

# Annual Comprehensive Financial Report

Year Ended June 30, 2021

Included as an Enterprise Fund of the State of Arizona





# Annual Comprehensive Financial Report

For the Year Ended June 30, 2021

Flagstaff, Arizona

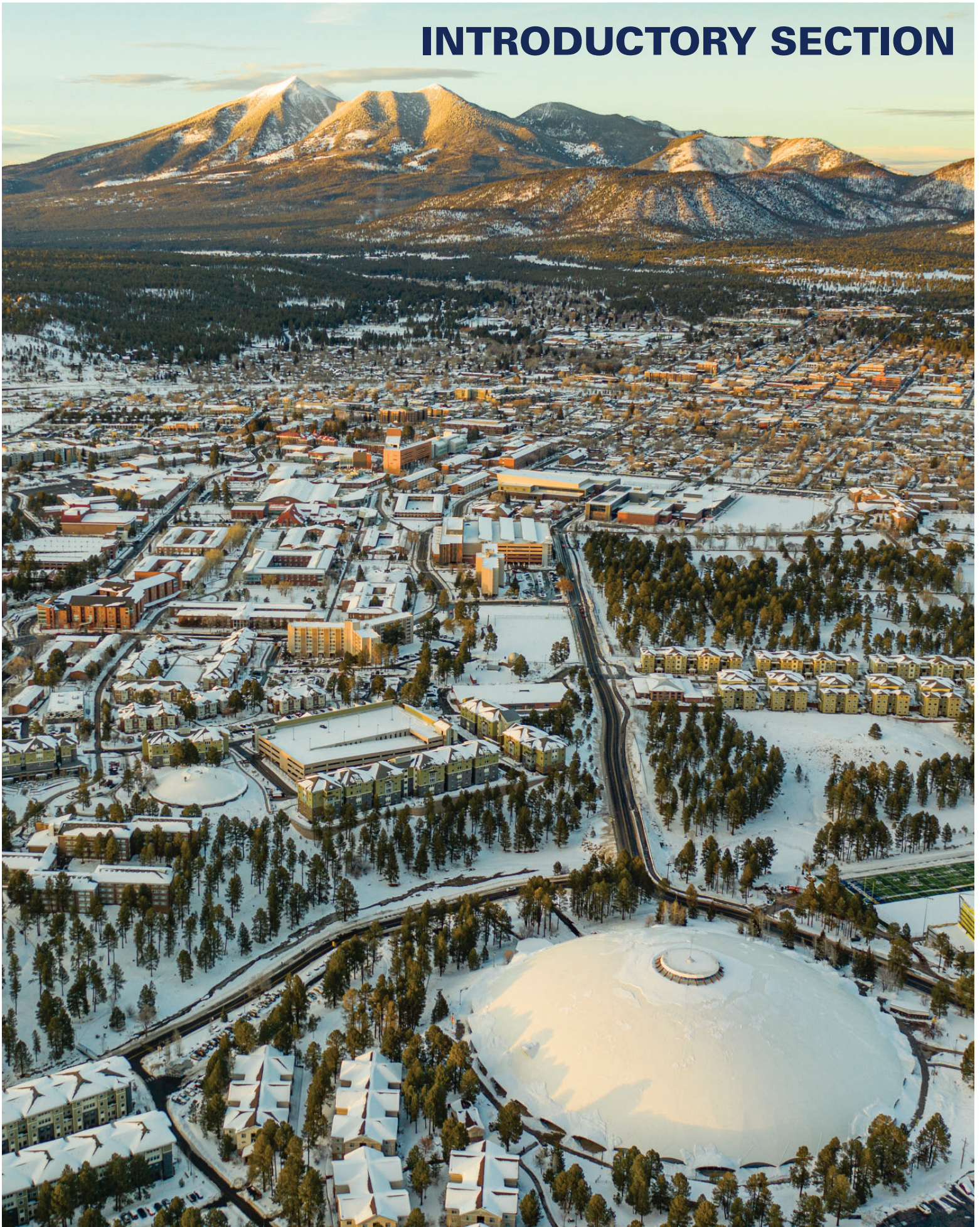
Prepared by the Comptroller's Office



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# INTRODUCTORY SECTION





## A MESSAGE FROM THE PRESIDENT



Since 1899, Northern Arizona University (NAU) has been built on a student-first foundation, resulting in an experience that leads to exceptional careers and high levels of well-being. Increasing access to higher education and alignment to the workforce needs of our state remain embedded in NAU's mission. Student success, access, inclusion, and equity are at the center of everything we do.

NAU is an educational and economic anchor for our state, offering more than 150 degree programs, contributing more than \$2.6 billion to Arizona's economy each year and supporting more than 24,000 jobs throughout Arizona (Economic Policy Institute). In addition to the Flagstaff Mountain Campus, nearly 2,100 students earned NAU credit at more than 20 community campuses across the state, and the university's leading online learning program enrolled approximately 6,000 students (Institutional Research and Analysis, Fall 2020).

NAU has enrollment of just under 30,000 students, with over 60% of the student body identifying as female, two-thirds of all students are Arizona residents, and increasing numbers of students come from underrepresented and diverse backgrounds, reflecting the diversity of Arizona's population. As we enter the 2021-22 academic year, we are taking bold strategic measures to position NAU as a national leader in supporting equity in and delivering value from higher education.

NAU is developing a three-year Strategic Roadmap to shape and organize our work, maximizing our ability to deliver on the promise of equitable postsecondary value. We will not be starting this process from scratch; rather, we will draw from the One NAU Side by Side, 2018-2025 Strategic Plan, the Diversity Strategic Plan, and other existing areas of work that all contribute to our institutional values and the advancement of the NAU mission.

The Strategic Roadmap will assess, develop, and implement strategies focused on generating purposeful support of underrepresented students. This includes goals and objectives in support of becoming a national leader in serving Native American students, and those represented by our recent designation as a Hispanic Serving Institution. Further, the Strategic Roadmap will emphasize the increasing importance of our statewide and online programs as vehicles to ensure all Arizonans have access to the educational opportunities they need to actively participate in the state's booming economy.

NAU received a Virtual Innovation Award: Excellence in Delivering Virtual Student Services from the National Association of Student Personnel Administrators (NASPA), an association dedicated to improving the field of student affairs and higher education. The award recognizes institutions that deliver exemplary virtual support to students.

For the second consecutive year, NAU ranks in the top 200 in National Science Foundation (NSF) research rankings, moving up five spots to No.191 with a fiscal year 2019 performance of \$58.9 million in research expenditures. NAU also rose to No. 88 for universities without a medical school and No. 70 in the nation for public institutions without a medical school. These rankings can be attributed to NAU's dedicated faculty, staff, and students, and the investments and commitments made by administration to support research and the advancement of impactful knowledge that benefits our communities and the world.

Amidst the ever-changing landscape of COVID-19, we are prepared to meet the academic year ahead and deliver the exceptional academic experience that makes NAU unique. My confidence is thanks to our experience gained throughout the pandemic and the tremendous work of our Fall 2021 planning committees that have focused on overall preparation, public health, and scientific guidance. Throughout the upcoming year, we will continue to follow the science and guidance of experts, adapting as necessary to deliver on our educational mission while promoting health and wellness for all.

NAU's Pathogen and Microbiome Institute (PMI) has been at the forefront of COVID-19 research efforts. PMI provides the science and facts of the virus to help the community make informed decisions and be educated on the latest knowledge behind the best ways to protect each other and ourselves. I am confident in our capacity to anticipate and respond to the COVID-19 challenges that will surely come our way.

We are supported by a community of care, as I have seen on full display in my first few months at our majestic Flagstaff Mountain campus. This summer, damage to important watersheds resulting from the Museum Fire led to a 200- to 500-year flood event. NAU faculty, staff, and students embodied the Lumberjack community of care, partnering with the United Way of Northern Arizona to assist our community in flood mitigation and debris removal projects.

As you will see from the full financial report, NAU operates on sound financial footing and continues to demonstrate effective stewardship of financial, physical, and virtual resources. NAU has taken proactive measures to manage discretionary expense spending to improve the University's bottom line through uncertain times. This positions NAU as a stable, adaptable institution determined to provide equitable postsecondary value at a time of great need for our students and their communities.

With this context and foundation, I look forward to the bold work before us that will lead to a boundless future for NAU, the State of Arizona, and the communities impacted by the sum of our efforts. Thank you for your ongoing support of NAU.

In partnership,

A handwritten signature in black ink that reads "José Luis Cruz Rivera".

José Luis Cruz Rivera  
President

# NORTHERN ARIZONA UNIVERSITY

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

I respectfully submit the Northern Arizona University Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. 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 sound 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 ACFR 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 Finance, Capital and Resources Committee.

The ACFR 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 ACFR 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, 2021. This letter of transmittal is designed to complement the MD&A.



## LETTER OF TRANSMITTAL

October 28, 2021

### Profile of the University

Founded in 1899, Northern Arizona University is a vibrant, active, supportive, inclusive, and diverse community. Our academic programs, research, public service, and creative endeavors enrich lives and create opportunities in Arizona and beyond. NAU is a high research university with its main campus located on an 829-acre site in Flagstaff, Arizona. NAU statewide sites are located through the state and online.

Flagstaff is a culturally diverse city rich with natural beauty and history. Located on the Colorado Plateau in the heart of the largest contingent Ponderosa pine forest in the world, Flagstaff has an estimated 76,831 residents and is growing at a population rate of 1.7% annually (U.S. Census Bureau, 2020). Nestled at the base of the San Francisco Peaks at an elevation of 7,000 feet, Flagstaff features four distinctive seasons and an extensive offering of outdoor activities. Over 5,000,000 visitors flock to Flagstaff annually for the incredible air, dark skies, and year-round attractions. NAU's rich economic and educational contributions regularly lead Flagstaff to be recognized as one of the best college towns in the nation.

NAU is the largest employer in the Flagstaff area. NAU's educational and economic impacts in the region and across the state are profound. NAU's Flagstaff Mountain Campus thrives year-round. In addition to providing outstanding undergraduate resident education, the Flagstaff Mountain Campus is a prestige high elevation training site. Flagstaff is located at a "perfect" training elevation suggested by sport science research, at which the desired physiological adaptations and subsequent increases in aerobic and anaerobic performance are most likely to occur. 242 athletes trained in Flagstaff for the Tokyo 2020 Summer Olympic and Paralympic games. Since 1996, 276 Olympic medals have been won by athletes who trained in Flagstaff, 33 of which were won in 2020.



NAU's Student Athlete High Performance Center (SAHPC) is currently under construction with an estimated completion in early 2022. The 77,000 square foot sports center will allow NAU student athletes to train their bodies for when it is their time to step onto the field. In addition to providing space to support their success in the classroom, NAU's SAHPC increases opportunities for high altitude exercise-based research. For the fourth time in University history, NAU won the Big Sky Conference 2020-21 Presidents' Cup. The Presidents' Cup promotes the Big Sky's commitment to academics. It recognizes a member school's overall success in the classroom and athletic competition. It is given annually to the school that excels both academically and athletically. Additionally, the Northern Arizona Lumberjacks won the 2020 men's Cross Country National Championship for the fourth time in five years. NAU's cross country team is considered the nation's leading cross-country program.

NAU leads the way to a better Arizona and a sustainable world through personalized attention to student success and scholarly excellence. NAU's research remains strategic and focused in critical areas aligning with statewide needs. Complementing undergraduate and graduate education, research at NAU is integrated into our mission of providing high quality education and service to the State. Focus remains on building Arizona's workforce, enhancing academic excellence, offering available and equitable post-secondary educational options, and creating new possibilities for students, the University, and the State. NAU has achieved national distinction as a leader in a number of areas, including environmental sustainability, allied health professional education, and Native American educational partnerships. The University is committed to student success, offering a myriad student services and academic planning tools to help students graduate in four years.

NAU is a fully accredited, four-year degree-granting institution of higher learning (Carnegie Classification: Doctoral, Public, High Research), offering more than 150 combined undergraduate and graduate degree programs, all distinguished by an ongoing commitment to close student-faculty relationships. The University's fiscal year 2021 fall semester (Fall 2020) total enrollment was 29,569 students. Enrollment was comprised of 25,230 undergraduate and 4,339 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 998 full-time faculty educate a diverse student population. Over 60% of the student body population identified themselves as female, and 45% of the student body population represent ethnically diverse groups.

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 ACFR. 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, LLC (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 12 to the financial statements. NACFFC is a blended component unit, based on the nature and significance of its relationship to the University.

ABOR is comprised of 12 members including appointed, ex-officio, and student regents. The Governor appoints and the Arizona Senate confirms the 8 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.

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**

On March 24, 2021, the U.S. Department of Commerce's Bureau of Economic Analysis reported the 2020 population of Arizona was 7,421,401, continuing to rank 14th nationally. In 2020, Arizona ranked 2nd nationally in net migration by state with a growth rate of 1.8%, and an increase of 129,588 residents. The Arizona Commerce Authority projects the annual population growth rate of Arizona to average 1.4% throughout the decade, leading to a population of 8.3 million by the year 2030.

In 2020, Arizona real Gross Domestic Product (GDP) ranked 19th in the United States. In the first quarter of 2021, Arizona real GDP increased at a seasonally adjusted annual rate of 7.4%, compared to 6.3% nationally. This demonstrates continued economic recovery, reopening of establishments, and continued response related to the COVID-19 pandemic.

The Arizona Office of Economic Opportunity published the Arizona seasonally adjusted unemployment rate in July 2021 at 6.6%, down from 10.4% in July 2020. Additionally, the state unemployment rate is projected to fall to 5.8% by the end of 2021, to 4.3% in 2022, and to 4.0% in 2023.

Arizona's economic recovery from the pandemic remains positive, but the pandemic will continue to influence the pace of recovery. Per the Eller College of Management's Economic and Business Research Center, as of June 2021 Arizona has replaced 86% of jobs lost between February and April of 2020. State jobs are forecast to rise by 2.5% this year, 4.2% in 2022, and 3.2% in 2023. Baseline projections call for state jobs to regain pre-pandemic peak levels by the first quarter of 2022, and to increase by 643,000 jobs over the next decade.

This forecast calls for the Arizona labor market to rapidly tighten as the pandemic ends. This baseline forecast of economic activity assumes vaccine distribution will continue to go well and no vaccine-resistant coronavirus variants emerge. In the event of a resurgent outbreak driven by a new variant, the reintroduction of containment measures will slow consumer spending and delay recovery. Further, Arizona's economic performance depends in part on the U.S. and global economies.

Challenges brought forth by the pandemic impacted revenue from operations in fiscal year 2021, including auxiliary revenue streams. NAU administration proactively took action to address these conditions through vigorous scrutiny of discretionary spending and reduction of operational expenses. Effective stewardship of financial, physical, and virtual resources was, and will continue to be, the key to NAU's ongoing stable financial performance. NAU is subject to similar economic variables affecting other financial entities and institutions. With expectations for an improving statewide economy, employment growth and increased consumer spending, we anticipate University financial operations to trend favorably as the economy grows back to pre-pandemic levels.

## Progress and Major Initiatives

The University continues to emphasize the enrollment of first-generation, low-income, and other underrepresented students, upholding an institutional promise to ensure higher education is equitable and accessible to all Arizona residents. The class of 2024 is comprised of over 5,200 first-year students selected from over 37,000 applicants. Fall 2020 first-year students hailed from 15 Arizona counties, all 50 states, and 66 countries. Two-thirds of all NAU students are from the state of Arizona; a state that likewise is seeing an increase in the diversity of state demographics. Further, in April 2021, NAU met the U.S. Department of Education Hispanic-Serving Institution (HSI) criteria and earned recognition from the Hispanic Association of Colleges and Universities (HACU) as an HSI.

NAU has a long history of working toward increased diversity and inclusion. The University diversity commissions, individuals, and departments have dedicated countless hours to education, programming, and initiatives. NAU is expanding upon this strategic foundation and developing a three-year Strategic Roadmap to shape and organize our work, maximizing our ability to deliver on the promise of equitable postsecondary value. The Strategic Roadmap will include actions to advance goals and objectives associated with each of the following six broad areas of institutional focus:

1. Inclusive academic excellence
2. Equitable student access, momentum, graduation, and post-graduation success
3. Impactful research, scholarly, and creative activities
4. Enhanced practices for recruiting, retaining, and developing mission-driven, diverse faculty and staff
5. Strong stewardship of place and demonstrated engagement with our communities
6. Effective stewardship of financial, physical, and virtual resources

Included in the three-year Strategic Roadmap is the Diversity Strategic Plan, focusing and prioritizing the University's attention and resources around diversity, inclusion, and a culturally competent environment for all, with particular attention to underrepresented, marginalized, or underserved groups in higher education. The Strategic Roadmap aligns, complements, and furthers our existing goals and accountability metrics—institutional, departmental, ABOR, and the like—charting a clear and cohesive path forward for NAU.

For the second consecutive year, Northern Arizona University broke through the country's top 200 research universities, reaching No. 191 in the National Science Foundation's (NSF) national research rankings. NAU also rose to No. 88 for universities without a medical school and No. 70 in the nation for public institutions without a medical school. Research activity 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.

NAU received a Virtual Innovation Award: Excellence in Delivering Virtual Student Services from NASPA (National Association of Student Personnel Administrators). The association is a leader in advancement, health, and sustainability of the student affairs profession. This award recognizes institutions of higher education demonstrating exemplar academic, financial, and community-building services to students. Additionally, NAU was named the winner of the APLU (Association of Public and Land-grant Universities) 2020 Degree Completion Award.

NAU has led a multidimensional effort to boost student success, with a particular emphasis on helping first-generation students complete their degrees. The annual award works to identify, recognize, and reward institutions that employ innovative and evidence-based approaches to improve degree completion while ensuring educational quality.

The Pathogen and Microbiome Institute (PMI) at Northern Arizona University is a member of the newly formed Arizona COVID-19 Genomics Union (ACGU). Harnessing the power of state-of-the-art technology and “big data” analysis, researchers at the ACGU seek to better understand how this virus may be evolving, how it is transmitted and how it is moving through the general population. The consortium of Arizona scientists hopes their regional sequencing will give Arizona healthcare providers and public policy makers an edge in responding to this pandemic. ACGU makes its findings public and available to epidemiologists and virologists worldwide.

Governor Douglas Ducey described the three public universities as Arizona’s secret weapon in the battle against COVID-19 and provided funding to Northern Arizona University, Arizona State University and University of Arizona in support of additional testing, surveillance, and other COVID-19 response efforts. NAU’s efforts to rigorously test, trace, isolate and quarantine is supported by an extensive partnership with Coconino County. Testing will remain key to the University’s ability to slow the spread of COVID-19. In April 2021, the State of Arizona launched a COVID-19 vaccination site at the NAU Fieldhouse. This expanded partnership with the State of Arizona, Coconino County, Northern Arizona Healthcare, and Premier Medical Group has continued to broaden vaccine access in Flagstaff, and vaccine availability statewide.

NAU remains positioned to meet the goals set before the University in the future because 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. It is clear NAU is well-positioned to seize the moment and tackle the many challenges facing institutions of higher education across the nation.

## **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 for the fiscal year ended June 30, 2020. This was the seventh consecutive year that NAU has achieved this prestigious award. To be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized ACFR 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 ACFR 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 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, 2020

# ARIZONA BOARD OF REGENTS EXECUTIVE ADMINISTRATION

**JUNE 30, 2021**

## **Ex-Officio Members**

### **Honorable Doug Ducey**

Governor of Arizona

### **Honorable Kathy Hoffman**

Superintendent of Public Instruction

## **Appointed Members**

**Lynde Manson**, Chair

**Fred DuVal**, Chair Elect

**Larry Penley**, Treasurer

**Cecilia Mata**, Regent

**Ron Shoopman**, Regent

**Bill Ridenour**, Regent

**Robert Herbold**, Regent

**Jessica Pacheco**, Regent

**Nikhil Dave**, Student Regent, Assistant Treasurer

**Rachel Kanyu**, Student Regent

**August 2, 2021**

### **José Luis Cruz Rivera**

President

### **Brian Register**

Chief of Staff

### **Christy Farley**

Vice President for External Affairs & Partnerships

### **Bjorn Flugstad**

Vice President for Finance, Institutional Planning & Analysis

### **Michael Bassoff**

Vice President of Advancement

### **Margot Saltonstall**

Interim Vice President for Student Affairs

### **Steve Burrell**

Vice President of Technology & Chief Information Officer

### **Ann Marie Chischilly**

Interim Vice President for Native American Initiatives

### **Josh Mackey**

Vice President & Chief Human Resources Officer

### **Mike Marlow**

Vice President for Intercollegiate Athletics

### **Daniel Okoli**

Vice President Capital Planning & Campus Operations

### **Anika Olsen**

Vice President of Enrollment Management

### **Jason Wilder**

Interim Vice President for Research

### **Karen Pugliesi**

Interim Provost & Vice President of Academic Affairs

### **Harlan Teller**

Chief Marketing Officer

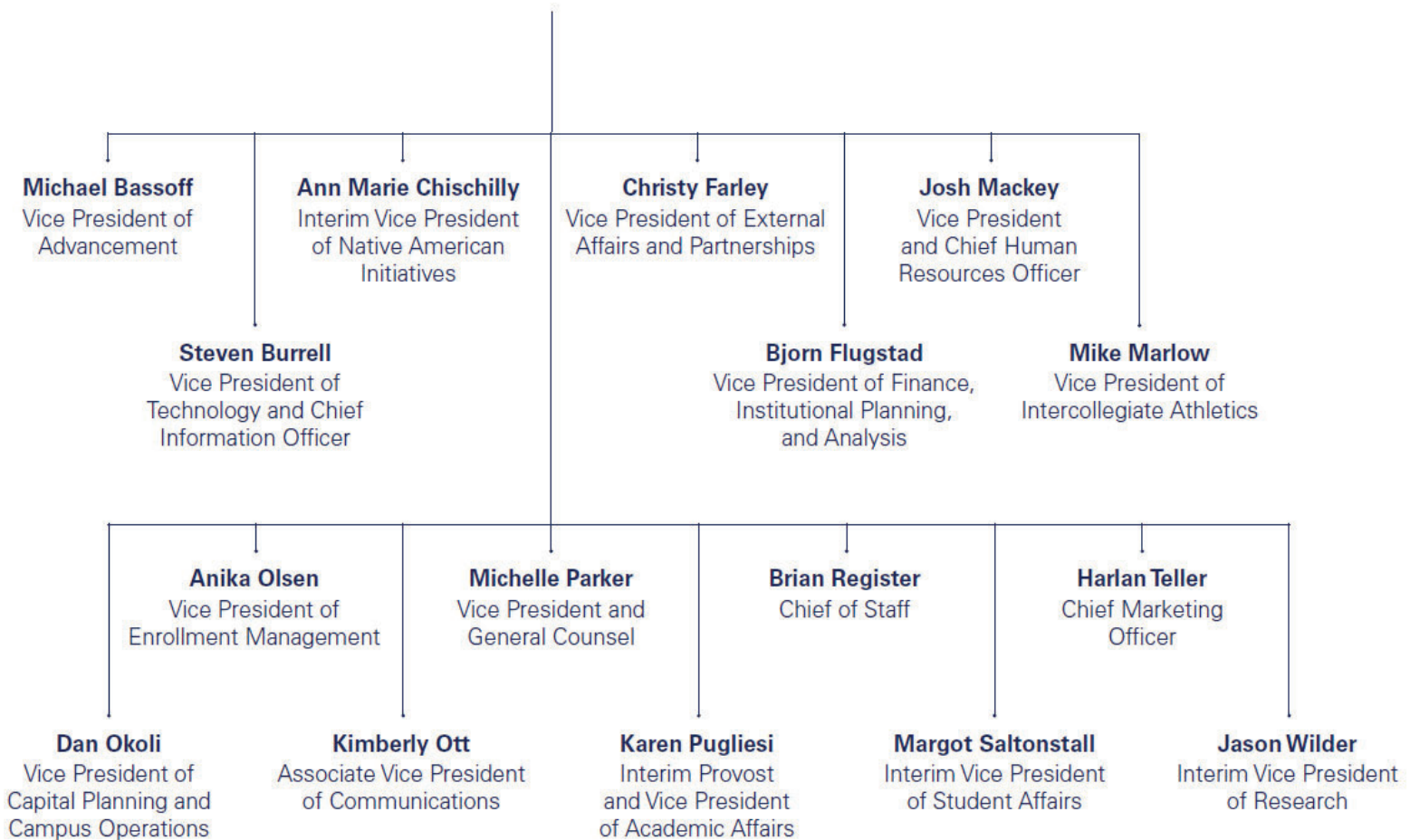
### **Kimberly Ott**

Associate Vice President of Communications

### **Michelle Parker**

Vice President of Legal Affairs & General Counsel

**José Luis Cruz Rivera**  
President



# FINANCIAL SECTION





LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
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, 2021, 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, 2021, 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, 2021, 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 16 through 25, schedule of University's proportionate share of net pension liability—Arizona State Retirement System on page 60, schedule of University's pension contributions—Arizona State Retirement System on page 60, and schedule of changes in total OPEB liability on page 61 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.



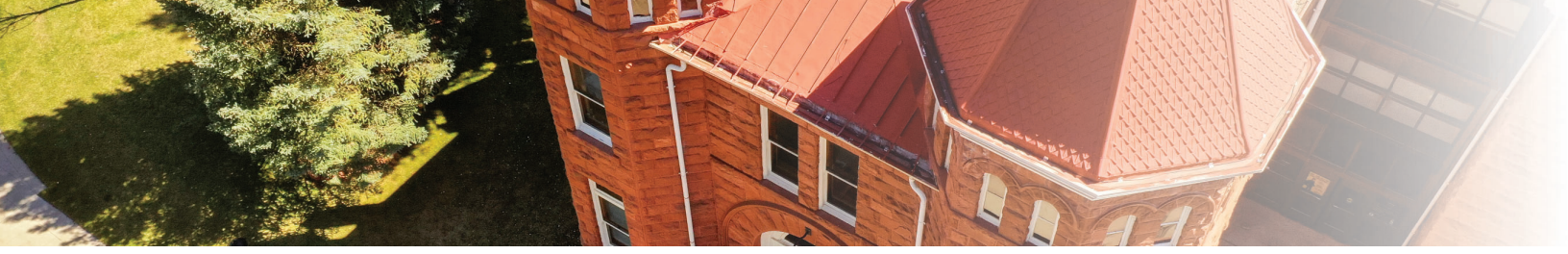
## Other reporting required by *Government Auditing Standards*

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 A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

October 28, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides an overview of the financial position of Northern Arizona University for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statements encompass the University and its discretely presented component unit. 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 statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The University's financial report includes the following financial statements: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements are presented on a consolidated basis to focus on the University as a whole.

### Financial Statement Overview

#### Statement of Net Position

The Statement of Net Position (SNP) presents the financial position of the University at the end of the fiscal year. From the data presented, readers of the SNP are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the University owes vendors, investors, and lending institutions. The SNP provides a picture of the net position and their availability for expenditure by the institution. The change in net position is one indicator of whether the financial condition of the university has improved or worsened during the fiscal year.

#### Condensed Statement of Net Position

The following Condensed Statement of Net Position includes a comparison of the university's assets and deferred outflow of resources, liabilities and deferred inflow of resources, categorized into current and noncurrent components. The following table summarizes the University's Statement of Net Position (in thousands of dollars) at June 30, 2021, and at June 30, 2020.

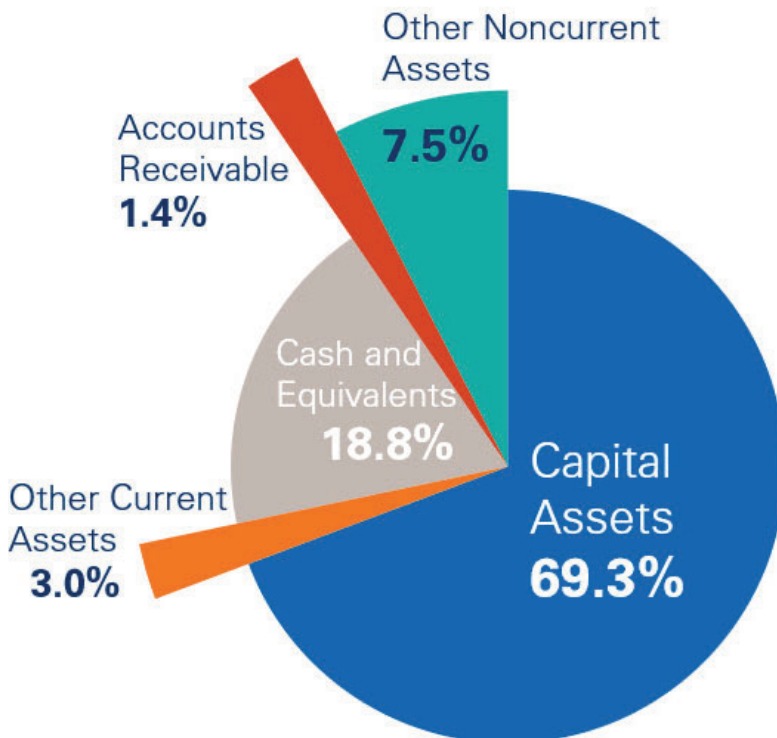
Condensed Statement of Net Position	FY 2021	FY 2020	% Change
<b>Assets:</b>			
Current assets	\$ 280,003	\$ 251,259	11.4%
Capital assets, net	836,936	838,291	(0.2%)
Other non-current assets	91,219	101,775	(10.4%)
<b>Total Assets</b>	<b>\$ 1,208,158</b>	<b>\$ 1,191,325</b>	<b>1.4%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 54,351</b>	<b>\$ 40,038</b>	<b>35.7%</b>
<b>Liabilities:</b>			
Current liabilities	\$ 88,442	\$ 102,118	(13.4%)
Non-current liabilities	825,469	823,978	0.2%
<b>Total Liabilities</b>	<b>\$ 913,911</b>	<b>\$ 926,096</b>	<b>(1.3%)</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 41,185</b>	<b>\$ 54,369</b>	<b>(24.3%)</b>
<b>Net Position:</b>			
Net investment in capital assets	\$ 262,474	\$ 248,642	5.6%
Restricted	85,873	73,200	17.3%
Unrestricted (deficit)	(40,935)	(70,943)	42.3%
<b>Total Net Position</b>	<b>\$ 307,412</b>	<b>\$ 250,899</b>	<b>22.5%</b>

## Total Assets

Assets are what the University owns and are measured in current or fair value, except for capital assets, which are recorded at historical cost less the applicable accumulated depreciation. The following table and chart present total assets, in thousands of dollars and percentages.

Cash and Cash Equivalents	\$	226,940	18.8%
Accounts Receivable		17,198	1.4%
Other Current Assets		35,865	3.0%
Capital Assets, net		836,936	69.3%
Other Noncurrent Assets		91,219	7.5%
<b>Total Assets</b>	<b>\$</b>	<b>1,208,158</b>	<b>100%</b>

Total assets for the University increased \$16.8 million from fiscal year 2020. The increase is attributable to an increase in current cash and cash equivalents of \$30.3 million. Accounts receivable decreased \$4.2 million resulting from the collection of a \$4.2 million Lottery fund receivable. Other current assets increased \$2.8 million primarily due to the recording of a \$6.6 million HEERF receivable. Additionally, endowment investments increased by \$13.5 million primarily due to an increase in market value net of adjustments. Increases were offset by a \$25.1 million decrease in restricted cash for capital projects due to spending down bond proceeds restricted for the Student Athlete High Performance Center. Capital assets decreased by \$1.3 million due to assets becoming fully depreciated and less construction activity on campus.

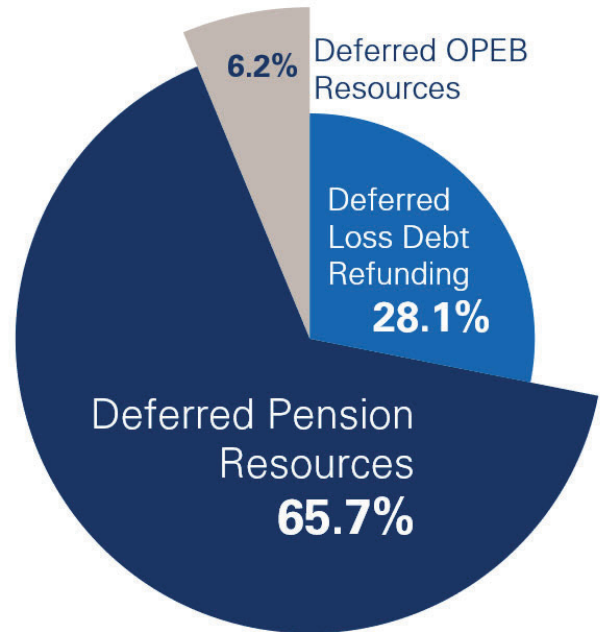


## Total Deferred Outflows of Resources

Deferred outflows of resources are consumptions of the University's net position applicable to future reporting periods. The following table and chart presents total deferred outflow of resources, in thousands of dollars and percent:

Debt refunding deferred loss	\$	15,276	28.1%
Deferred Pension Resources		35,683	65.7%
Deferred OPEB Resources		3,392	6.2%
<b>Total Deferred Outflows</b>	<b>\$</b>	<b>54,351</b>	<b>100%</b>

Deferred outflows of resources increased by \$14.3 million. The increase is related to a \$14.5 million increase in pensions and \$0.8 million increase in other post-employment benefits (OPEB). This is 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 10 and 11 for detailed information on deferred inflows and outflows related to pensions and OPEB. Increases are partially offset by \$1.1 million decrease in deferred amounts related to debt refunding.

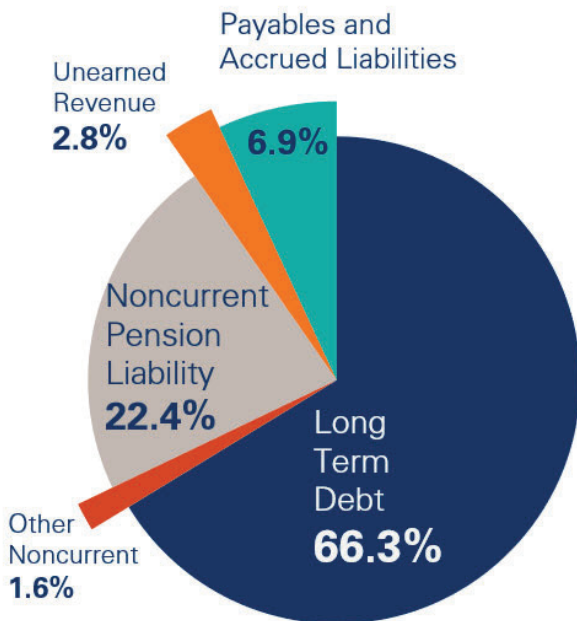


## Total Liabilities

Liabilities are what the University owes to others or resources it has collected from others before it has provided services. The following table and chart indicate total liabilities, in thousands of dollars and percent:

Unearned Revenue	\$ 25,278	2.8%
Payables and Accrued Liabilities	63,164	6.9%
Noncurrent Long Term Debt	605,846	66.3%
Noncurrent Pension Liability	205,012	22.4%
Other Noncurrent Liabilities	14,611	1.6%
<b>Total Liabilities</b>	<b>\$ 913,911</b>	<b>100%</b>

Total liabilities decreased \$12.2 million compared to fiscal year 2020. Decreases were recorded across the board, with the exception of an increase in pension liability. Total current liabilities decreased by \$13.7 million. Accounts payable decreased by \$5.3 million driven by lower operational spending due to COVID-19. Accrued payroll and employee benefits decreased by \$2.7 million resulting from full payment of FICA payroll taxes previously deferred to increase University liquidity during COVID-19. Deposits held in custody for others decreased \$6.0 million primarily due to the Coronavirus Aid, Relief, and Economic Security Act (CARES) related deposits held for student disbursements.



Total noncurrent liabilities increased by \$1.5 million. Long term debt decreased \$22.4 million mostly resulting from the payoff of capital lease and notes payable for properties owed to the Northern Arizona Real Estate Holdings, LLC. This settlement saved the university \$7.9 million in interest expense over the next 17 years. These liability decreases were offset by the increase in net pension liability of \$24.0 million. The increase in net pension liability is due to actuarial adjustments as provided by ASRS and PSPRS.

## 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. The following table and chart illustrate total deferred inflow of resources, in thousands of dollars:

Deferred Pension Inflows	\$ 4,706	11.4%
Deferred OPEB Inflows	36,479	88.6%
<b>Total Deferred Inflows</b>	<b>\$ 41,185</b>	<b>100%</b>

Deferred inflows of resources decreased \$13.2 million due to deferred inflows related to pensions and OPEB attributable to actuarial adjustments provided by the ASRS, ADOA, and PSPRS. See notes 10 and 11 for detailed information on deferred inflows and outflows related to pensions and OPEB.

## Total Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the University's permanent endowment funds and is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose of the institution. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic and research programs and initiatives.

Net Investment in Capital Assets	\$ 262,474	85.4%
Restricted- Nonexpendable	17,969	5.8%
Restricted- Expendable	67,904	22.1%
Unrestricted (deficit)	(40,935)	-13.3%
<b>Total Net Position</b>	<b>\$ 307,412</b>	<b>100%</b>

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 \$307.4 million at June 30, 2021, an increase of net assets of \$56.5 million over the prior year.





## Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's revenues earned and expenses incurred during fiscal year 2021, regardless of when cash was received or paid. 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 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. Capital financing costs incurred are reported as non-operating expenses.

### 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, 2021, and for the year ended June 30, 2020, is as follows:

	FY 2021	FY 2020	% Change
<b>Operating revenues:</b>			
Student tuition and fees, net	\$ 218,452	\$ 233,911	(6.6%)
Grants and contracts	46,268	43,380	6.7%
Auxiliary enterprises, net	53,358	58,106	(8.2%)
Other	14,913	19,438	(23.3%)
<b>Total operating revenues</b>	<b>\$ 332,991</b>	<b>\$ 354,835</b>	<b>(6.2%)</b>
<b>Operating expenses:</b>			
Educational and general	\$ 467,779	\$ 503,135	(7.0%)
Auxiliary enterprises	38,827	43,365	(10.5%)
Depreciation	42,055	45,239	(7.0%)
<b>Total operating expenses</b>	<b>\$ 548,661</b>	<b>\$ 591,739</b>	<b>(7.3%)</b>
<b>Operating loss</b>	<b>\$ (215,670)</b>	<b>\$ (236,904)</b>	<b>9.0%</b>
<b>Nonoperating revenues (expenses):</b>			
State appropriations	\$ 107,396	\$ 113,523	(5.4%)
Share of state sales tax revenues	17,079	16,943	0.8%
Grants and gifts	132,881	101,500	30.9%
Net investment income	15,112	4,596	228.8%
Interest expense on debt	(22,441)	(23,990)	6.5%
Other non-operating revenues and expenses	8,361	5,957	40.4%
<b>Net non-operating revenues</b>	<b>\$ 258,388</b>	<b>\$ 218,529</b>	<b>18.2%</b>
<b>Income (loss) before capital and endowment additions</b>	<b>\$ 42,718</b>	<b>\$ (18,375)</b>	<b>332.5%</b>
Capital appropriations	4,879	5,900	(17.3%)
Other capital and endowment additions	8,917	3,822	133.3%
<b>Increase/(decrease) in net position</b>	<b>\$ 56,514</b>	<b>\$ (8,653)</b>	<b>753.1%</b>
<b>Net position, beginning of year</b>	<b>250,898</b>	<b>259,551</b>	<b>(3.3%)</b>
<b>Net position, end of year</b>	<b>\$ 307,412</b>	<b>\$ 250,898</b>	<b>22.5%</b>

## 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 decreased by 6.6% due to decreased enrollment resulting from COVID-19 impacts. Revenues from operating grants and contracts increased 6.7% 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 and the commencement or closure of large projects.

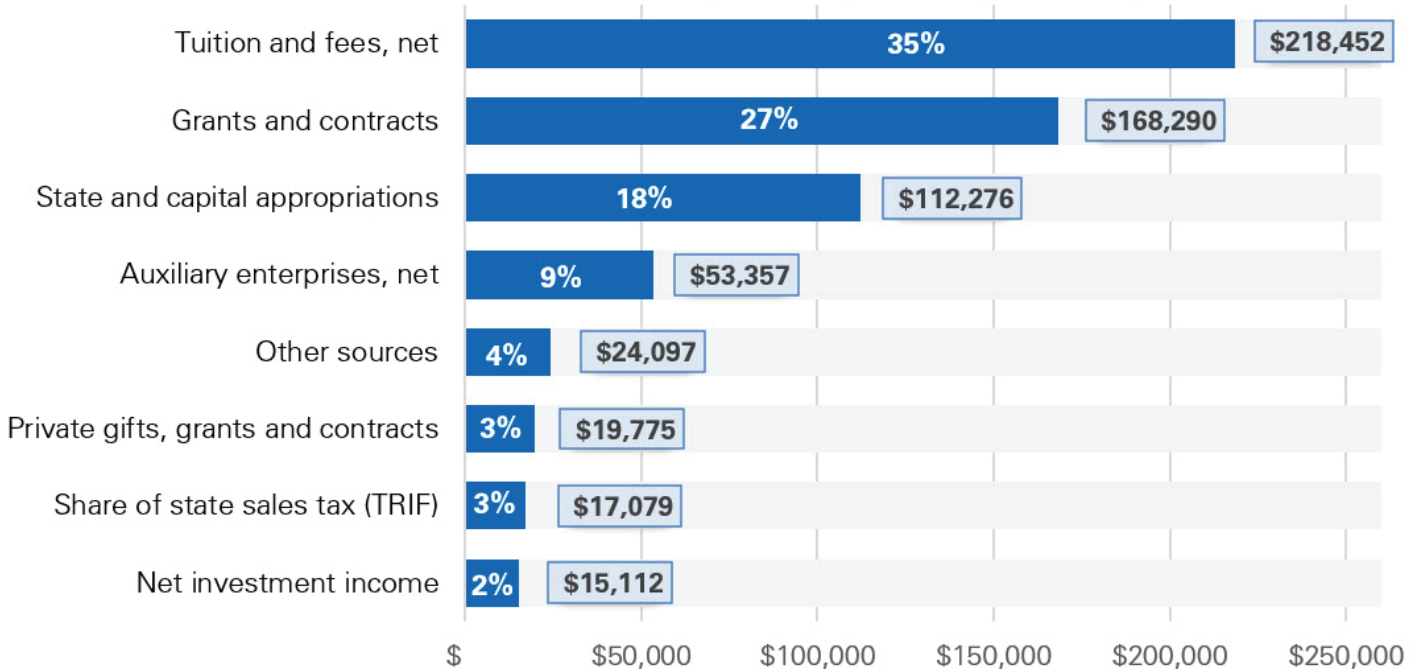
Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary and other revenue decreased 8.2% from the prior year, mainly due to COVID-19 related impacts resulting from less student programs and occupancy on campus.

## Non-operating Revenues

State appropriations, non-capital gifts and grants, and investment income are considered non-operating because they were not generated by the University's principal, ongoing operations. State and capital appropriations were not generated by the University but were provided to help fund operating expenses. State and capital appropriations revenue totaled \$112.3 million for fiscal year 2021, a decrease of 5.9% from the \$119.4 million received during the prior year.

Grants and gifts increased \$31.4 million or 30.9% and include expendable gifts. Grants and gifts include government Coronavirus Aid, Relief, and Economic Security (CARES) Act revenue totaling \$23.5 million that was not received in the prior year and Higher Education Emergency Relief Funds (HEERF) totaling \$25.8 million in the current fiscal year. HEERF increased \$8.5 million from the \$17.3 million received the prior fiscal year. Net investment income increased 228.8% or \$10.5 million due to favorable market value increases.

**Total Revenue, for fiscal year 2021 (in thousands)**



## 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 9.

The University's operating expenses were \$548.7 million for the fiscal year ended June 30, 2021. Overall, operating expenses decreased 7.3% from the prior year. Operating expenses for instruction decreased 13.4% from reductions in expenses due to fewer students attending in-person instruction. Public service decreased 14.5%, student services decreased 19%, and auxiliary enterprises decreased 10.5%, primarily due to reduced housing occupancy and auxiliary activities because of COVID-19 impacts.

### Operating Expenses by Natural Classification (dollars in thousands)

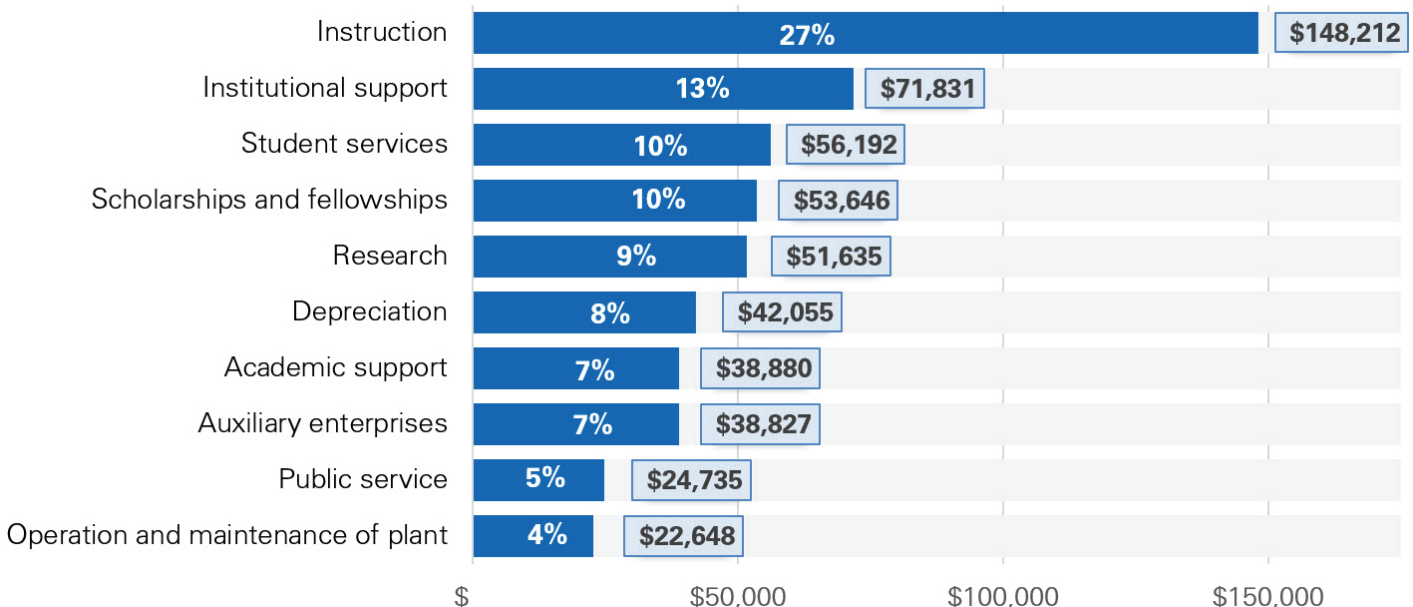
	FY 2021	FY 2020	% Change
Operating:			
Personal services and benefits	\$ 335,779	\$ 357,550	(6.1%)
Operations	117,181	142,004	(17.5%)
Scholarships	53,646	46,946	14.3%
Depreciation	42,055	45,239	(7.0%)
<b>Total operating expenses</b>	<b>\$ 548,661</b>	<b>\$ 591,739</b>	<b>(7.3%)</b>

The above and below tables illustrate the University's operating expenses by natural and functional classification:

### Operating Expenses by Functional Classification (dollars in thousands)

	FY 2021	FY 2020	% Change
Operating:			
Instruction	\$ 148,212	\$ 171,180	(13.4%)
Research	51,635	55,608	(7.1%)
Public service	24,735	28,945	(14.5%)
Academic support	38,880	36,939	5.3%
Student services	56,192	69,409	(19.0%)
Institutional support	71,831	70,740	1.5%
Operation and maintenance of plant	22,648	23,368	(3.1%)
Scholarships and fellowships	53,646	46,946	14.3%
Auxiliary enterprises	38,827	43,365	(10.5%)
Depreciation	42,055	45,239	(7.0%)
<b>Total operating expenses</b>	<b>\$ 548,661</b>	<b>\$ 591,739</b>	<b>(7.3%)</b>

### Operating Expense by Functional Classification (in thousands)





## Combined Sources and Uses (dollars in millions)

	FY 2021		FY 2020		% Change
<b>Sources</b>					
Tuition and fees, net	\$ 218.4	34.8%	\$ 233.9	38.5%	(6.6%)
State and capital appropriations	112.3	17.9%	119.4	19.7%	(5.9%)
Grants and contracts	168.3	26.8%	125.5	20.7%	34.1%
Auxiliary enterprises, net	53.3	8.5%	58.1	9.6%	(8.3%)
Other sources	24.1	3.8%	29.4	4.8%	(18.0%)
Private gifts, grants and contracts	19.8	3.2%	19.4	3.2%	2.1%
Share of state sales tax (TRIF)	17.1	2.6%	16.9	2.8%	1.2%
Net investment income	15.1	2.4%	4.6	0.7%	228.3%
<b>Total sources</b>	<b>\$ 628.4</b>	<b>100.0%</b>	<b>\$ 607.2</b>	<b>100.0%</b>	<b>3.5%</b>
<b>Uses</b>					
Instruction and academic support	\$ 187.1	32.7%	\$ 208.1	33.8%	(10.1%)
Student services and institutional support	128.0	22.4%	140.1	22.8%	(8.6%)
Research and public service	76.4	13.3%	84.6	13.7%	(9.7%)
Auxiliary enterprises	38.8	6.8%	43.4	7.1%	(10.5%)
Depreciation	42.1	7.4%	45.2	7.3%	(6.9%)
Scholarships and fellowships	53.6	9.4%	46.9	7.6%	14.3%
Other uses	23.3	4.1%	24.2	3.9%	(3.7%)
Operation and maintenance of plant	22.6	3.9%	23.4	3.8%	(3.4%)
<b>Total uses</b>	<b>\$ 571.9</b>	<b>100.0%</b>	<b>\$ 615.9</b>	<b>100.0%</b>	<b>(7.1%)</b>

## 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 non-capital 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. The following summarizes cash flows for fiscal years 2021 and 2020:

Cash Provided By (Used For), (dollars in thousands)	FY 2021	FY 2020
Operating activities	\$ (174,717)	\$ (184,852)
Non-capital financing activities	244,756	239,385
Capital financing activities	(64,804)	(10,463)
Investing activities	(34)	58,039
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 5,201</b>	<b>\$ 102,109</b>
Cash and cash equivalents, beginning of year	252,075	149,966
<b>Cash and cash equivalents, end of year</b>	<b>\$ 257,276</b>	<b>\$ 252,075</b>

## Capital and Debt Analysis

The University is required by Arizona Revised Statutes §41-793 and Arizona Board of Regents (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 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 2021, the University made substantial progress on the Student Athlete High-Performance Center, which is anticipated to be completed in January, 2022.

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, 2021, the University's debt ratio was 4.33 percent. During the year ended June 30, 2021, the University issued System Revenue Refunding Bonds 2021 for \$21.4 million. 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 \$4.9 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

Although the University continues to be impacted by the COVID-19 pandemic, the full long-term impacts are undetermined at this time. Fall 2021 enrollment as of the 21-day census indicates a 3% decrease from 29,596 total students enrolled Fall 2020 to 28,718 total students enrolled Fall 2021. For the Fall 2021 semester, NAU has resumed normal in-person educational settings. Throughout the semester, administration will continue to follow the science and guidance of experts, adapting as necessary to deliver on our educational mission while promoting health and wellness for all. The University will continue offering quality education through multiple delivery options while helping mitigate the risk of COVID-19 on the campus and in the community. NAU is committed to working with faculty, students, and staff as well as community partners to have a successful fall and spring semester.

The University's state and capital appropriations budget for fiscal year 2022 is \$135.5 million, a 20.7% increase of \$23.2 million from the prior year of \$112.3 million. 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. As seen in fiscal year 2021, the loss of student revenue exacerbates other revenue difficulties across the institution. Auxiliary enterprises saw notable declines from fiscal year 2020 to fiscal year 2021. Respectively, housing revenue declined 15.2%, dining revenue decreased 15.1% and athletics revenue declined 36.1% from the prior year. The latest data from the Grapevine Higher Education Funding report indicates that for fiscal 2021, state appropriations to colleges and universities will remain fairly flat. Risk of material funding cuts for public universities will decrease as the State economy recovers. Despite declines in revenues the University has been the recipient of significant recovery dollars. These funds have aided in offsetting portions of revenue declines.

Moody's Investor Service published its Sector In-Depth report on Higher Education – US in June 2021, and noted higher education is a seasonal enterprise, especially for those institutions with the academic year defined by a Fall and Spring semester. Noted in the outlook is the return to full campus operations this fall with a greater presence of students in housing, and the resumption of other auxiliary activities, will fuel better revenue prospects from tuition and student fees heading into fiscal year 2022.

Additionally, improved economic growth prospects in the second half of 2021 will enhance families' ability to pay tuition and bolster philanthropic donations. Very strong financial market performance year to date for fiscal 2021, if sustained, will drive up endowments, bolstering payouts, and support gift-giving. Federal government relief funds will continue to provide additional direct aid to the University, offsetting pandemic related revenue losses and expense increases.

The University faces significant pressure on its ability to manage expenses while maintaining the competitive salaries and benefits needed to attract top faculty. NAU administration took proactive measures to decrease discretionary spending and manage operating expenses to address operating revenue declines.

Keen focus on expense management resulted in decreases in operational spending from fiscal year 2020. Travel expense decreased by 71.7%, material and supply spending decreased by 11.4%, non-capital equipment expense declined by 12.7% and other operating expenses declined by 22.7% respectively. Since the University is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. 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, 2021

## Assets

Current assets:

Cash and cash equivalents (Note 3)	\$	226,939,952
Short term investments (Note 3)		5,019,400
Receivables (net of allowance for uncollectible):		
Accounts receivable		17,198,118
Accrued interest		1,058,921
Endowment		7,102
Government grants and contracts		25,656,575
Student loans, current portion		1,124,058
Other assets		2,563,200
Inventories		435,734
<b>Total Current Assets</b>	<b>\$</b>	<b>280,003,060</b>

Noncurrent assets:

Restricted cash and cash equivalents held by trustee for capital projects (Note 3)	\$	30,335,673
Long term investments (Note 3)		12,982,189
Student loans receivable, net of allowance		509,312
Endowment investments (Note 3)		47,391,927
Capital assets, not being depreciated (Note 4)		64,810,693
Depreciable capital assets, net of depreciation (Note 4)		772,124,951
<b>Total Noncurrent Assets</b>	<b>\$</b>	<b>928,154,745</b>

<b>Total Assets</b>	<b>\$</b>	<b>1,208,157,805</b>
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## Deferred Outflows of Resources

Deferred charge on debt refunding	\$	15,275,945
Deferred outflows related to pensions (Note 10)		35,682,860
Deferred outflows related to OPEB (Note 11)		3,391,705
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b>54,350,510</b>

# Statement of Net Position (continued)

## Liabilities

Current liabilities:

Accounts payable	\$	10,427,504
Accrued payroll and employee benefits		15,220,789
Interest payable		4,035,609
Unearned revenues (Note 7)		25,277,567
Accrued compensated absences, current portion (Note 8)		815,260
Pension liability, current portion (Note 10)		1,101,312
Deposits held in custody for others		5,100,556
Current portion of long-term debt and capital leases funded by:		
University operating revenues (Note 5)		17,795,560
State appropriations and other State monies (Note 5)		8,668,275
<b>Total Current Liabilities</b>	<b>\$</b>	<b>88,442,432</b>

Noncurrent liabilities:

Accrued compensated absences (Note 8)	\$	6,937,494
Deposits held in custody for others		1,755,096
OPEB liability (Note 11)		5,918,394
Pension liability (Note 10)		205,011,870
Long-term debt and capital leases funded by:		
University operating revenues (Note 5)		472,910,534
State appropriations and other State monies (Note 5)		132,935,535
<b>Total Noncurrent Liabilities</b>	<b>\$</b>	<b>825,468,923</b>

## Total Liabilities

\$ 913,911,355

## Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	\$	4,705,921
Deferred inflows related to OPEB (Note 11)		36,478,667
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>41,184,588</b>

## Net Position

Net investment in capital assets	\$	262,474,063
Restricted:		
Nonexpendable:		
Scholarships and fellowships		17,096,049
Student loans		872,874
Expendable:		
Scholarships and fellowships		29,359,034
Academic department uses		38,545,722
Unrestricted (deficit)		(40,935,370)
<b>Total Net Position</b>	<b>\$</b>	<b>307,412,372</b>

See Notes to Financial Statements

# Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2021

## Operating Revenues

Tuition and fees (net of scholarship allowances of \$160,899,167)	\$	218,452,220
Government grants and contracts		40,694,754
Private grants and contracts		5,573,380
Auxiliary enterprises		
Residence life (net of scholarship allowances of \$7,755,078)		28,752,037
Other auxiliaries		24,605,136
Other		14,913,397
<b>Total operating revenues</b>	<b>\$</b>	<b>332,990,924</b>

## Operating Expenses

Operating expenses (Note 9)		
Educational and general:		
Instruction	\$	148,211,535
Research		51,634,539
Public service		24,734,940
Academic support		38,880,401
Student services		56,192,032
Institutional support		71,830,951
Operation and maintenance of plant		22,648,448
Scholarships and fellowships		53,646,163
Auxiliary enterprises		38,826,950
Depreciation (Note 4)		42,054,517
<b>Total operating expenses</b>	<b>\$</b>	<b>548,660,476</b>
<b>Operating loss</b>	<b>\$</b>	<b>(215,669,552)</b>



# Statement of Revenues, Expenses, and Changes in Net Position

(Continued)

## Nonoperating Revenues (Expenses)

State appropriations	\$ 107,396,004
Share of state sales tax- technology and research initiative funding	17,079,198
Government grants	119,621,925
Private grants and gifts	13,258,619
Net investment income	15,112,003
Interest expense on capital asset related debt	(22,441,165)
Net loss on disposal of capital assets	(822,591)
Other nonoperating revenues and expenses	9,183,447
<b>Total nonoperating revenues and expenses</b>	<b>\$ 258,387,440</b>
<b>Gain before capital and endowment additions</b>	<b>\$ 42,717,888</b>

Capital appropriations	\$ 4,879,500
Capital grants and gifts	7,973,812
Additions to permanent endowments	943,107
<b>Total other revenues</b>	<b>\$ 13,796,419</b>

**Increase in net position** \$ 56,514,307

## Net Position

Total net position, beginning of year	\$ 250,898,065
Total net position, end of year	\$ 307,412,372

See Notes to Financial Statements



# Statement of Cash Flows

For the Year Ended June 30, 2021

## Cash Flows from Operating Activities:

Tuition and fees	\$ 214,930,183
Grants and contracts	53,871,273
Payments to vendors and suppliers	(122,358,978)
Payments for employee wages and benefits	(335,999,731)
Payments for scholarships and fellowships	(53,646,163)
Loans issued to students	(17,400)
Collection on loans to students	248,830
Auxiliary enterprise receipts	54,491,236
Other receipts	13,429,049
Custodial receipts and disbursements:	
Private student loans and scholarships received	23,935,695
Private student loans and scholarships disbursed	(23,590,709)
Other custodial receipts	3,872,273
Other custodial disbursements	(3,882,291)
<b>Net cash used for operating activities</b>	<b>\$ (174,716,733)</b>

## Cash Flows from Noncapital Financing Activities:

State appropriations	\$ 107,396,004
Share of state sales tax receipts	17,079,198
Gifts and grants for other than capital purposes	119,011,187
Federal direct student lending received	134,497,906
Federal direct student lending disbursed	(134,171,878)
Financial aid trust funds	943,107
<b>Net cash provided by non-capital financing activities</b>	<b>\$ 244,755,524</b>

## Cash Flows from Capital Financing Activities:

Capital appropriations	\$ 4,879,500
Capital commitment- State lottery revenue	8,047,113
Capital grants and gifts received	2,923,811
Purchases of capital assets	(36,471,716)
Principal paid on capital debt and leases	(31,838,057)
Interest paid on capital debt and leases	(12,344,569)
<b>Net cash used for capital financing activities</b>	<b>\$ (64,803,918)</b>



## Statement of Cash Flows (continued)

### Cash Flows from Investing Activities:

Proceeds from sales and maturities of investments	\$ 5,774,516
Interest on investments	1,953,719
Purchase of investments	(7,762,553)
<b>Net cash used for investing activities</b>	<b>\$ (34,318)</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 5,200,555</b>

### Cash and Cash Equivalents

Cash and cash equivalents- July 1, 2020	252,075,070
Cash and cash equivalents- June 30, 2021	<u>\$ 257,275,625</u>

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

Operating loss	\$ (215,669,552)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	42,054,517
Other nonoperating revenue/expense	1,428,781
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables:	
Accounts receivable	4,280,051
Government grants and contracts	3,656,327
Student loans	277,753
Inventories	64,077
Other assets	328,001
Accounts payable	(5,242,126)
Deposits held for others	(6,422,871)
Accrued payroll and employee benefits	(2,694,377)
Net pension and other post-employment benefits liability	24,802,222
Deferred outflows of resources related to pensions and other post-employment benefits	(15,368,463)
Deferred inflows of resources related to pensions and other post-employment benefits	(13,184,879)
Unearned revenues	7,114,470
Accrued compensated absences	(140,664)
<b>Net cash used for operating activities</b>	<b>\$ (174,716,733)</b>

### Significant Noncash Transactions

Hat ranch capital gift	\$ 5,050,000
CARES act receivable	6,648,235
Change in fair value of investments	12,130,226
Financing of current debt (Note 5)	21,062,554

See Notes to Financial Statements

# Statement of Financial Position - Component Unit

Northern Arizona University Foundation, Inc.

June 30, 2021

## Assets

Cash and cash equivalents	\$	3,993,897
Promises to give, net		9,324,522
Bequests receivable		293,812
Interest and other receivables		140,799
Investments		265,366,865
Cash surrender value of life insurance		7,609,602
EBS licenses, net		127,303
Assets held under split-interest agreements		3,807,651
Beneficial interest in perpetual trusts		3,929,199
Other assets		139,839
<b>Total assets</b>	<b>\$</b>	<b><u>294,733,489</u></b>

## Liabilities

Accounts payable and accrued liabilities	\$	347,732
Assets held in custody for others		48,743,468
Due to Northern Arizona University		15,033
Deferred revenue		5,216,209
Liabilities under split-interest agreements		2,242,685
<b>Total liabilities</b>	<b>\$</b>	<b><u>56,565,127</u></b>

## Net Assets

Without donor restrictions		
Board designated endowment	\$	15,139,014
Undesignated		(4,177,792)
With donor restrictions		
Purpose restricted		227,207,140
<b>Total net assets</b>	<b>\$</b>	<b><u>238,168,362</u></b>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>294,733,489</u></b>
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See Notes to Financial Statements

## Statement of Activities - Component Unit

Northern Arizona University Foundation, Inc.

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Public contributions	\$ 314,508	\$ 15,014,070	\$ 15,328,578
EBS revenue	2,193,707	-	2,193,707
Net investment return	4,670,947	44,134,243	48,805,190
Interest income on direct financing leases	189,892	-	189,892
Change in beneficial interest in perpetual trusts	-	626,699	626,699
Change in value of split-interest agreements	413,617	-	413,617
Change in cash surrender value of life insurance	-	566,668	566,668
Other income and support	11,747	168,162	179,909
Reclassification of donor intent	(52,101)	52,101	-
Net assets released from restrictions	21,064,127	(21,064,127)	-
<b>Total revenue, support, and gains</b>	<b>\$ 28,806,444</b>	<b>\$ 39,497,816</b>	<b>\$ 68,304,260</b>
<b>Expenses and Losses</b>			
Program expenses	\$ 18,969,459	-	\$ 18,969,459
Supporting services expense			
Management and general	1,312,197	-	1,312,197
Fundraising and development	4,814,047	-	4,814,047
Total supporting services expenses	\$ 6,126,244	-	\$ 6,126,244
<b>Total expenses and losses</b>	<b>\$ 25,095,703</b>	<b>-</b>	<b>\$ 25,095,703</b>
<b>Change in net assets</b>	<b>\$ 3,710,741</b>	<b>\$ 39,497,816</b>	<b>\$ 43,208,557</b>
<b>Net assets, Beginning of year</b>	<b>\$ 7,250,481</b>	<b>\$ 187,709,324</b>	<b>\$ 194,959,805</b>
<b>Net assets, End of year</b>	<b>\$ 10,961,222</b>	<b>\$ 227,207,140</b>	<b>\$ 238,168,362</b>

See Notes to Financial Statements

# Notes to the Financial Statements

## Note 1 – Summary of Significant Accounting Policies

### Financial Reporting Entity

As required by generally accepted accounting principles (GAAP), 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 Annual Financial Report.

The financial statements are presented in accordance with GAAP applicable to governmental colleges and universities engaged in business-type activities as adopted by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present all funds belonging to the University and its component units. The 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. Therefore, it 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 12.

For the year ended June 30, 2021, the University implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans* and assessed the impact to the business-type activities and fiduciary fund activities. Business-type activities may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the Statement of Net Position of the business-type activity if those assets, upon receipt, are normally expected to be held for three months or less. Fiduciary activities for the University qualify for the 3-month exception and will not require separate fiduciary fund financial statements. The University has chosen to report such assets and liabilities in its Statement of Net Position. Additions and deductions have been reported as cash inflows and cash outflows, respectively, in the operating activities category of the Statement of Cash Flows.

### Basis of Presentation

The accompanying financial statements are presented in accordance with GAAP as prescribed by the 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. Current liabilities are obligations that will be paid within one year of the statement date and current assets are those resources available to satisfy current liabilities. 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 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 as defined by GASB Statement No. 35. 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. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred, regardless of when the related cash flows take place.

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 recorded, 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 Investment Pools, 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. 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	\$100 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 books	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) 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.

## **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.

## **Restricted and Unrestricted Resources**

Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, sponsored research grants and contracts and gifts, and endowment and other restricted investments. 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.

## **Investment Earnings**

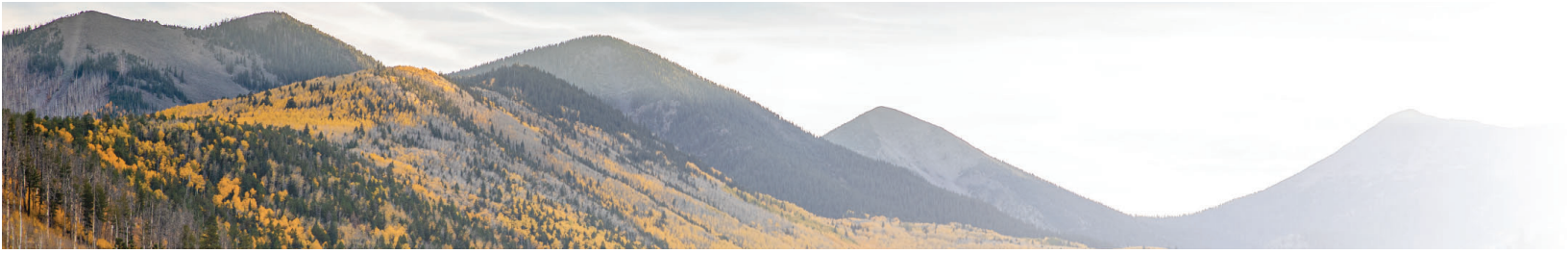
Net investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

## **Compensated Absences**

Compensated absences consist of vacation leave and compensatory time earned by employees based on services already rendered. Employees may accumulate up to 320 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.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative. Employees forfeit them upon terminating 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.





## Note 2 – Component Units

Component units can be 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, Inc. (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.

Northern Arizona Capital Facilities Finance Corporation, LLC (NACFFC), although legally separate, is reported as if it is 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 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, 2021, the Foundation distributed \$18.9 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, the Arizona Board of Regents (ABOR) provides policy regarding deposits. 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, 2021, the carrying amount of the University's deposits was \$24,728,845 and the bank balance was \$32,195,223. 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 and Federal Home Loan Bank.

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, 2021, the Foundation held \$48,526,027 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, 2021, was \$37,446,527.

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;
- Level 2: Inputs, other than quoted market prices included within Level 1, that are observable, either directly or indirectly;
- Level 3: Significant unobservable inputs.



The University's investments at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	As of June 30, 2021	Hierarchy Fair Value		
		Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
U.S. agency securities	\$ 17,158,006		\$ 17,158,006	
Government money market mutual funds	30,335,673	\$ 30,335,673		
<b>Total investments by fair value level</b>	<b>\$ 47,493,679</b>	<b>\$ 30,335,673</b>	<b>\$ 17,158,006</b>	

#### Investment pools measured at fair value

State Treasurer's investment pools 3, 4, and 500	\$ 201,905,672
NAU Foundation investment pool	48,526,027
Total investment pools measured at fair value	\$ 250,431,699
<b>Total investments</b>	<b>\$ 297,925,378</b>

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.

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, 2021, credit risk for the University's investments in debt securities was as follows:

Investment Type	Rating	Rating Agency	Amount
State Treasurer's investment pools 3, 4, and 500	Not Rated		\$ 201,905,672
Foundation investment pool	Not Rated		48,526,027
U.S. Agency Securities	AA+	Standard and Poor's	17,158,006
Government money market mutual funds	AAAm	Standard and Poor's	30,335,673
<b>Total</b>			<b>\$ 297,925,378</b>

## 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, 2021, the University had \$17,158,006 of U.S. agency securities and \$30,335,673 in Government money market mutual funds that were uninsured. The \$17,158,006 is not registered in the University's name and held by the counterparty, and the \$30,335,673 is not registered in the University's name and held by the counterparty trustee.

## 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. There are no investments in a single issuer currently exceeding 5 percent of total fair value.

## 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, 2021, utilizing the segmented time distribution method:

Investment Type	Fair Value	Maturity	
		< 1 Year	1 - 5 Years
State Treasurer Investment Pool 3	\$ 10,180,247	\$	\$ 10,180,247
State Treasurer Investment Pool 4	171,689,510	171,689,510	
State Treasurer Investment Pool 500	20,035,915		20,035,915
U.S. agency securities*	17,158,006	5,019,400	12,138,606
Government money market mutual funds	30,335,673	30,335,673	
<b>Total</b>	<b>\$ 249,399,351</b>	<b>\$ 207,044,583</b>	<b>\$ 42,354,768</b>

\*At June 30, 2021, the University held \$17,158,006 or 5.8 percent of investments in U.S. agency securities, including the Federal Farm Credit Bank and Federal Home Loan Bank Association, which may be considered highly sensitive to interest rate fluctuations because borrower repayment terms may vary.

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

Cash, deposits, and investments:		Statement of Net Position	
Cash on hand	\$ 14,918	Cash and cash equivalents	\$ 226,939,952
Cash and deposits in bank	24,728,845	Short term investments	5,019,400
Total investments	297,925,378	Restricted cash and cash equivalents	
<b>Total</b>	<b>\$ 322,669,141</b>	held by trustee for capital projects	30,335,673
		Long term investments	12,982,189
		Endowment investments	47,391,927
		<b>Total</b>	<b>\$ 322,669,141</b>

## Note 4 - Capital Assets

Capital asset activity for year ended June 30, 2021, is presented as follows:

	Balance					Balance
	July 1, 2020	Additions	Retirements	Transfers	June 30, 2021	
Land	\$ 24,938,038	\$ 3,646,829			\$ 28,584,867	
Construction in progress:						
Real property	7,482,330	28,743,496			36,225,826	
Intangible assets	1,445,911	121,451		\$ (1,567,362)	0	
<b>Total non-depreciable/ non-amortizable capital assets</b>	<b>\$ 33,866,279</b>	<b>\$ 32,511,776</b>		<b>\$ (1,567,362)</b>	<b>\$ 64,810,693</b>	
Buildings and improvements	\$ 1,118,866,009	\$ 3,014,490	\$ 665,280		\$ 1,121,215,219	
Infrastructure	159,000,319	1,580,377			160,580,696	
Equipment	95,916,291	4,500,251	5,816,706		94,599,836	
Intangible assets	11,599,685		2,862	\$ 1,567,362	13,164,185	
Library materials	45,578,140	39,516	19,861		45,597,795	
<b>Total depreciable/ amortizable capital assets</b>	<b>\$ 1,430,960,444</b>	<b>\$ 9,134,634</b>	<b>\$ 6,504,709</b>	<b>\$ 1,567,362</b>	<b>\$ 1,435,157,731</b>	
Less accumulated depreciation/ amortization						
Buildings and improvements	\$ 430,123,347	\$ 30,708,219			\$ 460,831,566	
Infrastructure	73,905,789	5,008,023			78,913,812	
Equipment	67,027,818	5,822,815	\$ 5,537,563		67,313,070	
Intangible assets	10,829,512	286,697			11,116,209	
Library materials	44,649,221	228,763	19,861		44,858,123	
<b>Total accumulated depreciation/ amortization</b>	<b>\$ 626,535,687</b>	<b>\$ 42,054,517</b>	<b>\$ 5,557,424</b>		<b>\$ 663,032,780</b>	
<b>Depreciable/ amortizable capital assets, net</b>	<b>\$ 804,424,757</b>	<b>\$ (32,919,883)</b>	<b>\$ 947,285</b>	<b>\$ 1,567,362</b>	<b>\$ 772,124,951</b>	
<b>Capital assets, net</b>	<b>\$ 838,291,036</b>	<b>\$ (408,107)</b>	<b>\$ 947,285</b>	<b>\$ -</b>	<b>\$ 836,935,644</b>	

In addition to expenditures through June 30, 2021, it is estimated that \$51.1 million will be required to complete projects under construction or planned for construction. Of that amount, \$12.4 million is contractually encumbered. These projects are being financed with a combination of 2020 lease revenue bonds, and University reserves.

## Note 5 - Long-Term Debt and Lease Obligations

A summary of changes in the long-term debt activity for the year ended June 30, 2021, is presented as follows:

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Current Portion
Revenue Bonds Payable	\$ 383,550,000		\$ 12,300,000	\$ 371,250,000	\$ 12,105,000
Direct Placement Revenue Bonds	\$ 148,255,000	\$ 21,355,000	6,125,000	163,485,000	6,335,000
Certificates of Participation	42,210,000		2,840,000	39,370,000	3,150,000
Capital Leases & Notes Payable	\$ 25,720,381		\$ 18,893,057	\$ 6,827,324	\$ 1,372,741
Subtotal long-term debt	\$ 599,735,381	\$ 21,355,000	\$ 40,158,057	\$ 580,932,324	\$ 22,962,741
Premiums on Sale of Debt	54,878,674		3,501,094	51,377,580	3,501,094
Total long-term debt	\$ 654,614,055	\$ 21,355,000	\$ 43,659,151	\$ 632,309,904	\$ 26,463,835

### Revenue Bonds Payable and Certificates of Participation

The University's bonded debt consists of various issues of System Revenue, Lease Revenue, and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semiannually. Bond proceeds are used to pay for acquiring or constructing capital facilities, infrastructure, and for refunding obligations from previously issued bonds.

For all outstanding SPEED revenue bonds, up to 80% 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 Statute. 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.

During the year ended June 30, 2021 the University issued System Revenue Refunding Bonds 2021 for \$21,355,000 as described below.

Series	Amount	Description	Issue Date	Interest Rate	Maturity Dates
2021 A Taxable	\$13,520,000	Serial Bonds	November 18, 2020	2.05%	June 2023 to 2030
2021 B Tax Exempt	\$7,835,000	Serial Bonds	May 19, 2021	1.82%	June 2024 to 2031

The University realized net proceeds of \$21,062,554 after payments of \$292,240 of issuance costs and underwriter discounts. The net proceeds were used to fund debt service costs due in fiscal year 2021 and were paid directly to the debt trustees. The net present value of the loss from the debt refunding was \$551,046. Details of the use of the funds for debt service in fiscal year 2021 as per the below breakdown (in thousands of dollars):

(in thousands)	Principal	Interest
2012 System Revenue	\$ 630	210
2014 System Revenue and Refunding	2,350	2,113
2015 System Revenue Refunding	1,085	2,171
2016 System Revenue and Refunding	1,570	1,499
2017 System Revenue Refunding	1,570	1,163
2017A System Revenue	990	577
2020AB System Revenue Refunding	125	5,018
Total	\$ 8,320	12,751

In prior years, the University refunded, in advance of maturity, a portion of the outstanding System Revenue Bonds Series 2014 by placing the bond proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. As of June 30, 2021, the outstanding principal balance of the refunded 2014 Bonds was \$15,070,000, which will be paid by investments held in an irrevocable trust with a fair value of \$17,117,971. The term bonds have a call date of 6/1/2024. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the University's financial statements.

In prior years, the University refunded, in advance of maturity, a portion of the outstanding SPEED Revenue Bonds Series 2013 by placing the bond proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. As of June 30, 2021, the outstanding principal balance of the refunded bonds was \$32,190,000, which will be paid by investments held in the trust with a fair value of \$34,895,335. The trust account assets and liabilities for the defeased bonds are not included in the University's financial statements.

The University utilizes Certificates of Participation (COPS) and Lease Revenue Bonds (LRB) to acquire buildings, land, and infrastructure. COPS and LRBs are generally callable, with interest payable semiannually 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, the Science Lab Facility and to renovate the Engineering building. LRBs purchased Pine Ridge Village, McKay Village, High Country Conference Center, the Student and Academic Services building and the Student Athlete Health Performance Center (SAHPC). Construction on the SAHPC started during fiscal year 2020 and is expected to be complete in early 2022.

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, 2021. 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 \$315.9 million for the prior five years. For fiscal year 2021 pledged revenues totaled \$293.8 million of which 10% (\$29.7 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.9% 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 \$600.4 million.

The following schedule details debt service requirements to maturity for System Revenue, Speed and Lease Bonds and Certificates of Participation payable at June 30, 2021:

Year	System Revenue, Speed and Lease Bonds		Direct Placement System Revenue and Lease Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 12,105,000	\$ 16,720,290	\$ 6,335,000	\$ 4,396,160	\$ 3,150,000	\$ 1,837,250
2023	12,680,000	16,138,800	9,065,000	4,208,884	3,580,000	1,661,833
2024	13,265,000	15,525,368	10,280,000	3,963,219	3,765,000	1,475,125
2025	16,700,000	14,862,338	10,580,000	3,694,109	3,530,000	1,296,667
2026	17,650,000	14,038,004	10,910,000	3,416,836	3,710,000	1,112,667
2027-2031	102,210,000	56,258,511	57,770,000	12,614,689	21,635,000	2,452,292
2032-2036	97,175,000	33,469,771	36,380,000	5,507,192		
2037-2041	74,050,000	12,221,518	14,485,000	2,139,895		
2042-2044	25,415,000	1,549,360	7,680,000	416,080		
<b>Total</b>	<b>\$ 371,250,000</b>	<b>\$ 180,783,960</b>	<b>\$ 163,485,000</b>	<b>\$ 40,357,064</b>	<b>\$ 39,370,000</b>	<b>\$ 9,835,834</b>

(in thousands)	Average Interest Rate	Final Maturity	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021
<b>Revenue Bonds:</b>						
2012 System Revenue	4.46%	6/1/2029	\$ 6,475		\$ (630)	\$ 5,845
2014 System Revenue and Refunding	4.98%	6/1/2038	42,250		(2,350)	39,900
2015 System Revenue Refunding	5.00%	6/1/2037	43,415		(1,085)	42,330
2016 System Revenue and Refunding	4.93%	6/1/2038	30,640		(1,570)	29,070
2020AB System Revenue Refunding	4.39%	6/1/2044	111,640		(125)	111,515
<b>Subtotal - System Revenue Bonds</b>			\$ 234,420		\$ (5,760)	\$ 228,660
<b>Direct Placement Revenue Bonds:</b>						
2017 System Revenue Refunding	2.91%	6/1/2034	39,950		(1,570)	38,380
2017A System Revenue	2.58%	6/1/2038	22,360		(990)	21,370
2021AB System Revenue Refunding	1.91%	6/1/2031		21,355		21,355
<b>Subtotal - Direct Placement Bonds</b>			\$ 62,310	\$ 21,355	\$ (2,560)	\$ 81,105
2010 SPEED Revenue	6.16%	8/1/2020	3,790		(3,790)	-
2013 SPEED Revenue	4.65%	8/1/2042	38,015		(1,795)	36,220
2020 SPEED Revenue Refunding	3.61%	8/1/2043	76,150		(255)	75,895
<b>Subtotal - SPEED Revenue Bonds</b>			\$ 117,955		\$ (5,840)	\$ 112,115
2014 Lease Revenue Student & Academic Services	4.99%	6/1/2044	31,175		(700)	30,475
<b>Subtotal - Lease Revenue Bonds</b>			\$ 31,175		\$ (700)	\$ 30,475
<b>Direct Placement Lease Revenue Bonds:</b>						
2016 Lease Refunding North Campus	2.61%	6/1/2036	8,935		(460)	8,475
2017 Lease Refunding Pine Ridge/ Campus Heights	2.90%	6/1/2033	30,230		(1,710)	28,520
2020 Lease Revenue Student Athlete High Performance Center	2.80%	6/1/2044	46,780		(1,395)	45,385
<b>Subtotal - Direct Lease Revenue Bonds</b>			\$ 85,945	\$ -	\$ (3,565)	\$ 82,380
<b>Subtotal: Revenue Bonds</b>			\$ 531,805	\$ 21,355	\$ (18,425)	\$ 534,735
<b>Certificates of Participation (COP's):</b>						
2013 Refunding COP's	4.78%	9/1/2030	28,535		(2,375)	26,160
2015 Refunding COP's	4.92%	9/1/2030	13,675		(465)	13,210
<b>Subtotal: COP's</b>			\$ 42,210		\$ (2,840)	\$ 39,370
<b>Total Par Amount of Bonds and COP's</b>			\$ 574,015	\$ 21,355	\$ (21,265)	\$ 574,105
<b>Discounts/Premiums on Sale of Bonds and COP's</b>			\$ 54,878	\$ -	\$ (3,501)	\$ 51,377
<b>Total Bonds and COP's Payable</b>			\$ 628,893	\$ 21,355	\$ (24,766)	\$ 625,482

## 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.

**Capital Lease Debt Service Requirements** - The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2021:

Year Ending	
2022	\$ 1,599,960
2023	1,196,606
2024	1,196,500
2025	1,196,390
2026	1,196,276
2027	1,196,157
Total minimum lease payments	\$ 7,581,889
Less amount representing interest	(754,565)
Present value of net minimum lease payments	\$ 6,827,324

During May of 2021, the University utilized cash holdings to pay off the capital lease for and notes payable due to Northern Arizona Real Estate Holdings LLC (NAREH) and eliminated the higher interest rate (5.5% and 5% per annum) debt. An amount of \$17,506,812 in principal payments and \$387,877 in interest accrued through May 2021 was paid to NAREH to settle this debt. This settlement will save the University \$7,875,686 in interest expense over the next 17 years. This debt is now extinguished, and the liability is removed the University's financial statements.

**Capital Lease Financing** - Following is a summary of capital assets financed by capital leases at June 30, 2021:

Building Improvements*	17,051,207
Equipment	1,952,680
Total cost of assets	19,003,887
Less: accumulated depreciation	(13,421,953)
Carrying value of assets	\$ 5,581,934

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

## Capital Lease Commitments to Lessors at June 30, 2021:

	Average Interest Rate	Final Maturity	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Energy Conservation Equipment Lease Purchase	\$ 3.53%	6/1/2027	\$ 7,382,851		\$ 947,268	\$ 6,435,583	\$ 981,001
Northern Arizona Real Estate Holdings, LLC	5.50%	5/19/2021	3,965,000		3,965,000		
Dell Financial Services, LLC	3.85%	4/1/2022	767,039		375,298	391,741	391,741
Police Cars	25.78%	6/15/2021	63,679		63,679		
Northern Arizona Real Estate Holdings, LLC Notes Payable	5.00%	5/19/2021	13,541,812		13,541,812		
<b>Total Capital Leases</b>			<b>\$ 25,720,381</b>		<b>\$ 18,893,057</b>	<b>\$ 6,827,324</b>	<b>\$ 1,372,742</b>

## Operating Leases

The University leases numerous classroom facilities for extended campus instruction, student housing, 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 \$8.9 million for the year ended June 30, 2021. The operating leases have remaining terms from one to eight years and provide renewal options. The following schedule details future operating lease payments to maturity for leases greater than \$25,000.

Year	
2022	\$ 8,639,348
2023	8,713,564
2024	3,301,006
2025	1,806,681
2026	1,392,076
2027-2029	4,176,228
Total minimum lease payments	\$ 28,028,903

## Note 6 – Self-Insurance Program

The University is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Arizona Revised Statutes §41-621 et seq. the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Division. The State’s Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations, 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.

The University has a Risk Management division that monitors and manages risk exposure. 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 Annual Financial Report.

## Note 7 – Unearned Revenue and Deposits

Unearned revenue consists primarily of amounts received for tuition and fees for future terms, as well as money from grants and sponsors that have not yet been earned under the terms of the agreement. It also includes amounts received in advance for auxiliary services such as student housing or advance ticket sales for events.

Unearned revenue and deposits as of June 30, 2021, consist of the following:

<b>Current Unearned Revenue and Deposits</b>	
Tuition and Fees	\$ 13,442,228
Unexpended cash advances received for sponsored projects	10,282,870
Auxiliary sales and services	1,216,301
Deposits held for others	303,154
Endowment	33,014
<b>Total Unearned Revenue and Deposits \$</b>	<b>25,277,567</b>

## Note 8 - 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 320 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, 2021, was as follows:

<b>Accrued Compensation</b>	
Beginning balance	\$ 7,893,417
Additions	9,509,844
Reductions	(9,650,507)
Ending balance	\$ 7,752,754
<b>Current portion</b>	<b>\$ 815,260</b>



## Note 9 - 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, 2021

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	\$ 135,123,512	\$ 13,088,023			\$ 148,211,535
Research	38,423,090	13,211,449			51,634,539
Public service	13,956,810	10,778,130			24,734,940
Academic support	33,452,049	5,428,352			38,880,401
Student services	32,683,235	23,508,797			56,192,032
Institutional support	47,250,581	24,580,370			71,830,951
Operation and maintenance of plant	2,422,573	20,225,875			22,648,448
Scholarships			\$ 53,646,163		53,646,163
Auxiliary enterprises	\$ 32,467,016	\$ 6,359,934			38,826,950
Depreciation				\$ 42,054,517	42,054,517
<b>Total</b>	<b>\$ 335,778,866</b>	<b>\$ 117,180,930</b>	<b>\$ 53,646,163</b>	<b>\$ 42,054,517</b>	<b>\$ 548,660,476</b>



## Note 10 – 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 administered by independent insurance and annuity companies approved by ABOR. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered multiple-employer defined benefit pension plan. Although the defined contribution plans and PSPRS net pension liabilities have been recorded at June 30, 2021, the defined contribution plans and PSPRS have not been further disclosed due to their 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](http://www.azasrs.gov).

The University's net pension liability at June 30, 2021, was comprised of the following:

ASRS	\$ 194,502,316
PSPRS	8,135,847
Defined contribution pension plans	3,475,019
<b>Total net pension liability</b>	<b>\$ 206,113,182</b>

Changes in the University's net pension liability during the fiscal year ended June 30, 2021, were as follows:

Beginning balance	\$ 181,590,893
Increases	51,354,434
Decreases	(26,832,145)
<b>Ending balance</b>	<b>\$ 206,113,182</b>
<b>Current portion</b>	<b>\$ 1,101,312</b>

## 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:

	<b>Retirement</b>	
	<b>Initial membership date:</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.04 percent for retirement of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 11.65 percent for retirement of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 10.14 percent for retirement 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, 2021, were \$13,972,217.

## Pension Liability

At June 30, 2021, the University reported a liability of \$194,502,316 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020.

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, 2020. The University's proportion measured as of June 30, 2020, was 1.12 percent and the change from its proportion measured as of June 30, 2019, was (0.05) percent.

## Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the University recognized pension expense for ASRS of \$17,232,998. At June 30, 2021, 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	\$ 1,759,611	
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments	18,759,976	
Changes in proportion and differences between University contributions and proportionate share of contributions		\$ 4,676,146
University contributions subsequent to the measurement date	13,972,217	
<b>Total</b>	<b>\$ 34,491,804</b>	<b>\$ 4,676,146</b>

The \$13,972,217 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, 2022.

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	Pension Expense
2022	\$ (312,180)
2023	3,567,576
2024	6,785,683
2025	5,802,362

### Actuarial Assumptions

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
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, 2019, 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%	6.39%
Fixed Income- Credit	20%	5.44%
Fixed Income- Interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
<b>Total</b>	<b>100%</b>	

### Discount Rate

The discount rate used to measure the ASRS total pension liability was 7.5 percent. 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%)	\$	265,979,278
Current discount rate (7.5%)		194,502,316
1% increase (8.5%)		134,751,248

### 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 \$547,050 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2021.

## Note 11 - 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, 2021, 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, 2021, were as follows:

Beginning balance	\$	5,638,460
Increases		46,378,037
Decreases		(46,098,103)
Ending balance	\$	5,918,394

### 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 Blue Cross Blue Shield (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, 2020, plan membership consisted of the following:

Retired employees currently receiving health benefits*	309
Active employees	2,888
<b>Total</b>	<b>3,197</b>

\*Includes retirees and surviving spouses that are over the age of 65.

### 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, 2021, the University reported an OPEB liability of \$5,894,330. The total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability as of June 30, 2020, reflects no plan changes since the prior valuation.

<b>Arizona Department of Administration</b>	<b>Total OPEB Liability</b>
Balance at 6/30/2020	\$ 5,230,921
Service cost	605,741
Interest	176,592
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	270,566
Expected benefit payments	(389,490)
Net change in total OPEB liability	\$ 663,409
Balance at 6/30/2021	\$ 5,894,330

### OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the University recognized negative OPEB expense of \$6,956,465. The following chart reflects the deferred outflows and inflows of resources related to OPEB.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions or other inputs	\$ 785,679	\$ 29,816,884
Difference between expected and actual experience in the Total OPEB Liability		5,022,431
University contributions subsequent to the measurement date	407,531	
<b>Total</b>	<b>\$ 1,193,210</b>	<b>\$ 34,839,315</b>

The \$407,531 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	<b>OPEB Expense Amount</b>
2022	(7,738,798)
2023	(7,738,798)
2024	(7,738,798)
2025	(7,738,798)
2026	(2,538,198)
Thereafter	(560,246)

### Sensitivity Analysis

The following table presents the impact of the OPEB liability calculated using the discount rate of 2.45 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:

	<b>Total OPEB Liability</b>
1% decrease (1.45%)	\$ 6,314,697
Current discount rate (2.45%)	5,894,330
1% increase (3.45%)	5,497,477

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:

	<b>Total OPEB Liability</b>
1% decrease in trend rates	\$ 5,243,543
Current trend rates	5,894,330
1% increase in trend rates	6,668,750

## 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, 2019
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Salary increases	0.00% to 4.50%, not including wage inflation of 2.70%
Discount rate	2.45% as of June 30, 2020
Healthcare cost trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 13 years
Participation rates	35% of employees not currently waiving medical coverage eligible to retire and receive subsidized postretirement welfare coverage were assumed to elect medical coverage. Active members currently declining coverage were assumed to decline coverage at retirement.  30% of retirees are assumed to also have a spouse that elects coverage. 95% of participants are assumed to elect coverage under the NAU PPO plan and 5% are assumed to elect coverage on the State EPO plan.
Mortality	<p><i>Healthy Employees</i></p> <p>RP-2014 Active Member Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales (through 2019) and are projected from the year 2014.</p> <p><i>Healthy Retirees and Spouses</i></p> <p>2017 State Retirees of Arizona (SRA) Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales (through 2019) and are projected from the year 2017.</p> <p><i>Disabled Retirees</i></p> <p>RP-2014 Disabled Retiree Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales (through 2019) and are projected from the year 2014.</p>

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, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

### 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 sale). For this purpose, the Bond Buyer 20-Bond General Obligation Municipal Bond Index was used. The index value as of the June 30, 2020, measurement date is 2.45%, and as of June 30, 2019, is 3.13%.

## **Note 12 – Discretely Presented Component Unit Disclosures**

### **A. Principal Activity and Significant Accounting Policies**

#### **Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

#### **Promises to Give**

The Foundation records unconditional promises to give that are expected to be collected within one year 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 consolidated statement of activities. Management determines the allowance for uncollectable 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 uncollectable. At June 30, 2021, the allowance was \$277,681.

#### **Receivables and Credit Policy**

Accounts receivable consist primarily of interest receivable and educational broadband services (EBS) license receivables. Allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. There was no allowance at June 30, 2021.

#### **Cash Surrender Value of Life Insurance**

The Foundation is the owner and beneficiary of six life insurance policies covering the lives of certain donors to the Foundation. The policies are recorded at their cash surrender value at the policy's anniversary date. Policy earnings and expenses are included in the accompanying consolidated statement of activities.

## **Educational Broadband Services License and Deferred Revenue**

The Foundation has been granted several EBS licenses from the Federal Communications Commission (FCC), which have been fully amortized since the date of donation. Additionally, the Foundation has entered into an agreement to purchase EBS licenses with initial funding of \$15,000,000 from an outside corporation. Under the agreement, the Foundation purchases EBS licenses and then subsequently leases the licenses to the outside corporation. The Foundation recognizes revenue at the time of purchase of an EBS license and recognizes rent revenue for the duration of the lease agreement. Any unspent proceeds from the initial funding are reflected as deferred revenue in the accompanying consolidated statement of financial position.

The cost of the purchased licenses is amortized using the straight-line method over estimated useful lives of ten years or the remaining life of the license, whichever is shorter at time of acquisition.

#### **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 consolidated statement of financial position. Net investment gain/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

For management efficiency, investments of the net assets with donor restrictions and net assets without donor restrictions are pooled, except for certain assets that the board of directors or the donors have designated to be segregated and maintained separately.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, board-designated endowments.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.



Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### **Revenue and Revenue Recognition**

Revenue from EBS leases, investment activities, management fees, other fees and charges, and non-contribution related revenue is recognized when earned. Revenue received in advance is recorded as deferred revenue in the accompanying consolidated statements of financial position. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No such contributions were received during the year ended June 30, 2021.

### **Financial Instruments and Credit Risk**

The Foundation manages deposit concentration risk by placing cash and investments with financial institutions and investment brokerage firms believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds held at financial institutions. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates.

Investments are made by an investment manager whose performance is monitored by management and the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

## **B. Endowments**

The Foundation's endowment (the Endowment) consists of approximately 850 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, 2021, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment	\$ 15,139,014		\$ 15,139,014
Donor-restricted quasi-endowment		\$ 6,236,282	6,236,282
Donor-restricted for permanent endowment			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor		88,553,273	88,553,273
Accumulated investment gains		68,711,958	68,711,958
Total	\$ 15,139,014	\$ 163,501,513	\$ 178,640,527

From time to time, 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. At June 30, 2021, deficiencies of \$10,801 are reported in net assets with donor restrictions.

### C. Fair Value Measurements and Disclosures

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.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of common stock, money market funds, and open-end mutual funds with readily determinable fair values based on daily market prices or redemption values. Corporate bonds, commercial paper and certificates of deposit are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions. These are classified within Level 2.

The fair values of obligations under split-interest agreements are determined using present value techniques, actuarial tables, the fair values of trust investments as reported by the trustees or held by the Foundation, and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and liabilities. The fair values of beneficial interests in charitable and perpetual trusts are determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

The Foundation measures the fair value of assets held in custody for others based on a pooling of investments based on a net asset value per share of the pool. Since the fair value of the majority of the liability balance is based primarily upon the observable inputs used during the valuation of the assets but not based upon identical inputs for identical agency liabilities, a Level 2 classification has been assigned for the inputs used to determine the fair value of the majority of assets held in custody for others liability.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

	Amount	Fair Value Measurements at Report Date Using		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Operating investments				
Mutual Fund				
Municipal Bond Mutual Fund	\$ 44,373,967	\$ 44,373,967		
Exchange Traded Funds	1,237,236	1,237,236		
Equity Mutual Funds	99,875,698	99,875,698		
International Bond Mutual Funds	12,705,081	12,705,081		
International Equity Mutual Funds	97,675,511	97,675,511		
Common Stock	4,739,119	4,739,119		
International Bonds	504,994		\$ 504,994	
Other	999,832		999,832	
Certificates of Deposit	249,750		249,750	
Corporate Bonds	389,716		389,716	
Cash and Cash Equivalents	2,615,961			
Total	\$ 265,366,865	\$ 260,606,612	\$ 2,144,292	
Assets held under split-interest agreements				
Mutual Fund				
Corporate Bond Mutual Fund	\$ 1,664,617		\$ 1,664,617	
Equity Mutual Funds	2,070,433	\$ 2,070,433		
Alternative Investment Mutual Funds	27,243	27,243		
Money Market Funds	45,358	45,358		
Total	\$ 3,807,651	\$ 2,143,034	\$ 1,664,617	
Beneficial interests in				
Perpetual trusts	\$ 3,929,199		\$ 3,929,199	

	Fair Value Measurements at Report Date Using			
	Amount	Level 1	Level 2	Level 3
<b>Liabilities</b>				
Assets held in custody for others	\$ 48,743,468		\$ 48,743,468	
Liabilities under split-interest agreements	\$ 2,242,685			\$ 2,242,685

#### D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021:

Within one year	\$ 3,146,363
In one to five years	5,776,883
Over five years	766,189
	<u>\$ 9,689,435</u>
Less discount to present value at rates ranging from 0.1% - 2.33%	(87,232)
Less allowance for uncollectible promises to give	(277,681)
	<u>\$ 9,324,522</u>

At June 30, 2021, two donors accounted for approximately 25% 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, 2021:

Cash	\$ 1,805,002
Pledges receivable	740
Investments	46,151,834
Beneficial interest in perpetual trust	785,892
	<u>\$ 48,743,468</u>
Assets held on behalf of:	
Northern Arizona University	\$ 48,526,026
NAU Parents' Association	217,442
	<u>\$ 48,743,468</u>

#### F. Related Party Transactions

Members of the Foundation's board of directors have made contributions and pledges to the Foundation in the current and prior years. At June 30, 2021, gross unconditional pledges receivable from these members totaled \$157,800. During the year ended June 30, 2021, the Foundation recognized contribution revenue from these donors of \$217,856.

During the year ended June 30, 2021, the Foundation recognized expenses for scholarships to Northern Arizona University of \$3,600,265. Additionally, as of June 30, 2021, the Foundation has a liability to Northern Arizona University for \$15,033 in connection with a management services agreement whereby the Foundation would owe 95% of any realized value of certain stock to the University.



# Required Supplementary Information

## Schedule of University's Proportionate Share of Net Pension Liability - Arizona State Retirement System - June 30, 2021

Year Ended June 30, Reporting Fiscal Year (Measurement Date)	University's proportion of the net pension liability	University's proportionate share of the net pension liability	University's covered payroll	University's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021 / (2020)	1.12%	\$ 194,502,316	\$ 123,967,911	162%	69.33%
2020 / (2019)	1.17%	170,081,275	123,597,111	138%	73.24%
2019 / (2018)	1.17%	163,184,982	116,750,466	140%	73.40%
2018 / (2017)	1.14%	177,603,799	111,651,187	159%	69.92%
2017 / (2016)	1.14%	183,823,445	106,912,713	172%	67.06%
2016 / (2015)	1.13%	175,686,559	104,361,657	168%	68.35%
2015 / (2014)	1.06%	156,806,397	96,736,181	162%	69.49%
2014 through 2012				Information not available	

## Schedule of University's Pension Contributions - Arizona State Retirement System - June 30, 2021

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
2021	\$ 13,972,217	\$ 13,972,217	\$	120,281,108	11.62%
2020	14,158,925	14,158,925		123,967,911	11.42%
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%

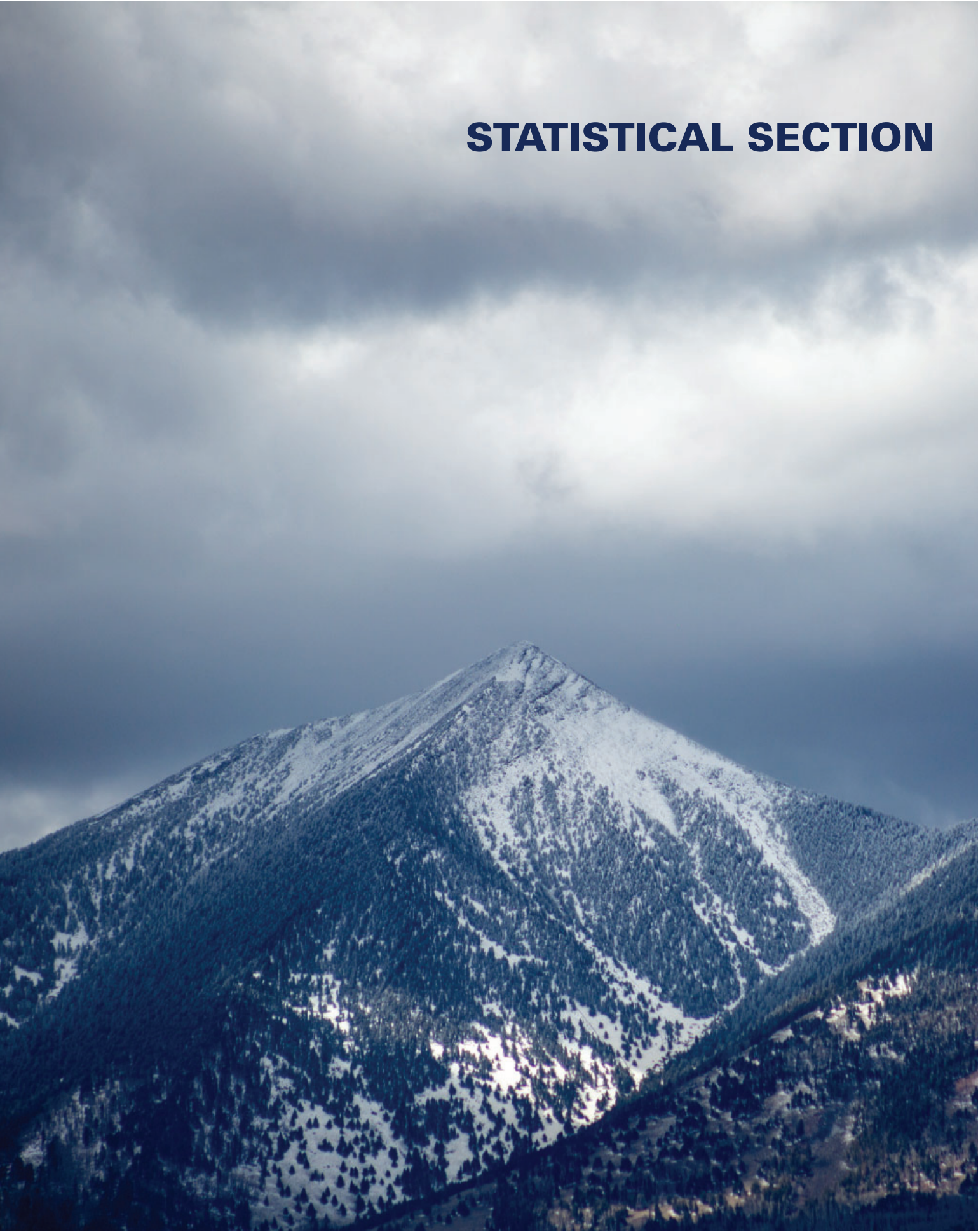
## Schedule of Changes in Total OPEB Liability - June 30, 2021

Arizona Department of Administration Other Postemployment Benefits	Reporting Fiscal Year (Measurement Date)				2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Service cost	\$ 605,741	\$ 474,116	\$ 880,795	\$ 5,002,684	
Interest	176,592	341,069	315,381	1,798,612	
Change of benefit terms				(185,220)	Information
Differences between expected and actual experience		(4,350,723)		(3,326,316)	Not Available
Changes of assumptions	270,566	736,476	(179,990)	(57,396,230)	
Expected benefit payments	(389,490)	(618,107)	(593,683)	(1,554,279)	
Net change in total OPEB liability	\$ 663,409	\$ (3,417,169)	\$ 422,503	\$ (55,660,749)	
Total OPEB liability- beginning	5,230,921	8,648,090	8,225,587	63,886,336	
Total OPEB liability- ending	\$ 5,894,330	\$ 5,230,921	\$ 8,648,090	\$ 8,225,587	
Covered employee payroll*	201,087,393	195,800,772	189,497,552	184,515,630	
Plan total OPEB liability as a percentage of covered employee payroll	2.93%	2.67%	4.56%	4.46%	

\*Covered-employee payroll is the amount in force as of the valuation date and likely differs from the actual payroll paid during the year.



# STATISTICAL SECTION





# Narrative to the Statistical Section

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## Net Position by Component

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated
(Dollars in thousands)										
Net Investment in Capital Assets	\$262,474	\$248,641	\$245,903	\$232,568	\$269,240	\$265,882	\$268,007	\$234,187	\$215,847	\$218,676
Restricted, Non-expendable	17,969	19,142	26,258	25,107	24,625	23,593	22,540	21,770	20,430	19,517
Restricted, Expendable	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571
Unrestricted	(40,935)	(70,943)	(60,756)	(59,530)	(45,408)	(39,221)	(32,051)	154,120	172,284	178,600
<b>Total Net Position</b>	<b>\$307,413</b>	<b>\$250,898</b>	<b>\$259,551</b>	<b>\$242,739</b>	<b>\$287,650</b>	<b>\$282,438</b>	<b>\$291,094</b>	<b>\$439,539</b>	<b>\$435,219</b>	<b>\$434,364</b>
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	85.4	99.2	94.8	95.8	93.6	94.1	92.1	53.3	49.6	50.3
Restricted, Non-expendable	5.8	7.6	10.1	10.3	8.6	8.4	7.7	4.9	4.7	4.5
Restricted, Expendable	22.1	21.5	18.5	18.4	13.6	11.4	11.2	6.7	6.1	4.0
Unrestricted	(13.3)	(28.3)	(23.4)	(24.5)	(15.8)	(13.9)	(11.0)	35.1	39.6	41.2
<b>Total Net Position</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
% increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	5.6	1.1	5.7	(13.6)	1.3	(0.8)	14.4	8.5	(1.3)	9.2
Restricted, Non-expendable	(6.1)	(27.1)	4.6	2.0	4.4	4.7	3.5	6.6	4.7	2.5
Restricted, Expendable	25.6	12.3	8.0	13.8	21.8	(1.3)	10.6	10.5	51.7	7.4
Unrestricted	42.3	(16.8)	(2.1)	(31.1)	(15.8)	(22.4)	(120.8)	(10.5)	(3.5)	(2.0)
<b>Total Net Position</b>	<b>22.5</b>	<b>(3.3)</b>	<b>6.9</b>	<b>(15.6)</b>	<b>1.8</b>	<b>(3.0)</b>	<b>(33.8)</b>	<b>1.0</b>	<b>0.2</b>	<b>3.9</b>

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.

## Operating Expenses by Natural Classification

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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(Dollars in thousands)

Personal Services	\$251,970	\$267,900	\$260,390	\$254,688	\$243,537	\$233,543	\$233,110	\$222,481	\$205,196	\$190,541
Benefits	87,732	92,137	89,195	86,550	82,172	78,687	77,386	71,173	63,691	63,855
Pensions and OPEB (1)	(3,923)	(2,487)	(15,094)	(2,521)	11,741	10,926	3,149			
Personal Services and Benefits	335,779	357,550	334,491	338,717	337,450	323,156	313,645	293,654	268,887	254,396
Operations	117,181	142,004	140,987	136,563	130,446	119,182	113,048	109,185	109,435	95,731
Scholarships	53,646	46,946	39,857	38,658	35,290	31,485	29,068	25,412	24,211	25,576
Depreciation	42,055	45,239	42,822	42,830	41,538	37,964	35,123	33,256	31,388	27,260

Total Operating Expenses by Natural Classification	\$548,661	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963
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Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services	45.9	45.3	46.6	45.7	44.7	45.6	47.5	48.2	47.3	47.3
Benefits	16.0	15.6	16.0	15.5	15.1	15.4	15.8	15.4	14.7	15.8
Pensions and OPEB (1)	(0.7)	(0.4)	(2.7)	(0.5)	2.2	2.1	0.6			
Personal Services and Benefits	61.2	60.5	59.9	60.8	61.9	63.1	63.9	63.6	62.0	63.1
Supplies and Services	21.4	24.0	25.3	24.5	23.9	23.3	23.0	23.7	25.2	23.8
Student Aid	9.8	7.9	7.1	6.9	6.5	6.2	5.9	5.5	5.6	6.3
Depreciation	7.6	7.6	7.7	7.7	7.6	7.4	7.2	7.2	7.2	6.8

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
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% increase (decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services	(5.9)	2.9	2.2	4.6	4.3	0.2	4.8	8.4	7.7	3.4
Benefits	(4.8)	3.3	3.1	5.3	4.4	1.7	8.7	11.7	(0.3)	0.3
Pensions and OPEB (1)	57.7	(83.5)	498.7	(121.5)	7.5	247.0				
Personal Services and Benefits	(6.1)	6.9	(1.2)	0.4	4.4	3.0	6.8	9.2	5.7	2.6
Supplies and Services	(17.5)	0.7	3.2	4.7	9.5	5.4	3.5	(0.2)	14.3	5.7
Student Aid	14.3	17.8	3.1	9.5	12.1	8.3	14.4	5.0	(5.3)	(12.5)
Depreciation	(7.0)	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0	15.1	24.0

Total Operating Expenses by Natural Classification	(7.3)	6.0	0.2	2.2	6.4	4.3	6.4	6.4	7.7	3.4
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## Change in Net Position

Fiscal Year Ended June 30, (Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated
<b>Revenues</b>										
Operating Revenues										
Student tuition and fees, net	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864
Governmental grants and contracts	40,695	38,514	35,287	29,818	25,802	22,772	22,288	19,594	19,521	18,461
Private grants and contracts	5,573	4,866	4,618	4,127	4,372	3,438	2,793	2,865	3,518	2,119
Residence Life	28,753	33,189	35,729	32,437	32,791	32,141	31,602	29,870	30,541	29,534
Other auxiliaries	24,605	24,917	29,850	34,042	27,656	24,745	23,443	21,424	20,096	16,272
Other revenues	14,913	19,438	24,931	22,362	23,110	21,577	23,215	20,246	17,410	17,190
<b>Total Operating Revenues</b>	<b>\$332,991</b>	<b>\$354,835</b>	<b>\$368,020</b>	<b>\$359,576</b>	<b>\$351,661</b>	<b>\$321,720</b>	<b>\$308,891</b>	<b>\$282,815</b>	<b>\$263,651</b>	<b>\$241,440</b>
<b>Expenses</b>										
Operating Expenses										
Instruction	\$148,212	\$171,180	\$168,338	\$174,245	\$176,334	\$169,385	\$167,080	\$156,021	\$142,282	\$134,272
Research	51,635	55,608	46,113	40,655	36,068	30,142	25,461	23,584	19,886	21,766
Public service	24,735	28,945	30,924	31,665	28,866	28,163	27,009	25,699	26,935	28,352
Academic support	38,880	36,939	38,445	39,482	41,074	40,506	36,182	33,877	32,164	28,858
Student services	56,192	69,409	57,210	55,138	54,246	53,834	50,335	50,504	42,145	36,274
Institutional support	71,831	70,740	62,202	64,158	59,238	52,447	57,141	53,702	47,265	41,789
Operation and maintenance of plant	22,648	23,368	27,456	29,031	31,003	29,790	25,779	26,693	23,259	21,781
Scholarship and fellowship	53,646	46,946	39,857	38,659	35,290	31,485	29,068	25,412	24,211	25,576
Auxiliary enterprises	38,827	43,365	44,790	40,905	41,067	38,071	37,706	32,759	44,386	37,035
Depreciation	42,055	45,239	42,822	42,830	41,538	37,964	35,123	33,256	31,388	27,260
<b>Total Operating Expenses</b>	<b>\$548,661</b>	<b>\$591,739</b>	<b>\$558,157</b>	<b>\$556,768</b>	<b>\$544,724</b>	<b>\$511,787</b>	<b>\$490,884</b>	<b>\$461,507</b>	<b>\$433,921</b>	<b>\$402,963</b>
<b>Operating loss</b>	<b>\$(215,670)</b>	<b>\$(236,904)</b>	<b>\$(190,137)</b>	<b>\$(197,192)</b>	<b>\$(193,063)</b>	<b>\$(190,067)</b>	<b>\$(181,993)</b>	<b>\$(178,692)</b>	<b>\$(170,270)</b>	<b>\$(161,523)</b>
<b>Nonoperating Revenues (Expenses)</b>										
State operating appropriations	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469	\$103,670
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	-
Share of state tax-TRIF	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492	11,157
Government grants	119,622	86,950	73,183	71,612	68,533	66,142	59,658	56,413	57,569	60,200
Private gifts and grants	13,259	14,550	14,175	14,460	14,050	13,093	13,032	10,920	9,925	10,367
Investment income	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174	2,678
Interest on debt	(22,441)	(23,990)	(28,084)	(28,061)	(28,144)	(27,187)	(22,723)	(23,696)	(23,456)	(22,852)
Other nonoperating revenues, net	8,361	5,957	14,330	16,126	15,488	10,578	8,271	8,987	5,703	4,229
<b>Net Nonoperating Revenues</b>	<b>\$258,388</b>	<b>\$218,529</b>	<b>\$198,903</b>	<b>\$192,490</b>	<b>\$187,648</b>	<b>\$172,045</b>	<b>\$185,302</b>	<b>\$176,223</b>	<b>\$165,876</b>	<b>\$169,449</b>
<b>Income/(loss) before other revenues, expenses, gains, or losses</b>	<b>\$42,718</b>	<b>\$(18,375)</b>	<b>\$8,766</b>	<b>\$(4,702)</b>	<b>\$(5,415)</b>	<b>\$(18,022)</b>	<b>\$3,309</b>	<b>\$(2,469)</b>	<b>\$(4,394)</b>	<b>\$7,926</b>
Capital appropriations	\$4,879	\$5,900	\$5,896	\$5,897	\$4,247	\$5,493	\$5,827	\$5,900	\$5,900	\$5,900
Capital grants and gifts	7,974	2,870	1,164	3,321	5,474	3,010	60	63	63	455
Additions to permanent endowments	943	952	986	922	906	863	858	826	882	852
<b>Increase/(Decrease) in Net Position</b>	<b>\$56,514</b>	<b>\$(8,653)</b>	<b>\$16,812</b>	<b>\$5,438</b>	<b>\$5,212</b>	<b>\$(8,656)</b>	<b>\$10,054</b>	<b>\$4,320</b>	<b>\$2,451</b>	<b>\$15,133</b>
Total Revenues	\$627,616	\$607,076	\$603,053	\$590,267	\$578,080	\$530,318	\$523,661	\$489,523	\$459,828	\$440,948
Total Expenses	571,102	615,729	586,241	584,829	572,868	538,974	513,607	485,203	457,377	425,815
<b>Increase/(Decrease) in Net Position</b>	<b>\$56,514</b>	<b>\$(8,653)</b>	<b>\$16,812</b>	<b>\$5,438</b>	<b>\$5,212</b>	<b>\$(8,656)</b>	<b>\$10,054</b>	<b>\$4,320</b>	<b>\$2,451</b>	<b>\$15,133</b>

## Change in Net Position (Continued)

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

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated
<b>Revenues</b>	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net	34.8	38.5	39.4	40.1	41.2	40.9	39.3	38.6	37.5	35.8
Governmental grants and contracts	6.5	6.3	5.9	5.1	4.5	4.3	4.3	4.0	4.2	4.2
Private grants and contracts	0.9	0.8	0.8	0.7	0.8	0.6	0.5	0.6	0.8	0.5
Residence life	4.6	5.5	5.9	5.5	5.7	6.1	6.0	6.1	6.6	6.7
Other auxiliaries	3.9	4.1	4.9	5.8	4.8	4.7	4.5	4.4	4.4	3.7
Other revenues (1)	2.4	3.2	4.1	3.8	4.0	4.1	4.4	4.1	3.8	3.9
<b>Total Operating Revenues</b>	<b>53.1</b>	<b>58.4</b>	<b>61.0</b>	<b>61.0</b>	<b>61.0</b>	<b>60.7</b>	<b>59.0</b>	<b>57.8</b>	<b>57.3</b>	<b>54.8</b>
<b>Expenses</b>										
Operating Expenses										
Instruction	25.9	27.8	28.7	29.8	30.8	31.4	32.5	32.2	31.1	31.5
Research	9.0	9.0	7.9	7.0	6.3	5.6	5.0	4.9	4.3	5.1
Public service	4.3	4.7	5.3	5.4	5.0	5.2	5.3	5.3	5.9	6.7
Academic support	6.8	6.0	6.6	6.8	7.2	7.5	7.0	7.0	7.0	6.8
Student services	9.8	11.3	9.8	9.4	9.5	10.0	9.8	10.4	9.2	8.5
Institutional support	12.6	11.5	10.6	11.0	10.3	9.7	11.1	11.1	10.3	9.8
Operation and maintenance of plant	4.0	3.8	4.7	5.0	5.4	5.5	5.0	5.5	5.1	5.1
Scholarships and fellowships	9.4	7.6	6.8	6.6	6.2	5.8	5.7	5.2	5.3	6.0
Auxiliary enterprises	6.8	7.0	7.6	7.0	7.2	7.1	7.3	6.8	9.7	8.7
Depreciation	7.4	7.3	7.3	7.3	7.3	7.0	6.8	6.9	6.9	6.4
<b>Total Operating Expenses</b>	<b>96.0</b>	<b>96.0</b>	<b>95.3</b>	<b>95.3</b>	<b>95.2</b>	<b>94.9</b>	<b>95.5</b>	<b>95.3</b>	<b>94.8</b>	<b>94.6</b>
<b>Operating loss</b>	<b>(34.3)</b>	<b>(39.0)</b>	<b>(31.5)</b>	<b>(33.4)</b>	<b>(33.4)</b>	<b>(35.8)</b>	<b>(34.8)</b>	<b>(36.5)</b>	<b>(37.0)</b>	<b>(36.6)</b>
<b>Nonoperating Revenues (Expenses)</b>										
State operating appropriations	17.1	18.7	17.1	16.9	17.3	17.8	21.4	21.6	22.1	23.5
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of state tax-TRIF	2.7	2.8	2.6	2.4	2.4	2.6	2.5	2.5	2.5	2.5
Government grants	19.0	14.3	12.1	12.1	11.9	12.5	11.4	11.5	12.5	13.7
Private gifts	2.1	2.4	2.4	2.4	2.4	2.5	2.5	2.2	2.2	2.4
Investment income	2.4	0.8	1.0	0.7	0.7	0.2	0.3	1.2	0.7	0.6
Interest on debt	(3.9)	(3.9)	(4.8)	(4.8)	(4.9)	(5.0)	(4.4)	(4.9)	(5.1)	(5.4)
Other nonoperating revenues, net	1.3	1.0	2.4	2.7	2.7	2.0	1.6	1.8	1.2	1.0
<b>Net Nonoperating Revenues</b>	<b>40.7</b>	<b>36.1</b>	<b>32.8</b>	<b>32.6</b>	<b>32.5</b>	<b>32.5</b>	<b>35.3</b>	<b>35.9</b>	<b>36.1</b>	<b>38.3</b>
<b>Income/(loss) before other revenues, expenses, gains, or losses</b>	<b>6.4</b>	<b>(2.9)</b>	<b>1.3</b>	<b>(0.8)</b>	<b>(0.9)</b>	<b>(3.3)</b>	<b>0.5</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>1.7</b>
Capital appropriations	0.8	1.0	1.0	1.0	0.7	1.0	1.1	1.2	1.3	1.3
Capital grants	1.3	0.5	0.2	0.6	0.9	0.6	0.0	0.0	0.0	0.1
Additions to permanent endowments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Increase/(Decrease) in Net Position</b>	<b>9.0</b>	<b>(1.4)</b>	<b>2.8</b>	<b>0.9</b>	<b>0.9</b>	<b>(1.5)</b>	<b>1.8</b>	<b>0.8</b>	<b>0.6</b>	<b>3.3</b>

## Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated
	%	%	%	%	%	%	%	%	%	%
<b>Revenues</b>										
Operating Revenues										
Student tuition and fees, net	(6.6)	(1.6)	0.3	(0.5)	9.6	5.6	8.9	9.4	9.3	7.2
Governmental grants and contracts	5.7	9.1	18.3	15.6	13.3	2.2	13.7	0.4	5.7	(29.5)
Private grants and contracts	14.5	5.4	11.9	(5.6)	27.2	23.1	(2.5)	(18.6)	66.0	47.5
Residence life	(13.4)	(7.1)	10.1	(1.1)	2.0	1.7	5.8	(2.2)	3.4	0.2
Other auxiliaries	(1.3)	(16.5)	(12.3)	23.1	11.8	5.6	9.4	6.6	23.5	(8.0)
Other revenues	(23.3)	(22.0)	11.5	(3.2)	7.1	(7.1)	14.7	16.3	1.3	62.1
<b>Total Operating Revenues</b>	<b>(6.2)</b>	<b>(3.6)</b>	<b>2.3</b>	<b>2.3</b>	<b>9.3</b>	<b>4.2</b>	<b>9.2</b>	<b>7.3</b>	<b>9.2</b>	<b>3.8</b>
<b>Expenses</b>										
Operating Expenses										
Instruction	(13.4)	1.7	(3.4)	(1.2)	4.1	1.4	7.1	9.7	6.0	1.6
Research	(7.1)	20.6	13.4	12.7	19.7	18.4	8.0	18.6	(8.6)	(6.1)
Public service	(14.5)	(6.4)	(2.3)	9.7	2.5	4.3	5.1	(4.6)	(5.0)	3.8
Academic support	5.3	(3.9)	(2.6)	(3.9)	1.4	12.0	6.8	5.3	11.5	(4.8)
Student services	(19.0)	21.3	3.8	1.6	0.8	7.0	(0.3)	19.8	16.2	9.9
Institutional support	1.5	13.7	(3.0)	8.3	12.9	(8.2)	6.4	13.6	13.1	2.2
Operation and maintenance of plant	(3.1)	(14.9)	(5.4)	(6.4)	4.1	15.6	(3.4)	14.8	6.8	25.0
Scholarships and fellowships	14.3	17.8	3.1	9.5	12.1	8.3	14.4	5.0	(5.3)	(12.5)
Auxiliary enterprises	(10.5)	(3.2)	9.5	(0.4)	7.9	1.0	15.1	(26.2)	19.8	7.8
Depreciation	(7.0)	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0	15.1	24.0
<b>Total Operating Expenses</b>	<b>(7.3)</b>	<b>6.0</b>	<b>0.2</b>	<b>2.2</b>	<b>6.4</b>	<b>4.3</b>	<b>6.4</b>	<b>6.4</b>	<b>7.7</b>	<b>3.4</b>
<b>Operating loss</b>	<b>(9.0)</b>	<b>24.6</b>	<b>(3.6)</b>	<b>2.1</b>	<b>1.6</b>	<b>4.4</b>	<b>1.8</b>	<b>4.9</b>	<b>5.4</b>	<b>2.8</b>
<b>Nonoperating Revenues (Expenses)</b>										
State operating appropriations	(5.4)	10.0	3.5	(0.4)	5.8	(15.5)	6.1	4.1	(2.1)	(19.3)
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)
Share of state tax-TRIF	0.8	6.9	10.5	4.3	(0.5)	4.2	7.8	7.1	3.0	(0.3)
Government grants & contracts	37.6	18.8	2.2	4.5	3.6	10.9	5.8	(2.0)	(4.4)	6.9
Private gifts	(8.9)	2.6	(2.0)	2.9	7.3	0.5	19.3	10.0	(4.3)	29.5
Investment income	228.8	(26.5)	45.5	11.3	302.8	(45.8)	(68.9)	79.7	18.5	(10.2)
Interest on debt	(6.5)	(14.6)	0.1	(0.3)	3.5	19.6	(4.1)	1.0	2.6	63.0
Other nonoperating revenues, net	40.4	(58.4)	(11.1)	4.1	46.4	27.9	(8.0)	57.6	34.9	16.1
<b>Net Nonoperating Revenues</b>	<b>18.2</b>	<b>9.9</b>	<b>3.3</b>	<b>2.6</b>	<b>9.1</b>	<b>(7.2)</b>	<b>5.2</b>	<b>6.2</b>	<b>(2.1)</b>	<b>(14.0)</b>
<b>Income/(loss) before other revenues, expenses, gains, or losses</b>	<b>332.5</b>	<b>309.6</b>	<b>286.4</b>	<b>13.2</b>	<b>70.0</b>	<b>(644.6)</b>	<b>234.0</b>	<b>43.8</b>	<b>(155.4)</b>	<b>(80.1)</b>
Capital appropriations	(17.3)	0.1	(0.0)	38.9	(22.7)	(5.7)	(1.2)	0.0	0.0	0.0
Capital grants	177.8	146.6	(65.0)	(39.3)	81.9	4,916.7	(4.8)	0.0	(86.2)	(82.4)
Additions to permanent endowments	(0.9)	(3.4)	6.9	1.8	5.0	0.6	3.9	(6.3)	3.5	2.5
<b>Increase/(Decrease) in Net Position</b>	<b>753.1</b>	<b>(151.5)</b>	<b>209.2</b>	<b>4.3</b>	<b>160.2</b>	<b>(186.1)</b>	<b>132.7</b>	<b>76.3</b>	<b>(83.8)</b>	<b>(69.2)</b>



## Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>PLEDGE* Resident Undergraduate</b>										
Northern Arizona University	\$11,896	\$11,896	\$11,564	\$11,059	\$10,764	\$10,358	\$9,989	\$9,745	\$9,271	\$8,824
Percent increase from prior year	0.0%	2.9%	4.6%	2.7%	3.9%	3.7%	2.5%	5.1%	5.1%	15.1%
ABOR Peers	\$11,515	\$13,057	\$12,994	\$13,103	\$12,228	\$12,670	\$12,122	\$12,197	\$11,506	\$11,026
Percent increase (decrease) from prior year	(11.8%)	0.5%	(0.8%)	7.2%	(3.5%)	4.5%	(0.6%)	6.0%	4.4%	5.9%

### PLEDGE\* Non-Resident Undergraduate

Northern Arizona University	\$26,642	\$26,516	\$25,828	\$24,841	\$24,144	\$23,348	\$22,509	\$22,099	\$21,626	\$21,179
Percent increase from prior year	0.5%	2.7%	4.0%	2.9%	3.4%	3.7%	1.9%	2.2%	2.1%	5.5%
ABOR Peers	\$23,275	\$22,918	\$22,269	\$22,682	\$23,785	\$23,816	\$23,060	\$23,044	\$22,079	\$21,117
Percent increase (decrease) from prior year	1.6%	2.9%	(1.8%)	(4.6%)	(0.1%)	3.3%	0.1%	4.4%	4.6%	6.4%

\* 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	\$11,726	\$11,726	\$10,970	\$10,261	\$9,990	\$9,606	\$9,165	\$8,806	\$8,378	\$8,008
Percent increase from prior year	0.0%	6.9%	6.9%	2.7%	4.0%	4.8%	4.1%	5.1%	4.6%	8.2%

### Non-Resident Graduate

Northern Arizona University	\$26,954	\$25,730	\$24,056	\$22,609	\$21,976	\$21,244	\$20,249	\$19,900	\$19,472	\$18,910
Percent increase from prior year	4.8%	7.0%	6.4%	2.9%	3.4%	4.9%	1.8%	2.2%	3.0%	4.1%

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

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

NAU's tuition rates are approved by the Arizona Board of Regents





## Principal Revenue Sources

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Dollars in thousands)										
<b>Tuition and Fees, net of scholarship allowance</b>	<b>\$218,452</b>	<b>\$233,911</b>	<b>\$237,605</b>	<b>\$236,790</b>	<b>\$237,930</b>	<b>\$217,047</b>	<b>\$205,550</b>	<b>\$188,816</b>	<b>\$172,565</b>	<b>\$157,864</b>
Percent of total revenue	35%	39%	39%	40%	41%	41%	39%	39%	38%	36%
Percent increase/(decrease) from prior year	(7%)	(2%)	0%	0%	10%	6%	9%	9%	9%	7%
<b>State of Arizona Government</b>										
State appropriations	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469	\$103,670
Technology and research initiatives funding	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492	11,157
Capital appropriations	4,879	5,900	5,896	5,897	4,247	5,493	5,827	5,900	5,900	5,900
State grants and contracts	32,548	8,037	7,685	6,062	6,675	3,591	3,464	3,469	5,649	3,359
<b>Arizona State Government</b>	<b>\$161,902</b>	<b>\$144,403</b>	<b>\$132,625</b>	<b>\$126,014</b>	<b>\$124,780</b>	<b>\$117,544</b>	<b>\$134,584</b>	<b>\$127,265</b>	<b>\$124,510</b>	<b>\$124,086</b>
Percent of total revenue	26%	24%	22%	21%	22%	22%	26%	26%	27%	28%
Percent increase (decrease) from prior year	12%	9%	5%	1%	6%	(13%)	6%	2%	0%	(17%)
<b>Federal Government</b>										
Federal grants and contracts	\$64,515	\$66,836	\$49,050	\$45,199	\$41,508	\$39,773	\$35,669	\$52,981	\$53,838	\$56,412
Financial aid grants	42,625	45,530	46,908	46,062	42,881	41,587	39,533	36,535	36,091	36,704
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	-
<b>Federal Government</b>	<b>\$107,140</b>	<b>\$112,366</b>	<b>\$95,958</b>	<b>\$91,261</b>	<b>\$84,389</b>	<b>\$81,360</b>	<b>\$75,202</b>	<b>\$89,516</b>	<b>\$89,929</b>	<b>\$93,116</b>
Percent of total revenue	17%	19%	16%	15%	15%	15%	14%	18%	20%	21%
Percent increase/(decrease) from prior year	(5%)	17%	5%	8%	4%	8%	(16%)	(0%)	(3%)	(1%)
<b>Total from principal revenue payers</b>	<b>\$487,494</b>	<b>\$490,680</b>	<b>\$466,188</b>	<b>\$454,065</b>	<b>\$447,099</b>	<b>\$415,951</b>	<b>\$415,336</b>	<b>\$405,597</b>	<b>\$387,004</b>	<b>\$375,066</b>
Percent of total revenue	78%	81%	77%	77%	77%	78%	79%	83%	84%	85%
Percent increase/(decrease) from prior year	(1%)	5%	3%	2%	7%	0%	2%	5%	3%	(4%)



# Long-Term Debt

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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(Dollars in thousands)

System Revenue Bonds	\$534,735	\$531,805	\$520,925	\$537,980	\$526,925	\$536,420	\$533,630	\$510,695	\$467,425	\$353,820
Unamortized Premium	46,807	49,836	26,213	27,435	28,658	30,748	25,906	16,550	9,305	4,283
Deferred amount on Refundings	-	-	-	-	-	-	-	-	(1,200)	(1,325)

<b>Net System Revenue Bonds</b>	<b>\$581,542</b>	<b>\$581,641</b>	<b>\$547,138</b>	<b>\$565,415</b>	<b>\$555,583</b>	<b>\$567,168</b>	<b>\$559,536</b>	<b>\$527,245</b>	<b>\$475,530</b>	<b>\$356,778</b>
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Certificates of Participation (COPs)	\$39,370	\$42,210	\$45,940	\$49,550	\$53,040	\$54,985	\$58,285	\$62,850	\$65,630	\$69,540
Unamortized Premium	4,570	5,043	5,516	5,989	6,462	6,935	7,408	5,574	5,911	849
Deferred amount on Refundings*	-	-	-	-	-	-	-	-	(3,502)	-

<b>Net Certificates of Participation</b>	<b>\$43,940</b>	<b>\$47,253</b>	<b>\$51,456</b>	<b>\$55,539</b>	<b>\$59,502</b>	<b>\$61,920</b>	<b>\$65,693</b>	<b>\$68,424</b>	<b>\$68,039</b>	<b>\$70,389</b>
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Net System Revenue Bonds Payable	\$581,542	\$581,641	\$547,138	\$565,415	\$555,583	\$567,168	\$559,536	\$527,245	\$475,530	\$356,778
Net COPs Payable	43,940	47,253	51,456	55,539	59,502	61,920	65,693	68,424	68,039	70,389
Capital Leases Payable	6,827	25,720	27,767	15,138	14,729	15,773	16,778	17,746	17,936	58,652

<b>Total</b>	<b>\$632,309</b>	<b>\$654,614</b>	<b>\$626,361</b>	<b>\$636,092</b>	<b>\$629,814</b>	<b>\$644,861</b>	<b>\$642,007</b>	<b>\$613,415</b>	<b>\$561,505</b>	<b>\$485,819</b>
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Long Term Debt (whole dollars)

per Student FTE	\$22,520	\$22,437	\$21,316	\$21,545	\$21,937	\$23,557	\$24,755	\$24,719	\$23,195	\$21,156
per Dollar of State Appropriations and State Aid	\$5.63	\$5.48	\$5.74	\$6.02	\$6.04	\$6.44	\$5.45	\$5.50	\$5.23	\$4.43
per Dollar of Total Grants and Contracts	\$3.43	\$4.26	\$5.12	\$5.45	\$5.72	\$6.09	\$6.73	\$6.85	\$6.24	\$5.22

### Data Used in Above Calculations

Total Student FTE	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964
State Appropriations and State Capital Appropriations	\$112,276	\$119,423	\$109,096	\$105,613	\$104,353	\$100,126	\$117,853	\$111,488	\$107,369	\$109,570
Grants and Contracts	\$184,137	\$153,786	\$122,233	\$116,811	\$110,041	\$105,915	\$95,327	\$89,516	\$89,929	\$93,116

\* 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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Summary of Composite Financial Index Ratios</b>										
<b>+ Primary Reserve Ratio</b>	<b>0.17</b>	<b>0.10</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>	<b>0.09</b>	<b>0.12</b>	<b>0.50</b>	<b>0.54</b>	<b>0.56</b>
/ 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	1.28	0.75	0.98	0.98	0.98	0.68	0.90	3.76	4.06	4.21
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.45	0.26	0.34	0.34	0.34	0.24	0.32	1.32	1.42	1.47
= Ratio 10.00 Cap Subtotal	0.45	0.26	0.34	0.34	0.34	0.24	0.32	1.32	1.42	1.47
<b>+ Return on Net Assets Ratio</b>	<b>22.4%</b>	<b>1.3%</b>	<b>5.8%</b>	<b>5.4%</b>	<b>7.4%</b>	<b>(1.5%)</b>	<b>3.9%</b>	<b>4.8%</b>	<b>3.1%</b>	<b>2.7%</b>
/ 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	10.00	0.65	2.90	2.70	3.70	(0.75)	1.95	2.40	1.55	1.35
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	2.00	0.13	0.58	0.54	0.74	(0.15)	0.39	0.48	0.31	0.27
= Ratio 10.00 Cap Subtotal	2.00	0.13	0.58	0.54	0.74	(0.15)	0.39	0.48	0.31	0.27
<b>+ Net Operating Revenues Ratio</b>	<b>7.3%</b>	<b>(3.1%)</b>	<b>1.3%</b>	<b>(1.1%)</b>	<b>(0.9%)</b>	<b>(3.6%)</b>	<b>0.4%</b>	<b>0.3%</b>	<b>(0.3%)</b>	<b>1.9%</b>
/ 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	5.62	(2.38)	1.00	(0.85)	(0.69)	(2.77)	0.31	0.23	(0.23)	1.46
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.56	(0.24)	0.10	(0.08)	(0.07)	(0.28)	0.03	0.02	(0.02)	0.15
= Ratio 10.00 Cap Subtotal	0.56	(0.24)	0.10	(0.08)	(0.07)	(0.28)	0.03	0.02	(0.02)	0.15
<b>+ Viability Ratio</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>
/ 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	0.39	0.24	0.24	0.24	0.24	0.24	0.24	0.96	1.20	1.20
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.13	0.08	0.08	0.08	0.08	0.08	0.08	0.34	0.42	0.42
= Ratio 10.00 Cap Subtotal	0.13	0.08	0.08	0.08	0.08	0.08	0.08	0.34	0.42	0.42
<b>Composite Financial Index</b>	<b>3.1</b>	<b>0.2</b>	<b>1.1</b>	<b>0.9</b>	<b>1.1</b>	<b>(0.1)</b>	<b>0.8</b>	<b>2.2</b>	<b>2.1</b>	<b>2.3</b>
<b>Composite Financial Index w/10.00 Cap</b>	<b>3.1</b>	<b>0.2</b>	<b>1.1</b>	<b>0.9</b>	<b>1.1</b>	<b>(0.1)</b>	<b>0.8</b>	<b>2.2</b>	<b>2.1</b>	<b>2.3</b>

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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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(Dollars in thousands)

### PRIMARY RESERVE RATIO

Unrestricted Net Position	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600
Unrestricted Net Assets- Component Units	10,961	7,251	7,760	8,814	10,403	10,055	10,842	12,286	32,282	29,470
Expendable Restricted Net Position	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571
Temp. Restricted Net Assets- Component Units	63,705	71,546	85,038	81,573	69,074	49,179	51,942	52,378	23,511	18,357

<b>Expendable Net Position/Assets</b>	<b>\$101,636</b>	<b>\$61,912</b>	<b>\$80,188</b>	<b>\$75,451</b>	<b>\$73,262</b>	<b>\$52,197</b>	<b>\$63,331</b>	<b>\$248,246</b>	<b>\$254,735</b>	<b>\$243,998</b>
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Operating Expenses	\$548,661	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963
Nonoperating Expenses	22,441	23,990	28,084	28,061	28,144	27,187	22,723	23,696	23,456	22,852
Component Unit Total Expenses	25,096	16,523	15,079	14,220	13,085	13,186	13,214	11,944	10,822	11,363

<b>Total Expenses</b>	<b>\$596,198</b>	<b>\$632,252</b>	<b>\$601,320</b>	<b>\$599,049</b>	<b>\$585,953</b>	<b>\$552,160</b>	<b>\$526,821</b>	<b>\$497,147</b>	<b>\$468,199</b>	<b>\$437,178</b>
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Expendable Net Position	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735	\$243,998
Total Expenses	\$596,198	\$632,252	\$601,320	\$599,049	\$585,953	\$552,160	\$526,821	\$497,147	\$468,199	\$437,178

<b>Ratio</b>	<b>0.17</b>	<b>0.10</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>	<b>0.09</b>	<b>0.12</b>	<b>0.50</b>	<b>0.54</b>	<b>0.56</b>
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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	\$99,722	\$5,696	\$24,016	\$21,337	\$30,862	\$(6,331)	\$15,628	\$25,910	\$15,925	\$13,714
Total Net Position (Beginning of Year)	\$445,858	\$440,162	\$416,146	\$394,809	\$414,296	\$420,627	\$404,999	\$537,588	\$521,663	\$509,545

<b>Ratio</b>	<b>22.4%</b>	<b>1.3%</b>	<b>5.8%</b>	<b>5.4%</b>	<b>7.4%</b>	<b>(1.5%)</b>	<b>3.9%</b>	<b>4.8%</b>	<b>3.1%</b>	<b>2.7%</b>
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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	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	3,710	(509)	(1,054)	(1,589)	348	(787)	(1,443)	3,834	2,812	646

Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	\$46,428	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365	\$(1,582)	\$8,572
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## Summary of Ratios - (Continued)

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Dollars in thousands)										
Total Operating Revenues	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651	\$241,440
State Appropriation and State related revenues	124,475	130,466	119,044	114,055	113,858	108,460	125,293	117,896	112,961	114,827
Non-capital Gifts and Grants, net	132,881	101,500	87,358	86,072	82,583	79,235	72,690	67,333	67,494	70,567
Investment Income (Loss), net	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174	2,678
Component Units Total Unrestricted Revenue	28,806	16,013	14,025	12,631	13,433	12,399	11,771	15,778	13,634	12,009
<b>Adjusted Net Operating Revenues</b>	<b>\$634,265</b>	<b>\$607,410</b>	<b>\$594,702</b>	<b>\$576,632</b>	<b>\$565,398</b>	<b>\$522,773</b>	<b>\$520,416</b>	<b>\$489,525</b>	<b>\$460,914</b>	<b>\$441,521</b>

Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items	\$46,428	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365	\$(1,582)	\$8,572
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Adjusted Net Operating Revenues	\$634,265	\$607,410	\$594,702	\$576,632	\$565,398	\$522,773	\$520,416	\$489,525	\$460,914	\$441,521
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<b>Ratio</b>	<b>7.3%</b>	<b>(3.1%)</b>	<b>1.3%</b>	<b>(1.1%)</b>	<b>(0.9%)</b>	<b>(3.6%)</b>	<b>0.36%</b>	<b>0.28%</b>	<b>(0.3%)</b>	<b>1.94%</b>
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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	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600
Unrestricted Net Assets-Component Units	10,961	7,251	7,760	8,814	10,403	10,055	10,842	12,286	32,282	29,470
Expendable Restricted Net Position/Assets	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571
Temporarily Restricted Net Assets-Component Units	63,705	71,546	85,038	81,573	69,074	49,179	51,942	52,378	23,511	18,357
<b>Expendable Net Position</b>	<b>\$101,636</b>	<b>\$61,912</b>	<b>\$80,188</b>	<b>\$75,451</b>	<b>\$73,262</b>	<b>\$52,197</b>	<b>\$63,331</b>	<b>\$248,246</b>	<b>\$254,735</b>	<b>\$243,998</b>

University LT Debt, net capital leases with CUs	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819
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Component Units Long Term Debt	-	-	-	-	-	-	-	-	-	-
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<b>Total Adjusted University Debt</b>	<b>\$632,311</b>	<b>\$654,614</b>	<b>\$626,361</b>	<b>\$636,092</b>	<b>\$629,813</b>	<b>\$644,861</b>	<b>\$642,007</b>	<b>\$613,415</b>	<b>\$561,505</b>	<b>\$485,819</b>
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Expendable Net Position	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735	\$243,998
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Total Adjusted University Debt	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819
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<b>Ratio</b>	<b>0.16</b>	<b>0.09</b>	<b>0.13</b>	<b>0.12</b>	<b>0.12</b>	<b>0.08</b>	<b>0.10</b>	<b>0.40</b>	<b>0.45</b>	<b>0.50</b>
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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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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(Dollars in thousands)

### OPERATING MARGIN EXCLUDING GIFTS

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926
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<b>Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>\$42,718</b>	<b>\$(18,375)</b>	<b>\$8,766</b>	<b>\$(4,702)</b>	<b>\$(5,415)</b>	<b>\$(18,022)</b>	<b>\$3,309</b>	<b>\$(2,469)</b>	<b>\$(4,394)</b>	<b>\$7,926</b>
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Total Operating Revenues	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651	\$241,440
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State appropriation and share of sales tax	124,475	130,466	119,044	114,055	113,858	108,460	125,293	117,896	112,961	114,827
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Federal fiscal stabilization funds

Investment Income/(Loss), net	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174	2,678
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<b>Adjusted Net Operating Revenues less Non-capital Gifts and Grants</b>	<b>\$472,578</b>	<b>\$489,897</b>	<b>\$493,319</b>	<b>\$477,929</b>	<b>\$469,382</b>	<b>\$431,139</b>	<b>\$435,955</b>	<b>\$406,414</b>	<b>\$379,786</b>	<b>\$358,945</b>
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Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926
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Adjusted Net Operating Revenues less Non-capital Gifts and Grants	\$472,578	\$489,897	\$493,319	\$477,929	\$469,382	\$431,139	\$435,955	\$406,414	\$379,786	\$358,945
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<b>Ratio</b>	<b>9.0%</b>	<b>(3.8%)</b>	<b>1.8%</b>	<b>(1.0%)</b>	<b>(1.2%)</b>	<b>(4.2%)</b>	<b>0.8%</b>	<b>(0.6%)</b>	<b>(1.2%)</b>	<b>2.2%</b>
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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	\$548,660	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963
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Scholarships and Fellowships	(53,646)	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)
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Interest on Debt	22,441	23,990	28,084	28,061	28,144	27,187	22,723	23,696	23,456	22,852
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<b>Total Adjusted Operating Expenses</b>	<b>\$517,455</b>	<b>\$568,783</b>	<b>\$546,384</b>	<b>\$546,170</b>	<b>\$537,578</b>	<b>\$507,489</b>	<b>\$484,539</b>	<b>\$459,791</b>	<b>\$433,166</b>	<b>\$400,239</b>
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Research Expenses	\$51,635	\$55,608	\$46,113	\$40,655	\$36,068	\$30,142	\$25,461	\$23,584	\$19,886	\$21,766
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Total Adjusted Operating Expenses	\$517,455	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791	\$433,166	\$400,239
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<b>Ratio</b>	<b>10.0%</b>	<b>9.8%</b>	<b>8.4%</b>	<b>7.4%</b>	<b>6.7%</b>	<b>5.9%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>4.6%</b>	<b>5.4%</b>
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Measures the institution's research expense to the total operating expenses.

## Summary of Ratios - Other Ratios (Continued)

Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Dollars in thousands)										
<b>NET TUITION PER STUDENT</b>										
Student Tuition and Fees, net	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864
Financial Aid Grants	42,625	45,530	46,908	46,062	42,881	41,587	39,533	36,535	36,091	36,704
Scholarships and Fellowships	(53,646)	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)
<b>Net Tuition and Fees</b>	<b>\$207,431</b>	<b>\$232,495</b>	<b>\$244,656</b>	<b>\$244,193</b>	<b>\$245,521</b>	<b>\$227,149</b>	<b>\$216,015</b>	<b>\$199,939</b>	<b>\$184,445</b>	<b>\$168,992</b>
Student FTE	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964
<b>Net Tuition per Student (whole dollars)</b>	<b>\$7,388</b>	<b>\$7,969</b>	<b>\$8,326</b>	<b>\$8,271</b>	<b>\$8,552</b>	<b>\$8,298</b>	<b>\$8,329</b>	<b>\$8,057</b>	<b>\$7,619</b>	<b>\$7,359</b>

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

### STATE APPROPRIATIONS PER STUDENT

State Appropriations	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469	\$103,670
Capital State Appropriations	4,880	5,900	5,896	5,897	4,247	5,493	5,827	5,900	5,900	5,900
<b>Adjusted State Appropriations</b>	<b>\$112,276</b>	<b>\$119,423</b>	<b>\$109,096</b>	<b>\$105,613</b>	<b>\$104,353</b>	<b>\$100,126</b>	<b>\$117,853</b>	<b>\$111,488</b>	<b>\$107,369</b>	<b>\$109,570</b>
Student FTE	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964
<b>Adjusted State Appropriation per Student (whole dollars)</b>	<b>\$3,999</b>	<b>\$4,093</b>	<b>\$3,713</b>	<b>\$3,577</b>	<b>\$3,635</b>	<b>\$3,658</b>	<b>\$4,544</b>	<b>\$4,493</b>	<b>\$4,435</b>	<b>\$4,771</b>

Measures the institution's dependency on state appropriations.



## Summary of Ratios - Debt Related Ratios

Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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(Dollars in thousands)

### EXPENDABLE RESOURCES TO DEBT

Unrestricted Net Position	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600
Expendable Restricted Net Position	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571
<b>Expendable Net Position</b>	<b>\$26,970</b>	<b>\$(16,885)</b>	<b>\$(12,610)</b>	<b>\$(14,936)</b>	<b>\$(6,215)</b>	<b>\$(7,037)</b>	<b>\$547</b>	<b>\$183,582</b>	<b>\$198,942</b>	<b>\$196,171</b>
Total Bonds, COPS, and Capital Leases	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819
<b>Ratio</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>

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	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600
Expendable Restricted Net Position	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571
Non-expendable Restricted Net Position	17,969	19,142	26,258	25,107	24,625	23,593	22,540	21,770	20,430	19,517
<b>Total Financial Resources</b>	<b>\$44,939</b>	<b>\$2,257</b>	<b>\$13,648</b>	<b>\$10,171</b>	<b>\$18,410</b>	<b>\$16,556</b>	<b>\$23,087</b>	<b>\$205,352</b>	<b>\$219,372</b>	<b>\$215,688</b>
Total Bonds, COPS, and Capital Leases	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819
<b>Ratio</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.03</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>

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	\$(174,717)	\$(184,852)	\$(163,438)	\$(147,009)	\$(135,026)	\$(150,773)	\$(133,504)	\$(144,325)	\$(143,659)	\$(147,552)
State Appropriations and Federal Stabilization Funds	107,396	113,523	103,200	99,716	100,106	94,633	112,026	105,588	101,469	103,670
Share of State Sales Tax- TRIF	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492	11,157
Non-capital Grants and Contracts, Gifts, Other	119,011	101,500	87,358	86,072	82,583	79,235	72,690	67,333	67,494	70,567
<b>Adjusted Cash Flow from Operations</b>	<b>\$68,769</b>	<b>\$47,114</b>	<b>\$42,964</b>	<b>\$53,118</b>	<b>\$61,415</b>	<b>\$36,922</b>	<b>\$64,479</b>	<b>\$40,904</b>	<b>\$36,796</b>	<b>\$37,842</b>
Total Bonds, COPS, and Capital Leases	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819
<b>Adjusted Cash Flow from Operations</b>	<b>68,769</b>	<b>47,114</b>	<b>42,964</b>	<b>53,118</b>	<b>61,415</b>	<b>36,922</b>	<b>64,479</b>	<b>40,904</b>	<b>36,796</b>	<b>37,842</b>
<b>Ratio</b>	<b>9.2</b>	<b>13.9</b>	<b>14.6</b>	<b>12.0</b>	<b>10.3</b>	<b>17.5</b>	<b>10.0</b>	<b>15.0</b>	<b>15.3</b>	<b>12.8</b>

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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Dollars in thousands)										
<b>DEBT SERVICE TO OPERATIONS</b>										
Interest and Fees Paid on Debt and Leases	\$22,441	\$23,990	\$28,084	\$28,061	\$28,144	\$27,187	\$22,723	\$23,696	\$23,456	\$22,851
Principal Paid on Debt and Leases	40,158	24,212	24,051	18,193	88,795	46,400	81,103	26,959	51,997	18,115
Principal Paid from Refinancing Activities (1)	-	(206,340)	-	-	(73,005)	(33,680)	(68,095)	(16,315)	(37,245)	(8,720)
<b>Debt Service</b>	<b>\$62,599</b>	<b>\$(158,138)</b>	<b>\$52,135</b>	<b>\$46,254</b>	<b>\$43,934</b>	<b>\$39,907</b>	<b>\$35,731</b>	<b>\$34,340</b>	<b>\$38,208</b>	<b>\$32,246</b>
Operating Expenses	\$548,660	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963
<b>Ratio</b>	<b>11.4%</b>	<b>(26.7%)</b>	<b>9.3%</b>	<b>8.3%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>8.8%</b>	<b>8.0%</b>

Measures the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures.

(1) Obtained amount from refunding bonds official statements.



## Debt Service Coverage for Senior Lien System Revenue Bonds

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864
Receipts from Other Major Revenue Sources (Facilities Revenues)	75,343	86,040	92,508	85,874	75,144	68,525	67,452	63,383	61,277	56,355
<b>Net Revenues Available for Debt Service</b>	<b>\$293,795</b>	<b>\$319,951</b>	<b>\$330,113</b>	<b>\$322,664</b>	<b>\$313,074</b>	<b>\$285,572</b>	<b>\$273,002</b>	<b>\$252,199</b>	<b>\$233,842</b>	<b>\$214,219</b>
<b>Senior Lien Bonds Debt Service</b>										
Interest on Debt	\$11,403	\$12,573	\$15,569	\$15,599	\$15,738	\$15,926	\$15,824	\$14,990	\$15,248	\$15,112
Principal Paid on Debt	8,320	10,290	9,305	7,140	8,445	6,500	8,015	6,615	6,610	5,835
Direct Payment- Build America Bonds	-	(1,418)	(2,162)	(2,204)	(2,245)	(2,247)	(2,235)	(2,237)	(2,306)	(2,411)
<b>Senior Lien Bonds Debt Service Requirements</b>	<b>\$19,723</b>	<b>\$21,445</b>	<b>\$22,712</b>	<b>\$20,535</b>	<b>\$21,938</b>	<b>\$20,179</b>	<b>\$21,604</b>	<b>\$19,368</b>	<b>\$19,552</b>	<b>\$18,536</b>
<b>Coverage</b>	<b>14.90</b>	<b>14.92</b>	<b>14.53</b>	<b>15.71</b>	<b>14.27</b>	<b>14.15</b>	<b>12.64</b>	<b>13.02</b>	<b>11.96</b>	<b>11.56</b>
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.										
<b>Subordinate Lien Bonds Debt Service</b>										
Interest on Debt	\$3,704	\$5,239	\$6,627	\$6,871	\$7,093	\$7,223	\$7,224	\$7,315	\$3,859	\$3,859
Principal Paid on Debt	5,840	5,395	5,205	5,035	3,345					
Direct Payment- Build America Bonds	(123)	(1,077)	(1,137)	(1,186)	(1,235)	(1,255)	(1,253)	(1,243)	(1,351)	(1,351)
Direct Payment- State Lottery Revenue	(8,047)	(8,128)	(8,858)	(8,866)	(7,590)	(4,900)	(5,241)	(2,489)	(2,007)	(2,006)
<b>Subordinate Lien Bonds Debt Service Requirements</b>	<b>\$1,374</b>	<b>\$1,429</b>	<b>\$1,837</b>	<b>\$1,854</b>	<b>\$1,613</b>	<b>\$1,068</b>	<b>\$730</b>	<b>\$3,583</b>	<b>\$501</b>	<b>\$502</b>
<b>Combined Senior/Subordinate Lien Debt Service</b>	<b>\$21,097</b>	<b>\$22,874</b>	<b>\$24,549</b>	<b>\$22,389</b>	<b>\$23,551</b>	<b>\$21,247</b>	<b>\$22,334</b>	<b>\$22,951</b>	<b>\$20,053</b>	<b>\$19,038</b>
<b>Coverage</b>	<b>13.93</b>	<b>13.99</b>	<b>13.45</b>	<b>14.41</b>	<b>13.29</b>	<b>13.44</b>	<b>12.22</b>	<b>10.99</b>	<b>11.66</b>	<b>11.25</b>

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	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>ADMISSIONS - FRESHMEN</b>										
Applications	37,386	36,855	36,831	36,875	36,511	29,583	27,780	33,435	29,108	24,482
Accepted	30,523	31,313	30,428	29,812	28,495	22,739	25,159	30,561	26,010	20,620
Enrolled	5,217	5,455	5,869	5,900	5,607	5,218	4,890	4,772	4,254	3,872
Accepted as Percentage of Application	82%	85%	83%	81%	78%	77%	91%	91%	89%	84%
Enrolled as Percentage of Accepted	17%	17%	19%	20%	20%	23%	19%	16%	16%	19%
Average SAT scores- Total	1137	1136	1138	1124	1045	1050	1050	1053	1059	1065
Verbal/Evidence-Based Reading & writing	572	572	574	568	523	520	524	525	526	522
Math	566	563	563	557	522	520	520	528	529	526
<b>ENROLLMENT</b>										
Student FTE	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964
Student Headcount	29,569	30,736	31,073	31,057	30,368	29,031	27,715	26,606	26,002	25,364
Men (Headcount)	10,717	11,537	11,814	12,064	12,016	11,622	11,393	10,802	10,534	10,165
Percentage of Total	36.2%	37.5%	38.0%	38.8%	39.6%	40.0%	41.1%	40.6%	40.5%	40.1%
Women (Headcount)	18,852	19,199	19,259	18,993	18,352	17,409	16,322	15,804	15,468	15,199
Percentage of Total	63.8%	62.5%	62.0%	61.2%	60.4%	60.0%	58.9%	59.4%	59.5%	59.9%
African American (Headcount)	985	1,019	1,070	1,067	1,007	946	888	839	831	842
Percentage of Total	3.3%	3.3%	3.4%	3.4%	3.3%	3.3%	3.2%	3.2%	3.2%	3.3%
Hispanic/Latino (Headcount)	7,378	7,395	7,236	7,118	6,635	6,036	5,369	4,899	4,575	4,139
Percentage of Total	25.0%	24.1%	23.3%	22.9%	21.8%	20.8%	19.4%	18.4%	17.6%	16.3%
White (Headcount)	16,262	16,942	17,452	17,957	17,982	17,645	17,289	17,023	16,917	16,848
Percentage of Total	55.0%	55.1%	56.2%	57.8%	59.2%	60.8%	62.4%	64.0%	65.1%	66.4%
Other (Headcount)	4,944	5,380	5,315	4,915	4,744	4,404	4,169	3,845	3,679	3,535
Percentage of Total	16.7%	17.5%	17.1%	15.8%	15.6%	15.2%	15.0%	14.5%	14.1%	13.9%
<b>DEGREES EARNED</b>										
Bachelor's	6,155	6,253	6,117	6,040	5,824	5,105	5,063	5,009	4,478	4,300
Master's	1,324	1,266	1,249	1,194	1,201	1,267	1,234	1,348	1,423	1,550
Doctoral	208	213	194	174	123	132	127	116	99	109
<b>Total Degrees Earned</b>	<b>7,687</b>	<b>7,732</b>	<b>7,560</b>	<b>7,408</b>	<b>7,148</b>	<b>6,504</b>	<b>6,424</b>	<b>6,473</b>	<b>6,000</b>	<b>5,959</b>

Source: Northern Arizona University- Institutional Research and Analysis

## Demographic Data

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Arizona Population	7,421,401	7,278,717	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505
Arizona Personal Income (in millions)	\$363,274	\$336,514	\$313,042	\$292,108	\$278,925	\$266,756	\$255,089	\$244,011	\$235,781	\$227,287
Arizona Per Capita Personal Income	\$48,950	\$46,233	\$43,650	\$41,633	\$40,243	\$39,060	\$37,895	\$36,823	\$35,979	\$35,062
Arizona Unemployment Rate	7.90%	4.50%	4.90%	4.90%	5.40%	6.00%	6.80%	7.70%	8.30%	9.50%

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

## Principal Arizona Employers

Employer	Calendar Year Ended December 31, 2020			Calendar Year Ended December 31, 2010		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Banner Health	45,918	1	1.29%	28,220	3	0.89%
State of Arizona	41,606	2	1.17%	49,282	1	1.55%
Wal-Mart Stores, Inc.	36,995	3	1.04%	30,608	2	0.96%
Fry's Food Stores	20,235	4	0.57%			
Arizona State University	17,784	5	0.50%	12,221	8	0.38%
City of Phoenix	16,432	6	0.46%	15,544	4	0.49%
Wells Fargo	16,300	7	0.46%	13,100	5	0.41%
University of Arizona	16,021	8	0.45%			
Dignity Health Arizona	15,403	9	0.43%			
Maricopa County	13,648	10	0.38%	12,458	7	0.39%
Bank of America				12,000	9	0.38%
Raytheon Missile Systems				12,000	10	0.38%
Apollo Group Inc.				13,000	6	0.41%
<b>Total</b>	<b>240,342</b>		<b>6.75%</b>	<b>198,433</b>		<b>6.24%</b>

Sources: Phoenix Business Journal, Book of Lists 2020 and Arizona Department of Transportation CAFR 2011 for employers: Arizona Commerce Authority website, <https://www.azcommerce.com/o eo/labor-market/unemployment/>.

## Faculty and Staff

Fall employment of fiscal year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>FACULTY</b>										
Full-time	998	1,175	1,180	1,151	1,094	1,068	1,055	973	900	864
Part-time	481	607	625	593	569	553	589	616	639	632
<b>Total Faculty</b>	<b>1,479</b>	<b>1,782</b>	<b>1,805</b>	<b>1,744</b>	<b>1,663</b>	<b>1,621</b>	<b>1,644</b>	<b>1,589</b>	<b>1,539</b>	<b>1,496</b>
Percentage Tenured	53%	46%	47%	47%	49%	49%	50%	53%	52%	60%
<b>STAFF</b>										
Full-time	1,936	2,009	2,034	1,987	1,952	1,883	1,892	1,842	1,779	1,707
Part-time*	684	775	772	751	737	753	756	715	651	661
<b>Total Staff</b>	<b>2,620</b>	<b>2,784</b>	<b>2,806</b>	<b>2,738</b>	<b>2,689</b>	<b>2,636</b>	<b>2,648</b>	<b>2,557</b>	<b>2,430</b>	<b>2,368</b>
<b>Total Faculty and Staff</b>	<b>4,099</b>	<b>4,566</b>	<b>4,611</b>	<b>4,482</b>	<b>4,352</b>	<b>4,257</b>	<b>4,292</b>	<b>4,146</b>	<b>3,969</b>	<b>3,864</b>

\*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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Academic/Support Facilities	97	97	96	87	88	87	85	84	83	81
Auxiliary Facilities	79	71	71	39	38	38	36	33	31	28
<b>Total</b>	<b>176</b>	<b>168</b>	<b>167</b>	<b>126</b>	<b>126</b>	<b>125</b>	<b>121</b>	<b>117</b>	<b>114</b>	<b>109</b>

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

#### Brad Miner

Associate Comptroller

#### Kristi Markey

Manager, Accounting

#### Anthea Vadasz

Financial Planning and Reporting Analyst, Senior

#### Francine Dalgai

Accountant, Principal

## Additional Contributions by

Financial Accounting Services staff

Finance Service Teams

Contracts, Purchasing and Risk Management staff

Student and Departmental Account Services staff

Institutional Research and Analysis staff

Budget Office staff

University Marketing staff

President's Office

Facility Services staff

This annual comprehensive financial report is compiled and issued by Wendy Swartz – Associate Vice President for Financial Services & University Comptroller.

Northern Arizona University

PO Box 4069

Flagstaff, AZ 86011

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



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