceptional careers and high levels of well-being. As we celebrate NAU's 120th anniversary I'm proud to share highlights of our ongoing success.

Increased access to higher education and alignment to the workforce needs of our state remain embedded in NAU's mission, and student success and access are at the center of everything we do. Hands on undergraduate research opportunities, affordability and access, and enrollment and retention are key focus areas for the 31,000 students in NAU's programs offered online and at sites throughout the state.

Research at NAU contributes to our overall economic impact and provides critical answers to global, state-wide and community issues. We are proud of our continued growth in this critical strategic area and we are on an upward trajectory for the future. We have achieved \$58 million in research and development expenditures. Faculty and staff at NAU are working at the forefront of their fields, which is reflected by our 50 invention disclosures, 15 patents issued, and \$88.2 million in research and public service expenditures in the last year. And, for the first time, Northern Arizona University is recognized as one of the top 100 research universities without a medical school by the National Science Foundation. We also moved to 201 for all universities in the United States, up from 213 in 2017.

NAU is dedicated to the economic success of our region and our state. The recent Alliance Bank Economic Policy Institute economic impact study, estimates that NAU contributes more than \$2.6 billion to Arizona's economy each year. Our big economic impact comes from more than 22,000 jobs supported by NAU throughout Arizona.

This past year we created the Organizational Growth and Effectiveness Initiative to position the University for future success by modernizing our operational practices. This initiative gave us an in-depth review of the effectiveness of our administrative service delivery and opportunities for improvement that will drive organization-wide effectiveness.

Our work on a new Campus Master Plan to guide our use of campus property, new facilities, and upgraded spaces within existing facilities continues. This is the first comprehensive planning effort since 2010, and includes working with a planning and design firm on a Strategic Space Utilization Plan.

NAU faculty, staff and students embody the spirit of collaboration we embrace as an institution by filling sandbags and placing them throughout the Flagstaff neighborhoods under threat of flooding after the Museum Fire, and hosting more than 125 volunteers consisting of faculty and staff, local dentists, hygienists, lab technicians and assistants providing \$650,000 in free dental services to more than 600 people in two days.

We are thrilled to celebrate 120 years of academic leadership and share our success with you. I remain grateful for the support of state leaders who understand the important role we play in Arizona's success, and thank you for your interest and support of NAU.

Most sincerely,

Rita Cheng
President



Letter of Transmittal

October 16, 2019

To President Cheng, Members of the Arizona Board of Regents, and friends of Northern Arizona University:

I respectfully submit the Comprehensive Annual Financial Report (CAFR)

of Northern Arizona University for the year ended June 30, 2019. This report includes the financial statements as well as other useful information that helps ensure the University's accountability to the public. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

We believe our system of internal controls is robust and sufficient to disclose material deficiencies in controls to the auditors and the audit committee and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

The University's CAFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes §41-725. Additionally, federal guidelines and certain bond covenants require that the University's accounting and financial records be audited each year. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The University's internal auditors also perform fiscal, compliance and performance audits. The reports resulting from these audits are shared with University management, the Arizona Board of Regents (ABOR), ABOR Audit Committee and the ABOR Business and Finance Committee.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The CAFR includes Management's Discussion and Analysis (MD&A), along with other required supplementary information and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the year ended June 30, 2019. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the University

Northern Arizona University, or Arizona Normal College as it was named back then, opened its doors in 1899 with 23 students, two faculty members (one, Almon N Taylor was also the school president), and two copies of Webster's International Dictionary bound in sheepskin. The first president scoured the countryside in horse and buggy seeking students to fill the classrooms of the single school building (now known as Old Main). In 1901, the first graduating class consisted of four women who received lifetime teaching certificates to teach in the Arizona Territory. The road to becoming a university began with the creation of the forestry program in 1958 and increased research activities. Pleased with the array of quality academic programs and ever-growing student body, the Arizona Board of Regents recommended that the then Arizona State College become Northern University, effective May 1, 1966.

Now in its second century, the University has much to be proud of, including nationally ranked programs, high-research status, and emergence as a leader in sustainability, science, business, green building and cultural arts. NAU is a fully-accredited, four-year degree-granting institution of higher learning (Carnegie Classification: Doctoral, Public, High Research), supported by the State and governed by ABOR.

ABOR is comprised of twelve members that include appointed, ex-officio, and student regents. The Governor appoints and the Arizona Senate confirms the eight appointed regents to staggered eight-year terms as voting members of ABOR. The Governor and Superintendent of Public Instruction serve as ex-officio voting members while they hold office. Two student regents each serve two-year terms, the first year as a nonvoting board member and the second as a voting member.

The University's fiscal year 2019 fall semester total enrollment was 31,073 students. Enrollment was comprised of 27,078 undergraduate and 3,995 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 1,180 full-time equivalent faculty educate a diverse student population. The University's student population is 62.0 percent female, 23.3 percent Hispanic, 3.4 percent African American or Black, 2.7 percent American Indian or Alaska Native (affiliated with 115 tribes) and 2.0 percent Asian. It includes students from all 50 states and the District of Columbia. International students represent 4.5 percent of the fall fiscal year 2019 enrollment.

The University is classified as a state instrumentality per Internal Revenue Code Section 115. Fiscal responsibility for the University remains with the State of Arizona. The University is considered a part of the reporting entity for the State's financial reporting purposes and is included in the State's CAFR. The accompanying financial statements present all funds belonging to the University and its component units. The component units include the Northern Arizona University Foundation (Foundation) and Northern Arizona Capital Facilities Finance Corporation (NACFFC). The component units are non-profit, tax-exempt organizations. The Foundation is a discretely presented component unit, more information relating to the Foundation can be found in Notes 2 and 11 to the financial statements. NACFFC is a blended component unit, based on the nature and significance of its relationship to the University.

The University is responsible for planning, developing, and controlling its budget and expenses within authorized allocations in accordance with University, ABOR, state, and federal laws and regulations. ABOR approves the University's annual operating budget in accordance with ABOR policy 3-403. The budget includes the general purpose (state general

funds and tuition and fees) budget and the local funds budget which consists of the designated, restricted, and auxiliary funds. The State Legislature reviews the University's local funds budget and adopts and appropriates the general purpose budget through legislation. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget. Project-length financial plans are adopted for capital projects.

Economic Condition

Arizona continued to experience growth in total population, overall economy, and employment during the fiscal year ended June 30, 2019. On March 26, 2019 the U.S. Department of Commerce Bureau of Economic Analysis reported the population of Arizona in 2018 was 7,171,646, which ranks 14th in the nation. Arizona's current-dollar gross domestic product ranks 20th among the states. In 2018, Arizona real GDP grew 4.0 percent; the 2017-2018 national change was 2.9 percent.

As reported by the Arizona Office of Economic Opportunity in a report released March 7, 2019, employment in Arizona is projected to increase 2.7% for the 2019 – 2020 projection time period. Gains are projected across all 11 Arizona supersectors with construction (5.8%) and manufacturing (3.6%) projected to record the fastest job growth. Education and health services, and professional and business services are projected to record the largest job gains.

Overall, if the national economy continues to grow, Arizona is poised to generate strong gains. Gains are expected to slow, implying that recession risks are elevated beginning in 2020. However, the most likely scenario remains continued gains in the near term, with more jobs, residents, and income in Arizona.

Planning and Major Initiatives

Northern Arizona University is dedicated to providing an outstanding undergraduate residential education strengthened by research, graduate and professional programs, and sophisticated methods of distance delivery. NAU has achieved national distinction as a leader in a number of areas, including environmental sustainability, innovative educational approaches, allied health professional education, and Native American educational partnerships. The University is also committed to student success, offering a number of academic planning tools to help students finish in four years and a guaranteed tuition program

that ensures that students pay the same tuition over four years.

The University continues to emphasize the enrollment of first-generation, low-income, and other underrepresented students, upholding an institutional promise to ensure that higher education is accessible to the state's residents. The class of 2022 is comprised of over 5,000 first-year students selected from over 30,000 applicants. Over 46 percent were the first generation in their families to attend college. More than 21 percent of first-year students graduated in the top 10 percent of their class. Fall 2018 first-year students hail from 14 Arizona counties, all 50 states, and 85 countries.

Northern Arizona University's new Strategic Plan will guide the University's long term planning effectively through 2025. One NAU. Side by Side. NAU leads the way to a better Arizona and a sustainable world through personalized attention to student success and scholarly excellence. Strategies and initiatives within the University's Strategic Plan will contribute toward fulfilling the University's mission as part of ABOR's goals for higher education in Arizona.

Student success has long been at the center of NAU's mission with a strong commitment to personalized attention that is integral to student success and retention. Efforts began last year to better align the activities in both Academic Affairs and Enrollment Management & Student Affairs to more effectively serve our students.

The enrollment landscape is competitive and NAU has managed to succeed in that environment by monitoring and adapting as necessary to external trends whether it is within the state, the region, or across the nation. This requires constant evaluation of programming for student services from recruitment throughout the college experience, degree offerings, and an ability to differentiate in a crowded market. NAU has modified, enhanced and added degrees especially in high demand fields to be relevant to today's dynamic and ever changing global environment, with curriculum that prepares students to succeed in rigorous environments.

NAU continues to demonstrate progress towards our goal of ranking within the top 200 universities as measured by the National Science Foundation's Higher Education Research and Development (HERD) survey of more than 600 institutions in the U.S. NAU ranked 201 in FY17. Increased research

activity improves the institution's national reputation for research and creative scholarship, increases NAU's competitive positioning to attract graduate and undergraduate students, and improves the experiential learning opportunities for students that are important components of their education at NAU and their preparation to join the future workforce for Arizona. All of these factors support the importance of maintaining a strategic commitment to increasing research and scholarship activity.

While annual capital planning is provided to ABOR through one-year and three-year outlooks for campus infrastructure needs, NAU has not engaged external capital planning assistance since 2010. NAU will be engaging in a master planning project to update this work last done in 2010, incorporating the changing campus boundaries as well as the changes to the community surrounding NAU. This important project will help to further define the key projects that need to be considered in future planning in addition to the multi-disciplinary STEM building as well as consider efficient use of all existing facilities.

NAU remains well positioned to meet the goals set before the University in the future as a result of the significant progress demonstrated not only this past year, but in the advances NAU has made throughout its history. The University must continue to adapt operations, revisit program offerings where appropriate, and further increase data driven focuses to remain positioned to take advantage of the opportunities that will arise. In remaining focused on this, the University's students, faculty and staff, and communities all benefit from the progress NAU achieves working together as one NAU, with one mission and one vision, side by side.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northern Arizona University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the sixth consecutive year that NAU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year

only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report in a timely manner would not have been possible without the skill, effort, and dedication of the entire staff of the Comptroller's Office, and other University administrators, faculty and staff. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. In addition, the State of Arizona Office of the Auditor General provided invaluable assistance.

Respectfully Submitted,

Bjorn Flugstad
Chief Financial Officer
Vice President Finance, Institutional
Planning and Analysis



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Northern Arizona University

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Arizona Board of Regents

June 30, 2019

Ex-Officio Members

Honorable Doug Ducey

Governor of Arizona

Honorable Kathy Hoffman

Superintendent of Public Instruction

Appointed Members

Ron Shoopman, Chair

Ram Krishna, Secretary

Bill Ridenour, Treasurer

Fred Duval, Regent

Lyndel Manson, Regent

Karrin Taylor Robson, Regent

Jay Heiler, Regent

Larry Penley, Regent

Aundrea DeGravina, Student Regent

Lauren L'Ecuyer, Student Regent

Executive Administration

Rita Cheng

President

Joanne Keene

Executive Vice President and Chief of Staff

Steve Burrell

Chief Information Officer

Ashley Chitwood

Chief Marketing Officer

Christy Farley

Vice President for External Affairs and Partnerships

Bjorn Flugstad

Vice President for Finance, Institutional Planning and Analysis

Chad Hamill

Vice President for Native American Initiatives

Jane Kuhn

Vice President for Enrollment Management and Student Affairs

Mike Marlow

Vice President for Intercollegiate Athletics

Rickey McCurry

Vice President for Development and Alumni Engagement

Daniel Okoli

Vice President Capital Planning & Campus Operations

David Schultz

Vice President for Research

Diane Sterns

Provost and Vice President for Academic Affairs

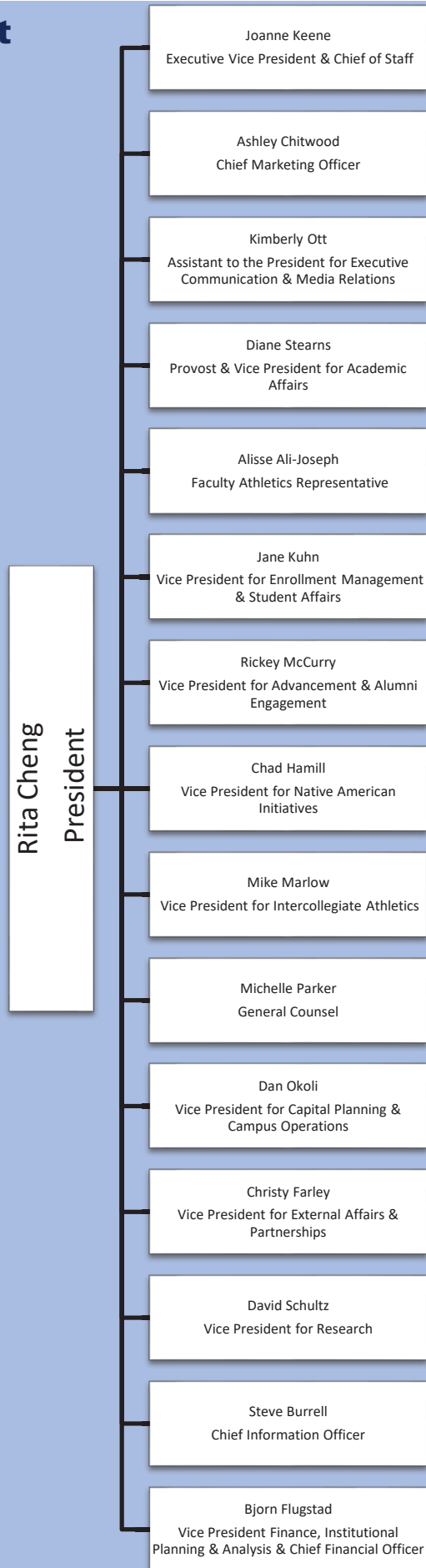
This comprehensive annual financial report is compiled and issued by Wendy Swartz- Associate Vice President for Financial services/Comptroller

Northern Arizona University
PO Box 4069
Flagstaff, AZ 86011

This report is also available online at <https://nau.edu/Comptroller/Annual-Financial-Reports/>

Organization Chart

June 30, 2019





FINANCIAL SECTION



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Northern Arizona University as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 21, schedule of University's proportionate share of net pension liability on page 56, schedule of University's pension contributions – Arizona State Retirement System on page 56, and schedule of changes in total OPEB liability on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

October 16, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Northern Arizona University for the fiscal year ended June 30, 2019. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the University as a whole. Management has prepared the discussion and analysis to be read in conjunction with the transmittal letter, the financial statements, and accompanying notes.

The financial statements encompass the University and its discretely presented component unit; however, the MD&A focuses only on the University. Information relating to the discretely presented component unit can be found in its separately issued financial statements. The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for fiscal year 2018 are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2019 data.

In fiscal year 2019, the University implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in the notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

Financial Overview

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, and includes all assets and deferred outflows, all liabilities and deferred inflows, and segregates the assets and liabilities into current and non-current components. The following table summarizes the University's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, and net position on June 30, 2019, and June 30, 2018:

Condensed Statement of Net Position (dollars in thousands)

| | 2019 | 2018 | % Change |
|---------------------------------------|---------------------|---------------------|---------------|
| Assets: | | | |
| Current assets | \$ 214,692 | \$ 244,524 | (12.2%) |
| Capital assets, net | 859,248 | 841,356 | 2.1% |
| Other non-current assets | 84,061 | 81,366 | 3.3% |
| Total Assets | \$ 1,158,001 | \$ 1,167,246 | (0.8%) |
| Deferred Outflows of Resources | | | |
| | \$ 40,974 | \$ 37,959 | 7.9% |
| Liabilities: | | | |
| Current liabilities | \$ 84,723 | \$ 83,300 | 1.7% |
| Non-current liabilities | 787,792 | 814,243 | (3.2%) |
| Total Liabilities | \$ 872,515 | \$ 897,543 | (2.8%) |
| Deferred Inflows of Resources | | | |
| | \$ 66,909 | \$ 64,923 | 3.1% |
| Net Position: | | | |
| Net investment in capital assets | \$ 245,903 | \$ 232,568 | 5.7% |
| Restricted | 74,404 | 69,701 | 6.7% |
| Unrestricted (deficit) | (60,756) | (59,530) | 2.1% |
| Total Net Position | \$ 259,551 | \$ 242,739 | 6.9% |

Total Assets

When compared to fiscal year 2018, total assets for the University decreased \$9.2 million. The decrease is attributable to decreases in investments of \$12.7 million and restricted cash for capital projects of \$13.4 million. These decreases were offset by an increase in capital assets not being depreciated of \$18.1 million.

The decrease in investments and restricted cash for capital projects is a result of the University using cash and bond proceeds to build the Recital Hall and renovate the Science Annex. The increase in capital assets not being depreciated is primarily due to the strategic purchase of several land parcels around the University.

Total Deferred Outflows of Resources

Deferred outflows of resources, which are consumptions of the University's net position that are applicable to future reporting periods, increased \$3.0 million. This increase is attributed to a \$0.7 million decrease in deferred amounts related to debt refunding and \$3.7 million increase in deferred outflows related to pensions and other post-employment benefits due to actuarial adjustments provided by the Arizona State Retirement System (ASRS), Arizona Department of Administration (ADOA), and Public Safety Personnel Retirement System (PSPRS). See notes 9 and 10 for detailed information on deferred inflows and outflows related to pensions and OPEB.

Total Liabilities

Total liabilities decreased \$25.0 million compared to fiscal year 2018. Net pension liability decreased \$14.3 million, and long-term debt decreased \$9.7 million. The decrease in net pension liability is due to actuarial adjustments provided by ASRS and PSPRS. The decrease in long-term debt was mainly due to principal payments on System Revenue Bonds, Certificates of Participation, and increases in capital leases related to the purchase of land.

Total Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position by the University that is applicable to future reporting periods. Deferred inflows increased \$2.0 million due to deferred inflows related to pensions and OPEB attributable to actuarial adjustments provided by the ASRS, ADOA, and PSPRS. See notes 9 and 10 for detailed information on deferred inflows and outflows related to pensions and OPEB.

Total Net Position

Net position represents the value of the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position was \$259.6 million at June 30, 2019, an increase of \$16.8 million over the prior year which is attributed to increases in grant related assets reserved for research and academic use and endowment assets reserved for scholarship use. Net investment in capital assets increased \$13.3 million primarily due to the completion of the Recital Hall, Honors Hall, and several large renovation projects. Net position is reported as follows:

- Net investment in capital assets represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets such amounts are not included.
- Restricted nonexpendable net position primarily represents the University's permanent endowment funds received from donors for the purpose of creating permanent funding streams for specific programs or activities. These funds are held in perpetuity and are not available for expenditure by the University. The earnings on these funds support the programs and activities as determined by donors.
- Restricted expendable net position includes resources in which the University is legally obligated to spend the resources in accordance with restrictions provided by external parties.
- Unrestricted net position is composed of all other funds available to the University for purposes related to its mission. Unrestricted net position is typically designated or committed for specific academic programs or research initiatives.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal

Condensed Statement of Revenues, Expenses, and Changes in Net Position (dollars in thousands)

A comparison of the University's operations (in thousands of dollars) for the year ended June 30, 2019, and for the year ended June 30, 2018, is as follows:

| | 2019 | 2018 | % Change |
|--|---------------------|---------------------|---------------|
| Operating revenues: | | | |
| Student tuition and fees, net | \$ 237,605 | \$ 236,790 | 0.3% |
| Grants and contracts | 39,905 | 33,945 | 17.6% |
| Auxiliary enterprises, net | 65,578 | 66,479 | (1.4%) |
| Other | 24,931 | 22,362 | 11.5% |
| Total operating revenues | \$ 368,019 | \$ 359,576 | 2.3% |
| Operating expenses: | | | |
| Educational and general | \$ 470,544 | \$ 473,033 | (0.5%) |
| Auxiliary enterprises | 44,790 | 40,905 | 9.5% |
| Depreciation | 42,822 | 42,830 | 0.0% |
| Total operating expenses | \$ 558,156 | \$ 556,768 | 0.2% |
| Operating loss | \$ (190,137) | \$ (197,192) | (3.6%) |
| Nonoperating revenues (expenses): | | | |
| State appropriations | \$ 103,200 | \$ 99,716 | 3.5% |
| Share of state sales tax revenues | 15,844 | 14,339 | 10.5% |
| Grants and gifts | 87,358 | 86,072 | 1.5% |
| Net investment income | 6,255 | 4,298 | 45.5% |
| Interest expense on debt | (28,084) | (28,061) | 0.1% |
| Other nonoperating revenues | 14,330 | 16,126 | (11.1%) |
| Net nonoperating revenues | \$ 198,903 | \$ 192,490 | 3.3% |
| Income (loss) before capital and endowment additions | \$ 8,766 | \$ (4,702) | 286.4% |
| Capital appropriations | 5,896 | 5,897 | 0.0% |
| Other capital and endowment additions | 2,150 | 4,243 | (49.3%) |
| Increase in net position | \$ 16,812 | \$ 5,438 | 209.2% |
| Net position, end of year | \$ 259,551 | \$ 242,739 | 6.9% |

operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including state appropriations, non-capital grants and gifts, and net investment income are required by GASB Statement No. 35 to be classified as nonoperating revenues. Nonoperating expenses consist of capital financing costs.

Operating Revenues

The operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Student tuition

and fees reported net of the scholarship allowance, increased by 0.3 percent due to increases in tuition rates which was offset by increases in scholarship allowances (from \$128.0 million in fiscal year 2018 to \$144.7 million for fiscal year 2019). Revenues from operating grants and contracts increased 17.6 percent over the prior year, primarily due to increased grant activity. The funding comes from contracts and grants awarded by federal and state agencies, foundations, non-profit organizations, corporations and associations. Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of large projects, and unearned revenues.

Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary revenue decreased 1.4 percent over the prior year, primarily due to a decrease in dining commissions.

Operating Expenses

Operating expenses are reported by programmatic (functional) classification in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification in Note 8.

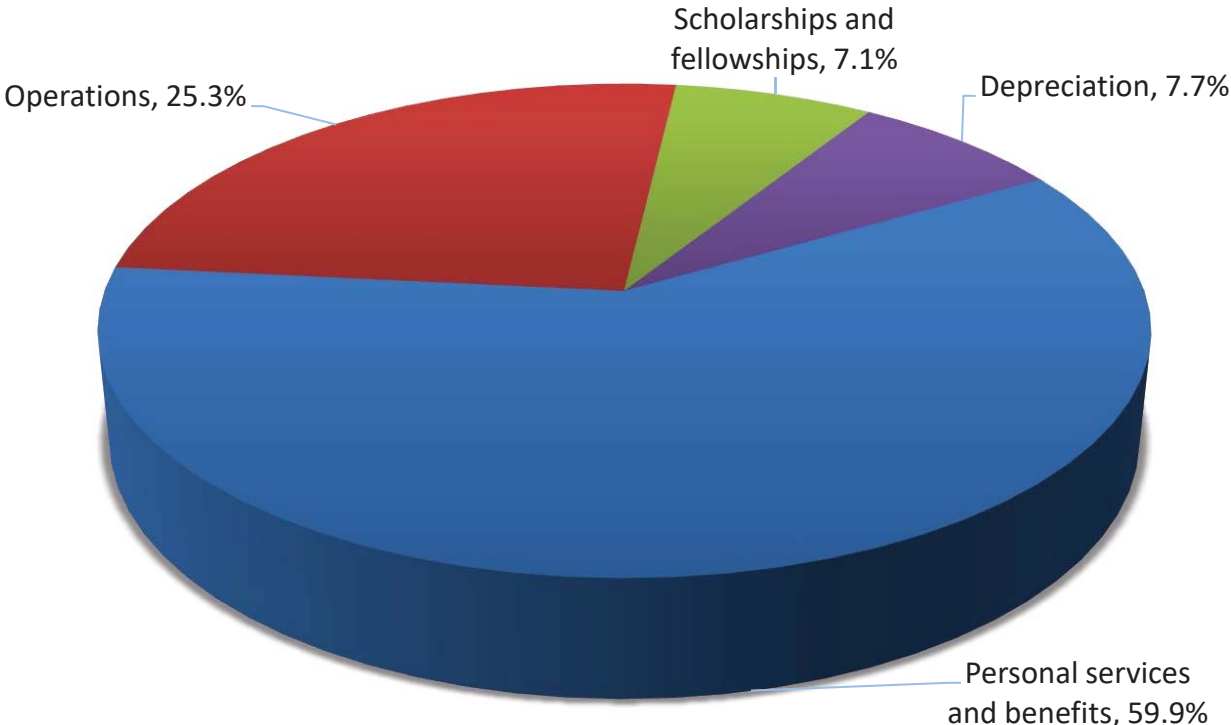
The University’s operating expenses were \$558.2 million for the fiscal year ended June 30, 2019. Overall, operating expenses increased 0.2 percent. The programmatic category of research recorded the highest increases of 13.4 percent, primarily due to increased grant activity.

The following tables illustrate the University’s operating expenses by natural classification and by functional classification:

Operating Expenses by Natural Classification (dollars in thousands)

| | 2019 | 2018 | % Change |
|---------------------------------|-------------------|-------------------|-------------|
| Operating: | | | |
| Personal services and benefits | \$ 334,491 | \$ 338,717 | (1.2%) |
| Operations | 140,987 | 136,563 | 3.2% |
| Scholarships and fellowships | 39,857 | 38,658 | 3.1% |
| Depreciation | 42,822 | 42,830 | 0.0% |
| Total operating expenses | \$ 558,157 | \$ 556,768 | 0.2% |

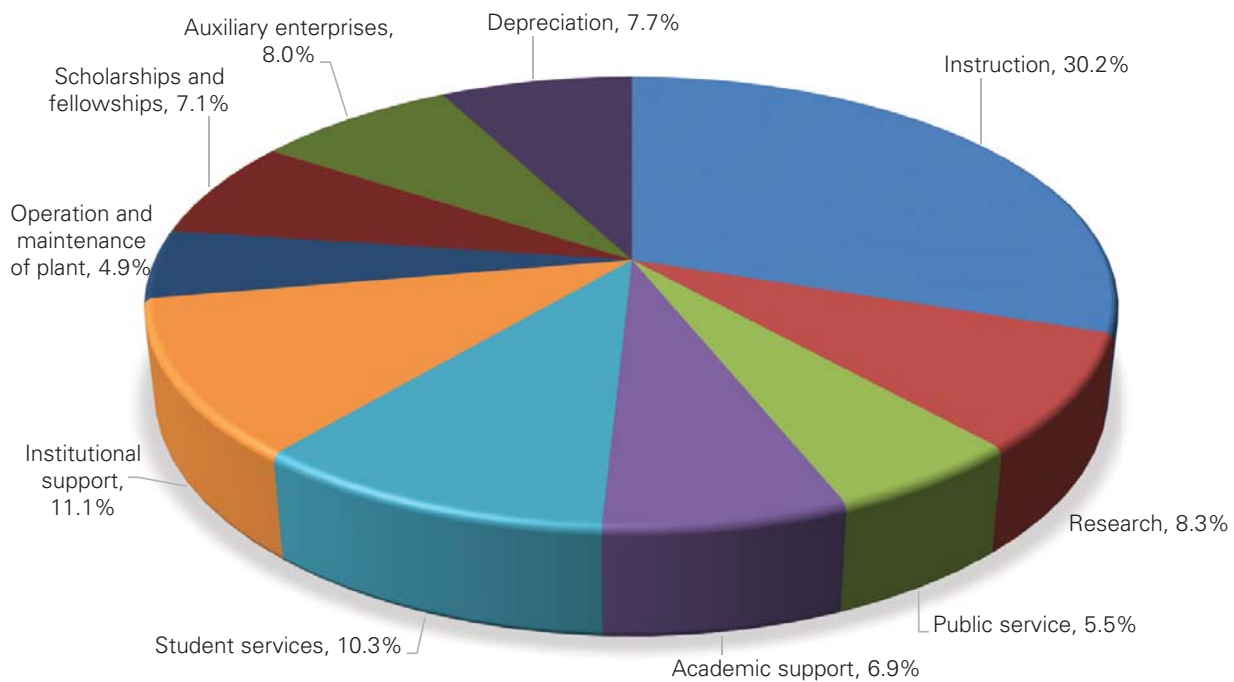
EXPENSE BY NATURAL CLASSIFICATION



Operating Expenses by Functional Classification (dollars in thousands)

| | 2019 | 2018 | % Change |
|------------------------------------|-------------------|-------------------|-------------|
| Operating: | | | |
| Instruction | \$ 168,338 | \$ 174,245 | (3.4%) |
| Research | 46,113 | 40,655 | 13.4% |
| Public service | 30,924 | 31,665 | (2.3%) |
| Academic support | 38,445 | 39,483 | (2.6%) |
| Student services | 57,210 | 55,138 | 3.8% |
| Institutional support | 62,202 | 64,158 | (3.0%) |
| Operation and maintenance of plant | 27,456 | 29,031 | (5.4%) |
| Scholarships and fellowships | 39,857 | 38,658 | 3.1% |
| Auxiliary enterprises | 44,790 | 40,905 | 9.5% |
| Depreciation | 42,822 | 42,830 | 0.0% |
| Total operating expenses | \$ 558,157 | \$ 556,768 | 0.2% |

EXPENSE BY FUNCTIONAL CLASSIFICATION



Non-operating Revenues and Expenses

State appropriations, noncapital gifts and grants, and investment income are considered non-operating because they were not generated by the University's principal, ongoing operations. State appropriations were not generated by the University but were provided to help fund operating expenses. State appropriations revenue totaled \$103.2 million for fiscal year 2019, an increase of 3.5 percent from the

\$99.7 million received during the prior year.

Noncapital gifts and grants increased \$1.3 million or 1.5 percent and include expendable gifts, and federal government and other awards that are not considered to be operating revenues. Net investment income increased 45.5% or \$2.0 million due to increased interest earnings and endowment market appreciation.

Combined Sources and Uses (dollars in millions)

| | 2019 | | 2018 | | % Change | | |
|--|-----------|--------------|---------------|-----------|--------------|---------------|-------------|
| Sources | | | | | | | |
| Tuition and fees, net | \$ | 237.6 | 39.4% | \$ | 236.8 | 40.1% | 0.3% |
| State appropriations | | 103.2 | 17.1% | | 99.7 | 16.9% | 3.5% |
| Grants and contracts | | 108.5 | 18.0% | | 101.4 | 17.2% | 7.0% |
| Auxiliary enterprises, net | | 65.6 | 10.9% | | 66.5 | 11.3% | (1.4%) |
| Other sources | | 47.3 | 7.9% | | 48.7 | 8.3% | (2.9%) |
| Private gifts, grants and contracts | | 18.8 | 3.1% | | 18.6 | 3.1% | 1.1% |
| Share of state sales tax (TRIF) | | 15.8 | 2.6% | | 14.3 | 2.4% | 10.5% |
| Net investment income | | 6.3 | 1.0% | | 4.3 | 0.7% | 46.5% |
| Total sources | \$ | 603.1 | 100.0% | \$ | 590.3 | 100.0% | 2.2% |
| Uses | | | | | | | |
| Instruction and academic support | \$ | 206.8 | 35.3% | \$ | 213.8 | 36.5% | (3.3%) |
| Student services & institutional support | | 119.4 | 20.4% | | 119.3 | 20.4% | 0.1% |
| Research and public service | | 77.0 | 13.1% | | 72.3 | 12.4% | 6.5% |
| Auxiliary enterprises | | 44.8 | 7.6% | | 40.9 | 7.0% | 9.5% |
| Depreciation | | 42.8 | 7.3% | | 42.8 | 7.3% | 0.0% |
| Scholarships and fellowships | | 39.9 | 6.8% | | 38.7 | 6.6% | 3.1% |
| Other uses | | 28.1 | 4.8% | | 28.1 | 4.8% | 0.0% |
| Operation & maintenance of plant | | 27.5 | 4.7% | | 29.0 | 5.0% | (5.2%) |
| Total uses | \$ | 586.3 | 100.0% | \$ | 584.9 | 100.0% | 0.2% |

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprise revenues. Operating expenses include employee salaries and benefits and vendor payments for supplies. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes cash from state appropriations, financial aid grants, and private gifts. Cash flows from capital financing activities include all capital assets and related long-term debt activities, including proceeds from the issuance of debt, capital asset purchases, and principal and interest paid on long-term debt. Cash flows from investing activities

show the net sources and uses of cash related to purchasing or selling investments and income earned on those investments.

Capital and Debt Analysis

The University is required by Arizona Revised Statutes §41-793 and ABOR policy 7-106 to prepare an annual Capital Improvement Plan (CIP). The CIP details the University's strategic plan on space and capital acquisition to meet short and long-term requirements. The projects included in the CIP concentrate on capital improvements that provide students, faculty, and staff with high quality, safe environments dedicated to academic and research endeavors. It outlines the current capital funding allocation for the University, specifically for building renewal, deferred maintenance, facility leases, and other critical construction projects. The CIP covers a three year period and focuses on addressing space deficiencies in academic, research, student housing, and support service facilities. The CIP also outlines any plans to issue debt to finance capital acquisitions or construction to address space deficiencies. The

CIP provides a summary of debt information including the debt ratio projection to comply with Arizona Board of Regents (ABOR) policy and state statutes. If a project requires debt financing, the University must submit a financing plan to ABOR for approval and submit the project and financing plan to the State Joint Committee on Capital Review (JCCR) for review.

During fiscal year 2019, the University completed work on Kitt Recital Hall, the Honors College (classrooms, offices and residential space), and continued work on the renovation of classroom space and several residence halls.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs) and Certificates of Participation (COPs). The amount of debt the University is able to issue is limited by a debt ratio of 8.0 percent as defined by State law Arizona Revised Statutes §15-1683, and ABOR policy 7-102(D)(3). The debt ratio is determined by annual debt service on bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2019, the University's debt ratio was 5.0 percent. The University's credit ratings on its outstanding system revenue bonds are A1 by Moody's and A+ by Standard and Poor's.

In accordance with Arizona Revised Statutes §15-1670, NAU received \$5.9 million in state appropriations for lease-purchase capital financing for research infrastructure projects.

For more detailed information on capital asset activity and long-term debt activity please review the relevant disclosures in the notes to the financial statements (Note 4 and Note 5).

Economic Outlook

Tuition rates for the ensuing fiscal year 2020 increased 2.5 percent for incoming undergraduate residents and 2.5 percent for undergraduate nonresidents. For graduate resident tuition, rates increased 7.0 percent, and for graduate nonresidents there was an increase of 7.0 percent. The University continues to return a portion of tuition revenue to students in the form of need-based aid and, combined with other sources, continues to provide financial aid to meet 100 percent of documented need for undergraduate students.

The University's state and capital appropriations budget for fiscal year 2020 is \$114.2 million, a net increase of \$5.1 million from the prior year budget of \$109.1 million, increasing slightly after significant

reductions in prior years. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the immediate fiscal periods to come. The Arizona Board of Regents and the three State universities are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education.

Moody's Investor Service published its Sector In-Depth report on Higher Education – US in August 2019, and noted that steady to positive state funding for most public universities combined with moderate projected investment returns will be stabilizing factors for the higher education sector over the next 12 months. However, a hypercompetitive environment and a continued policy focus on affordability will continue to constrain net tuition revenue growth for many colleges and universities. Ongoing relatively low revenue growth will keep the focus on cost containment, with 20 – 30% of the sector facing even more difficult budgetary choices, contributing a continued negative outlook for the sector at midyear.

The University faces significant pressure on its ability to manage expenses while maintaining the competitive salaries and benefits needed to attract top faculty. Continued effective leadership and commitment to financial health will fortify the University as it continues to thrive. While it is not possible to predict future results, management believes that the University's financial position will remain strong. The University will continue working diligently to provide quality instruction, research, and public service to the State of Arizona.

Statement of Net Position

June 30, 2019

Assets

Current assets:

| | |
|---|-----------------------|
| Cash and cash equivalents (Note 3) | \$ 139,026,143 |
| Short term investments (Note 3) | 34,418,279 |
| Receivables (net of allowance for uncollectible): | |
| Accounts receivable | 18,395,678 |
| Accrued interest | 1,248,644 |
| Endowment | 8,964 |
| Government grants and contracts | 17,472,826 |
| Student loans, current portion | 1,499,454 |
| Other assets | 2,201,634 |
| Inventories | 420,431 |
| Total Current Assets | \$ 214,692,053 |

Noncurrent assets:

| | |
|--|-----------------------|
| Restricted cash and cash equivalents held by trustee for capital projects (Note 3) | \$ 10,940,169 |
| Long term investments (Note 3) | 35,371,524 |
| Student loans receivable, net of allowance | 3,158,545 |
| Endowment investments (Note 3) | 33,708,564 |
| Other noncurrent assets | 882,697 |
| Capital assets, not being depreciated (Note 4) | 40,142,644 |
| Depreciable capital assets, net of depreciation (Note 4) | 819,105,522 |
| Total Noncurrent Assets | \$ 943,309,665 |

Total Assets **\$ 1,158,001,718**

Deferred Outflows of Resources

| | |
|--|----------------------|
| Deferred charge on debt refunding | \$ 11,008,107 |
| Deferred outflows related to pensions (Note 9) | 27,627,000 |
| Deferred outflows related to OPEB (Note 10) | 2,339,222 |
| Total Deferred Outflows of Resources | \$ 40,974,329 |

Statement of Net Position (continued)

Liabilities

Current liabilities:

| | | |
|---|-----------|-------------------|
| Accounts payable | \$ | 12,497,091 |
| Accrued payroll and employee benefits | | 13,362,736 |
| Interest payable | | 5,670,369 |
| Unearned revenues | | 19,512,355 |
| Accrued compensated absences, current portion (Note 7) | | 822,665 |
| Pension liability, current portion (Note 9) | | 296,651 |
| Deposits held in custody for others | | 4,899,163 |
| Current portion of long-term debt and capital leases funded by: | | |
| University operating revenues (Note 5) | | 19,143,366 |
| State appropriations and other State monies (Note 5) | | 8,518,917 |
| Total Current Liabilities | \$ | 84,723,313 |

Noncurrent liabilities:

| | | |
|--|-----------|--------------------|
| Accrued compensated absences (Note 7) | \$ | 6,409,308 |
| OPEB liability (Note 10) | | 8,818,240 |
| Net pension liability (Note 9) | | 173,865,694 |
| Long-term debt and capital leases funded by: | | |
| University operating revenues (Note 5) | | 454,649,516 |
| State appropriations and other State monies (Note 5) | | 144,049,328 |
| Total Noncurrent Liabilities | \$ | 787,792,086 |

Total Liabilities

\$ 872,515,399

Deferred Inflows of Resources

| | | |
|---|-----------|-------------------|
| Deferred inflows related to pensions (Note 9) | \$ | 19,358,751 |
| Deferred inflows related to OPEB (Note 10) | | 47,550,510 |
| Total Deferred Inflows of Resources | \$ | 66,909,261 |

Net Position

| | | |
|----------------------------------|-----------|--------------------|
| Net investment in capital assets | \$ | 245,902,922 |
| Restricted: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | | 18,991,232 |
| Student loans | | 7,266,998 |
| Expendable: | | |
| Scholarships and fellowships | | 14,543,758 |
| Academic department uses | | 33,602,568 |
| Unrestricted (deficit) | | (60,756,091) |
| Total Net Position | \$ | 259,551,387 |

See Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2019

Operating Revenues

| | |
|---|-----------------------|
| Tuition and fees (net of scholarship allowances of \$144,725,754) | \$ 237,605,328 |
| Government grants and contracts | 35,287,389 |
| Private grants and contracts | 4,617,963 |
| Auxiliary enterprises | |
| Residence life (net of scholarship allowances of \$10,204,232) | 35,728,558 |
| Other auxiliaries | 29,849,782 |
| Other | 24,930,752 |
| Total operating revenues | \$ 368,019,772 |

Operating Expenses

| | |
|------------------------------------|-------------------------|
| Operating expenses (Note 8) | |
| Educational and general: | |
| Instruction | \$ 168,337,509 |
| Research | 46,112,668 |
| Public service | 30,924,039 |
| Academic support | 38,444,704 |
| Student services | 57,209,977 |
| Institutional support | 62,202,045 |
| Operation and maintenance of plant | 27,456,328 |
| Scholarships and fellowships | 39,856,981 |
| Auxiliary enterprises | 44,790,219 |
| Depreciation (Note 4) | 42,822,284 |
| Total operating expenses | \$ 558,156,754 |
| Operating loss | \$ (190,136,982) |

Nonoperating Revenues (Expenses)

| | |
|--|-----------------------|
| State appropriations | \$ 103,199,500 |
| Share of state sales tax- technology and research initiative funding | 15,844,326 |
| Government grants | 73,183,337 |
| Private grants and gifts | 14,174,470 |
| Net investment income | 6,254,632 |
| Interest expense on capital asset related debt | (28,083,550) |
| Net gain on disposal of capital assets | 95,966 |
| Other nonoperating revenues, net | 14,234,187 |
| Total nonoperating revenues and expenses | \$ 198,902,868 |
| Gain before capital and endowment additions | \$ 8,765,886 |

Statement of Revenues, Expenses, and Changes in Net Position (continued)

| | |
|-------------------------------------|--------------------------|
| Capital appropriations | \$ 5,896,200 |
| Capital grants and gifts | 1,164,141 |
| Additions to permanent endowments | 985,861 |
| Total other revenues | <u>\$ 8,046,202</u> |
| Increase in net position | <u>\$ 16,812,088</u> |

Net Position

| | |
|---------------------------------------|-----------------------|
| Total net position, beginning of year | \$ 242,739,299 |
| Total net position, end of year | <u>\$ 259,551,387</u> |

See Notes to Financial Statements



Statement of Cash Flows

For the Year Ended June 30, 2019

Cash Flows from Operating Activities:

| | |
|---|-------------------------|
| Tuition and fees | \$ 229,742,453 |
| Grants and contracts | 39,536,845 |
| Payments to vendors and suppliers | (143,394,266) |
| Payments for employee wages and benefits | (342,467,912) |
| Payments for scholarships and fellowships | (39,856,981) |
| Loans issued to students | (195,948) |
| Collection on loans to students | 1,405,858 |
| Auxiliary enterprise receipts | 64,954,551 |
| Other receipts | 26,837,159 |
| Net cash used for operating activities | \$ (163,438,241) |

Cash Flows from Noncapital Financing Activities:

| | |
|---|-----------------------|
| State appropriations | \$ 103,199,500 |
| Share of state sales tax receipts | 15,844,326 |
| Gifts and grants for other than capital purposes | 87,357,807 |
| Federal direct lending received | 162,774,580 |
| Federal direct lending disbursed | (162,522,449) |
| Deposits held in custody for others received | 30,386,925 |
| Deposits held in custody for others disbursed | (29,701,021) |
| Other non-operating receipts | 2,112,343 |
| Financial aid trust funds | 985,861 |
| Net cash provided by noncapital financing activities | \$ 210,437,872 |

Cash Flows from Capital Financing Activities:

| | |
|---|------------------------|
| Capital appropriations | \$ 5,896,200 |
| Build America Bonds- federal subsidy | 3,263,816 |
| Capital commitment- state lottery revenue | 8,858,028 |
| Proceeds from sale of capital assets | 158,156 |
| Capital grants and gifts received | 1,113,736 |
| Purchases of capital assets | (44,558,567) |
| Principal paid on capital debt and leases | (24,051,006) |
| Interest paid on capital debt and leases | (29,083,861) |
| Net cash used for capital financing activities | \$ (78,403,498) |

Statement of Cash Flows (continued)

Cash Flows from Investing Activities:

| | |
|---|------------------------|
| Proceeds from sales and maturities of investments | \$ 14,695,565 |
| Interest on investments | 4,400,479 |
| Purchase of investments | (946,124) |
| Net cash provided by investing activities | \$ 18,149,920 |
| Net decrease in cash and cash equivalents | \$ (13,253,947) |

Cash and Cash Equivalents

| | |
|--|-----------------------|
| Cash and cash equivalents- July 1, 2018 | 163,220,259 |
| Cash and cash equivalents- June 30, 2019 | <u>\$ 149,966,312</u> |

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:

| | |
|---|-------------------------|
| Operating loss | \$ (190,136,982) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Depreciation expense | 42,822,284 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| Receivables: | |
| Accounts receivable | 1,140,443 |
| Government grants and contracts | (579,830) |
| Student loans | 1,209,910 |
| Inventories | (33,412) |
| Other assets | 250,105 |
| Accounts payable | (2,373,805) |
| Accrued payroll and employee benefits | 509,710 |
| Net pension and other postemployment benefits liability | (13,520,832) |
| Deferred outflows of resources related to pensions and other postemployment benefits | (3,730,910) |
| Deferred inflows of resources related to pensions and other postemployment benefits | 1,986,578 |
| Unearned revenues | (1,045,905) |
| Accrued compensated absences | 64,405 |
| Net cash used for operating activities | \$ (163,438,241) |

Significant Noncash Transactions

| | |
|---|---------------|
| Land and equipment financed with capital leases | \$ 16,015,395 |
|---|---------------|

See Notes to Financial Statements

Statement of Financial Position - Component Unit

Northern Arizona University Foundation, Inc.

June 30, 2019

Assets

| | | |
|---|-----------|--------------------|
| Cash and cash equivalents | \$ | 997,740 |
| Promises to give, net | | 10,555,522 |
| Bequests receivable | | 2,267,242 |
| Other receivables | | 14,407,100 |
| Net investment in direct financing leases | | 4,394,075 |
| Investments | | 177,096,358 |
| Cash surrender value of life insurance | | 6,840,537 |
| EBS licenses, net | | 228,583 |
| Donated assets held for sale | | 41,942 |
| Assets held under split-interest agreements | | 4,068,490 |
| Beneficial interest in perpetual trusts | | 3,326,261 |
| Other assets | | 45,000 |
| Total assets | \$ | 224,268,850 |

Liabilities

| | | |
|---|-----------|-------------------|
| Accounts payable and accrued liabilities | \$ | 315,934 |
| Assets held in custody for others | | 34,981,998 |
| Due to Northern Arizona University | | 336,164 |
| Deferred revenue | | 5,432,753 |
| Liabilities under split-interest agreements | | 2,591,380 |
| Total liabilities | \$ | 43,658,229 |

Net Assets

| | | |
|----------------------------|-----------|--------------------|
| Without donor restrictions | | |
| Board designated endowment | \$ | 11,194,558 |
| Undesignated | | (3,434,285) |
| With donor restrictions | | |
| Purpose restricted | | 172,850,348 |
| Total net assets | \$ | 180,610,621 |

Total Liabilities and Net Assets

\$ 224,268,850

See Notes to Financial Statements

Statement of Activities - Component Unit

Northern Arizona University Foundation, Inc.

For the Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-----------------------|
| Revenue, Support, and Gains | | | |
| Public contributions | \$ 56,791 | \$ 12,790,708 | \$ 12,847,499 |
| EBS revenue | 1,573,817 | | 1,573,817 |
| Net investment return | 422,764 | 6,521,877 | 6,944,641 |
| Interest income on direct financing leases | 235,469 | | 235,469 |
| Change in beneficial interest in perpetual trusts | | (70,444) | (70,444) |
| Change in value of split-interest agreements | 60,404 | | 60,404 |
| Change in cash surrender value of life insurance | | 216,070 | 216,070 |
| Other income and support | 26,365 | 448,745 | 475,110 |
| Reclassification of donor intent | (13,081) | 13,081 | - |
| Net assets released from restrictions | 11,662,714 | (11,662,714) | - |
| Total revenue, support, and gains | <u>\$ 14,025,243</u> | <u>\$ 8,257,323</u> | <u>\$ 22,282,566</u> |
| Expenses and Losses | | | |
| Program expenses | \$ 9,619,093 | | \$ 9,619,093 |
| Supporting services expense | | | |
| Management and general | 673,526 | | 673,526 |
| Fundraising and development | 4,786,253 | | 4,786,253 |
| Total supporting services expenses | <u>5,459,779</u> | | <u>5,459,779</u> |
| Total expenses and losses | <u>\$ 15,078,872</u> | | <u>\$ 15,078,872</u> |
| Change in net assets | \$ (1,053,629) | \$ 8,257,323 | \$ 7,203,694 |
| Net assets, Beginning of year, as restated | <u>\$ 8,813,902</u> | <u>\$ 164,593,025</u> | <u>\$ 173,406,927</u> |
| Net assets, End of year | <u>\$ 7,760,273</u> | <u>\$ 172,850,348</u> | <u>\$ 180,610,621</u> |

See Notes to Financial Statements

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Financial reporting entity

As required by generally accepted accounting principles (GAAP) in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Northern Arizona University is an integral part of the State of Arizona's Tri-University system, which is an enterprise fund in the State of Arizona's Comprehensive Annual Financial Report.

The accompanying financial statements present all funds belonging to the University and its component units. The University's component units are either blended or discretely presented in the University's financial statements. The blended component unit, although legally separate, is, in substance, part of the University's operations and, therefore, is reported as if it were part of the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component unit as described in Notes 2 and 11.

In fiscal year 2019, the University implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in the notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements.

Basis of Presentation

The accompanying financial statements are presented in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and*

Universities, the full scope of the University's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements.

The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

- The Statement of Net Position provides information about the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the University's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding liabilities incurred to acquire or construct the assets. Nonexpendable restricted net position includes gifts that have been received for endowment purposes and federal contributions for the Federal Perkins Loan Program, the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.
- The Statement of Revenues, Expenses, and Changes in Net Position provides information about the University's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and housing charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as state appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

- The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing activities.

Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, or benefit has been received, regardless of the timing of the cash flows.

Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection. All significant transactions resulting from internal activity have been eliminated.

Cash and Investments

For the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's Local Government Investment Pool, cash and investments held by trustee, and only those highly liquid investments with a maturity of three months or less when purchased. The University reports all investments at fair value.

Receivables

Receivables consist of tuition and fees charged to students, accrued interest, amounts due from the federal, state, and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and notes receivables from loans to students. Student loans, student receivables, and notes receivables are recorded net of an allowance for doubtful accounts. The other receivables are shown at book value with no provision for doubtful accounts considered necessary.

Capital Assets and Special Collections

Capital assets are reported at actual cost (or estimated

historical cost if historical records are not available). Donated assets are reported at acquisition value. The University maintains special collections for educational purposes and public exhibition. These special collections are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes. Interest incurred during the construction phase of projects is capitalized, net of interest earned, on the invested proceeds over the same period. Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight line method. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

| Asset Category | Capitalization Threshold | Estimated Useful Life (yrs) |
|--|--------------------------|-----------------------------|
| Building improvements | \$5 thousand | 20 |
| Buildings | All | 40 |
| Infrastructure | All | 20-40 |
| Land | All | n/a |
| Equipment: | | |
| Machinery, vehicles, and other equipment | \$5 thousand | 5-15 |
| Intangible assets: | | |
| Computer software > \$10 million | \$10 million | 10 |
| Computer software < \$10 million | \$1 million | 5 |
| All Other* | \$100 thousand | * |
| Library materials | All | 10 |

*Includes websites, non-software licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, natural resource extraction rights, and other intangible assets. In general, the estimated useful life is the shorter of the legal or the estimated useful life.

Deferred Outflows and Inflows of Resources

The Statement of Net Position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position

that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Pension and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Investment Income

Net investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

Scholarship Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. A scholarship allowance is the difference between the stated charge for goods and services the University provides and the amount that the student or third parties making payments on the student's behalf pays. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the University are considered scholarship allowances.

Compensated Absences

Compensated absences consist of vacation leave and compensatory time earned by employees based on services already rendered. Employees may accumulate up to 264 hours of vacation depending on years of service and full-time equivalent employment status, any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Upon termination of employment, all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status, and compensatory time

are paid to employees. Accordingly, vacation benefits and compensatory time are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 500 hours of sick leave are paid a formulated benefit amount. The University makes contributions each pay period to the State's Retiree Accumulated Sick Leave Fund and the State makes benefit payments directly to the retired employees from the fund. Consequently, the University does not have a liability for these sick leave benefits.

Restricted and Unrestricted Resources

The University has both restricted and unrestricted resources available for most programs. Restricted resources are externally restricted for a specific purpose and primarily include sponsored research grants and contracts and gifts. The University's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis. Restricted resources remain classified as such until spent.

Note 2 – Component Units

Component units are defined as legally separate entities for which the University is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause its financial statements to be misleading or incomplete. GASB Statement No. 14 – *The Financial Reporting Entity* and GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* have set forth criteria to be considered in determining financial accountability. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion under GASB Statement No. 14, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making that determination. GASB Statement No. 39 – *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*, provides additional criteria for determining whether certain organizations are component units.

The financial statements of the University include the operations of the Northern Arizona University Foundation (Foundation), a discretely presented component unit. The Foundation was incorporated as a legally separate not-for-profit corporation in the State of Arizona in January 1959, and operates exclusively for the benefit of Northern Arizona University. The Foundation receives gifts and bequests, administers and invests in securities and property, and disburses payments to and on behalf of the University for advancement of its mission. The University does not control the timing or amount of receipts from the Foundation. The restricted resources of the Foundation can only be used by, or for the benefit of, the University or its constituents. Consequently, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. In accordance with

generally accepted accounting principles for public colleges and universities, only the Statement of Financial Position and the Statement of Activities of the discretely presented component unit are included in the University's financial statements.

Although legally separate, the Northern Arizona Capital Facilities Finance Corporation (NACFFC) component unit of the University is reported as if it was part of the University. NACFFC was incorporated in October 2001 as a legally separate not-for-profit corporation under the laws of the State of Arizona for the purpose of acquiring, developing, constructing and operating student housing and other capital facilities and equipment for the use and benefit of the University's students. Because NACFFC's outstanding debt is expected to be repaid entirely or almost entirely with resources from the University, NACFFC's financial statements have been blended with those of the University in accordance with GASB Statement No. 61.

For financial reporting purposes, both the Foundation and NACFFC follow the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the University's financial report. Accordingly, those financial statements have been reported on separate pages following the University's financial statements. Since NACFFC's financial results are blended with the University's financial results, adjustments were made to present NACFFC's financial results in accordance with the GASB reporting model. In addition, the University eliminated all duplicate financial transactions for reporting purposes.

The Foundation and NACFFC have a June 30 year-end. Complete financial statements as originally presented for the Foundation and NACFFC can be obtained from Northern Arizona University Comptroller's Office, P.O. Box 4069, Flagstaff, AZ 86011.

During the year ended June 30, 2019, the Foundation distributed \$9.6 million to the University for educational purposes, scholarships, facilities and other University programs.

Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) §15-1668 requires that deposits of the University not covered by federal deposit insurance be secured by government bonds or by a safekeeping receipt of the institution accepting the deposit. A.R.S. §35-1207 requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. Further, policy regarding deposits is provided by the Arizona Board of Regents (ABOR). Deposits can be made only at depository banks approved by ABOR. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the University's investments.

There is no statutory requirement that governs University investment activities. A.R.S. §15-1625 gives the ABOR jurisdiction and control over the Universities, and A.R.S. §15-1626 allows ABOR to authorize the Universities to adopt regulation, policies, rules, or measures as deemed necessary. ABOR investment policies require that the University invest its operating funds only in the State Treasurer's Local Government Investment Pool, collateralized time certificates of deposit and repurchase agreements, U.S. Treasury securities, federal agency securities, and investment grade corporate bonds. In addition, ABOR has authorized the University to establish an investment committee. The investment committee establishes investment policies and makes investment decisions. ABOR policies guide the investment committee decisions. The University's deposit and investment policies mirror that of the ABOR policies.

University policy states that restricted (gift) and endowment funds will be invested according to the conditions stipulated by the donor, but if no conditions are imposed, such funds may be invested under the direction of the investment committee in such a manner as to obtain the most favorable rate of return and income stability.

The bond indentures constitute the investment policy for University monies held with bond trustees. The bond indentures authorize the bond trustees to invest in obligations of, or guaranteed by, the federal government or any agency or instrumentality thereof, municipal obligations, collateralized certificates of deposit with federally insured banks, trust companies, savings and loan associations within the State of Arizona, or repurchase agreements.

Deposits

At June 30, 2019, the carrying amount of the University's deposits was \$57,979,052 and the bank balance was \$61,882,666. Beyond the requirements established by A.R.S. and ABOR, the University does not have a policy that specifically addresses custodial credit risk.

Investments

U.S. agency securities include Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corp. and Federal National Mortgage Association.

Trust agreements between the University and the Northern Arizona University Foundation (Foundation), authorize the Foundation to invest certain University restricted (gift) and endowment monies. The Foundation Investment Pool invests in a variety of asset classes, including common stocks, fixed income, and international equity funds. The Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies and procedures. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool and is not identified with specific investments. The University's ownership interest is recorded in the Foundation's records. As of June 30, 2019, the Foundation held \$34,586,086 in custody for the University, including funds for the University's Arizona Financial Aid Trust Fund (AFAT) described below.

The AFAT was established in accordance with A.R.S. §15-1642 for the purpose of providing aid to students with verifiable financial need. The Foundation holds and manages the University's share of AFAT within its pool. The University's ownership interest is recorded in the Foundation's records. The fair value of the AFAT at June 30, 2019, was \$26,156,805.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the University held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Credit Risk

For its operating funds, University policy requires negotiable certificates of deposit; corporate bonds, debentures, and notes; banker acceptances; and State of Arizona bonds to carry a minimum rating of BBB or better from Standard and Poor's Rating Service, and Baa (Investment Grade) or better rating from Moody's Investors Service. There is no formal policy with regards to gift and endowment funds. Gift and endowment funds are held in the Foundation Investment Pool, which is not rated. At June 30, 2019, credit risk for the University's investments in debt securities was as follows:

| Investment Type | Rating | Rating Agency | Amount |
|--------------------------------------|-----------|---------------------|-----------------------|
| State Treasurer's Investment Pool 4 | Not Rated | | \$ 80,806,196 |
| U.S. agency securities | AA+ | Standard and Poor's | 69,136,756 |
| Government Money Market Mutual Funds | AAAm | Standard and Poor's | 10,940,169 |
| Total | | | \$ 160,883,121 |

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy in regards to custodial credit risk. At June 30, 2019, the University had \$69,136,756 of U.S. agency securities that were uninsured, not registered in the University's name, and held by the counterparty.

Concentration of Credit Risk

University policy limits investments in a single issuer to 5 percent or less of the fair value of the total portfolio. However, securities issued or expressly guaranteed by the federal government are exempt from this provision. The following investments represent five percent or more of the University's investments at June 30, 2019: Federal Home Loan Bank 8.2 percent, Federal Farm Credit Bank 6.9 percent, Federal Home Loan Mortgage Corporation 5.1 percent, and Federal National Mortgage Association 15.1 percent.

Interest Rate Risk

University policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The endowment fund portfolio has no such limitation. The following chart presents the interest rate risk for the University's debt investments at June 30, 2019, utilizing the segmented time distribution method:

| Investment Type | Fair Value | Maturity | |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| | | < 1 Year | 1 - 5 Years |
| State Treasurer Investment Pool 4 | \$ 80,806,196 | \$ | 80,806,196 |
| U.S. agency securities* | 69,136,756 | \$ 34,418,279 | 34,718,477 |
| Government Money Market Mutual Funds | 10,940,169 | 10,940,169 | |
| Total | \$ 160,883,121 | \$ 45,358,448 | \$ 115,524,673 |

*At June 30, 2019, the University held \$69,136,756 or 35 percent of investments in U.S. agency securities, including the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corp and Federal National Mortgage Association, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary. Although the majority of the University's investments in U.S. agency securities have a maturity date greater than one year, they are reported as having a maturity date of less than one year if they are expected to be called within one year.

Fair Value of Investment Assets

The University measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets that are accessible at the measurement date;
- Level 2: Inputs, other than quoted market prices included within Level 1, that are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are significant to the fair value measurement and unobservable.

The University’s investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

| | Hierarchy Fair Value | | | |
|--|----------------------|----------------------|----------------------|---------|
| | As of June 30, 2019 | Level 1 | Level 2 | Level 3 |
| Investments by fair value level | | | | |
| U.S. agency securities | \$ 69,136,756 | | \$ 69,136,756 | |
| Government Money Market Mutual Funds | 10,940,169 | \$ 10,940,169 | | |
| Total investments by fair value level | \$ 80,076,925 | \$ 10,940,169 | \$ 69,136,756 | |

External investment pools measured at fair value

| | |
|--|-----------------------|
| State Treasurer’s Investment Pool 4 | \$ 80,806,196 |
| NAU Foundation investment pool | 34,586,086 |
| Total external investment pools measured at fair value | \$ 115,392,282 |
| Total investments measured at fair value | 195,469,207 |
| Total investments | \$ 195,469,207 |

Investments classified in Fair Value Hierarchy

Investments categorized as Level 1 of the fair value hierarchy are valued using unadjusted prices quoted for identical assets in active, exchange and brokered markets for those securities. Investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters on which can be directly observed.

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Position is as follows:

| Cash, deposits and investments: | |
|--|-----------------------|
| Cash on hand | \$ 16,420 |
| Cash in bank | 57,979,052 |
| Total investments | 195,469,207 |
| Total | \$ 253,464,679 |

| Statement of Net Position | |
|---|-----------------------|
| Cash and cash equivalents | \$ 139,026,143 |
| Short term investments | 34,418,279 |
| Restricted cash and cash equivalents held by trustee for capital projects | 10,940,169 |
| Long term investments | 35,371,524 |
| Endowment investments | 33,708,564 |
| Total | \$ 253,464,679 |



Note 4 - Capital Assets

A summary of changes in capital assets for year ended June 30, 2019, is presented as follows:

| | Balance | | | | | Balance |
|--|-------------------------|------------------------|---------------------|------------------------|-------------------------|---------|
| | July 1, 2018 | Additions | Retirements | Transfers | June 30, 2019 | |
| Land | \$ 8,563,009 | \$ 15,834,591 | | | \$ 24,397,600 | |
| Construction in progress: | | | | | | |
| Real property | 13,433,031 | 29,472,076 | | \$ (28,424,153) | 14,480,954 | |
| Intangible assets | | 1,264,090 | | | 1,264,090 | |
| Total non-depreciable/ non-amortizable capital assets | \$ 21,996,040 | \$ 46,570,757 | | \$ (28,424,153) | \$ 40,142,644 | |
| Buildings and improvements | \$ 1,065,755,812 | \$ 5,562,277 | | \$ 28,176,480 | \$ 1,099,494,569 | |
| Infrastructure | 154,823,712 | 270,450 | | | 155,094,162 | |
| Equipment | 84,837,343 | 8,537,448 | \$ 1,738,900 | 247,673 | 91,883,564 | |
| Intangible assets | 10,384,600 | | | | 10,384,600 | |
| Library materials | 45,607,572 | 18,705 | 33,115 | | 45,593,162 | |
| Total depreciable/ amortizable capital assets | \$ 1,361,409,039 | \$ 14,388,880 | \$ 1,772,015 | \$ 28,424,153 | \$ 1,402,450,057 | |
| Less accumulated depreciation/ amortization | | | | | | |
| Buildings and improvements | \$ 366,913,878 | \$ 30,501,294 | | | \$ 397,415,172 | |
| Infrastructure | 64,054,211 | 4,878,941 | | | 68,933,152 | |
| Equipment | 58,606,641 | 6,027,446 | \$ 1,494,210 | | 63,139,877 | |
| Intangible assets | 8,361,615 | 1,082,024 | | | 9,443,639 | |
| Library materials | 44,113,231 | 332,579 | 33,115 | | 44,412,695 | |
| Total accumulated depreciation/ amortization | \$ 542,049,576 | \$ 42,822,284 | \$ 1,527,325 | | \$ 583,344,535 | |
| Depreciable/ amortizable capital assets, net | \$ 819,359,463 | \$ (28,433,404) | \$ 244,690 | \$ 28,424,153 | \$ 819,105,522 | |
| Capital assets, net | \$ 841,355,503 | \$ 18,137,353 | \$ 244,690 | | \$ 859,248,166 | |

In addition to expenses through June 30, 2019, it is estimated that \$17.4 million will be required to complete projects under construction, or planned for construction. Of that amount, \$14.4 million is contractually encumbered. These projects are being financed with a combination of the 2013 SPEED revenue and 2014 system revenue bonds, and University reserves.

Note 5 - Long-Term Debt and Lease Obligations

A summary of changes in the long-term debt activity and capital leases for the year ended June 30, 2019, is presented as follows:

| | Balance | | Balance | | Current |
|--|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | July 1, 2018 | Additions | Reductions | June 30, 2019 | Portion |
| Revenue bonds payable | \$ 537,980,000 | | \$ 17,055,000 | \$ 520,925,000 | \$ 20,190,000 |
| Certificates of participation | 49,550,000 | | 3,610,000 | 45,940,000 | 3,730,000 |
| Discounts/premiums on sale of debt | 33,424,378 | | 1,695,457 | 31,728,921 | 1,695,458 |
| Total bonds and COP's payable | \$ 620,954,378 | | \$ 22,360,457 | \$ 598,593,921 | \$ 25,615,458 |
| Capital leases & notes payable | \$ 15,137,817 | \$ 16,015,395 | \$ 3,386,006 | \$ 27,767,206 | \$ 2,046,825 |
| Total long-term debt and capital leases | \$ 636,092,195 | \$ 16,015,395 | \$ 25,746,463 | \$ 626,361,127 | \$ 27,662,283 |

The university's bonded debt consists of System, Stimulus Plan for Economic and Educational Development (SPEED), and Lease Revenue Bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities, infrastructure, and for refunding obligations from previous issued bonds.

Revenue Bonds Payable and Certificates of Participation

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the University is eligible to receive direct payments from the U. S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the University must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the University by the Federal government may be reduced or eliminated due to such issues as failure by the University to submit the required information, any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2019, the Federal government reduced federal direct payment claims filed between October 1, 2017 and September 30, 2018, by 6.2% due to the federal budget sequestration resulting in a \$220,512 reduction in direct payments to the University. For accounting purposes, any direct payments received from the U. S. Treasury Department are recorded as non-operating revenue.

For the 2010 and 2013 revenue bonds, up to 80 percent of the debt service payments are payable from the University's Stimulus Plan for Economic and Educational Development (SPEED) revenue bond account monies, which are derived from certain revenues of the Arizona State Lottery as defined by State law. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the University's system revenue bonds.

The University utilizes Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) to acquire buildings, land, and infrastructure. COPs and LRBs are generally callable and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the University's financial statements and the control of the assets would return to the trustee. COPs were used to build the Applied Research and Development building, Science Lab Facility, and to renovate the Engineering building. LRBs purchased Pine Ridge Village, McKay Village, High Country Conference Center, and the Student and Academic Services building.

The University has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2019. The bonds generally provide financing for various capital projects of the University. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

Pledged revenues do not include state appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged \$305 million for the prior five years. For fiscal year 2019, pledged revenues totaled \$330 million of which 10.4 percent (\$34.3 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.5 percent of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044, is \$703.8 million.

Revenue Bonds Payable and Certificates of Participation at June 30, 2019 (dollars in thousands)

| | Average | | | | | |
|---|----------|----------|-------------------|-----------|--------------------|-------------------|
| | Interest | Final | Balance | | | Balance |
| | Rate | Maturity | 7/1/2018 | Additions | Reductions | 6/30/2019 |
| Revenue Bonds: | | | | | | |
| 2009A System Revenue | 6.49% | 6/1/2039 | \$ 102,695 | | \$ (3,230) | \$ 99,465 |
| 2012 System Revenue | 4.46% | 6/1/2041 | 20,775 | | (585) | 20,190 |
| 2014 System Revenue and Refunding | 4.98% | 6/1/2044 | 61,695 | | (2,140) | 59,555 |
| 2015 System Revenue Refunding | 5.00% | 6/1/2037 | 45,415 | | (960) | 44,455 |
| 2016 System Revenue and Refunding | 5.00% | 6/1/2038 | 32,940 | | (790) | 32,150 |
| 2017 System Revenue Refunding | 2.91% | 6/1/2034 | 42,970 | | (660) | 42,310 |
| 2017A System Revenue | 2.58% | 6/1/2038 | 24,260 | | (940) | 23,320 |
| Subtotal - System Revenue Bonds | | | \$ 330,750 | | \$ (9,305) | \$ 321,445 |
| 2010 SPEED Revenue | 6.16% | 8/1/2030 | \$ 58,000 | | \$ (3,545) | \$ 54,455 |
| 2013 SPEED Revenue | 4.71% | 8/1/2043 | 73,595 | | (1,660) | 71,935 |
| Subtotal - SPEED Revenue Bonds | | | \$ 131,595 | | \$ (5,205) | \$ 126,390 |
| 2014 Lease Revenue | 4.99% | 6/1/2044 | 32,480 | | (635) | 31,845 |
| 2016 Lease Refunding | 2.61% | 6/1/2036 | 9,815 | | (435) | 9,380 |
| 2017 Lease Refunding | 2.90% | 6/1/2033 | 33,340 | | (1,475) | 31,865 |
| Subtotal - Lease Revenue Bonds | | | \$ 75,635 | | \$ (2,545) | \$ 73,090 |
| Subtotal: Revenue Bonds | | | \$ 537,980 | | \$ (17,055) | \$ 520,925 |
| Certificates of Participation (COP's): | | | | | | |
| 2013 Refunding COP's | 4.78% | 9/1/2030 | 34,570 | | (2,920) | 31,650 |
| 2015 Refunding COP's | 4.92% | 9/1/2030 | 14,980 | | (690) | 14,290 |
| Subtotal: COP's | | | \$ 49,550 | | \$ (3,610) | \$ 45,940 |
| Total Par Amount of Bonds and COP's | | | \$ 587,530 | | \$ (20,665) | \$ 566,865 |
| Premiums on Sale of Bonds and COP's | | | \$ 33,424 | | \$ (1,696) | \$ 31,728 |
| Total Bonds and COP's Payable | | | \$ 620,954 | | \$ (22,361) | \$ 598,593 |

The following schedule details debt service requirements to maturity for System, Lease, and SPEED Revenue Bonds payable at June 30, 2019.

| Year | Principal | Interest |
|--------------|-----------------------|-----------------------|
| 2020 | \$ 20,190,000 | \$ 25,137,633 |
| 2021 | 20,100,000 | 24,237,573 |
| 2022 | 20,910,000 | 23,306,436 |
| 2023 | 22,715,000 | 22,320,977 |
| 2024 | 23,635,000 | 21,253,242 |
| 2025-2029 | 129,980,000 | 88,247,289 |
| 2030-2034 | 138,815,000 | 55,187,198 |
| 2035-2039 | 100,070,000 | 25,333,074 |
| 2040-2044 | 44,510,000 | 5,374,406 |
| Total | \$ 520,925,000 | \$ 290,397,828 |

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2019.

| Year | Principal | Interest |
|--------------|----------------------|----------------------|
| 2020 | \$ 3,730,000 | \$ 2,130,175 |
| 2021 | 2,840,000 | 1,992,167 |
| 2022 | 3,150,000 | 1,837,250 |
| 2023 | 3,580,000 | 1,661,833 |
| 2024 | 3,765,000 | 1,475,125 |
| 2025-2029 | 19,565,000 | 4,545,542 |
| 2030-2031 | 9,310,000 | 316,083 |
| Total | \$ 45,940,000 | \$ 13,958,175 |

Capital Leases

The University has entered into various long-term leases to acquire real estate and equipment. These leases are classified as capital leases since they provide a bargain purchase option, a transfer of ownership by the end of the lease term, or comply with other accounting criteria.

The following schedule details capital lease commitments at June 30, 2019:

Capital Lease Commitments to Lessors and Notes Payable as of June 30, 2019

| | Average Interest Rate | Final Maturity | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Current Portion |
|--|-----------------------|----------------|----------------------|----------------------|---------------------|-----------------------|---------------------|
| Energy Conservation Equipment Lease Purchase | 3.53% | 6/1/2027 | \$ 9,180,784 | | \$ 883,240 | \$ 8,297,544 | \$ 914,693 |
| Northern Arizona Real Estate Holdings, LLC | 5.50% | 9/30/2030 | 4,465,000 | | 245,000 | 4,220,000 | 255,000 |
| Dell Financial Services, LLC | 3.85% | 3/1/2022 | 1,492,033 | | 365,394 | 1,126,639 | 359,600 |
| Equipment | 5.65% | 6/22/2022 | | \$ 180,804 | 56,920 | 123,884 | 60,205 |
| Northern Arizona Real Estate Holdings, LLC Notes Payable | 5.00% | 4/1/2038 | | 15,834,591 | 1,835,452 | 13,999,139 | 457,327 |
| Total Capital Leases and Notes Payable | | | \$ 15,137,817 | \$ 16,015,395 | \$ 3,386,006 | \$ 27,767,206 | \$ 2,046,825 |

Capital Lease & Notes Payable Debt Service Requirements - The following schedule details minimum lease payments to maturity for the University's capital leases and notes payable at June 30, 2019:

| Year | |
|--|----------------------|
| 2020 | \$ 3,306,999 |
| 2021 | 3,308,990 |
| 2022 | 3,226,843 |
| 2023 | 2,819,568 |
| 2024 | 2,821,505 |
| 2025-2029 | 11,688,416 |
| 2030-2034 | 6,648,253 |
| 2035-2039 | 4,544,935 |
| Total minimum lease payments | \$ 38,365,509 |
| Less amount representing interest | (10,598,303) |
| Present value of net minimum lease payments | \$ 27,767,206 |

Capital Lease Financing - Following is a summary of capital assets financed by capital leases at June 30, 2019:

| | |
|---------------------------------|----------------------|
| Land | \$ 15,834,591 |
| Buildings | 9,780,185 |
| Building Improvements* | 17,051,207 |
| Equipment | 2,133,484 |
| Total cost of assets | 44,799,467 |
| Less: accumulated depreciation | (13,265,366) |
| Carrying value of assets | \$ 31,534,101 |

* The value of the building improvements includes other funding sources of \$4,630,918.

Operating Leases

The University leases numerous classroom facilities for extended campus instruction and a limited number of administrative facilities under long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of operating leases were \$2.7 million for the year ended June 30, 2019. The operating leases have remaining terms from one to eight years and provide renewal options. The future minimum payments

required under the operating leases at June 30, 2019 are as noted:

| Year | |
|-------------------------------------|---------------------|
| 2020 | \$ 2,351,921 |
| 2021 | 1,786,081 |
| 2022 | 1,558,869 |
| 2023 | 1,507,188 |
| 2024 | 1,507,188 |
| 2025-2027 | 394,649 |
| Total minimum lease payments | \$ 9,105,896 |

Note 6 – Self-Insurance Program

Pursuant to A.R.S. §41-621, Northern Arizona University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations as theft, damage and destruction of property, buildings, and equipment; errors and omissions; injuries to employees; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. §41-621. Loss risks not covered by the Risk Management Program and for which the University has no insurance coverage are losses resulting from contractual breaches and losses that arise out of and are directly attributable to an act of omission determined by a court to be a felony. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University.

In the opinion of University management, any losses from the resolution of any other pending claims or litigation not covered by the Risk Management Program should not have a material effect on the University's financial statements. All estimated losses for unsettled claims and actions covered by the State's Risk Management Program are determined on an actuarial basis and are included in the State of Arizona's Comprehensive Annual Financial Report.

Note 7 - Accrued Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 264 accrued vacation hours depending on classification and years of service. Upon termination, compensatory time as well as accrued vacation hours up to 176 will be paid. At fiscal year-end, the University accrued all compensated absence balances accumulated to date as a liability in the financial statements. Accrued compensated vacation for the year ended June 30, 2019, was as follows:

| | | |
|-------------------|----|--------------|
| Beginning balance | \$ | 7,167,568 |
| Additions | | 11,080,925 |
| Reductions | | (11,016,520) |
| Ending balance | \$ | 7,231,973 |
| Current portion | \$ | 822,665 |

Note 8 - Operating Expense by Natural Classification

The University's operating expenses presented in the Statement of Revenues, Expenses, and Changes in Net Position by natural and functional classification are summarized in the table below:

For the Year Ended June 30, 2019

| | Personal Services and Benefits | | Operations | Scholarships | Depreciation | Total | | | | |
|------------------------------------|--------------------------------|--------------------|------------|--------------------|---------------|-------------------|-----------|-------------------|-----------|--------------------|
| Functional Classification: | | | | | | | | | | |
| Educational and general | | | | | | | | | | |
| Instruction | \$ | 148,576,797 | \$ | 19,760,712 | | \$ 168,337,509 | | | | |
| Research | | 32,179,702 | | 13,932,966 | | 46,112,668 | | | | |
| Public service | | 14,087,524 | | 16,836,515 | | 30,924,039 | | | | |
| Academic support | | 30,067,627 | | 8,377,077 | | 38,444,704 | | | | |
| Student services | | 34,652,781 | | 22,557,196 | | 57,209,977 | | | | |
| Institutional support | | 40,935,029 | | 21,267,016 | | 62,202,045 | | | | |
| Operation and maintenance of plant | | 1,708,982 | | 25,747,346 | | 27,456,328 | | | | |
| Scholarships and fellowships | | | | \$ 39,856,981 | | 39,856,981 | | | | |
| Auxiliary enterprises | | 32,281,998 | | 12,508,221 | | 44,790,219 | | | | |
| Depreciation | | | | | \$ 42,822,284 | 42,822,284 | | | | |
| Total | \$ | 334,490,440 | \$ | 140,987,049 | \$ | 39,856,981 | \$ | 42,822,284 | \$ | 558,156,754 |

Note 9 – Pension Plans

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered multiple-employer defined benefit pension plan. Although a PSPRS net pension liability has been recorded at June 30, 2019, PSPRS has not been further disclosed due to its relative insignificance to the University’s financial statements. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

The University’s net pension liability at June 30, 2019, was comprised of the following:

| | |
|------------------------------------|-----------------------|
| ASRS | \$ 163,184,982 |
| PSPRS | 8,102,975 |
| Defined Contribution Pension Plans | 2,874,388 |
| Total net pension liability | \$ 174,162,345 |

Changes in the University’s net pension liability during the fiscal year ended June 30, 2019, were as follows:

| | |
|------------------------|-----------------------|
| Beginning balance | \$ 188,499,716 |
| Increases | 31,529,615 |
| Decreases | (45,866,986) |
| Ending balance | \$ 174,162,345 |
| Current portion | \$ 296,651 |

Defined Benefit Plan

Plan Description

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. Full benefit eligible classified staff are required to participate in this plan. Full benefit eligible University faculty, academic professionals, and administrative officers have the option to participate in the ASRS defined benefit plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS is a component unit of the State of Arizona.

Benefits Provided

The ASRS provides retirement and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

| | Retirement | |
|--|--|--|
| | Initial membership date: | |
| | Before July 1, 2011 | On or after July 1, 2011 |
| Years of service and age required to receive benefit | Sum of years and age equals 80 | 30 years, age 55 |
| | 10 years, age 62 | 25 years, age 60 |
| | 5 years, age 50* | 10 years, age 62 |
| | any years, age 65 | 5 years, age 50* |
| | | any years, age 65 |
| Final average salary is based on | Highest 36 consecutive months of last 120 months | Highest 60 consecutive months of last 120 months |
| Benefit percent per year of service | 2.1% to 2.3% | 2.1% to 2.3% |

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.64 percent for retirement of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 11.18 percent of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 10.41 percent of annual covered payroll of retired members who worked for the University in positions that an employee who contributes to the ASRS would

typically fill. The University's contributions to the pension plan for the year ended June 30, 2019, were \$13,793,782.

Pension Liability

At June 30, 2019, the University reported a liability of \$163,184,982 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The University's proportion of the net pension liability was based on the University's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The University's proportion measured as of June 30, 2018, was 1.17 percent, which was an increase of 0.03 from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2019, the University recognized pension expense for ASRS of \$5,285,884. At June 30, 2019, the University reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 4,495,614 | \$ 899,612 |
| Changes in assumptions or other inputs | 4,318,173 | 14,468,589 |
| Net difference between projected and actual earnings on pension plan investments | | 3,924,213 |
| Changes in proportion and differences between university contributions and proportionate share of contributions | 3,311,368 | |
| University contributions subsequent to the measurement date | 13,793,782 | |
| Total | \$ 25,918,937 | \$ 19,292,414 |

The \$13,793,782 reported as deferred outflows of resources related to ASRS pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

| Year Ended June 30 | | | |
|-----------------------|----|-------------|--|
| 2020 | \$ | 3,027,194 | |
| 2021 | | (2,481,854) | |
| 2022 | | (5,952,741) | |
| 2023 | | (1,759,858) | |

Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|-----------------------------|---------------------|
| Actuarial valuation date | June 30, 2017 |
| Actuarial roll forward date | June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.5% |
| Projected salary increases | 2.7 - 7.2% |
| Inflation | 2.3% |
| Permanent benefit increase | Included |
| Mortality rates | 2017 SRA Scale U-MP |

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|--------------|-------------------|--|
| Equity | 50% | 5.50% |
| Fixed income | 30% | 3.83% |
| Real estate | 20% | 5.85% |
| Total | 100% | |

Discount Rate

At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 percent from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| | | University's proportionate share of the net pension liability |
|------------------------------|----|---|
| 1% decrease (6.5%) | \$ | 232,623,946 |
| Current discount rate (7.5%) | | 163,184,982 |
| 1% increase (8.5%) | | 105,169,850 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Pension Contributions Payable

The University's accrued payroll and employee benefits included \$512,758 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2019.

Defined Contribution Plans

Plan Description

In accordance with A.R.S. §15-1628, defining the authority under which benefit terms are established or may be amended, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. During the fiscal year ended June 30, 2019, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Service Company (Fidelity) were approved by the Board. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately, and University contributions vest after five years of benefit eligible employment. Non-vested contributions held by the University earn interest. Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy

The Arizona State Legislature establishes and may amend the contribution rates for active plan members and the University. For the year ended June 30, 2019, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability

At June 30, 2019, the University reported a liability of \$2,874,388 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

Pension Expense

For the year ended June 30, 2019, the University recognized pension expense for Defined Contribution Plans of \$6,518,820. For the year ended June 30, 2019, forfeitures reduced the University's pension expense by \$302,980.

Pension Contributions Payable

The University's accrued payroll and employee benefits included \$251,971 of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2019.



Note 10 - Other Post-Employment Benefits (OPEB)

Other post-employment benefits (OPEB) provided as part of University employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit post-employment plan, the PSPRS state administered multiple-employer defined benefit post-employment plan, as well as the ASRS sponsored cost-sharing plans for the Long-Term Disability (LTD) Fund and the Health Benefit Supplement (HBS) Fund. Although an ASRS and PSPRS OPEB liability has been recorded at June 30, 2019, these plans have not been further disclosed due to the relative insignificance to the University's financial statements.

Changes in the University's OPEB liability during the fiscal year ended June 30, 2019, were as follows:

| | | |
|-------------------|----|-------------|
| Beginning balance | \$ | 8,001,700 |
| Increases | | 8,122,347 |
| Decreases | | (7,305,807) |
| Ending balance | \$ | 8,818,240 |

Single-Employer Plan

The ADOA administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired state employees, including University employees and their dependents. Management of the OPEB plan is governed by the University for the BCBS of Arizona option and the ADOA for State plan options. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the ADOA Plan to the Arizona State Legislature. The University pays the medical costs incurred by retired employees, net of related premiums, which are paid entirely by the retiree or on behalf of the retiree. The University subsidizes the premium rates paid by retirees by allowing them to participate in the University's health care plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of the blended plan participants. The University does not cover any explicit subsidies. Any Arizona State Retirement System premium supplements are included in that system's pension valuation.

Employees may be retained on the University's health insurance provided they make the required contributions and comply with all other provisions of the Plan. To be eligible, an employee must retire from the University with five years of service as a benefit eligible employee and apply for and receive retirement. Dependent coverage is available subject to the limitations outlined in the University's health insurance policy. Dependents cannot continue in the insurance program when the retiree is no longer eligible. If a covered retiree terminates coverage for any reason, coverage cannot be reinstated. ADOA does not issue a separate, publicly available financial report.

At June 30, 2018, plan membership consisted of the following:

| | |
|---|--------------|
| Retired employees currently receiving health benefits | 307 |
| Active employees* | 2,886 |
| Total | 3,193 |

*Excludes 222 active employees currently waiving medical coverage.

Benefits Provided

The University provides medical and accident benefits to retired University employees and their dependents. Dental and vision benefits are also available, but are not valued as there is no implicit subsidization in the retiree rates.

Funding Policy

The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the OPEB liability.

OPEB Liability

At June 30, 2019 the University reported an OPEB liability of \$8,648,090 for the single-employer plan. The total OPEB liability was measured as of June 30, 2018, and was determined using update procedures to roll forward the total OPEB liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018.

| Arizona Department of Administration | Total OPEB Liability |
|---|-----------------------------|
| Balance at 6/30/2018 | \$ 8,225,587 |
| Service cost | 880,795 |
| Interest | 315,381 |
| Changes of assumptions | (179,990) |
| Expected benefit payments | (593,683) |
| Net change in total OPEB liability | \$ 422,503 |
| Balance at 6/30/2019 | \$ 8,648,090 |

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2019, the University recognized negative OPEB expense of \$6,150,330. The following chart reflects the deferred outflows and inflows of resources related to OPEB.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---------------------------------------|--------------------------------------|
| Changes in assumptions or other inputs | | \$ 43,707,408 |
| Difference between expected and actual experience in the Total OPEB Liability | | 2,523,828 |
| University contributions subsequent to the measurement date | \$ 618,107 | |
| Total | \$ 618,107 | \$ 46,231,236 |

The \$618,107 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | OPEB Expense Amount |
|----------------------------|----------------------------|
| 2020 | \$ (7,346,506) |
| 2021 | (7,346,506) |
| 2022 | (7,346,506) |
| 2023 | (7,346,506) |
| 2024 | (7,346,506) |
| Thereafter | (9,498,706) |

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating

members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's actuarial methods and significant assumptions for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation are as follows:

Actuarial Assumptions

| | | |
|-----------------------------|--|--|
| Actuarial valuation date | June 30, 2017 | |
| Actuarial cost method | Entry age normal | |
| Actuarial roll forward date | June 30, 2018 | |
| Salary increases | Wage inflation rate of 2.7% plus a merit component | |
| Discount rate | 3.87% as of June 30, 2018 | |
| Healthcare cost trend rates | 6.5% graded to 4.5% over 4 years | |
| Contribution trend rates | 6.5% graded to 4.5% over 4 years | |
| Mortality rates | <i>Employees</i> | RP-2014 Employee Mortality Table projected generationally from 2014 with 1% improvement per year |
| | <i>Healthy Retirees and Spouses</i> | 2017 State Retirees of Arizona (SRA) Mortality Table projected generationally from 2017 with 1% improvement per year |
| | <i>Disabled Retirees</i> | RP-2014 Disabled Retiree Mortality Table projected generationally from 2014 with 1% improvement per year |

Benefit projections assume the specified premium amount will follow the current practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Discount Rate

The discount rate for OPEB funded entirely on a pay-as-you-go basis is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the Bond Buyer 20-Bond General Obligation Municipal Bond Index was used. The index value as of the June 30, 2018 measurement date is 3.87%, and as of June 30, 2017 is 3.58%.

Sensitivity Analysis

The following table presents the impact of the OPEB liability calculated using the discount rate of 3.87 percent, as well as what the University's liability would be if the discount rate is 1 percentage point less than and 1 percentage point greater than the current rate:

The following table presents the OPEB liability calculated using the healthcare cost and contributions trend rate, as well as what the OPEB liability would be if it were calculated using a healthcare cost and contribution trend rate that is 1 percentage point lower and 1 percentage point higher than the current rate:

| | Total OPEB Liability | | Total OPEB Liability |
|-------------------------------|-----------------------------|----------------------------|-----------------------------|
| 1% decrease (2.87%) | \$ 9,263,365 | 1% decrease in trend rates | \$ 7,786,935 |
| Current discount rate (3.87%) | 8,648,090 | Current trend rates | 8,648,090 |
| 1% increase (4.87%) | 8,074,100 | 1% increase in trend rates | 9,663,190 |

Note 11 – Discretely Presented Component Unit Disclosures

A. Principal Activity and Significant Accounting Policies

Organization

The Northern Arizona University Foundation, Inc. (NAU Foundation) is an Arizona nonprofit organization operating exclusively for the benefit of Northern Arizona University (the University). The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University for the advancement of its mission.

Northern Arizona Real Estate Holdings, LLC, (NAREH) is a wholly owned subsidiary of NAU Foundation. NAREH was established to construct, develop, equip, operate, maintain, lease, and hold real estate investments on behalf of NAU Foundation.

NAU Ventures, LLC (NAUV) is a wholly owned subsidiary of NAU Foundation. NAUV was established to license or otherwise commercialize the intellectual property owned or controlled by the Arizona Board of Regents, the University, or NAU Foundation, to perform other technology transfer and intellectual property management services for the University, and to perform other services from time to time.

Bequests Receivable

Bequests receivable are recognized as contribution revenue in the period the Foundation receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met. Bequests receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for uncollectible bequests receivable based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible bequests receivable and a credit to bequests receivable. At June 30, 2019, bequests receivable are considered by management to be fully collectible and, accordingly, an allowance for uncollectible bequests receivable has not been provided.

Promises to Give

Unconditional promises to give expected to be

collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2019, the allowance was \$209,112.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

Change in Accounting Policy

As of July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation's donor restricted endowment funds and underwater endowments.

B. Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market

data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2019:

| | Amount | Fair Value Measurements at Report Date Using | | |
|---|-----------------------|--|---------------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Operating investments | | | | |
| Mutual Fund | | | | |
| Bond Market Index Fund | \$ 28,284,648 | \$ 28,284,648 | | |
| Exchange Traded Funds | 693,158 | 693,158 | | |
| Equity Mutual Funds | 65,251,480 | 65,251,480 | | |
| International Bond Mutual Funds | 8,236,389 | 8,236,389 | | |
| International Equity Mutual Funds | 65,385,423 | 65,385,423 | | |
| Common Stock | 3,509,793 | 3,509,793 | | |
| Money Market Funds | 475,178 | 475,178 | | |
| International Bonds | 749,240 | 749,240 | | |
| Commercial Paper | 997,573 | | \$ 997,573 | |
| Certificates of Deposit | 498,148 | | 498,148 | |
| Corporate Bonds | 3,015,328 | | 3,015,328 | |
| | <u>\$ 177,096,358</u> | <u>\$ 172,585,309</u> | <u>\$ 4,511,049</u> | |
| Assets held under split-interest agreements | | | | |
| Mutual Fund | | | | |
| Corporate Bond Mutual Fund | \$ 1,514,991 | \$ 1,514,991 | | |
| Equity Mutual Funds | 2,266,058 | 2,266,058 | | |
| Alternative Investment Mutual Funds | 215,563 | 215,563 | | |
| Money Market Funds | 71,878 | 71,878 | | |
| | <u>\$ 4,068,490</u> | <u>\$ 4,068,490</u> | | |
| Beneficial interests in | | | | |
| Perpetual trusts | \$ 3,326,261 | | \$ 3,326,261 | |
| Liabilities | | | | |
| Assets held in custody for others | \$ 34,981,998 | | \$ 34,981,998 | |
| Liabilities under split-interest agreements | \$ 2,591,380 | | \$ 2,591,380 | |

C. Net Investment Return

Net investment return consists of the following for the year ended June 30, 2019:

| | |
|---|---------------------|
| Interest and dividends | \$ 3,193,850 |
| Net realized and unrealized gain (loss) | 3,829,625 |
| Less investment management and custodial fees | (78,834) |
| | <u>\$ 6,944,641</u> |

D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2019:

| | |
|---|----------------------|
| Within one year | \$ 3,123,023 |
| In one to five years | 7,380,848 |
| Over five years | 450,038 |
| | <u>\$ 10,953,909</u> |
| Less discount to present value at rates ranging from 0.1% - 2.33% | (189,275) |
| Less allowance for uncollectible promises to give | (209,112) |
| | <u>\$ 10,555,522</u> |

At June 30, 2019, two donors accounted for approximately 32% of gross promises to give.

E. Assets Held in Custody for Others

The Foundation maintains certain assets on behalf of others. The balances of assets held in custody for others consist of the following at June 30, 2019:

| | |
|--|----------------------|
| Cash | \$ 1,680,636 |
| Pledges receivable | 220 |
| Investments | 32,617,415 |
| Beneficial interest in perpetual trust | 683,727 |
| | <u>\$ 34,981,998</u> |

Assets held on behalf of:

| | |
|-----------------------------|----------------------|
| Northern Arizona University | \$ 34,615,940 |
| NAU Parents' Association | 366,058 |
| | <u>\$ 34,981,998</u> |

F. Endowments

The Foundation's endowment (the Endowment) consists of approximately 800 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions designated for quasi-endowment by the board of directors, and quasi-endowments set up by donors that are working to the level of required investment to qualify as an Endowment under the Foundation's donor guidelines. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's board of directors has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------|
| Board-designated quasi-endowment | \$ 11,194,558 | | \$ 11,194,558 |
| Donor-restricted quasi-endowment | | \$ 5,657,834 | 5,657,834 |
| Donor-restricted for permanent endowment | | 108,173,020 | 108,173,020 |
| | \$ 11,194,558 | \$ 113,830,854 | \$ 125,025,412 |

At June 30, 2019, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of \$91,633 are reported in net assets with donor restrictions.

G. Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018 consolidated financial statements.

| | As Previously Reported | Adoption of ASU 2016-14 | As Restated |
|---------------------------------------|---------------------------|----------------------------|----------------|
| Unrestricted | \$ 8,813,902 | \$ (8,813,902) | |
| Temporarily restricted net assets | 81,573,399 | (81,573,399) | |
| Permanently restricted net assets | 83,019,626 | (83,019,626) | |
| Net assets without donor restrictions | | 8,813,902 | \$ 8,813,902 |
| Net assets with donor restrictions | | 164,593,025 | 164,593,025 |
| | \$ 173,406,927 | | \$ 173,406,927 |



H. Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Foundation uses an endowment spending-rate formula to determine the amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2019, the spending rate maximum was 4.5%. In establishing this policy, the Foundation considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

With the exception of certain net assets held in perpetuity that the donor requires to be separately invested, all restricted contributions are consolidated in an investment pool. Appreciation, depreciation, income, and expense relative to the pooled endowment investments are allocated to each Endowment based upon the ratio of that Endowment's investment balance to the total investment pool and are shown as a change in net assets without donor restrictions.

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 10,815,924 | \$ 112,237,530 | \$ 123,053,454 |
| Investment return | | | |
| Investment income, net of fees | 95,222 | 788,104 | 883,326 |
| Net realized and unrealized gain | 117,461 | 808,927 | 926,388 |
| | <u>\$ 212,683</u> | <u>\$ 1,597,031</u> | <u>\$ 1,809,714</u> |
| Contributions | 575 | 3,394,870 | 3,395,445 |
| Reclassification of donor intent | 251,000 | 111,366 | 362,366 |
| Recovery of deficiency in original gift value of permanently restricted funds below fair value | | (64,372) | (64,372) |
| Appropriation of endowment assets pursuant to spending-rate policy | (85,624) | (3,445,571) | (3,531,195) |
| Endowment net assets, end of year | <u>\$ 11,194,558</u> | <u>\$ 113,830,854</u> | <u>\$ 125,025,412</u> |

Required Supplementary Information

Schedule of University's Proportionate Share of Net Pension Liability Year Ended June 30,

| Arizona State Retirement System Pension | Reporting Fiscal Year (Measurement Date) | | | | | |
|--|---|----------------|----------------|----------------|----------------|----------------------|
| | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 through 2010 |
| University's proportion of the net pension liability | 1.17% | 1.14% | 1.14% | 1.13% | 1.06% | |
| University's proportionate share of the net pension liability | \$ 163,184,982 | \$ 177,603,799 | \$ 183,823,445 | \$ 175,686,559 | \$ 156,806,397 | Information |
| University's covered payroll | \$ 116,750,466 | \$ 111,651,187 | \$ 106,912,713 | \$ 104,361,657 | \$ 96,736,181 | not available |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 140% | 159% | 172% | 168% | 162% | |
| Plan fiduciary net position as a percentage of the total pension liability | 73.40% | 69.92% | 67.06% | 68.35% | 69.49% | |

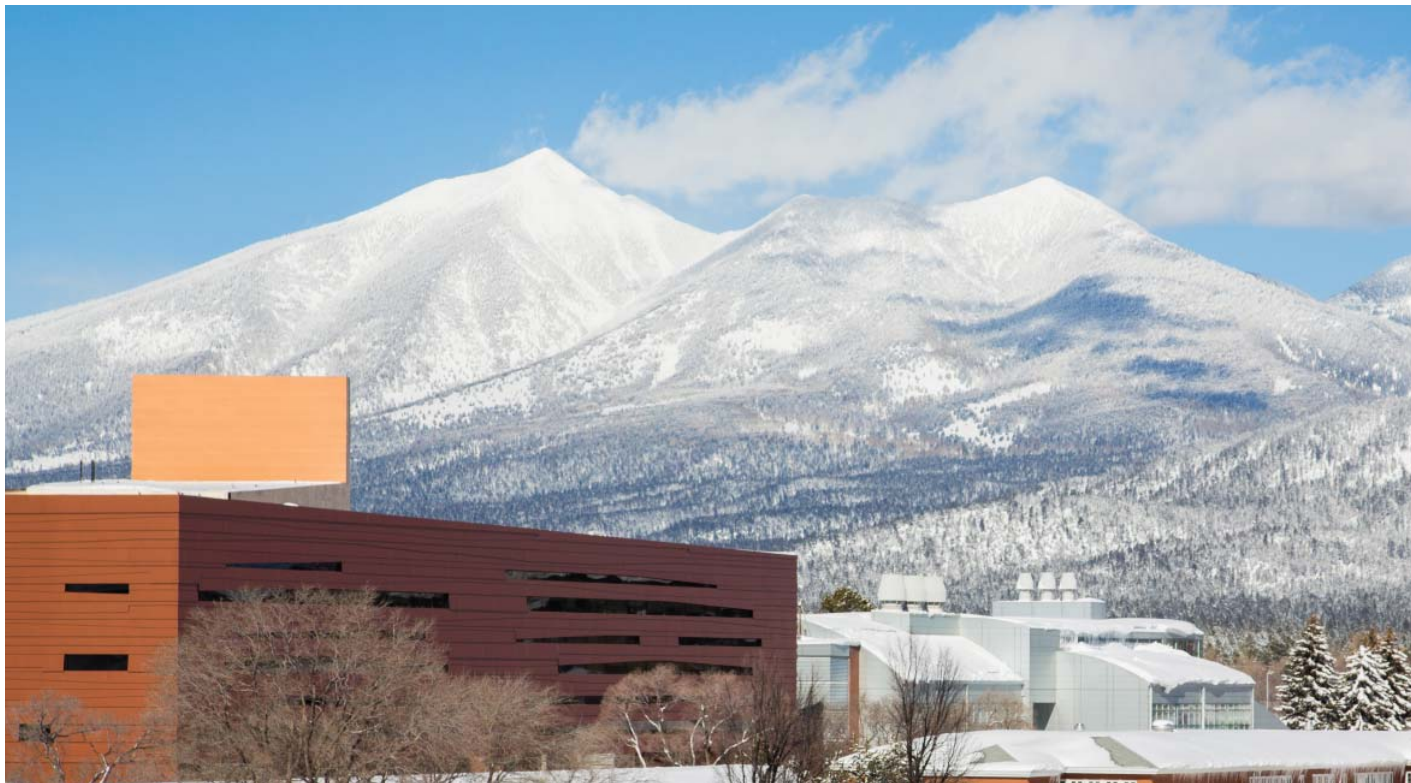
Schedule of University's Pension Contributions - Arizona State Retirement System

| Fiscal Year Ended | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|-------------------|-----------------------------------|--|----------------------------------|-----------------|--|
| 2019 | \$ 13,793,782 | \$ 13,793,782 | - \$ | 123,597,111 | 11.16% |
| 2018 | 12,679,186 | 12,679,186 | - | 116,750,466 | 10.86% |
| 2017 | 11,988,535 | 11,988,535 | - | 111,651,187 | 10.74% |
| 2016 | 11,554,333 | 11,554,333 | - | 106,912,713 | 10.81% |
| 2015 | 11,318,482 | 11,318,482 | - | 104,361,657 | 10.85% |
| 2014 | 10,291,080 | 10,291,080 | - | 96,736,181 | 10.64% |
| 2013 | 9,007,925 | 9,007,925 | - | 88,480,987 | 10.18% |
| 2012 | 7,975,201 | 7,975,201 | - | 80,802,442 | 9.87% |
| 2011 | 7,244,168 | 7,244,168 | - | 80,401,420 | 9.01% |
| 2010 | 6,222,744 | 6,222,744 | - | 74,613,237 | 8.34% |

Schedule of Changes in Total OPEB Liability

| Arizona Department of Administration Other Postemployment Benefits | Reporting Fiscal Year (Measurement Date) | | |
|---|---|------------------------|----------------------|
| | 2019 (2018) | 2018 (2017) | 2017 through 2010 |
| Service cost | \$ 880,795 | \$ 5,002,684 | |
| Interest | 315,381 | 1,798,612 | Information |
| Change of benefit terms | - | (185,220) | not available |
| Differences between expected and actual experience | - | (3,326,316) | |
| Changes of assumptions | (179,990) | (57,396,230) | |
| Expected benefit payments | (593,683) | (1,554,279) | |
| Net change in total OPEB liability | <u>\$ 422,503</u> | <u>\$ (55,660,749)</u> | |
| Total OPEB liability- beginning | <u>8,225,587</u> | <u>63,886,336</u> | |
| Total OPEB liability- ending | <u>\$ 8,648,090</u> | <u>\$ 8,225,587</u> | |
| Covered employee payroll* | <u>189,497,552</u> | <u>184,515,630</u> | |
| Plan total OPEB liability as a percentage of covered employee payroll | <u>4.56%</u> | <u>4.46%</u> | |

*Annualized pay of active employees not waiving coverage as of the June 30, 2017 valuation date.



**STATISTICAL
SECTION**



Narrative to the Statistical Section

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Net Position by Component

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 |
|----------------------------|------|------|------|------|------|------|------------------|------------------|------|------|
|----------------------------|------|------|------|------|------|------|------------------|------------------|------|------|

(Dollars in thousands)

| | | | | | | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Investment in Capital Assets | \$245,903 | \$232,568 | \$269,240 | \$265,882 | \$268,007 | \$234,187 | \$215,847 | \$218,676 | \$200,274 | \$157,565 |
| Restricted, Non-expendable | 26,258 | 25,107 | 24,625 | 23,593 | 22,540 | 21,770 | 20,430 | 19,517 | 19,047 | 18,253 |
| Restricted, Expendable | 48,146 | 44,594 | 39,193 | 32,184 | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 |
| Unrestricted | (60,756) | (59,530) | (45,408) | (39,221) | (32,051) | 154,120 | 172,284 | 178,600 | 182,210 | 173,639 |

| | | | | | | | | | | |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Net Position | \$259,551 | \$242,739 | \$287,650 | \$282,438 | \$291,094 | \$439,539 | \$435,219 | \$434,364 | \$417,897 | \$368,830 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

| Expressed as a percent of the total | % | % | % | % | % | % | % | % | % | % |
|-------------------------------------|---|---|---|---|---|---|---|---|---|---|
|-------------------------------------|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | |
|----------------------------------|--------|--------|--------|--------|--------|------|------|------|------|------|
| Net Investment in Capital Assets | 94.7 | 95.8 | 93.6 | 94.1 | 92.1 | 53.3 | 49.6 | 50.3 | 47.9 | 42.7 |
| Restricted, Non-expendable | 10.1 | 10.3 | 8.6 | 8.4 | 7.7 | 4.9 | 4.7 | 4.5 | 4.6 | 4.9 |
| Restricted, Expendable | 18.6 | 18.4 | 13.6 | 11.4 | 11.2 | 6.7 | 6.1 | 4.0 | 3.9 | 5.3 |
| Unrestricted | (23.4) | (24.5) | (15.8) | (13.9) | (11.0) | 35.1 | 39.6 | 41.2 | 43.6 | 47.1 |

| | | | | | | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Net Position | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

| % increase/(decrease) from prior year | % | % | % | % | % | % | % | % | % | % |
|---------------------------------------|---|---|---|---|---|---|---|---|---|---|
|---------------------------------------|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | |
|----------------------------------|-------|--------|--------|--------|---------|--------|-------|-------|--------|------|
| Net Investment in Capital Assets | 5.7 | (13.6) | 1.3 | (0.8) | 14.4 | 8.5 | (1.3) | 9.2 | 27.1 | 4.5 |
| Restricted, Non-expendable | 4.6 | 2.0 | 4.4 | 4.7 | 3.5 | 6.6 | 4.7 | 2.5 | 4.3 | 4.3 |
| Restricted, Expendable | 8.0 | 13.8 | 21.8 | (1.3) | 10.6 | 10.5 | 51.7 | 7.4 | (15.5) | 2.4 |
| Unrestricted | (2.1) | (31.1) | (15.8) | (22.4) | (120.8) | (10.5) | (3.5) | (2.0) | 4.9 | 39.2 |

| | | | | | | | | | | |
|---------------------------|------------|---------------|------------|--------------|---------------|------------|------------|------------|-------------|-------------|
| Total Net Position | 6.9 | (15.6) | 1.8 | (3.0) | (33.8) | 1.0 | 0.2 | 3.9 | 13.3 | 18.2 |
|---------------------------|------------|---------------|------------|--------------|---------------|------------|------------|------------|-------------|-------------|

Note: The University implemented GASB 65 in FY 2014, balances prior to FY 2014 have not been adjusted in the statistical section

The University implemented GASB 68 and GASB 71 in FY 2015, historical data has not been restated in the statistical section.

The University implemented GASB 75 in FY 2018, historical data has not been restated in the statistical section.

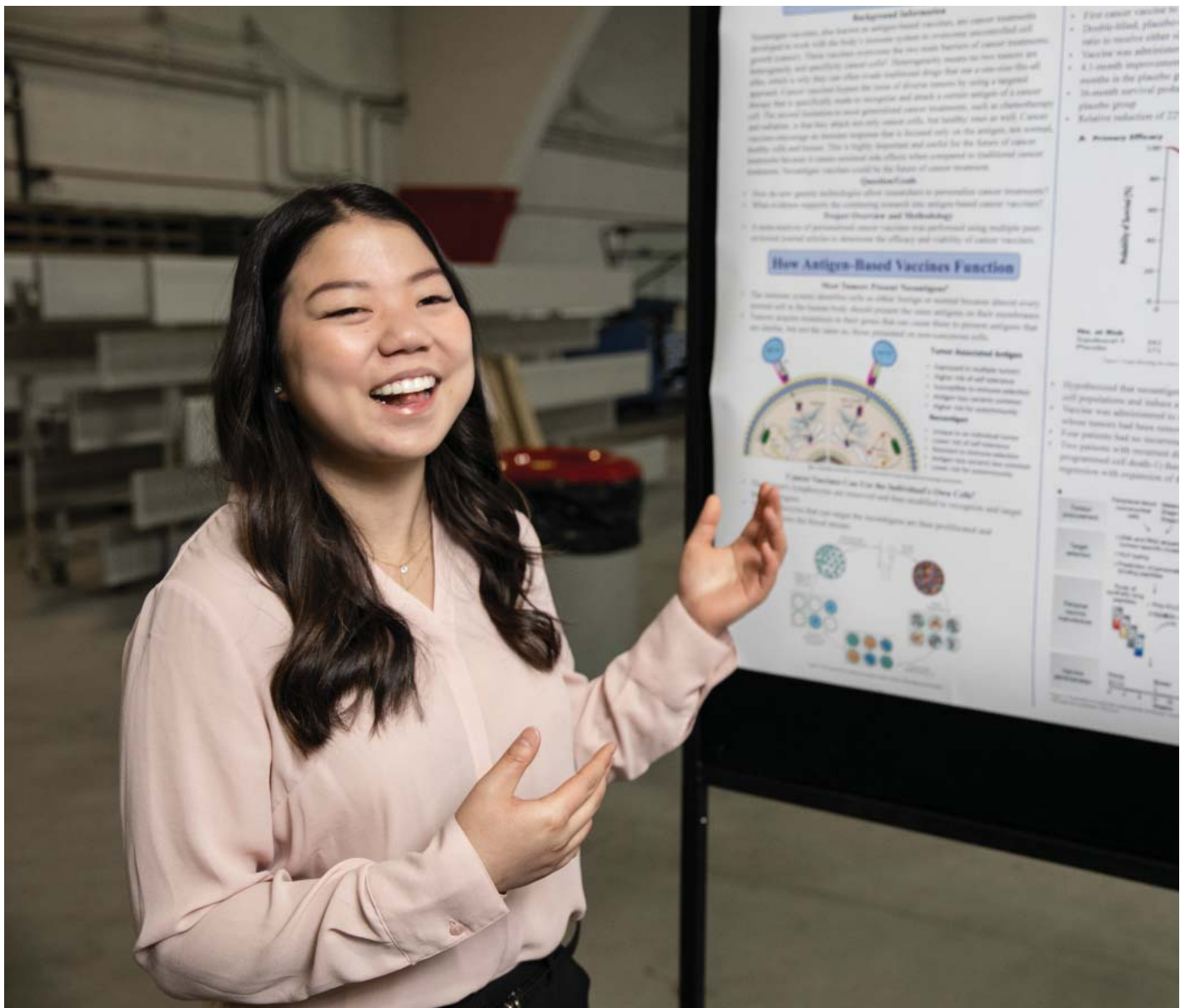
Change in Net Position

| Fiscal Year Ended June 30, (Dollars in thousands) | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues | | | | | | | | | | |
| Operating Revenues | | | | | | | | | | |
| Student tuition and fees, net | \$237,605 | \$236,790 | \$237,930 | \$217,047 | \$205,550 | \$188,816 | \$172,565 | \$157,864 | \$147,224 | \$126,414 |
| Governmental grants and contracts | 35,287 | 29,818 | 25,802 | 22,772 | 22,288 | 19,594 | 19,521 | 18,461 | 26,185 | 17,706 |
| Private grants and contracts | 4,618 | 4,127 | 4,372 | 3,438 | 2,793 | 2,865 | 3,518 | 2,119 | 1,437 | 1,977 |
| Residence Life | 35,729 | 32,437 | 32,791 | 32,141 | 31,602 | 29,870 | 30,541 | 29,534 | 29,480 | 27,841 |
| Other auxiliaries | 29,850 | 34,042 | 27,656 | 24,745 | 23,443 | 21,424 | 20,096 | 16,272 | 17,692 | 14,903 |
| Other revenues | 24,931 | 22,362 | 23,110 | 21,577 | 23,215 | 20,246 | 17,410 | 17,190 | 10,603 | 10,124 |
| Total Operating Revenues | \$368,020 | \$359,576 | \$351,661 | \$321,720 | \$308,891 | \$282,815 | \$263,651 | \$241,440 | \$232,621 | \$198,965 |
| Expenses | | | | | | | | | | |
| Operating Expenses | | | | | | | | | | |
| Instruction | \$168,338 | \$174,245 | \$176,334 | \$169,385 | \$167,080 | \$156,021 | \$142,282 | \$134,272 | \$132,117 | \$123,077 |
| Research | 46,113 | 40,655 | 36,068 | 30,142 | 25,461 | 23,584 | 19,886 | 21,766 | 23,178 | 22,306 |
| Public Service | 30,924 | 31,665 | 28,866 | 28,163 | 27,009 | 25,699 | 26,935 | 28,352 | 27,301 | 26,878 |
| Academic support | 38,445 | 39,482 | 41,074 | 40,506 | 36,182 | 33,877 | 32,164 | 28,858 | 30,321 | 27,194 |
| Student services | 57,210 | 55,138 | 54,246 | 53,834 | 50,335 | 50,504 | 42,145 | 36,274 | 32,995 | 25,312 |
| Institutional support | 62,202 | 64,158 | 59,238 | 52,447 | 57,141 | 53,702 | 47,265 | 41,789 | 40,909 | 37,627 |
| Operation & maintenance of plant | 27,456 | 29,031 | 31,003 | 29,790 | 25,779 | 26,693 | 23,259 | 21,781 | 17,426 | 16,591 |
| Scholarship and fellowship | 39,857 | 38,659 | 35,290 | 31,485 | 29,068 | 25,412 | 24,211 | 25,576 | 29,218 | 23,431 |
| Auxiliary enterprises | 44,790 | 40,905 | 41,067 | 38,071 | 37,706 | 32,759 | 44,386 | 37,035 | 34,351 | 29,339 |
| Depreciation | 42,822 | 42,830 | 41,538 | 37,964 | 35,123 | 33,256 | 31,388 | 27,260 | 21,990 | 21,605 |
| Total Operating Expenses | \$558,157 | \$556,768 | \$544,724 | \$511,787 | \$490,884 | \$461,507 | \$433,921 | \$402,963 | \$389,806 | \$353,360 |
| Operating loss | \$(190,137) | \$(197,192) | \$(193,063) | \$(190,067) | \$(181,993) | \$(178,692) | \$(170,270) | \$(161,523) | \$(157,185) | \$(154,395) |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| State operating appropriations | \$103,200 | \$99,716 | \$100,106 | \$94,633 | \$112,026 | \$105,588 | \$101,469 | \$103,670 | \$128,529 | \$128,448 |
| Federal fiscal stabilization funds | - | - | - | - | - | - | - | - | 291 | 10,935 |
| Share of state tax-TRIF | 15,844 | 14,339 | 13,752 | 13,827 | 13,267 | 12,308 | 11,492 | 11,157 | 11,189 | 10,913 |
| Government grants | 73,183 | 71,612 | 68,533 | 66,142 | 59,658 | 56,413 | 57,569 | 60,200 | 56,324 | 53,514 |
| Private gifts and grants | 14,175 | 14,460 | 14,050 | 13,093 | 13,032 | 10,920 | 9,925 | 10,367 | 8,003 | 10,873 |
| Investment income | 6,255 | 4,298 | 3,863 | 959 | 1,771 | 5,703 | 3,174 | 2,678 | 2,983 | 4,178 |
| Interest on debt | (28,084) | (28,061) | (28,144) | (27,187) | (22,723) | (23,696) | (23,456) | (22,852) | (14,023) | (14,450) |
| Other nonoperating revenues, net | 14,330 | 16,126 | 15,488 | 10,578 | 8,271 | 8,987 | 5,703 | 4,229 | 3,642 | 171 |
| Net Nonoperating Revenues | \$198,903 | \$192,490 | \$187,648 | \$172,045 | \$185,302 | \$176,223 | \$165,876 | \$169,449 | \$196,938 | \$204,582 |
| Income/(loss) before other revenues, expenses, gains, or losses | \$8,766 | \$(4,702) | \$(5,415) | \$(18,022) | \$3,309 | \$(2,469) | \$(4,394) | \$7,926 | \$39,753 | \$50,187 |

Change in Net Position (continued)

| Fiscal Year Ended June 30, (Dollars in thousands) | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 |
|--|-----------------|----------------|----------------|------------------|-----------------|----------------|------------------|------------------|-----------------|-----------------|
| Capital appropriations | \$5,896 | \$5,897 | \$4,247 | \$5,493 | \$5,827 | \$5,900 | \$5,900 | \$5,900 | \$5,900 | \$5,900 |
| Capital grants and gifts | 1,164 | 3,321 | 5,474 | 3,010 | 60 | 63 | 63 | 455 | 2,582 | 46 |
| Additions to permanent endowments | 986 | 922 | 906 | 863 | 858 | 826 | 882 | 852 | 831 | 727 |
| Increase/(Decrease) in Net Position | \$16,812 | \$5,438 | \$5,212 | \$(8,656) | \$10,054 | \$4,320 | \$2,451 | \$15,133 | \$49,066 | \$56,860 |
| Total Revenues | \$603,053 | \$590,267 | \$578,080 | \$530,318 | \$523,661 | \$489,523 | \$459,828 | \$440,948 | \$452,895 | \$424,670 |
| Total Expenses | 586,241 | 584,829 | 572,868 | 538,974 | 513,607 | 485,203 | 457,377 | 425,815 | 403,829 | 367,810 |
| Increase/(Decrease) in Net Position | \$16,812 | \$5,438 | \$5,212 | \$(8,656) | \$10,054 | \$4,320 | \$2,451 | \$15,133 | \$49,066 | \$56,860 |

(1) In compliance with Arizona Revised Statutes §35-391, for FY2019, the University received a rebate in the amount of \$679,093 from JP Morgan for Purchase Card purchases.



Change in Net Position (Continued)

(Expressed as a percent of Total Revenues / Total Expenses)

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|---------------|---------------|
| Revenues | % | % | % | % | % | % | % | % | % | % |
| Operating Revenues | | | | | | | | | | |
| Student tuition and fees, net | 39.4 | 40.1 | 41.2 | 40.9 | 39.3 | 38.6 | 37.5 | 35.8 | 32.5 | 29.8 |
| Governmental grants and contracts | 5.9 | 5.1 | 4.5 | 4.3 | 4.3 | 4.0 | 4.2 | 4.2 | 5.8 | 4.2 |
| Private grants and contracts | 0.8 | 0.7 | 0.8 | 0.6 | 0.5 | 0.6 | 0.8 | 0.5 | 0.3 | 0.5 |
| Residence Life | 5.9 | 5.5 | 5.7 | 6.1 | 6.0 | 6.1 | 6.6 | 6.7 | 6.5 | 6.6 |
| Other Auxiliaries | 4.9 | 5.8 | 4.8 | 4.7 | 4.5 | 4.4 | 4.4 | 3.7 | 3.9 | 3.5 |
| Other revenues (1) | 4.1 | 3.8 | 4.0 | 4.1 | 4.4 | 4.1 | 3.8 | 3.9 | 2.3 | 2.4 |
| Total Operating Revenues | 61.0 | 61.0 | 61.0 | 60.7 | 59.0 | 57.8 | 57.3 | 54.8 | 51.3 | 47.0 |
| Expenses | | | | | | | | | | |
| Operating Expenses | | | | | | | | | | |
| Instruction | 28.7 | 29.8 | 30.8 | 31.4 | 32.5 | 32.2 | 31.1 | 31.5 | 32.7 | 33.5 |
| Research | 7.9 | 7.0 | 6.3 | 5.6 | 5.0 | 4.9 | 4.3 | 5.1 | 5.7 | 6.1 |
| Public Service | 5.3 | 5.4 | 5.0 | 5.2 | 5.3 | 5.3 | 5.9 | 6.7 | 6.8 | 7.3 |
| Academic support | 6.6 | 6.8 | 7.2 | 7.5 | 7.0 | 7.0 | 7.0 | 6.8 | 7.5 | 7.4 |
| Student services | 9.8 | 9.4 | 9.5 | 10.0 | 9.8 | 10.4 | 9.2 | 8.5 | 8.2 | 6.9 |
| Institutional support | 10.6 | 11.0 | 10.3 | 9.7 | 11.1 | 11.1 | 10.3 | 9.8 | 10.1 | 10.2 |
| Operation & maintenance of plant | 4.7 | 5.0 | 5.4 | 5.5 | 5.0 | 5.5 | 5.1 | 5.1 | 4.3 | 4.5 |
| Scholarships and fellowships | 6.8 | 6.6 | 6.2 | 5.8 | 5.7 | 5.2 | 5.3 | 6.0 | 7.2 | 6.4 |
| Auxiliary enterprises | 7.6 | 7.0 | 7.2 | 7.1 | 7.3 | 6.8 | 9.7 | 8.7 | 8.5 | 8.0 |
| Depreciation | 7.3 | 7.3 | 7.3 | 7.0 | 6.8 | 6.9 | 6.9 | 6.4 | 5.4 | 5.9 |
| Total Operating Expenses | 95.3 | 95.3 | 95.2 | 94.9 | 95.5 | 95.3 | 94.8 | 94.6 | 96.4 | 96.2 |
| Operating loss | (31.5) | (33.4) | (33.4) | (35.8) | (34.8) | (36.5) | (37.0) | (36.6) | (34.7) | (36.4) |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| State operating appropriations | 17.1 | 16.9 | 17.3 | 17.8 | 21.4 | 21.6 | 22.1 | 23.5 | 28.4 | 30.2 |
| Federal fiscal stabilization funds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 2.6 |
| Share of state tax- TRIF | 2.6 | 2.4 | 2.4 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.6 |
| Government Grants | 12.1 | 12.1 | 11.9 | 12.5 | 11.4 | 11.5 | 12.5 | 13.7 | 12.4 | 12.6 |
| Private gifts | 2.4 | 2.4 | 2.4 | 2.5 | 2.5 | 2.2 | 2.2 | 2.4 | 1.8 | 2.6 |
| Investment income | 1.0 | 0.7 | 0.7 | 0.2 | 0.3 | 1.2 | 0.7 | 0.6 | 0.7 | 1.0 |
| Interest on debt | (4.8) | (4.8) | (4.9) | (5.0) | (4.4) | (4.9) | (5.1) | (5.4) | (3.5) | (3.9) |
| Other nonoperating revenues, net | 2.4 | 2.7 | 2.7 | 2.0 | 1.6 | 1.8 | 1.2 | 1.0 | 0.8 | 0.0 |
| Net Nonoperating Revenues | 32.8 | 32.6 | 32.5 | 32.5 | 35.3 | 35.9 | 36.1 | 38.3 | 43.2 | 47.7 |
| Income/(loss) before other revenues, expenses, gains, or losses | 1.3 | (0.8) | (0.9) | (3.3) | 0.5 | (0.6) | (0.9) | 1.7 | 8.5 | 11.3 |
| Capital appropriations | 1.0 | 1.0 | 0.7 | 1.0 | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 |
| Capital grants | 0.2 | 0.6 | 0.9 | 0.6 | 0.0 | 0.0 | 0.0 | 0.1 | 0.6 | 0.0 |
| Additions to permanent endowments | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Increase/(Decrease) in Net Position | 2.8 | 0.9 | 0.9 | (1.5) | 1.8 | 0.8 | 0.6 | 3.3 | 10.6 | 12.9 |

Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 |
|--|--------------|-------------|--------------|----------------|--------------|-------------|------------------|------------------|---------------|---------------|
| | % | % | % | % | % | % | % | % | % | % |
| Revenues | | | | | | | | | | |
| Operating Revenues | | | | | | | | | | |
| Student tuition and fees, net | 0.3 | (0.5) | 9.6 | 5.6 | 8.9 | 9.4 | 9.3 | 7.2 | 16.5 | 12.8 |
| Governmental grants and contracts | 18.3 | 15.6 | 13.3 | 2.2 | 13.7 | 0.4 | 5.7 | (29.5) | 47.9 | 20.5 |
| Private grants and contracts | 11.9 | (5.6) | 27.2 | 23.1 | (2.5) | (18.6) | 66.0 | 47.5 | (27.3) | (43.8) |
| Residence Life | 10.1 | (1.1) | 2.0 | 1.7 | 5.8 | (2.2) | 3.4 | 0.2 | 5.9 | 9.4 |
| Other Auxiliaries | (12.3) | 23.1 | 11.8 | 5.6 | 9.4 | 6.6 | 23.5 | (8.0) | 18.7 | 10.2 |
| Other revenues | 11.5 | (3.2) | 7.1 | (7.1) | 14.7 | 16.3 | 1.3 | 62.1 | 4.7 | 14.7 |
| Total Operating Revenues | 2.3 | 2.3 | 9.3 | 4.2 | 9.2 | 7.3 | 9.2 | 3.8 | 16.9 | 11.7 |
| Expenses | | | | | | | | | | |
| Operating Expenses | | | | | | | | | | |
| Instruction | (3.4) | (1.2) | 4.1 | 1.4 | 7.1 | 9.7 | 6.0 | 1.6 | 7.3 | (3.6) |
| Research | 13.4 | 12.7 | 19.7 | 18.4 | 8.0 | 18.6 | (8.6) | (6.1) | 3.9 | 3.9 |
| Public Service | (2.3) | 9.7 | 2.5 | 4.3 | 5.1 | (4.6) | (5.0) | 3.8 | 1.6 | (6.7) |
| Academic support | (2.6) | (3.9) | 1.4 | 12.0 | 6.8 | 5.3 | 11.5 | (4.8) | 11.5 | 0.5 |
| Student services | 3.8 | 1.6 | 0.8 | 7.0 | (0.3) | 19.8 | 16.2 | 9.9 | 30.4 | (10.3) |
| Institutional support | (3.0) | 8.3 | 12.9 | (8.2) | 6.4 | 13.6 | 13.1 | 2.2 | 8.7 | 5.1 |
| Operation & maintenance of plant | (5.4) | (6.4) | 4.1 | 15.6 | (3.4) | 14.8 | 6.8 | 25.0 | 5.0 | (15.6) |
| Scholarships and fellowships | 3.1 | 9.5 | 12.1 | 8.3 | 14.4 | 5.0 | (5.3) | (12.5) | 24.7 | 40.8 |
| Auxiliary enterprises | 9.5 | (0.4) | 7.9 | 1.0 | 15.1 | (26.2) | 19.8 | 7.8 | 17.1 | 2.2 |
| Depreciation | (0.0) | 3.1 | 9.4 | 8.1 | 5.6 | 6.0 | 15.1 | 24.0 | 1.8 | 4.2 |
| Total Operating Expenses | 0.2 | 2.2 | 6.4 | 4.3 | 6.4 | 6.4 | 7.7 | 3.4 | 10.3 | (0.4) |
| Operating loss | (3.6) | 2.1 | 1.6 | 4.4 | 1.8 | 4.9 | 5.4 | 2.8 | 1.8 | (12.6) |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| State operating appropriations | 3.5 | (0.4) | 5.8 | (15.5) | 6.1 | 4.1 | (2.1) | (19.3) | 0.1 | (5.3) |
| Federal fiscal stabilization funds | n/a | n/a | n/a | n/a | n/a | n/a | n/a | (100.0) | (97.3) | (53.5) |
| Share of state tax- TRIF | 10.5 | 4.3 | (0.5) | 4.2 | 7.8 | 7.1 | 3.0 | (0.3) | 2.5 | (10.9) |
| Government grants & contracts | 2.2 | 4.5 | 3.6 | 10.9 | 5.8 | (2.0) | (4.4) | 6.9 | 5.3 | 23.1 |
| Private gifts | (2.0) | 2.9 | 7.3 | 0.5 | 19.3 | 10.0 | (4.3) | 29.5 | (26.4) | 22.4 |
| Investment income | 45.5 | 11.3 | 302.8 | (45.8) | (68.9) | 79.7 | 18.5 | (10.2) | (28.6) | (450.5) |
| Interest on debt | 0.1 | (0.3) | 3.5 | 19.6 | (4.1) | 1.0 | 2.6 | 63.0 | (3.0) | 7.7 |
| Other nonoperating revenues, net | (11.1) | 4.1 | 46.4 | 27.9 | (8.0) | 57.6 | 34.9 | 16.1 | 2,029.8 | (246.2) |
| Net Nonoperating Revenues | 3.3 | 2.6 | 9.1 | (7.2) | 5.2 | 6.2 | (2.1) | (14.0) | (3.7) | (2.1) |
| Income/(loss) before other revenues, expenses, gains, or losses | 286.4 | 13.2 | 70.0 | (644.6) | 234.0 | 43.8 | (155.4) | (80.1) | (20.8) | 55.7 |
| Capital appropriations | (0.0) | 38.9 | (22.7) | (5.7) | (1.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital grants | (65.0) | (39.3) | 81.9 | 4,916.7 | (4.8) | 0.0 | (86.2) | (82.4) | 5,513.0 | (94.0) |
| Additions to permanent endowments | 6.9 | 1.8 | 5.0 | 0.6 | 3.9 | (6.3) | 3.5 | 2.5 | 14.3 | 11.7 |
| Increase/(Decrease) in Net Position | 209.2 | 4.3 | 160.2 | (186.1) | 132.7 | 76.3 | (83.8) | (69.2) | (13.7) | 43.8 |

Operating Expenses by Natural Classification

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| (Dollars in thousands) | | | | | | | | | | |
| Personal Services | \$260,390 | \$254,688 | \$243,537 | \$233,543 | \$233,110 | \$222,481 | \$205,196 | \$190,541 | \$184,352 | \$174,164 |
| Benefits | 89,195 | 86,550 | 82,172 | 78,687 | 77,386 | 71,173 | 63,691 | 63,855 | 63,691 | 57,449 |
| Pensions and OPEB (1) | (15,094) | (2,521) | 11,741 | 10,926 | 3,149 | | | | | |
| Personal Services and Benefits | 334,491 | 338,717 | 337,450 | 323,156 | 313,645 | 293,654 | 268,887 | 254,396 | 248,043 | 231,613 |
| Operations | 140,987 | 136,563 | 130,446 | 119,182 | 113,048 | 109,185 | 109,435 | 95,731 | 90,555 | 76,711 |
| Scholarships | 39,857 | 38,658 | 35,290 | 31,485 | 29,068 | 25,412 | 24,211 | 25,576 | 29,218 | 23,431 |
| Depreciation | 42,822 | 42,830 | 41,538 | 37,964 | 35,123 | 33,256 | 31,388 | 27,260 | 21,990 | 21,605 |

| Total Operating Expenses by Natural Classification | \$558,157 | \$556,768 | \$544,724 | \$511,787 | \$490,884 | \$461,507 | \$433,921 | \$402,963 | \$389,806 | \$353,360 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|-------------------------------------|-------|-------|------|------|------|------|------|------|------|------|
| Expressed as a percent of the total | % | % | % | % | % | % | % | % | % | % |
| Personal Services | 46.7 | 45.7 | 44.7 | 45.6 | 47.5 | 48.2 | 47.3 | 47.3 | 47.3 | 49.3 |
| Benefits | 16.0 | 15.5 | 15.1 | 15.4 | 15.8 | 15.4 | 14.7 | 15.8 | 16.3 | 16.3 |
| Pensions and OPEB (1) | (2.7) | (0.5) | 2.2 | 2.1 | 0.6 | | | | | |
| Personal Services and Benefits | 59.9 | 60.8 | 61.9 | 63.1 | 63.9 | 63.6 | 62.0 | 63.1 | 63.6 | 65.5 |
| Supplies and Services | 25.3 | 24.5 | 23.9 | 23.3 | 23.0 | 23.7 | 25.2 | 23.8 | 23.3 | 21.8 |
| Student Aid | 7.1 | 6.9 | 6.5 | 6.2 | 5.9 | 5.5 | 5.6 | 6.3 | 7.5 | 6.6 |
| Depreciation | 7.7 | 7.7 | 7.6 | 7.4 | 7.2 | 7.2 | 7.2 | 6.8 | 5.6 | 6.1 |

| Total Operating Expenses by Natural Classification | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

| | | | | | | | | | | |
|---------------------------------------|-------|---------|------|-------|------|-------|-------|--------|------|-------|
| % increase (decrease) from prior year | % | % | % | % | % | % | % | % | % | % |
| Personal Services | 2.2 | 4.6 | 4.3 | 0.2 | 4.8 | 8.4 | 7.7 | 3.4 | 5.8 | (0.9) |
| Benefits | 3.1 | 5.3 | 4.4 | 1.7 | 8.7 | 11.7 | (0.3) | 0.3 | 10.9 | (7.2) |
| Pensions and OPEB (1) | 498.7 | (121.5) | 7.5 | 247.0 | | | | | | |
| Personal Services and Benefits | (1.2) | 0.4 | 4.4 | 3.0 | 6.8 | 9.2 | 5.7 | 2.6 | 7.1 | (2.5) |
| Supplies and Services | 3.2 | 4.7 | 9.5 | 5.4 | 3.5 | (0.2) | 14.3 | 5.7 | 18.0 | (3.9) |
| Student Aid | 3.1 | 9.5 | 12.1 | 8.3 | 14.4 | 5.0 | (5.3) | (12.5) | 24.7 | 40.8 |
| Depreciation | (0.0) | 3.1 | 9.4 | 8.1 | 5.6 | 6.0 | 15.1 | 24.0 | 1.8 | 4.2 |

| Total Operating Expenses by Natural Classification | 0.2 | 2.2 | 6.4 | 4.3 | 6.4 | 6.4 | 7.7 | 3.4 | 10.3 | (0.4) |
|--|-----|-----|-----|-----|-----|-----|-----|-----|------|-------|
|--|-----|-----|-----|-----|-----|-----|-----|-----|------|-------|

(1) Implementation of GASB 45/75 (OPEB) and GASB 68 (Pensions) resulted in recognition of benefit-related operating expenses/revenue each year. The impact of the implementation has been presented separately for comparability purposes.

Academic Year Tuition and Required Fees

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| PLEDGE* Resident Undergraduate | | | | | | | | | | |
| Northern Arizona University | \$11,564 | \$11,059 | \$10,764 | \$10,358 | \$9,989 | \$9,745 | \$9,271 | \$8,824 | \$7,667 | \$6,627 |
| percent increase from prior year | 4.6% | 2.7% | 3.9% | 3.7% | 2.5% | 5.1% | 5.1% | 15.1% | 15.7% | 21.7% |
| ABOR Peers with a 4 year guarantee | \$12,994 | \$13,103 | \$12,228 | \$12,670 | \$12,122 | \$12,197 | \$11,506 | \$11,026 | \$10,411 | \$9,971 |
| percent increase (decrease) from prior year | (0.8%) | 7.2% | (3.5%) | 4.5% | (0.6%) | 6.0% | 4.4% | 5.9% | 4.4% | 7.3% |
| PLEDGE* Non-Resident Undergraduate | | | | | | | | | | |
| Northern Arizona University | \$25,828 | \$24,841 | \$24,144 | \$23,348 | \$22,509 | \$22,099 | \$21,626 | \$21,179 | \$20,067 | \$17,854 |
| percent increase from prior year | 4.0% | 2.9% | 3.4% | 3.7% | 1.9% | 2.2% | 2.1% | 5.5% | 12.4% | 7.9% |
| ABOR Peers | \$22,269 | \$22,682 | \$23,785 | \$23,816 | \$23,060 | \$23,044 | \$22,079 | \$21,117 | \$19,854 | \$18,832 |
| percent increase (decrease) from prior year | (1.8%) | (4.6%) | (0.1%) | 3.3% | 0.1% | 4.4% | 4.6% | 6.4% | 5.4% | 11.6% |
| * PLEDGE tuition rate means new freshman and transfer students will pay the same tuition rate for four years. The PLEDGE rate began in fall 2008-2009. | | | | | | | | | | |
| Resident Graduate | | | | | | | | | | |
| Northern Arizona University | \$10,970 | \$10,261 | \$9,990 | \$9,606 | \$9,165 | \$8,806 | \$8,378 | \$8,008 | \$7,398 | \$6,546 |
| percent increase from prior year | 6.9% | 2.7% | 4.0% | 4.8% | 4.1% | 5.1% | 4.6% | 8.2% | 13.0% | 16.6% |
| Non-Resident Graduate | | | | | | | | | | |
| Northern Arizona University | \$24,056 | \$22,609 | \$21,976 | \$21,244 | \$20,249 | \$19,900 | \$19,472 | \$18,910 | \$18,172 | \$17,060 |
| percent increase from prior year | 6.4% | 2.9% | 3.4% | 4.9% | 1.8% | 2.2% | 3.0% | 4.1% | 6.5% | 6.8% |

Sources: ABOR History Tuition and Fees: ABOR Base Tuition and Fees

Source: Peers- ABOR Peer Comparisons Prepared Annually for Tuition Setting Board Meeting

Principal Revenue Sources

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| (Dollars in thousands) | | | | | | | | | | |
| Tuition and Fees, net of scholarship allowance | \$237,605 | \$236,790 | \$237,930 | \$217,047 | \$205,550 | \$188,816 | \$172,565 | \$157,864 | \$147,224 | \$126,414 |
| percent of total revenue | 39% | 40% | 41% | 41% | 39% | 39% | 38% | 36% | 33% | 30% |
| percent increase/(decrease) from prior year | 0% | 0% | 10% | 6% | 9% | 9% | 9% | 7% | 16% | 13% |
| State of Arizona Government | | | | | | | | | | |
| State appropriations | \$103,200 | \$99,716 | \$100,106 | \$94,633 | \$112,026 | \$105,588 | \$101,469 | \$103,670 | \$128,529 | \$128,448 |
| Technology and research initiatives funding | 15,844 | 14,339 | 13,752 | 13,827 | 13,267 | 12,308 | 11,492 | 11,157 | 11,189 | 10,913 |
| Capital appropriations | 5,896 | 5,897 | 4,247 | 5,493 | 5,827 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 |
| State grants and contracts | 7,685 | 6,062 | 6,675 | 3,591 | 3,464 | 3,469 | 5,649 | 3,359 | 3,229 | 3,796 |
| Arizona State Government | \$132,625 | \$126,014 | \$124,780 | \$117,544 | \$134,584 | \$127,265 | \$124,510 | \$124,086 | \$148,847 | \$149,057 |
| percent of total revenue | 22% | 21% | 22% | 22% | 26% | 26% | 27% | 28% | 33% | 35% |
| percent increase (decrease) from prior year | 5% | 1% | 6% | (13%) | 6% | 2% | 0% | (17%) | (0%) | (6%) |
| Federal Government | | | | | | | | | | |
| Federal grants and contracts | \$49,050 | \$45,199 | \$41,508 | \$39,773 | \$35,669 | \$52,981 | \$53,838 | \$56,412 | \$59,255 | \$57,577 |
| Financial aid grants | 46,908 | 46,062 | 42,881 | 41,587 | 39,533 | 36,535 | 36,091 | 36,704 | 34,478 | 28,107 |
| Capital grants | 914 | 321 | 474 | 10 | 60 | 63 | 63 | 455 | 2,582 | 46 |
| Federal fiscal stabilization funds | - | - | - | - | - | - | - | - | 291 | 10,935 |
| Federal Government | \$96,872 | \$91,582 | \$84,863 | \$81,370 | \$75,262 | \$89,579 | \$89,992 | \$93,571 | \$96,606 | \$96,665 |
| percent of total revenue | 16% | 16% | 15% | 15% | 14% | 18% | 20% | 21% | 21% | 23% |
| percent increase (decrease) from prior year | 6% | 8% | 4% | 8% | (16%) | (0%) | (4%) | (3%) | (0%) | (0%) |
| Total from principal revenue payers | \$467,102 | \$454,386 | \$447,573 | \$415,961 | \$415,396 | \$405,660 | \$387,067 | \$375,521 | \$392,677 | \$372,136 |
| percent of total revenue | 77% | 77% | 77% | 78% | 79% | 83% | 84% | 85% | 87% | 88% |
| percent increase (decrease) from prior year | 3% | 2% | 8% | 0% | 2% | 5% | 3% | (4%) | 6% | 1% |



Long-Term Debt

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| (Dollars in thousands) | | | | | | | | | | |
| System Revenue Bonds | \$520,925 | \$537,980 | \$526,925 | \$536,420 | \$533,630 | \$510,695 | \$467,425 | \$353,820 | \$335,700 | \$360,010 |
| Unamortized Premium | 26,213 | 27,435 | 28,658 | 30,748 | 25,906 | 16,550 | 9,305 | 4,283 | 3,356 | 4,265 |
| Deferred amount on Refundings | - | - | - | - | - | - | (1,200) | (1,325) | (1,455) | (1,847) |
| Net System Revenue Bonds | \$547,138 | \$565,415 | \$555,583 | \$567,168 | \$559,536 | \$527,245 | \$475,530 | \$356,778 | \$337,601 | \$362,428 |
| Certificates of Participation (COPs) | \$45,940 | \$49,550 | \$53,040 | \$54,985 | \$58,285 | \$62,850 | \$65,630 | \$69,540 | \$80,835 | \$83,315 |
| Unamortized Premium | 5,516 | 5,989 | 6,462 | 6,935 | 7,408 | 5,574 | 5,911 | 849 | 894 | 938 |
| Deferred amount on Refundings* | - | - | - | - | - | - | (3,502) | - | - | - |
| Net Certificates of Participation | \$51,456 | \$55,539 | \$59,502 | \$61,920 | \$65,693 | \$68,424 | \$68,039 | \$70,389 | \$81,729 | \$84,253 |
| Net System Revenue Bonds Payable | \$547,138 | \$565,415 | \$555,583 | \$567,168 | \$559,536 | \$527,245 | \$475,530 | \$356,778 | \$337,601 | \$362,428 |
| Net COPs Payable | 51,456 | 55,539 | 59,502 | 61,920 | 65,693 | 68,424 | 68,039 | 70,389 | 81,729 | 84,253 |
| Capital Leases Payable | 27,767 | 15,138 | 14,729 | 15,773 | 16,778 | 17,746 | 17,936 | 58,652 | 47,217 | 48,135 |
| Total | \$626,361 | \$636,092 | \$629,814 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$466,547 | \$494,816 |

Long Term Debt (whole dollars)

| | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| per Student FTE | \$21,316 | \$21,545 | \$21,937 | \$23,557 | \$24,755 | \$24,719 | \$23,195 | \$21,156 | \$20,511 | \$23,585 |
| per Dollar of State Appropriations and State Aid | \$5.74 | \$6.02 | \$6.04 | \$6.44 | \$5.45 | \$5.50 | \$5.23 | \$4.43 | \$3.47 | \$3.68 |
| per Dollar of Total Grants and Contracts | \$5.12 | \$5.45 | \$5.72 | \$6.09 | \$6.73 | \$6.85 | \$6.24 | \$5.22 | \$4.98 | \$5.77 |

Data Used in Above Calculations

| | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Student FTE | 29,384 | 29,524 | 28,710 | 27,375 | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 |
| State Appropriations and State Capital Appropriations | \$109,096 | \$105,613 | \$104,353 | \$100,126 | \$117,853 | \$111,488 | \$107,369 | \$109,570 | \$134,429 | \$134,348 |
| Grants and Contracts | \$122,233 | \$116,811 | \$110,041 | \$105,915 | \$95,327 | \$89,516 | \$89,929 | \$93,116 | \$93,733 | \$85,684 |

* There will no longer be deferred amounts on refunding reported as liabilities due to the implementation of GASB Statement No. 65 Beginning in FY 2014.

Summary of Ratios

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-------------|---------------|---------------|---------------|-------------|-------------|---------------|-------------|--------------|--------------|
| Summary of Composite Financial Index Ratios | | | | | | | | | | |
| + Primary Reserve Ratio | 0.13 | 0.13 | 0.13 | 0.09 | 0.12 | 0.50 | 0.54 | 0.56 | 0.60 | 0.62 |
| / Strength Factor | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 |
| = Ratio / Strength Factor | 0.98 | 0.98 | 0.98 | 0.68 | 0.90 | 3.76 | 4.06 | 4.21 | 4.51 | 4.66 |
| * Weighting Factor | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| = Ratio Subtotal | 0.34 | 0.34 | 0.34 | 0.24 | 0.32 | 1.32 | 1.42 | 1.47 | 1.58 | 1.63 |
| = Ratio 10.00 Cap Subtotal | 0.34 | 0.34 | 0.34 | 0.24 | 0.32 | 1.32 | 1.42 | 1.47 | 1.58 | 1.63 |
| + Return on Net Assets Ratio | 5.8% | 5.4% | 7.4% | (1.5%) | 3.9% | 4.8% | 3.1% | 2.7% | 14.4% | 16.8% |
| / Strength Factor | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| = Ratio / Strength Factor | 2.90 | 2.70 | 3.70 | (0.75) | 1.95 | 2.40 | 1.55 | 1.35 | 7.20 | 8.40 |
| * Weighting Factor | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| = Ratio Subtotal | 0.58 | 0.54 | 0.74 | (0.15) | 0.39 | 0.48 | 0.31 | 0.27 | 1.44 | 1.68 |
| = Ratio 10.00 Cap Subtotal | 0.58 | 0.54 | 0.74 | (0.15) | 0.39 | 0.48 | 0.31 | 0.27 | 1.44 | 1.68 |
| + Net Operating Revenues Ratio | 1.3% | (1.1%) | (0.9%) | (3.6%) | 0.4% | 0.3% | (0.3%) | 1.9% | 9.8% | 13.2% |
| / Strength Factor | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% |
| = Ratio / Strength Factor | 1.00 | (0.85) | (0.69) | (2.77) | 0.31 | 0.23 | (0.23) | 1.46 | 7.54 | 10.00 |
| * Weighting Factor | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| = Ratio Subtotal | 0.10 | (0.08) | (0.07) | (0.28) | 0.03 | 0.02 | (0.02) | 0.15 | 0.75 | 1.00 |
| = Ratio 10.00 Cap Subtotal | 0.10 | (0.08) | (0.07) | (0.28) | 0.03 | 0.02 | (0.02) | 0.15 | 0.75 | 1.00 |
| + Viability Ratio | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.5 | 0.5 | 0.5 | 0.4 |
| / Strength Factor | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 |
| = Ratio / Strength Factor | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.96 | 1.09 | 1.20 | 1.17 | 1.03 |
| * Weighting Factor | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| = Ratio Subtotal | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.34 | 0.38 | 0.42 | 0.41 | 0.36 |
| = Ratio 10.00 Cap Subtotal | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.34 | 0.38 | 0.42 | 0.41 | 0.36 |
| Composite Financial Index | 1.1 | 0.9 | 1.1 | (0.1) | 0.8 | 2.2 | 2.1 | 2.3 | 4.2 | 4.7 |
| Composite Financial Index w/10.00 Cap | 1.1 | 0.9 | 1.1 | (0.1) | 0.8 | 2.2 | 2.1 | 2.3 | 4.2 | 4.7 |

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators. Ratio/Strength are capped at a maximum of 10 before the weighting factors are applied so that a higher CFI does not unduly mask a weakness in a component ratio.

Summary of Ratios - (Continued)

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------|------|------|------|------|------|------|------|------|------|------|
|----------------------------|------|------|------|------|------|------|------|------|------|------|

(Dollars in thousands)

PRIMARY RESERVE RATIO

| | | | | | | | | | | |
|---|------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|
| Unrestricted Net Position | \$(60,756) | \$(59,530) | \$(45,408) | \$(39,221) | \$(32,051) | \$154,120 | \$172,284 | \$178,600 | \$182,210 | \$173,639 |
| Unrestricted Net Assets- Component Units | 7,760 | 8,814 | 10,403 | 10,055 | 10,842 | 12,286 | 32,282 | 29,470 | 30,222 | 24,951 |
| Expendable Restricted Net Position | 48,146 | 44,594 | 39,193 | 32,184 | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 |
| Temp. Restricted Net Assets- Component Units | 85,038 | 81,573 | 69,074 | 49,179 | 51,942 | 52,378 | 23,511 | 18,357 | 22,263 | 15,403 |

| | | | | | | | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Expendable Net Position/Assets | \$80,188 | \$75,451 | \$73,262 | \$52,197 | \$63,331 | \$248,246 | \$254,735 | \$243,998 | \$251,061 | \$233,366 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|

| | | | | | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating Expenses | \$558,157 | \$556,768 | \$544,724 | \$511,787 | \$490,884 | \$461,507 | \$433,921 | \$402,963 | \$389,806 | \$353,360 |
| Nonoperating Expenses | 28,084 | 28,061 | 28,144 | 27,187 | 22,723 | 23,696 | 23,456 | 22,852 | 14,023 | 14,450 |
| Component Unit Total Expenses | 15,079 | 14,220 | 13,085 | 13,186 | 13,214 | 11,944 | 10,822 | 11,363 | 13,424 | 11,289 |

| | | | | | | | | | | |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Expenses | \$601,320 | \$599,049 | \$585,953 | \$552,160 | \$526,821 | \$497,147 | \$468,199 | \$437,178 | \$417,253 | \$379,099 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

| | | | | | | | | | | |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| Expendable Net Position | \$80,188 | \$75,451 | \$73,262 | \$52,197 | \$63,331 | \$248,246 | \$254,735 | \$243,998 | \$251,061 | \$233,366 |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Expenses | \$601,320 | \$599,049 | \$585,953 | \$552,160 | \$526,821 | \$497,147 | \$468,199 | \$437,178 | \$417,253 | \$379,099 |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Ratio | 0.13 | 0.13 | 0.13 | 0.09 | 0.12 | 0.50 | 0.54 | 0.56 | 0.60 | 0.62 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increase in amount over time denotes strength.

RETURN ON NET ASSETS RATIO

| | | | | | | | | | | |
|------------------------------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| Change in Total Net Position | \$24,016 | \$21,337 | \$30,862 | \$(6,331) | \$15,628 | \$25,910 | \$15,925 | \$13,714 | \$64,088 | \$64,204 |
|------------------------------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|

| | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Net Position (Beginning of Year) | \$416,146 | \$394,809 | \$414,296 | \$420,627 | \$404,999 | \$537,588 | \$521,663 | \$509,545 | \$445,520 | \$381,316 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Ratio | 5.8% | 5.4% | 7.4% | (1.5%) | 3.9% | 4.8% | 3.1% | 2.7% | 14.4% | 16.8% |
|--------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|--------------|--------------|

Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

NET OPERATING REVENUES RATIO

| | | | | | | | | | | |
|---|---------|-----------|-----------|------------|---------|-----------|-----------|---------|----------|----------|
| Income/(Loss) Before Capital and Endowment Additions | \$8,766 | \$(4,702) | \$(5,415) | \$(18,022) | \$3,309 | \$(2,469) | \$(4,394) | \$7,926 | \$39,753 | \$50,187 |
|---|---------|-----------|-----------|------------|---------|-----------|-----------|---------|----------|----------|

| | | | | | | | | | | |
|--|---------|---------|-----|-------|---------|-------|-------|-----|-------|-------|
| Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items | (1,054) | (1,589) | 348 | (787) | (1,443) | 3,834 | 2,812 | 646 | 5,271 | 7,488 |
|--|---------|---------|-----|-------|---------|-------|-------|-----|-------|-------|

| | | | | | | | | | | |
|--|---------|-----------|-----------|------------|---------|---------|-----------|---------|----------|----------|
| Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items | \$7,712 | \$(6,291) | \$(5,067) | \$(18,809) | \$1,866 | \$1,365 | \$(1,582) | \$8,572 | \$45,024 | \$57,675 |
|--|---------|-----------|-----------|------------|---------|---------|-----------|---------|----------|----------|

Summary of Ratios - (Continued)

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------|------|------|------|------|------|------|------|------|------|------|
|----------------------------|------|------|------|------|------|------|------|------|------|------|

(Dollars in thousands)

| | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Operating Revenues | \$368,020 | \$359,576 | \$351,661 | \$321,720 | \$308,891 | \$282,815 | \$263,651 | \$241,440 | \$232,621 | \$198,965 |
| State Appropriation and State related revenues | 119,044 | 114,055 | 113,858 | 108,460 | 125,293 | 117,896 | 112,961 | 114,827 | 140,009 | 150,296 |
| Non-capital Gifts and Grants, net | 87,358 | 86,072 | 82,583 | 79,235 | 72,690 | 67,333 | 67,494 | 70,567 | 64,327 | 64,387 |
| Investment Income (Loss), net | 6,255 | 4,298 | 3,863 | 959 | 1,771 | 5,703 | 3,174 | 2,678 | 2,983 | 4,178 |
| Component Units Total Unrestricted Revenue | 14,025 | 12,631 | 13,433 | 12,399 | 11,771 | 15,778 | 13,634 | 12,009 | 18,696 | 18,777 |

| | | | | | | | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Adjusted Net Operating Revenues | \$594,702 | \$576,632 | \$565,398 | \$522,773 | \$520,416 | \$489,525 | \$460,914 | \$441,521 | \$458,636 | \$436,603 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--|---------|-----------|-----------|------------|---------|---------|-----------|---------|----------|----------|
| Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items | \$7,712 | \$(6,291) | \$(5,067) | \$(18,809) | \$1,866 | \$1,365 | \$(1,582) | \$8,572 | \$45,024 | \$57,675 |
|--|---------|-----------|-----------|------------|---------|---------|-----------|---------|----------|----------|

| | | | | | | | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Adjusted Net Operating Revenues | \$594,702 | \$576,632 | \$565,398 | \$522,773 | \$520,416 | \$489,525 | \$460,914 | \$441,521 | \$458,636 | \$436,603 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--------------|-------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|---------------|
| Ratio | 1.3% | (1.1%) | (0.9%) | (3.6%) | 0.36% | 0.28% | (0.3%) | 1.94% | 9.82% | 13.21% |
|--------------|-------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|---------------|

Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

VIABILITY RATIO

| | | | | | | | | | | |
|---|------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|
| Unrestricted Net Position | \$(60,756) | \$(59,530) | \$(45,408) | \$(39,221) | \$(32,051) | \$154,120 | \$172,284 | \$178,600 | \$182,210 | \$173,639 |
| Unrestricted Net Assets-Component Units | 7,760 | 8,814 | 10,403 | 10,055 | 10,842 | 12,286 | 32,282 | 29,470 | 30,222 | 24,951 |
| Expendable Restricted Net Position/Assets | 48,146 | 44,594 | 39,193 | 32,184 | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 |
| Temporarily Restricted Net Assets - Component Units | 85,038 | 81,573 | 69,074 | 49,179 | 51,942 | 52,378 | 23,511 | 18,357 | 22,263 | 15,403 |

| | | | | | | | | | | |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| Expendable Net Position | \$80,188 | \$75,451 | \$73,262 | \$52,197 | \$63,331 | \$248,246 | \$254,735 | \$243,998 | \$251,061 | \$233,366 |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| University LT Debt, net capital leases with CUs | \$626,361 | \$636,092 | \$629,813 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$466,547 | \$494,816 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--------------------------------|---|---|---|---|---|---|---|---|--------|--------|
| Component Units Long Term Debt | - | - | - | - | - | - | - | - | 46,894 | 47,741 |
|--------------------------------|---|---|---|---|---|---|---|---|--------|--------|

| | | | | | | | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Adjusted University Debt | \$626,361 | \$636,092 | \$629,813 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$513,441 | \$542,557 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| Expendable Net Position | \$80,188 | \$75,451 | \$73,262 | \$52,197 | \$63,331 | \$248,246 | \$254,735 | \$243,998 | \$251,061 | \$233,366 |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Adjusted University Debt | \$626,361 | \$636,092 | \$629,813 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$513,441 | \$542,557 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | | | |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Ratio | 0.13 | 0.12 | 0.12 | 0.08 | 0.10 | 0.40 | 0.45 | 0.50 | 0.49 | 0.43 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

Measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength.

Summary of Ratios - Other Ratios

| Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------|------|------|------|------|------|------|------|------|------|------|
|---------------------|------|------|------|------|------|------|------|------|------|------|

(Dollars in thousands)

OPERATING MARGIN EXCLUDING GIFTS

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses

\$8,766 \$(4,702) \$(5,415) \$(18,022) \$3,309 \$(2,469) \$(4,394) \$7,926 \$39,753 \$50,187

Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses

\$8,766 \$(4,702) \$(5,415) \$(18,022) \$3,309 \$(2,469) \$(4,394) \$7,926 \$39,753 \$50,187

Total Operating Revenues \$368,020 \$359,576 \$351,661 \$321,720 \$308,891 \$282,815 \$263,651 \$241,440 \$232,621 \$198,965

State appropriation and share of sales tax 119,044 114,055 113,858 108,460 125,293 117,896 112,961 114,827 139,718 139,361

Federal fiscal stabilization funds 291 10,935

Investment Income/(Loss), net 6,255 4,298 3,863 959 1,771 5,703 3,174 2,678 2,983 4,178

Adjusted Net Operating Revenues less Non-capital Gifts and Grants

\$493,319 \$477,929 \$469,382 \$431,139 \$435,955 \$406,414 \$379,786 \$358,945 \$375,613 \$353,439

Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses

\$8,766 \$(4,702) \$(5,415) \$(18,022) \$3,309 \$(2,469) \$(4,394) \$7,926 \$39,753 \$50,187

Adjusted Net Operating Revenues less Non-capital Gifts and Grants

\$493,319 \$477,929 \$469,382 \$431,139 \$435,955 \$406,414 \$379,786 \$358,945 \$375,613 \$353,439

Ratio 1.8% (1.0%) (1.2%) (4.2%) 0.8% (0.6%) (1.2%) 2.2% 10.6% 14.2%

A more restrictive measure of whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

Operating Expenses \$558,157 \$556,768 \$544,724 \$511,787 \$490,884 \$461,507 \$433,921 \$402,963 \$389,806 \$353,360

Scholarships and Fellowships (39,857) (38,659) (35,290) (31,485) (29,068) (25,412) (24,211) (25,576) (29,218) (23,431)

Interest on Debt 28,084 28,061 28,144 27,187 22,723 23,696 23,456 22,852 14,023 14,450

Total Adjusted Operating Expenses

\$546,384 \$546,170 \$537,578 \$507,489 \$484,539 \$459,791 \$433,166 \$400,239 \$374,611 \$344,379

Research Expenses \$46,113 \$40,655 \$36,068 \$30,142 \$25,461 \$23,584 \$19,886 \$21,766 \$23,178 \$22,306

Total Adjusted Operating Expenses \$546,384 \$546,170 \$537,578 \$507,489 \$484,539 \$459,791 \$433,166 \$400,239 \$374,611 \$344,379

Ratio 8.4% 7.4% 6.7% 5.9% 5.3% 5.1% 4.6% 5.4% 6.2% 6.5%

Measures the institution's research expense to the total operating expenses.

Summary of Ratios - Other Ratios (Continued)

| Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------|------|------|------|------|------|------|------|------|------|------|
|---------------------|------|------|------|------|------|------|------|------|------|------|

(Dollars in thousands)

NET TUITION PER STUDENT

| | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Student Tuition and Fees, net | \$237,605 | \$236,790 | \$237,930 | \$217,047 | \$205,550 | \$188,816 | \$172,565 | \$157,864 | \$147,224 | \$126,414 |
| Financial Aid Grants | 46,908 | 46,062 | 42,881 | 41,587 | 39,533 | 36,535 | 36,091 | 36,704 | 34,478 | 28,107 |
| Scholarships and Fellowships | (39,857) | (38,659) | (35,290) | (31,485) | (29,068) | (25,412) | (24,211) | (25,576) | (29,218) | (23,431) |
| Net Tuition and Fees | \$244,656 | \$244,193 | \$245,521 | \$227,149 | \$216,015 | \$199,939 | \$184,445 | \$168,992 | \$152,484 | \$131,090 |
| Student FTE | 29,384 | 29,524 | 28,710 | 27,375 | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 |
| Net Tuition per Student (whole dollars) | \$8,326 | \$8,271 | \$8,552 | \$8,298 | \$8,329 | \$8,057 | \$7,619 | \$7,359 | \$6,704 | \$6,248 |

Measures the institution's net student tuition and fees received per student.

STATE APPROPRIATIONS PER STUDENT

| | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| State Appropriations | \$103,200 | \$99,716 | \$100,106 | \$94,633 | \$112,026 | \$105,588 | \$101,469 | \$103,670 | \$128,529 | \$128,448 |
| Capital State Appropriations | 5,896 | 5,897 | 4,247 | 5,493 | 5,827 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 |
| Adjusted State Appropriations | \$109,096 | \$105,613 | \$104,353 | \$100,126 | \$117,853 | \$111,488 | \$107,369 | \$109,570 | \$134,429 | \$134,348 |
| Student FTE | 29,384 | 29,524 | 28,710 | 27,375 | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 |
| Adjusted State Appropriation per Student (whole dollars) | \$3,713 | \$3,577 | \$3,635 | \$3,658 | \$4,544 | \$4,493 | \$4,435 | \$4,771 | \$5,910 | \$6,404 |

Measures the institution's dependency on state appropriations.



Summary of Ratios - Debt Related Ratios

| Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------|------|------|------|------|------|------|------|------|------|------|
|---------------------|------|------|------|------|------|------|------|------|------|------|

(Dollars in thousands)

EXPENDABLE RESOURCES TO DEBT

| | | | | | | | | | | |
|---------------------------------------|-------------------|-------------------|------------------|------------------|--------------|------------------|------------------|------------------|------------------|------------------|
| Unrestricted Net Position | \$(60,756) | \$(59,530) | \$(45,408) | \$(39,221) | \$(32,051) | \$154,120 | \$172,284 | \$178,600 | \$182,210 | \$173,639 |
| Expendable Restricted Net Position | 48,146 | 44,594 | 39,193 | 32,184 | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 |
| Expendable Net Position | \$(12,610) | \$(14,936) | \$(6,215) | \$(7,037) | \$547 | \$183,582 | \$198,942 | \$196,171 | \$198,576 | \$193,012 |
| Total Bonds, COPS, and Capital Leases | \$626,361 | \$636,092 | \$629,814 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$466,547 | \$494,816 |
| Ratio | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |

Measures the ability of the institution to cover its debt using expendable resources as of the statement of net position date.

TOTAL FINANCIAL RESOURCES TO DIRECT DEBT

| | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Unrestricted Net Position | \$(60,756) | \$(59,530) | \$(45,408) | \$(39,221) | \$(32,051) | \$154,120 | \$172,284 | \$178,600 | \$182,210 | \$173,639 |
| Expendable Restricted Net Position | 48,146 | 44,594 | 39,193 | 32,184 | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 |
| Non-expendable Restricted Net Position | 26,258 | 25,107 | 24,625 | 23,593 | 22,540 | 21,770 | 20,430 | 19,517 | 19,047 | 18,253 |
| Total Financial Resources | \$13,648 | \$10,171 | \$18,410 | \$16,556 | \$23,087 | \$205,352 | \$219,372 | \$215,688 | \$217,623 | \$211,265 |
| Total Bonds, COPS, and Capital Leases | \$626,361 | \$636,092 | \$629,814 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$466,547 | \$494,816 |
| Ratio | 0.0 | 0.0 | 0.03 | 0.0 | 0.0 | 0.3 | 0.4 | 0.4 | 0.5 | 0.4 |

A broader measure of the ability of the institution to cover its debt as of the statement of net position date.

DIRECT DEBT TO ADJUSTED CASH FLOW

| | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Cash Used by Operating Activities | \$(163,438) | \$(147,009) | \$(135,026) | \$(150,773) | \$(133,504) | \$(144,325) | \$(143,659) | \$(147,552) | \$(137,184) | \$(126,391) |
| State Appropriations and Federal Stabilization Funds | 103,200 | 99,716 | 100,106 | 94,633 | 112,026 | 105,588 | 101,469 | 103,670 | 128,820 | 139,383 |
| Share of State Sales Tax-TRIF | 15,844 | 14,339 | 13,752 | 13,827 | 13,267 | 12,308 | 11,492 | 11,157 | 11,189 | 10,913 |
| Non-capital Grants and Contracts, Gifts, Other | 87,358 | 86,072 | 82,583 | 79,235 | 72,690 | 67,333 | 67,494 | 70,567 | 64,327 | 64,387 |
| Adjusted Cash Flow from Operations | \$42,964 | \$53,118 | \$61,415 | \$36,922 | \$64,479 | \$40,904 | \$36,796 | \$37,842 | \$67,152 | \$88,292 |
| Total Bonds, COPS, and Capital Leases | \$626,361 | \$636,092 | \$629,814 | \$644,861 | \$642,007 | \$613,415 | \$561,505 | \$485,819 | \$466,547 | \$494,816 |
| Adjusted Cash Flow from Operations | 42,964 | 53,118 | 61,415 | 36,922 | 64,479 | 40,904 | 36,796 | 37,842 | 67,152 | 88,292 |
| Ratio | 14.6 | 12.0 | 10.3 | 17.5 | 10.0 | 15.0 | 15.3 | 12.8 | 6.9 | 5.6 |

Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.



Summary of Ratios - Debt Related Ratios (Continued)

| Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| (Dollars in thousands) | | | | | | | | | | |
| DEBT SERVICE TO OPERATIONS | | | | | | | | | | |
| Interest and Fees Paid on Debt and Leases | \$28,084 | \$28,061 | \$28,144 | \$27,187 | \$22,723 | \$23,696 | \$23,456 | \$22,851 | \$14,023 | \$14,450 |
| Principal Paid on Debt and Leases | 24,051 | 18,193 | 88,795 | 46,400 | 81,103 | 26,959 | 51,997 | 18,115 | 27,708 | 10,034 |
| Principal Paid from Refinancing Activities (1) | - | - | (73,005) | (33,680) | (68,095) | (16,315) | (37,245) | (8,720) | (18,700) | - |
| Debt Service | \$52,135 | \$46,254 | \$43,934 | \$39,907 | \$35,731 | \$34,340 | \$38,208 | \$32,246 | \$23,031 | \$24,484 |
| Operating Expenses | \$558,157 | \$556,768 | \$544,724 | \$511,787 | \$490,884 | \$461,507 | \$433,921 | \$402,963 | \$389,806 | \$353,360 |
| Ratio | 9.3% | 8.3% | 8.1% | 7.8% | 7.3% | 7.4% | 8.8% | 8.0% | 5.9% | 6.9% |

Measures the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. The ratio measures the relative cost of debt to overall expenses and a declining trend is generally desirable, however the ratio can spike during times of specific funding activity.

(1) Obtained amount from refunding bonds official statements.

Debt Service Coverage for Senior Lien System Revenue Bonds

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| (Dollars in thousands) | | | | | | | | |
| Tuition and Fees, net of scholarship allowance | \$237,605 | \$236,790 | \$237,930 | \$217,047 | \$205,550 | \$188,816 | \$172,565 | \$157,864 |
| Receipts from Other Major Revenue Sources (Facilities Revenues) | 92,508 | 85,874 | 75,144 | 68,525 | 67,452 | 63,383 | 61,277 | 56,355 |
| Net Revenues Available for Debt Service | \$330,113 | \$322,664 | \$313,074 | \$285,572 | \$273,002 | \$252,199 | \$233,842 | \$214,219 |
| Senior Lien Bonds Debt Service | | | | | | | | |
| Interest on Debt | \$15,569 | \$15,599 | \$15,738 | \$15,926 | \$15,824 | \$14,990 | \$15,248 | \$15,112 |
| Principal Paid on Debt | 9,305 | 7,140 | 8,445 | 6,500 | 8,015 | 6,615 | 6,610 | 5,835 |
| Direct Payment- Build America Bonds | (2,162) | (2,204) | (2,245) | (2,247) | (2,235) | (2,237) | (2,306) | (2,411) |
| Senior Lien Bonds Debt Service Requirements | \$22,712 | \$20,535 | \$21,938 | \$20,179 | \$21,604 | \$19,368 | \$19,552 | \$18,536 |
| Coverage | 14.53 | 15.71 | 14.27 | 14.15 | 12.64 | 13.02 | 11.96 | 11.56 |
| Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year. | | | | | | | | |
| Subordinate Lien Bonds Debt Service | | | | | | | | |
| Interest on Debt | \$6,627 | \$6,871 | \$7,093 | \$7,223 | \$7,224 | \$7,315 | \$3,859 | \$3,859 |
| Principal Paid on Debt | 5,205 | 5,035 | 3,345 | | | | | |
| Direct Payment- Build America Bonds | (1,137) | (1,186) | (1,235) | (1,255) | (1,253) | (1,243) | (1,351) | (1,351) |
| Direct Payment- State Lottery Revenue | (8,858) | (8,866) | (7,590) | (4,900) | (5,241) | (2,489) | (2,007) | (2,006) |
| Subordinate Lien Bonds Debt Service Requirements | \$1,837 | \$1,854 | \$1,613 | \$1,068 | \$730 | \$3,583 | \$501 | \$502 |
| Combined Senior/Subordinate Lien Debt Service | \$24,549 | \$22,389 | \$23,551 | \$21,247 | \$22,334 | \$22,951 | \$20,053 | \$19,038 |
| Coverage | 13.45 | 14.41 | 13.29 | 13.44 | 12.22 | 10.99 | 11.66 | 11.25 |

Debt Service assurance and SPEED Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 100% of the annual debt service due on all outstanding parity bonds and subordinate obligations.

Admissions, Enrollment, and Degrees Earned

| Fall Enrollment of Fiscal Year | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ADMISSIONS - FRESHMEN | | | | | | | | | | |
| Applications | 36,831 | 36,875 | 36,511 | 29,583 | 27,780 | 33,435 | 29,108 | 24,482 | 22,845 | 21,035 |
| Accepted | 30,428 | 29,812 | 28,495 | 22,739 | 25,159 | 30,561 | 26,010 | 20,620 | 20,562 | 19,076 |
| Enrolled | 5,869 | 5,900 | 5,607 | 5,218 | 4,890 | 4,772 | 4,254 | 3,872 | 4,132 | 3,702 |
| Accepted as Percentage of Application | 83% | 81% | 78% | 77% | 91% | 91% | 89% | 84% | 90% | 91% |
| Enrolled as Percentage of Accepted | 19% | 20% | 20% | 23% | 19% | 16% | 16% | 19% | 20% | 19% |
| Average SAT scores- Total | 1138 | 1124 | 1045 | 1050 | 1050 | 1053 | 1059 | 1065 | 1062 | 1050 |
| Verbal | 574 | 568 | 523 | 520 | 524 | 525 | 526 | 522 | 523 | 518 |
| Math | 563 | 557 | 522 | 520 | 520 | 528 | 529 | 526 | 525 | 521 |
| ENROLLMENT | | | | | | | | | | |
| Student FTE | 29,384 | 29,524 | 28,710 | 27,375 | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 |
| Student Headcount | 31,073 | 31,057 | 30,368 | 29,031 | 27,715 | 26,606 | 26,002 | 25,364 | 25,204 | 23,600 |
| Men (Headcount) | 11,814 | 12,064 | 12,016 | 11,622 | 11,393 | 10,802 | 10,534 | 10,165 | 9,906 | 8,999 |
| Percentage of Total | 38.0% | 38.8% | 39.6% | 40.0% | 41.1% | 40.6% | 40.5% | 40.1% | 39.3% | 38.1% |
| Women (Headcount) | 19,259 | 18,993 | 18,352 | 17,409 | 16,322 | 15,804 | 15,468 | 15,199 | 15,298 | 14,601 |
| Percentage of Total | 62.0% | 61.2% | 60.4% | 60.0% | 58.9% | 59.4% | 59.5% | 59.9% | 60.7% | 61.9% |
| African American (Headcount) | 1,070 | 1,067 | 1,007 | 946 | 888 | 839 | 831 | 842 | 823 | 795 |
| Percentage of Total | 3.4% | 3.4% | 3.3% | 3.3% | 3.2% | 3.2% | 3.2% | 3.3% | 3.3% | 3.4% |
| Hispanic/Latino (Headcount) | 7,236 | 7,118 | 6,635 | 6,036 | 5,369 | 4,899 | 4,575 | 4,139 | 3,843 | 3,271 |
| Percentage of Total | 23.3% | 22.9% | 21.8% | 20.8% | 19.4% | 18.4% | 17.6% | 16.3% | 15.2% | 13.9% |
| White (Headcount) | 17,452 | 17,957 | 17,982 | 17,645 | 17,289 | 17,023 | 16,917 | 16,848 | 17,030 | 16,497 |
| Percentage of Total | 56.2% | 57.8% | 59.2% | 60.8% | 62.4% | 64.0% | 65.1% | 66.4% | 67.6% | 69.9% |
| Other (Headcount) | 5,315 | 4,915 | 4,744 | 4,404 | 4,169 | 3,845 | 3,679 | 3,535 | 3,508 | 3,037 |
| Percentage of Total | 17.1% | 15.8% | 15.6% | 15.2% | 15.0% | 14.5% | 14.1% | 13.9% | 13.9% | 12.9% |
| DEGREES EARNED | | | | | | | | | | |
| Bachelor's | 6,113 | 6,040 | 5,824 | 5,105 | 5,063 | 5,009 | 4,478 | 4,300 | 3,864 | 3,484 |
| Master's | 1,242 | 1,194 | 1,201 | 1,267 | 1,234 | 1,348 | 1,423 | 1,550 | 1,707 | 1,699 |
| Doctoral | 194 | 174 | 123 | 132 | 127 | 116 | 99 | 109 | 95 | 91 |
| Total Degrees Earned | 7,549 | 7,408 | 7,148 | 6,504 | 6,424 | 6,473 | 6,000 | 5,959 | 5,666 | 5,274 |

Source: Northern Arizona University- Institutional Research and Analysis

Demographic Data

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Arizona Population | 7,171,646 | 7,016,270 | 6,931,071 | 6,829,397 | 6,731,484 | 6,626,624 | 6,553,255 | 6,482,505 | 6,413,158 | 6,343,154 |
| Arizona Personal Income (in millions) | \$313,042 | \$292,108 | \$278,925 | \$266,756 | \$255,089 | \$244,011 | \$235,781 | \$227,287 | \$216,590 | \$212,873 |
| Arizona Per Capita Personal Income | \$43,650 | \$41,633 | \$40,243 | \$39,060 | \$37,895 | \$36,823 | \$35,979 | \$35,062 | \$33,773 | \$33,560 |
| Arizona Unemployment Rate | 4.90% | 4.90% | 5.40% | 6.00% | 6.80% | 7.70% | 8.30% | 9.50% | 10.50% | 9.90% |

Sources: U.S. Bureau of Economic Analysis & Arizona Department of Administration

Principal Employers

| Employer | Calendar Year Ended December 31, 2018 | | | Calendar Year Ended December 31, 2009 | | |
|--------------------------|---------------------------------------|------|--------------------------------------|---------------------------------------|------|--------------------------------------|
| | Employees | Rank | Percentage of Total State Employment | Employees | Rank | Percentage of Total State Employment |
| State of Arizona | 37,655 | 1 | 1.10% | 52,420 | 1 | 1.68% |
| Banner Health | 36,213 | 2 | 1.05% | 27,431 | 3 | 0.88% |
| Wal-Mart Stores, Inc. | 33,814 | 3 | 0.98% | 31,280 | 2 | 1.00% |
| Wells Fargo | 15,062 | 4 | 0.44% | 14,000 | 5 | 0.45% |
| City of Phoenix | 13,894 | 5 | 0.40% | 16,375 | 4 | 0.52% |
| Arizona State University | 13,480 | 6 | 0.39% | 12,043 | 8 | 0.38% |
| Raytheon Missile Systems | 12,000 | 7 | 0.35% | 11,500 | 9 | 0.37% |
| Honor Health | 11,308 | 8 | 0.33% | | | |
| Dignity Health | 11,206 | 9 | 0.33% | | | |
| University of Arizona | 10,659 | 10 | 0.31% | | | |
| Maricopa County | | | | 12,996 | 6 | 0.42% |
| Apollo Group Inc. | | | | 12,299 | 7 | 0.39% |
| Honeywell Aerospace | | | | 10,145 | 10 | 0.32% |
| Total | 195,291 | | 5.68% | 200,489 | | 6.41% |

Sources: Phoenix Business Journal, Book of Lists 2017 Sources: Phoenix Business Journal, Book of Lists 2017 and Arizona Department of Transportation CAFR 2009 for employers: Arizona Department of Administration-Employment and Population Statistics website, <https://laborstats.az.gov/local-area-unemployment-statistics> for annual state employment. and 2008 for employers: Arizona Department of Administration - Employment and Population Statistics website, <https://laborstats.az.gov/local-area-unemployment-statistics> for annual state employment.

Faculty and Staff

| Fall employment of fiscal year | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FACULTY | | | | | | | | | | |
| Full-time | 1,180 | 1,151 | 1,094 | 1,068 | 1,055 | 973 | 900 | 864 | 836 | 813 |
| Part-time | 625 | 593 | 569 | 553 | 589 | 616 | 639 | 632 | 665 | 601 |
| Total Faculty | 1,805 | 1,744 | 1,663 | 1,621 | 1,644 | 1,589 | 1,539 | 1,496 | 1,501 | 1,414 |
| Percentage Tenured | 47% | 47% | 49% | 49% | 50% | 53% | 52% | 60% | 63% | 69% |
| STAFF | | | | | | | | | | |
| Full-time | 2,034 | 1,987 | 1,952 | 1,883 | 1,892 | 1,842 | 1,779 | 1,707 | 1,651 | 1,608 |
| Part-time* | 772 | 751 | 737 | 753 | 756 | 715 | 651 | 661 | 606 | 682 |
| Total Staff | 2,806 | 2,738 | 2,689 | 2,636 | 2,648 | 2,557 | 2,430 | 2,368 | 2,257 | 2,290 |
| Total Faculty and Staff | 4,611 | 4,482 | 4,352 | 4,257 | 4,292 | 4,146 | 3,969 | 3,864 | 3,758 | 3,704 |

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Institutional Research and Analysis

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Academic/Support Facilities | 96 | 87 | 88 | 87 | 85 | 84 | 83 | 81 | 80 | 81 |
| Auxiliary Facilities | 71 | 39 | 38 | 38 | 36 | 33 | 31 | 28 | 28 | 27 |
| Total | 167 | 126 | 126 | 125 | 121 | 117 | 114 | 109 | 108 | 108 |

Does not include leased facilities.

Source: NAU- Capital Improvement Plan- Building Inventory Report Section

Credits

Content

Wendy Swartz

Associate Vice President/Comptroller

Anton Ciochetti

Associate Comptroller

Tammy Laird

Associate Comptroller

Kristi Markey

Accounting Analyst, Senior

Joseph Sturm

Cash & Investment Analyst

Francine Dalgai

Accountant, Principal

Anthea Vadasz

Accountant, Senior

Additional Contributions by

Financial Accounting Services office staff: Gerry Barela and Twila Gleason. The Contracting and Purchasing Services staff, Student and Departmental Account Services staff, Institutional Research and Analysis staff, Budget Office staff, University Marketing staff, President's Office, and the Facility Services staff.



Associate Vice President
and Comptroller's Office



**Associate Vice President
and Comptroller's Office**

Comptroller's Office
PO Box 4069
Flagstaff, AZ 86011

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