

Comprehensive Annual Financial Report

Year Ended June 30, 2020

Included as an Enterprise Fund of the State of Arizona

Comprehensive Annual Financial Report

For the Year Ended June 30, 2020

Flagstaff, Arizona

Prepared by the Comptroller's Office



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INTRODUCTORY SECTION





A MESSAGE FROM THE PRESIDENT

Since 1899, students have been bringing their aspirations to NAU, graduating with degrees and experiences that have led to exceptional careers and accomplishments.

This year has been one like no other. The coronavirus pandemic has had a significant impact on our university life and operations, our students and their families, our faculty and staff, our local businesses and local health systems. NAU has been operating on high alert since December, when news about the impact of the novel coronavirus began emerging from overseas. With many unknowns at the time, NAU's leadership team knew it had to prepare quickly.

Our 20 years of experience offering online classes served us well and we strengthened our existing technology to ensure we continued classes online for the entire university uninterrupted. Technology allowed us to move operations online too, so faculty and staff could continue working safely remotely, if needed.

In addition to numerous large-scale efforts focusing on the health and safety of NAU and our communities, we instituted a system of studies that allowed students to follow classes in person and remotely. We have also instituted stringent protocols for physical distancing, cleaning, personal hygiene, handwashing, mask wearing, testing, and quarantining.

With student success and access at the center of everything we do, NAU continued focusing efforts on access to higher education and aligning academic offerings to the state's workforce needs. Undergraduate research opportunities, access, enrollment, and retention continue to be focus areas for us and the 30,000 students who attend NAU.

NAU is an economic engine for the state and region, as confirmed in an Alliance Bank Economic Policy Institute economic impact study estimating that NAU contributes more than \$2.6 billion to Arizona's economy each year. We also support more than 22,000 jobs throughout Arizona.

As an institution of higher education that focuses on research and discovery, we have prioritized efforts to maximize existing partnerships and engage in new ones with industry and peer institutions to develop tests and vaccines related to COVID-19.

NAU's Pathogen and Microbiome Institute (PMI), created in 2016 with key investments in interdisciplinary teams and technologies, has been at the forefront of COVID-19 research efforts. PMI is world renowned for its specialty in pathogen and microbiome research and for its contributions surrounding the anthrax bacteria and other infectious diseases. PMI repurposed its existing biodefense research infrastructure for a testing facility dedicating much of its research capacity to fighting COVID-19.

Even prior to the pandemic, our strength as a research university has gained considerable recognition. NAU's research and development expenditures are projected to be \$65 million in 2020 for NSF HERD survey expenditures. Last year, the National Science Foundation recognized NAU as No. 93 in the country among research universities without a medical school and as No. 75 among public universities without a medical school.

We are in a unique place in history. We have been presented an opportunity to do things differently, to harness the lessons and learnings of a global pandemic and use them for discovery and invention. We

have an opportunity to strengthen and refocus our place in history, to engage with the world and contribute towards mitigating global challenges, together, in new ways.

Now, more than ever, we remain grateful for the support of state leaders who understand the important role we play in Arizona’s success, and in the health and safety of our society.

I thank you for your interest and support of NAU.

Sincerely,

Rita Cheng
President





LETTER OF TRANSMITTAL

October 23, 2020

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

I respectfully submit the Northern Arizona University Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. 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 CAFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes §41-725. Additionally, federal guidelines and certain bond covenants require that the University's accounting and financial records be audited each year. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The University's internal auditors also perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with University management, the Arizona Board of Regents (ABOR), ABOR Audit Committee and the ABOR Business and Finance Committee.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in

conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The CAFR includes Management's Discussion and Analysis (MD&A), along with other required supplementary information and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the year ended June 30, 2020. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the University

Founded in 1899, Northern Arizona University is a vibrant community committed to teaching as learning, research as innovation, and service as shared leadership. NAU is a high research university with its main campus located on an 829-acre site in Flagstaff, Arizona. NAU statewide sites are located throughout the state and online.

Flagstaff is a growing city of an estimated 75,038 residents (U.S. Census Bureau, 2019), located on the Colorado Plateau at an elevation of 7,000 feet. Immediately north of the campus are the 12,633-foot high San Francisco Peaks, which feature a major winter sports center. The University is at the junction of two interstate highways, I-40 and I-17, less than a three-hour drive from Phoenix and about five hours from Tucson, Albuquerque, NM and Las Vegas, NV. Flagstaff is the home of such renowned scientific institutions as Lowell Observatory, the U.S. Naval Observatory's Flagstaff station, the U.S. Geological Survey's Branch of Astrogeology, and the Museum of Northern Arizona. These institutions are active participants in the University's educational and research programs. An environment of mountains, canyons, forests, deserts, lakes, and streams surrounds the University campus. Two major national parks, including the Grand Canyon, and six national monuments, surround the Flagstaff area.

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

The University's fiscal year 2020 fall semester total enrollment was 30,736 students. Enrollment was comprised of 26,513 undergraduate and 4,223 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 1,175 full-time faculty educate a diverse student population.

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.

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

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

unit, more information relating to the Foundation can be found in Notes 2 and 11 to the financial statements. NACFFC is a blended component unit, based on the nature and significance of its relationship to the University.

The University is responsible for planning, developing, and controlling its budget and expenses within authorized allocations in accordance with University, ABOR, state, and federal laws and regulations. ABOR approves the University's annual operating budget in accordance with ABOR policy 3-403. The budget includes the general purpose (state general funds and tuition and fees) budget and the local funds budget which consists of the designated, restricted, and auxiliary funds. The State Legislature reviews the University's local funds budget and adopts and appropriates the general purpose budget through legislation. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget. Project-length financial plans are adopted for capital projects.

Economic Condition

On March 24, 2020, the U.S. Department of Commerce's Bureau of Economic Analysis reported the population of Arizona in 2019 was 7,278,717, which ranks 14th in the nation. Arizona's current-dollar gross domestic product ranks 22nd among the states. First quarter 2020, Arizona real Gross Domestic Product (GDP) shrank 3.6 percent; the national change was a decrease of 5.0 percent. Real GDP is expected to bounce back with 4.6% growth in 2021 and a 5.6% gain in 2022 per the Eller College of Management.

As reported by the Arizona Office of Economic Opportunity in a report released July 16, 2020, the Arizona seasonally adjusted unemployment rate increased to 10.0%. The U.S. seasonally adjusted unemployment rate was 11.1% in June.

Per the Eller College of Management, there continues to be a huge amount of uncertainty about the future of the COVID-19 outbreak and the economic impacts associated with it. The baseline forecast assumes that the current surge in the spread of the coronavirus is contained quickly and that there is not a major resurgence in the fall. The forecast calls for the current downturn to be a short, sharp shock that is restricted to the second quarter. Growth rates are rapid initially before gains begin to slow in 2021. The state is forecast to regain pre-outbreak employment levels by early 2022.

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 that higher education is accessible to the state's residents. The class of 2023 is comprised of over 5,400 first-year students selected from over 36,000 applicants. More than 45 percent were the first generation in their families to attend college. Fall 2019 first-year students hail from 14 Arizona counties, all 50 states, and 85 countries.

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

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

For the first time in its 120-year history, Northern Arizona University broke through the country's top 200 research universities, reaching No. 196 in the National Science Foundation's (NSF) national research rankings. NAU also rose to No. 93 for universities without a medical school and No. 75 in the nation for public institutions without a medical school. Increased research activity improves the institution's national reputation for research and creative scholarship, increases NAU's competitive positioning to attract graduate and undergraduate students, and improves the experiential learning opportunities for students that are important components of their education at NAU and their preparation to join the future workforce for Arizona. All of these factors support the importance of maintaining a strategic

commitment to increasing research and scholarship activity.

The Pathogen and Microbiome Institute at Northern Arizona University, the Translational Genomics Research Institute (TGen), an affiliate of City of Hope, and the Ecology and Evolutionary Biology Department at the University of Arizona have formed a union dedicated to tracking the COVID-19 coronavirus.

Harnessing the power of state-of-the-art technology and "big data" analysis, researchers at the newly formed Arizona COVID-19 Genomics Union (ACGU) seek to better understand how this virus may be evolving, how it is transmitted and how it is moving through the general population.

This molecular epidemiological approach combines traditional epidemiology methods with evolutionary modeling based on high-resolution analysis of the virus' genome.

ACGU scientists will sequence samples from COVID-19 patients to analyze the virus' genetic codes, track its different strains, show where each sample originates from, where it may have been transmitted, and possibly reveal details that could provide critical information for diagnostics, anti-viral drug targets, and vaccine development.

The Arizona COVID-19 Genomics Union is similar to other groups across the globe that are working to gain a foothold in fighting this new coronavirus. Rapid sharing of data and analysis has been, and continues to be, critical to scientific, medical, and public health understanding of the pandemic. The consortium of Arizona scientists hope that their regional sequencing will give Arizona healthcare providers and public policy makers an edge in responding to this pandemic. ACGU will make its findings public and available to epidemiologists and virologists worldwide.

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 to remain positioned to take advantage of the opportunities that will arise. In remaining focused on this, the University's students, faculty and staff, and communities all benefit from the progress NAU achieves working together as one NAU, with one mission and one vision, side by side.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northern Arizona University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the seventh consecutive year that NAU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

The preparation of this report in a timely manner would not have been possible without the skill, effort, and dedication of the entire staff of the Comptroller's Office, and other University administrators 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 of 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, 2019

Christopher P. Morill

Executive Director/CEO

ARIZONA BOARD OF REGENTS

JUNE 30, 2020

Ex-Officio Members

Honorable Doug Ducey

Governor of Arizona

Honorable Kathy Hoffman

Superintendent of Public Instruction

Appointed Members

Larry Penley, Chair

Karrin Robson, Secretary

Ron Shoopman, Treasurer

Lyndel Manson, Chair Elect

Bill Ridenour, Regent

Fred DuVal, Regent

Kathryn King, Regent

Anthony Rusk, Student Regent

Lauren L'Ecuyer, Student Regent

EXECUTIVE ADMINISTRATION

JUNE 30, 2020

Rita Cheng

President

Steve Burrell

Chief Information Officer

Christy Farley

Vice President for External Affairs and Partnerships

Bjorn Flugstad

Vice President for Finance, Institutional Planning and Analysis

Erin Grisham

Vice President for Student Affairs

Chad Hamill

Vice President for Native American Initiatives

Josh Mackey

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Daniel Okoli

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Anika Olsen

Vice President of Enrollment Management

David Schultz

Vice President for Research

Diane Sterns

Provost and Vice President for Academic Affairs

Harlan Teller

Chief Marketing Officer

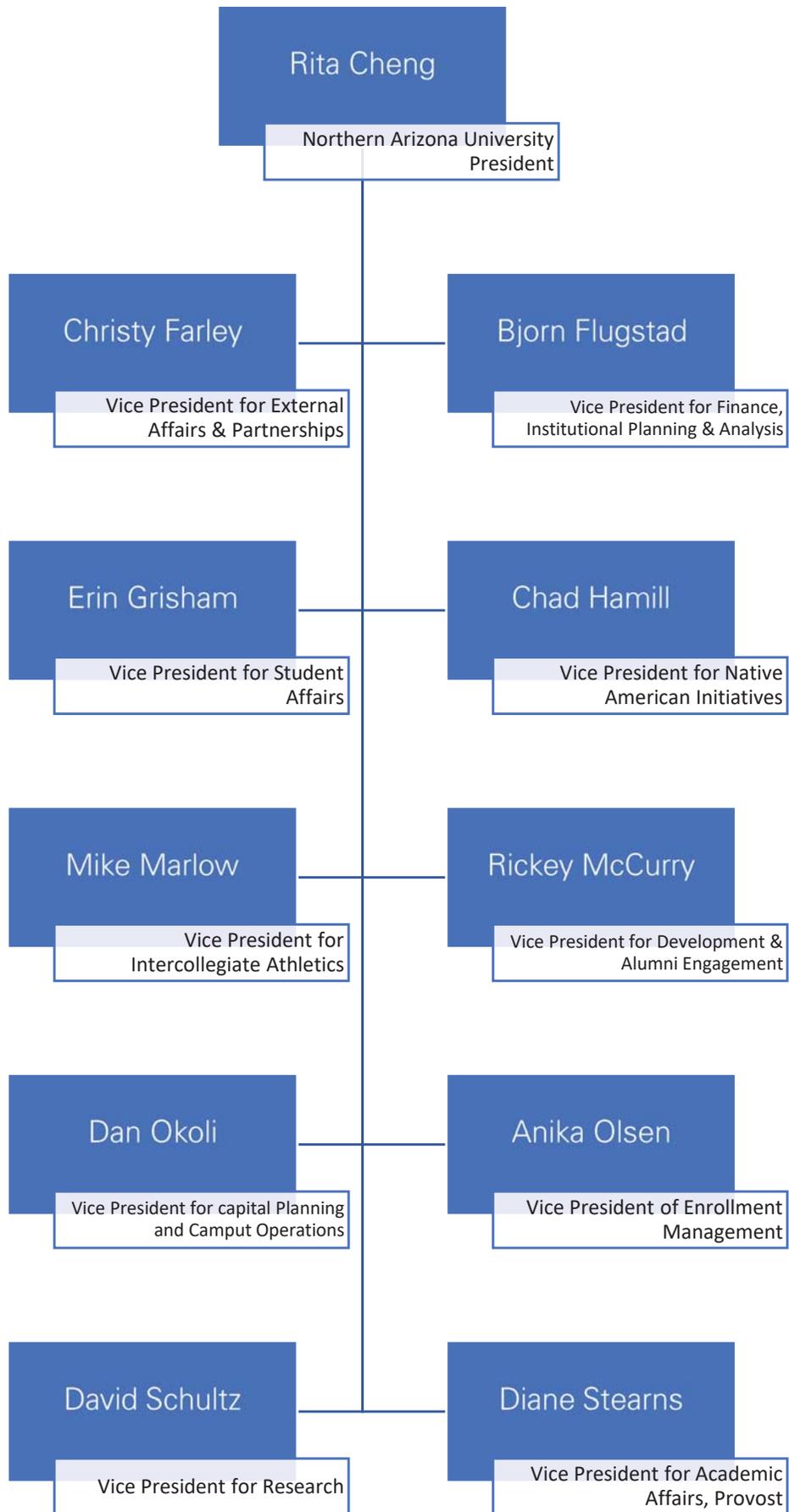
Kimberly Ott

Communication & Media Relations

Michelle Parker

General Counsel

ORGANIZATION CHART





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, 2020, 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, 2020, 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, 2020, 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 23, schedule of University's proportionate share of net pension liability 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 Perry, CPA, CFE
Auditor General

October 23, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Northern Arizona University for the fiscal year ended June 30, 2020, with comparative information for the fiscal year ended June 30, 2019. 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; however, the MD&A focuses only on the University. Information relating to the discretely presented component unit can be found in its separately issued financial statements.

The University's financial 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. These

statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is a single business-type activity, and, accordingly, is reported within a single column in the basic financial statements.

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.

Financial 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.

Condensed Statement of Net Position (dollars in thousands)

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, and includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources, segregating the assets and liabilities into current and noncurrent components. The following table summarizes the University's Statement of Net Position on June 30, 2020, and June 30, 2019:

	2020	2019	% Change
Assets:			
Current assets	\$ 251,259	\$ 214,692	17.0%
Capital assets, net	838,291	859,248	(2.4%)
Other non-current assets	101,775	84,061	21.1%
Total Assets	\$ 1,191,325	\$ 1,158,001	2.9%
Deferred Outflows of Resources	\$ 40,038	\$ 40,974	(2.3%)
Liabilities:			
Current liabilities	\$ 102,118	\$ 84,723	20.5%
Non-current liabilities	823,978	787,792	4.6%
Total Liabilities	\$ 926,096	\$ 872,515	6.1%
Deferred Inflows of Resources	\$ 54,369	\$ 66,909	(18.7%)
Net Position:			
Net investment in capital assets	\$ 248,641	\$ 245,903	1.1%
Restricted	73,200	74,404	(1.6%)
Unrestricted (deficit)	(70,943)	(60,756)	16.8%
Total Net Position	\$ 250,898	\$ 259,551	(3.3%)

Total Assets

When compared to fiscal year 2019, total assets for the University increased \$33.3 million. The increase is attributable to an increase in cash offset by a decrease in investments of \$4.2 million, an increase of \$8.0 million in accounts receivable and an increase in restricted cash for capital projects of \$44.5 million. These increases were offset by a decrease in capital assets of \$21.0 million.

The decrease in investments is due to several agency notes being called this year and because of the lack of favorable investment options, balances were moved to the LGIP pools, increasing cash. The increase in accounts receivable is due to increases in government grants and contracts, and the accrual of the SPEED payment that was not received in FY20. The increase in restricted cash for capital projects is due to the 2020 bond issuance to finance the Student Athletic High Performance Center. The decrease in capital assets is attributable to increased depreciation and less construction on campus.

Total Deferred Outflows of Resources

Deferred outflows of resources, which are consumptions of the University's net position that are applicable to future reporting periods, decreased \$0.9 million. This decrease is attributed to a \$5.3 million increase in deferred amounts related to debt refunding offset by a \$6.3 million decrease in deferred outflows related to pensions and other post-employment benefits due to actuarial adjustments provided by the Arizona State Retirement System (ASRS), Arizona Department of Administration (ADOA), and Public Safety Personnel Retirement System (PSPRS). See Notes 9 and 10 for detailed information on deferred inflows and outflows related to pensions and OPEB.

Total Liabilities

Total liabilities increased \$53.6 million compared to fiscal year 2019. Increases were recorded in accounts payable \$3.2 million, accrued payroll and employee benefits \$4.6 million, unearned revenues \$6.1 million, deposits held in custody for others \$8.1 million, net pension liability \$7.4 million, and long-term debt \$28.3 million.

The increases in accounts payable, unearned revenues, and deposits held in custody for others were primarily related to COVID-19 and the federal CARES act funding. The increase in net pension liability is due to actuarial adjustments as provided by ASRS and PSPRS. The increase in long-term

debt represents the new debt issuance of the 2020 Lease Revenue Bonds offset by the annual principal payments on long-term debt.

Total Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position by the University that is applicable to future reporting periods. Deferred inflows decreased \$12.5 million due to deferred inflows related to pensions and OPEB attributable to actuarial adjustments provided by the ASRS, ADOA, and PSPRS. See notes 9 and 10 for detailed information on deferred inflows and outflows related to pensions and OPEB.

Total Net Position

Net position 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 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 \$250.9 million at June 30, 2020, a decrease of \$8.7 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 results of operations. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue

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

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, 2020, and for the year ended June 30, 2019, is as follows:

	2020	2019	% Change
Operating revenues:			
Student tuition and fees, net	\$ 233,911	\$ 237,605	(1.6%)
Grants and contracts	43,380	39,905	8.7%
Auxiliary enterprises, net	58,106	65,578	(11.4%)
Other	19,438	24,931	(22.0%)
Total operating revenues	\$ 354,835	\$ 368,019	(3.6%)
Operating expenses:			
Educational and general	\$ 503,135	\$ 470,544	6.9%
Auxiliary enterprises	43,365	44,790	(3.2%)
Depreciation	45,239	42,822	5.6%
Total operating expenses	\$ 591,739	\$ 558,156	6.0%
Operating loss	\$ (236,904)	\$ (190,137)	24.6%
Nonoperating revenues (expenses):			
State appropriations	\$ 113,523	\$ 103,200	10.0%
Share of state sales tax revenues	16,943	15,844	6.9%
Grants and gifts	101,500	87,358	16.2%
Net investment income	4,596	6,255	(26.5%)
Interest expense on debt	(23,990)	(28,084)	(14.6%)
Other nonoperating revenues	5,957	14,330	(58.4%)
Net nonoperating revenues	\$ 218,529	\$ 198,903	9.9%
Income (loss) before capital and endowment additions	\$ (18,375)	\$ 8,766	(309.6%)
Capital appropriations	5,900	5,896	0.1%
Other capital and endowment additions	3,822	2,150	77.8%
Increase/(decrease) in net position	\$ (8,653)	\$ 16,812	(151.5%)
Net position, beginning of year	259,551	242,739	6.9%
Net position, end of year	\$ 250,898	\$ 259,551	(3.3%)

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 1.6 percent due to increases in scholarship allowances of \$11.0 million offset by increases in tuition. Revenues from operating grants and contracts increased 8.7 percent over the prior year, primarily due to increased grant activity. The funding comes from contracts and grants awarded by federal and state agencies, foundations, non-profit organizations, corporations and associations. Revenues vary from year to

year for many reasons, including the availability of funding from sponsors, the commencement or closure of large projects, and unearned revenues.

Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary and other revenue decreased 11.4 percent and 22.0 percent respectively over the prior year, mainly due to COVID-19 related credits and cancellations.

Operating Expenses

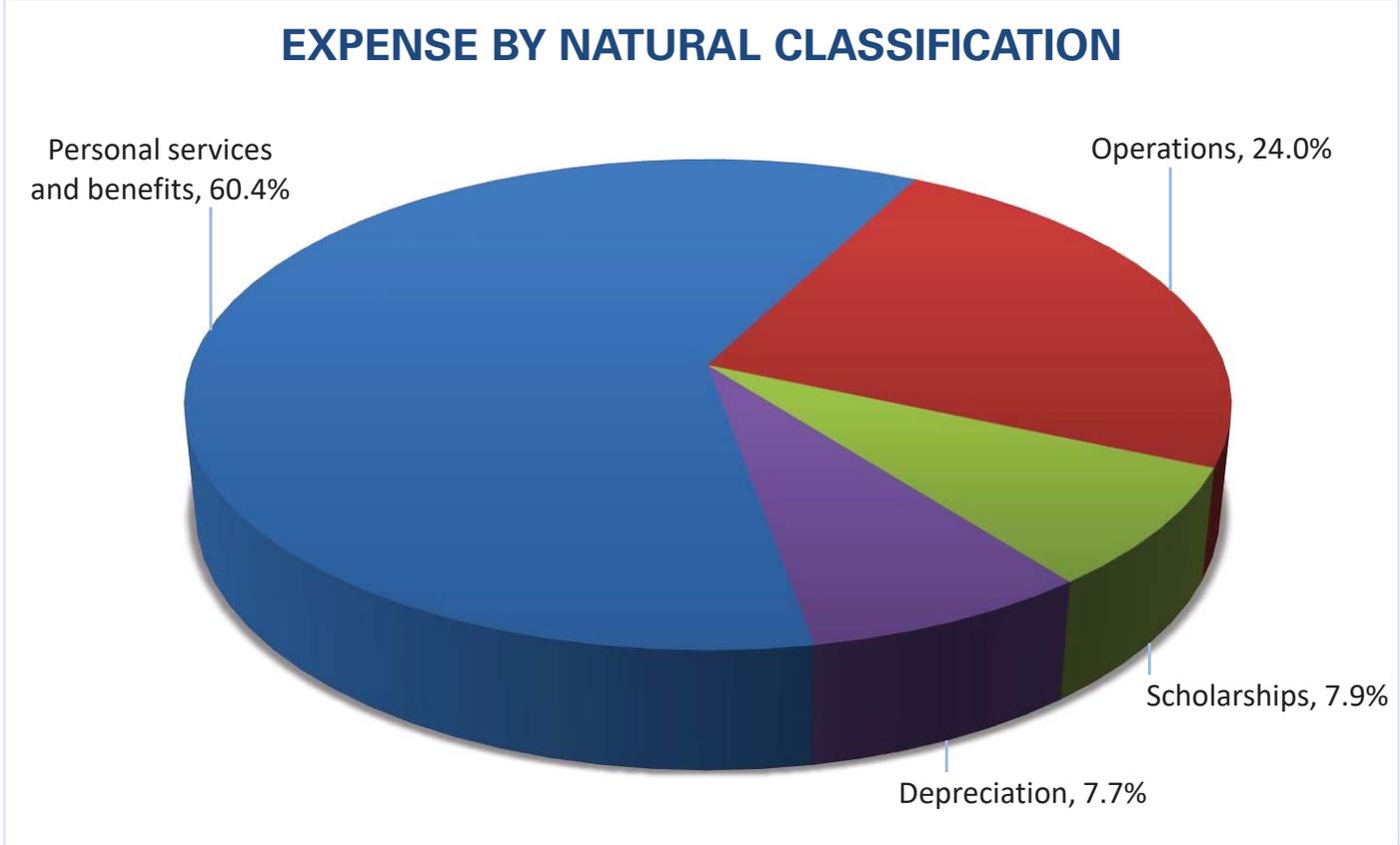
Operating expenses are reported by programmatic (functional) classification in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification in Note 8.

The University’s operating expenses were \$591.7 million for the fiscal year ended June 30, 2020. Overall, operating expenses increased 6.0 percent. The programmatic category of student services recorded the highest increases of 21.3 percent, primarily due to student account write-off adjustments. This was closely followed by a research increase of 20.6 percent due to increased grant activity.

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

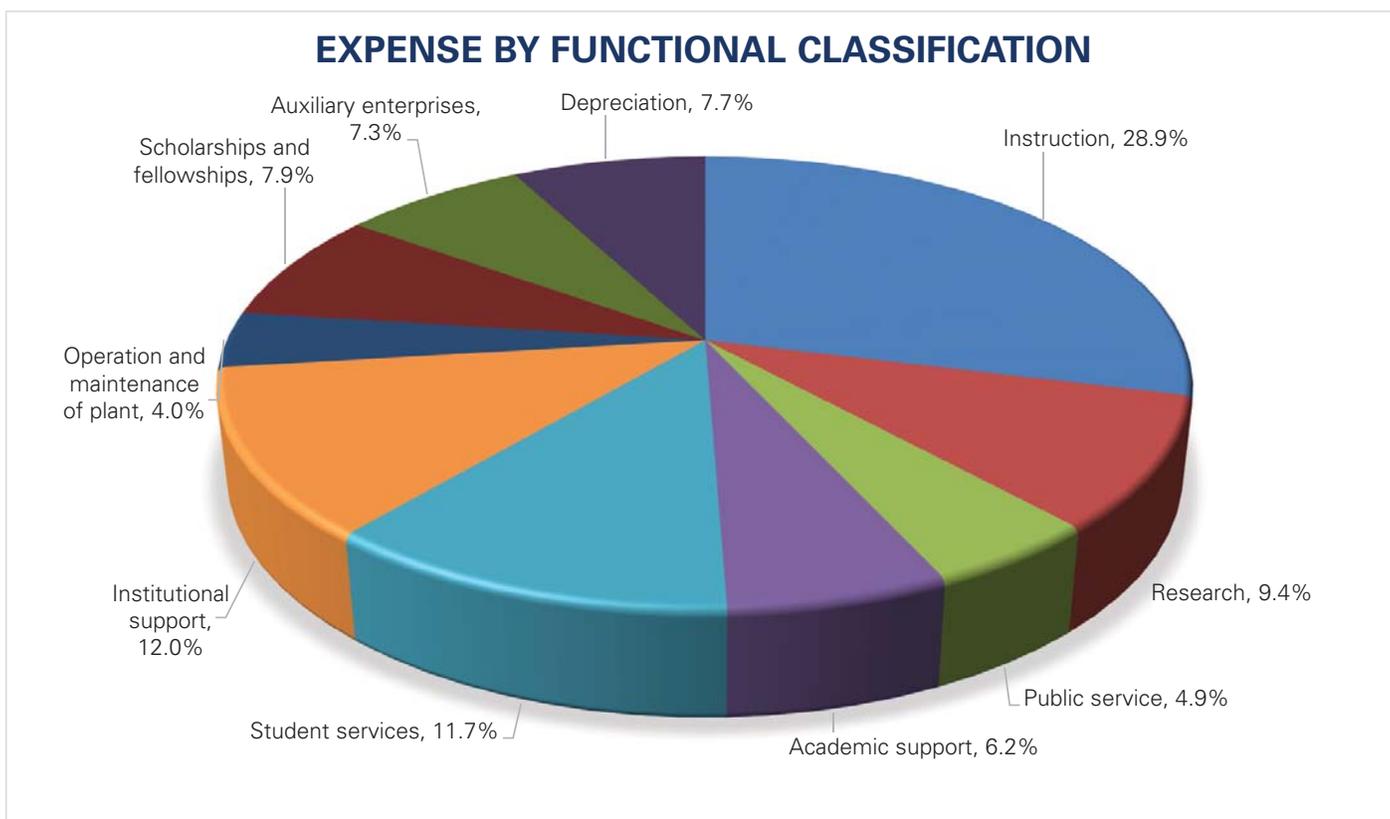
Operating Expenses by Natural Classification (dollars in thousands)

	2020	2019	% Change
Operating:			
Personal services and benefits	\$ 357,550	\$ 334,491	6.9%
Operations	142,004	140,987	0.7%
Scholarships	46,946	39,857	17.8%
Depreciation	45,239	42,822	5.6%
Total operating expenses	\$ 591,739	\$ 558,157	6.0%



Operating Expenses by Functional Classification (dollars in thousands)

	2020	2019	% Change
Operating:			
Instruction	\$ 171,180	\$ 168,338	1.7%
Research	55,608	46,113	20.6%
Public service	28,945	30,924	(6.4%)
Academic support	36,939	38,445	(3.9%)
Student services	69,409	57,210	21.3%
Institutional support	70,740	62,202	13.7%
Operation and maintenance of plant	23,368	27,456	(14.9%)
Scholarships and fellowships	46,946	39,857	17.8%
Auxiliary enterprises	43,365	44,790	(3.2%)
Depreciation	45,239	42,822	5.6%
Total operating expenses	\$ 591,739	\$ 558,157	6.0%



Non-operating Revenues and Expenses

State appropriations, noncapital gifts and grants, and investment income are considered non-operating because they were not generated by the University's principal, ongoing operations. State appropriations were not generated by the University but were provided to help fund operating expenses. State appropriations revenue totaled \$113.5 million for fiscal year 2020, an increase of 10.0 percent from the \$103.2 million received during the prior year.

Noncapital gifts and grants increased \$14.1 million or 16.2 percent and include expendable gifts, and federal government Coronavirus Aid, Relief, and Economic Security (CARES) Act revenue, and other awards that are not considered to be operating revenues. Net investment income decreased 26.5% or \$1.7 million due to decreased interest earnings, unrealized market losses, and endowment market depreciation.

Combined Sources and Uses (dollars in millions)

	2020		2019		% Change		
Sources							
Tuition and fees, net	\$	233.9	38.5%	\$	237.6	39.4%	(1.6%)
State appropriations		119.4	19.7%		103.2	17.1%	15.7%
Grants and contracts		125.5	20.7%		108.5	18.0%	15.7%
Auxiliary enterprises, net		58.1	9.5%		65.6	10.9%	(11.4%)
Other sources		29.4	4.8%		47.3	7.9%	(37.8%)
Private gifts, grants and contracts		19.4	3.2%		18.8	3.1%	3.2%
Share of state sales tax (TRIF)		16.9	2.8%		15.8	2.6%	7.0%
Net investment income		4.6	0.8%		6.3	1.0%	(27.0%)
Total sources	\$	607.2	100.0%	\$	603.1	100.0%	0.7%
Uses							
Instruction and academic support	\$	208.1	33.8%	\$	206.8	35.3%	0.6%
Student services & institutional support		140.1	22.8%		119.4	20.4%	17.3%
Research and public service		84.6	13.7%		77.0	13.1%	9.9%
Auxiliary enterprises		43.4	7.1%		44.8	7.6%	(3.1%)
Depreciation		45.2	7.3%		42.8	7.3%	5.6%
Scholarships and fellowships		46.9	7.6%		39.9	6.8%	17.5%
Other uses		24.2	3.9%		28.1	4.8%	(13.9%)
Operation & maintenance of plant		23.4	3.8%		27.5	4.7%	(14.9%)
Total uses	\$	615.9	100.0%	\$	586.3	100.0%	5.0%

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprise revenues. Operating expenses include employee salaries and benefits and vendor payments for supplies. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes cash from state appropriations, financial aid grants, and private gifts. Cash flows from capital financing activities include all capital assets and related long-term debt activities, including proceeds from the issuance of debt, capital asset purchases, and principal and interest paid on long-term debt. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and income earned on those investments. The following summarizes cash flows for fiscal years 2020 and 2019:

Cash Provided By (Used For), (dollars in thousands)	2020	2019
Operating activities	\$ (184,852)	\$ (163,438)
Noncapital financing activities	239,385	210,438
Capital financing activities	(10,463)	(78,404)
Investing activities	58,039	18,150
Net increase (decrease) in cash and cash equivalents	\$ 102,109	\$ (13,254)
Cash and cash equivalents, beginning of year	149,966	163,220
Cash and cash equivalents, end of year	\$ 252,075	\$ 149,966

Capital and Debt Analysis

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

During fiscal year 2020, the University completed work on the third and fourth floor renovation of the Science Annex, as well as renovations on McConnell and Wilson Hall, and is continuing renovation work on classroom space and several residence halls.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs) and Certificates of Participation (COPs). The amount of debt the University is able to issue is limited by a debt ratio of 8.0 percent as defined by State law Arizona Revised Statutes §15-1683, and ABOR policy 7-102(D)(3). The debt ratio is determined by annual debt service on bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2020, the University's debt ratio was 4.6 percent. The University's credit ratings on its outstanding system revenue bonds are A1 by Moody's and A+ by Standard and Poor's.

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

For more detailed information on capital asset activity and long-term debt activity please review the relevant

disclosures in the notes to the financial statements (Note 4 and Note 5).

Economic Outlook

Although the University is impacted by the COVID-19 pandemic, the full long-term impacts are undetermined at this time. For the Fall 2020 semester, NAU extended the move-in process for residential housing and limited in-person instruction at the start of the semester. The University is utilizing NAUFlex remote delivery to hold the majority of classes virtually for the first two weeks of the fall and spring semesters. Students then can choose to attend in-person classes, or continue to attend virtually. The University will continue to deliver a quality education through multiple delivery options while helping mitigate the risk of COVID-19 on the campus and in the community. The University knows that prevention begins now and will extend through the semesters. NAU is committed to working with faculty, students, and staff as well as community partners to have a successful fall and spring semester.

While the University and ABOR recognize the fiscal pressures the State of Arizona has been managing, the University has continued the guaranteed tuition program, started in the Fall of 2008, which is a constant tuition rate set by ABOR for eight semesters. Tuition rates for fiscal year 2021 will remain the same for incoming undergraduate residents and increased 0.5 percent for undergraduate nonresidents. Graduate resident tuition rates will remain the same, and for graduate nonresidents there was an increase of 4.7 percent. The University continues to return a portion of tuition revenue to students in the form of need-based aid and, combined with other sources, continues to provide financial aid to meet 100 percent of documented need for undergraduate students.

The University's state and capital appropriations budget for fiscal year 2021 is \$109.8 million, a decrease of \$7.5 million from the prior year budget of \$117.3 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.

Moody's Investor Service published its Sector In-Depth report on Higher Education – US in June 2020, and noted higher education is a seasonal enterprise, especially for those institutions with the academic year defined by a Fall and Spring semester. This

seasonality combined with the primacy of Fall as a traditional point of entry heightens the uncertainty around enrollment for academic year 2020-21. Particularly for students seeking an educational product distinguished by a residential experience, enrollment will be partially driven by the pace of relaxation of the strictest social-/physical-distancing measures due to COVID-19. The loss of student revenue will exacerbate other revenue difficulties across the sector. State funding will likely decline for most, if not all, public universities. In addition, depending on consumer confidence and financial market volatility, philanthropy and endowment income could decline for both public and private universities. The combination of these revenue strains will lead to challenging business conditions across the sector.

The university faces significant pressure on its ability to manage expenses while maintaining the competitive salaries and benefits needed to attract top faculty. 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, 2020

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$	196,622,092
Short term investments (Note 3)		5,024,500
Receivables (net of allowance for uncollectible):		
Accounts receivable		21,524,492
Accrued interest		1,019,384
Endowment		8,829
Government grants and contracts		22,865,633
Student loans, current portion		1,249,437
Other assets		2,444,619
Inventories		499,811
Total Current Assets	\$	251,258,797

Noncurrent assets:

Restricted cash and cash equivalents held by trustee for capital projects (Note 3)	\$	55,452,978
Long term investments (Note 3)		11,400,613
Student loans receivable, net of allowance		615,363
Endowment investments (Note 3)		33,859,892
Other noncurrent assets		446,582
Capital assets, not being depreciated (Note 4)		33,866,279
Depreciable capital assets, net of depreciation (Note 4)		804,424,757
Total Noncurrent Assets	\$	940,066,464

Total Assets **\$ 1,191,325,261**

Deferred Outflows of Resources

Deferred charge on debt refunding	\$	16,331,660
Deferred outflows related to pensions (Note 9)		21,144,001
Deferred outflows related to OPEB (Note 10)		2,562,100
Total Deferred Outflows of Resources	\$	40,037,761

Statement of Net Position (continued)

Liabilities

Current liabilities:

Accounts payable	\$	15,669,630
Accrued payroll and employee benefits		17,915,166
Interest payable		4,236,188
Unearned revenues		25,585,185
Accrued compensated absences, current portion (Note 7)		722,667
Pension liability, current portion (Note 9)		560,143
Deposits held in custody for others		11,101,572
Current portion of long-term debt and capital leases funded by:		
University operating revenues (Note 5)		18,049,751
State appropriations and other State monies (Note 5)		8,277,679
Total Current Liabilities	\$	102,117,981

Noncurrent liabilities:

Accrued compensated absences (Note 7)	\$	7,170,750
Deposits held in custody for others		1,850,923
OPEB liability (Note 10)		5,638,460
Pension liability (Note 9)		181,030,750
Long-term debt and capital leases funded by:		
University operating revenues (Note 5)		488,015,323
State appropriations and other State monies (Note 5)		140,271,303
Total Noncurrent Liabilities	\$	823,977,509

Total Liabilities

\$ 926,095,490

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 9)	\$	10,808,401
Deferred inflows related to OPEB (Note 10)		43,561,066
Total Deferred Inflows of Resources	\$	54,369,467

Net Position

Net investment in capital assets	\$	248,641,549
Restricted:		
Nonexpendable:		
Scholarships and fellowships		18,039,156
Student loans		1,102,529
Expendable:		
Scholarships and fellowships		15,999,372
Academic department uses		38,058,766
Unrestricted (deficit)		(70,943,307)
Total Net Position	\$	250,898,065

See Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2020

Operating Revenues

Tuition and fees (net of scholarship allowances of \$155,697,434)	\$	233,911,092
Government grants and contracts		38,513,762
Private grants and contracts		4,865,732
Auxiliary enterprises		
Residence life (net of scholarship allowances of \$9,578,761)		33,188,870
Other auxiliaries		24,917,555
Other		19,438,096
Total operating revenues	\$	354,835,107

Operating Expenses

Operating expenses (Note 8)		
Educational and general:		
Instruction	\$	171,179,806
Research		55,608,030
Public service		28,945,431
Academic support		36,939,429
Student services		69,408,945
Institutional support		70,740,451
Operation and maintenance of plant		23,368,411
Scholarships and fellowships		46,945,639
Auxiliary enterprises		43,364,514
Depreciation (Note 4)		45,238,829
Total operating expenses	\$	591,739,485
Operating loss	\$	(236,904,378)

Nonoperating Revenues (Expenses)

State appropriations	\$	113,522,900
Share of state sales tax- technology and research initiative funding		16,942,928
Government grants		86,950,248
Private grants and gifts		14,549,576
Net investment income		4,596,083
Interest expense on capital asset related debt		(23,989,853)
Net loss on disposal of capital assets		(196,588)
Other nonoperating revenues, net		6,153,789
Total nonoperating revenues and expenses	\$	218,529,083
Loss before capital and endowment additions	\$	(18,375,295)

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

Capital appropriations	\$ 5,899,500
Capital grants and gifts	2,870,397
Additions to permanent endowments	952,076
Total other revenues	<u>\$ 9,721,973</u>
 Decrease in net position	 <u>\$ (8,653,322)</u>

Net Position

Total net position, beginning of year	\$ 259,551,387
Total net position, end of year	<u>\$ 250,898,065</u>

See Notes to Financial Statements



Statement of Cash Flows

For the Year Ended June 30, 2020

Cash Flows from Operating Activities:

Tuition and fees	\$ 226,005,578
Grants and contracts	45,465,360
Payments to vendors and suppliers	(138,910,934)
Payments for employee wages and benefits	(347,591,613)
Payments for scholarships and fellowships	(46,945,639)
Loans issued to students	(5,800)
Collection on loans to students	2,798,998
Auxiliary enterprise receipts	58,185,450
Other receipts	16,146,718
Net cash used for operating activities	\$ (184,851,882)

Cash Flows from Noncapital Financing Activities:

State appropriations	\$ 113,522,900
Share of state sales tax receipts	16,942,928
Gifts and grants for other than capital purposes	101,499,824
Federal direct lending received	154,528,276
Federal direct lending disbursed	(154,772,939)
Deposits held in custody for others received	40,518,621
Deposits held in custody for others disbursed	(32,220,625)
Other non-operating receipts	(1,586,511)
Financial aid trust funds	952,076
Net cash provided by noncapital financing activities	\$ 239,384,550

Cash Flows from Capital Financing Activities:

Capital appropriations	\$ 5,899,500
Build America Bonds- federal subsidy	1,983,092
Capital commitment- state lottery revenue	8,127,688
Proceeds from issuance of capital debt	46,119,060
Proceeds from sale of capital assets	101,616
Capital grants and gifts received	2,854,402
Purchases of capital assets	(24,563,907)
Principal paid on capital debt and leases	(24,211,825)
Interest paid on capital debt and leases	(26,772,375)
Net cash used for capital financing activities	\$ (10,462,749)

Statement of Cash Flows (continued)

Cash Flows from Investing Activities:

Proceeds from sales and maturities of investments	\$ 70,033,009
Interest on investments	4,246,023
Purchase of investments	(16,240,193)
Net cash provided by investing activities	\$ 58,038,839
Net increase in cash and cash equivalents	\$ 102,108,758

Cash and Cash Equivalents

Cash and cash equivalents- July 1, 2019	149,966,312
Cash and cash equivalents- June 30, 2020	<u>\$ 252,075,070</u>

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

Operating loss	\$ (236,904,378)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	45,238,829
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables:	
Accounts receivable	(3,128,814)
Government grants and contracts	(5,392,807)
Student loans	2,793,198
Inventories	(79,380)
Other assets	193,132
Accounts payable	3,172,539
Accrued payroll and employee benefits	4,552,430
Net pension and other postemployment benefits liability	4,248,769
Deferred outflows of resources related to pensions and other postemployment benefits	6,260,120
Deferred inflows of resources related to pensions and other postemployment benefits	(12,539,794)
Unearned revenues	6,072,830
Accrued compensated absences	661,444
Net cash used for operating activities	\$ (184,851,882)

Significant Noncash Transactions

Refinancing of long-term debt	\$ 218,545,057
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See Notes to Financial Statements

Statement of Financial Position - Component Unit

Northern Arizona University Foundation, Inc.

June 30, 2020

Assets

Cash and cash equivalents	\$	3,240,810
Promises to give, net		14,225,077
Bequests receivable		1,385,605
Interest and other receivables		399,625
Notes receivable		13,541,813
Net investment in direct financing leases		4,128,556
Investments		186,620,145
Cash surrender value of life insurance		7,042,935
EBS licenses, net		177,944
Donated assets held for sale		686,250
Assets held under split-interest agreements		3,316,273
Beneficial interest in perpetual trusts		3,153,342
Other assets		45,000
Total assets	\$	237,963,375

Liabilities

Accounts payable and accrued liabilities	\$	255,826
Assets held in custody for others		35,073,792
Due to Northern Arizona University		18,677
Deferred revenue		5,533,392
Liabilities under split-interest agreements		2,121,883
Total liabilities	\$	43,003,570

Net Assets

Without donor restrictions		
Board designated endowment	\$	11,160,514
Undesignated		(3,908,932)
With donor restrictions		
Purpose restricted		187,708,223
Total net assets	\$	194,959,805

Total Liabilities and Net Assets	\$	237,963,375
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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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Public contributions	\$ 25,005	\$ 19,531,556	\$ 19,556,561
EBS revenue	1,912,505		1,912,505
Net investment return	582,324	7,767,824	8,350,148
Interest income on direct financing leases	221,582		221,582
Change in beneficial interest in perpetual trusts		(125,926)	(125,926)
Change in value of split-interest agreements	296,677		296,677
Change in cash surrender value of life insurance		202,398	202,398
Other income and support	15,486	442,412	457,898
Reclassification of donor intent	157,263	(157,263)	
Net assets released from restrictions	12,802,025	(12,802,025)	
Total revenue, support, and gains	<u>\$ 16,012,867</u>	<u>\$ 14,858,976</u>	<u>\$ 30,871,843</u>
Expenses and Losses			
Program expenses	\$ 10,510,988		\$ 10,510,988
Supporting services expense			
Management and general	671,252		671,252
Fundraising and development	5,340,419		5,340,419
Total supporting services expenses	<u>\$ 6,011,671</u>		<u>\$ 6,011,671</u>
Total expenses and losses	<u>\$ 16,522,659</u>		<u>\$ 16,522,659</u>
Change in net assets	\$ (509,792)	\$ 14,858,976	\$ 14,349,184
Net assets, Beginning of year	<u>\$ 7,760,273</u>	<u>\$ 172,850,348</u>	<u>\$ 180,610,621</u>
Net assets, End of year	<u>\$ 7,250,481</u>	<u>\$ 187,709,324</u>	<u>\$ 194,959,805</u>

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 Comprehensive Annual Financial Report.

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

Basis of Presentation

The accompanying financial statements are presented in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements.

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

- The Statement of Net Position provides information about the University's assets, deferred outflows of resources, liabilities,

deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the University's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding liabilities incurred to acquire or construct the assets. Nonexpendable restricted net position includes gifts that have been received for endowment purposes the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

- The Statement of Revenues, Expenses, and Changes in Net Position provides information about the University's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and housing charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as state appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.
- The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing activities.

Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues

are recognized when earned, and expenses are recorded when an obligation has been incurred, or benefit has been received, regardless of the timing of the cash flows.

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

Cash and Investments

For the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer’s 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	\$5 thousand	20
Buildings	All	40
Infrastructure	All	20-40
Land	All	n/a
Equipment:		
Machinery, vehicles, and other equipment	\$5 thousand	5-15
Intangible assets:		
Computer software > \$10 million	\$10 million	10
Computer software < \$10 million	\$1 million	5
All Other*	\$100 thousand	*
Library 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.

Investment Income

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

Scholarship Allowances

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

Compensated Absences

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

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

Restricted and Unrestricted Resources

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.



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 (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, 2020, the Foundation distributed \$10.5 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 Investment Pools, 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, 2020, the carrying amount of the University's deposits was \$92,352,943 and the bank

balance was \$97,529,272. Beyond the requirements established by A.R.S. and ABOR, the University does not have a policy that specifically addresses custodial credit risk. At June 30, 2020, \$42,723,800 of the University's bank balance was exposed to custodial credit risk as follows: Uninsured and uncollateralized \$42,723,800.

Investments

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

Trust agreements between the University and the Northern Arizona University Foundation (Foundation), authorize the Foundation to invest certain University restricted (gift) and endowment monies. The Foundation Investment Pool invests in a variety of asset classes, including common stocks, fixed income, and international equity funds. The Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies and procedures. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool and is not identified with specific investments. The University's ownership interest is recorded in the Foundation's records. As of June 30, 2020, the Foundation held \$34,773,528 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, 2020, was \$26,547,726.

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, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	As of June 30, 2020	Hierarchy Fair Value		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. agency securities	\$ 15,780,370		\$ 15,780,370	
Government Money Market Mutual Funds	12,771,214	\$ 12,771,214		
Total investments by fair value level	\$ 28,551,584	\$ 12,771,214	\$ 15,780,370	

Investment pools measured at fair value

State Treasurer's investment pools 3 & 4	\$ 146,666,052
NAU Foundation investment pool	34,773,528
Total investment pools measured at fair value	\$ 181,439,580
Total investments measured at fair value	209,991,164
Total investments	\$ 209,991,164

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. At June 30, 2020, 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	Not Rated		\$ 146,666,052
Foundation investment pool	Not Rated		34,773,528
U.S. Agency Securities	AA+	Standard and Poor's	15,780,370
Government Money Market Mutual Funds	AAAm	Standard and Poor's	12,771,214
Total			\$ 209,991,164

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, 2020, the University had \$ 15,780,370 of U.S. agency securities and \$12,771,214 in government money market mutual funds that were uninsured. The \$15,780,370 is not registered in the University's name, and held by the counterparty and the \$12,771,214 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, 2020, utilizing the segmented time distribution method:

Investment Type	Fair Value	Maturity	
		< 1 Year	1 - 5 Years
State Treasurer investment pools 3 & 4	\$ 146,666,052	\$ 136,533,150	\$ 10,132,902
U.S. Agency Securities*	15,780,370	5,024,500	10,755,870
Government Money Market Mutual Funds	12,771,214	12,771,214	
Total	\$ 175,217,636	\$ 154,328,864	\$ 20,888,772

*At June 30, 2020, the University held \$15,780,370 or 7.5 percent of investments in U.S. agency securities, including the Federal Farm Credit Bank, Federal Home Loan Bank, and Federal National Mortgage Association, which may be considered highly sensitive to interest rate fluctuations because borrower repayment terms may vary. Although the majority of the University's investments in U.S. agency securities have a maturity date greater than one year, they are reported as having a maturity date of less than one year if they are expected to be called within one year.

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	\$ 15,968	Cash and cash equivalents	\$ 196,622,092
Cash and deposits in bank	92,352,943	Short term investments	5,024,500
Total investments	209,991,164	Restricted cash and cash equivalents	
Total	\$ 302,360,075	held by trustee for capital projects	55,452,978
		Long term investments	11,400,613
		Endowment investments	33,859,892
		Total	\$ 302,360,075

Note 4 - Capital Assets

Capital asset activity for year ended June 30, 2020, is presented as follows:

	Balance					Balance	
	July 1, 2019	Additions	Retirements	Transfers	June 30, 2020		
Land	\$ 24,397,600	\$ 550,000	\$ 9,562		\$ 24,938,038		
Construction in progress:							
Real property	14,480,954	12,015,559		\$ (19,014,183)	7,482,330		
Intangible assets	1,264,090	1,396,906		(1,215,085)	1,445,911		
Total non-depreciable/ non-amortizable capital assets	\$ 40,142,644	\$ 13,962,465	\$ 9,562	\$ (20,229,268)	\$ 33,866,279		
Buildings and improvements	\$ 1,099,494,569	\$ 357,257		\$ 19,014,183	\$ 1,118,866,009		
Infrastructure	155,094,162	3,906,157			159,000,319		
Equipment	91,883,564	6,333,723	\$ 2,300,996		95,916,291		
Intangible assets	10,384,600			1,215,085	11,599,685		
Library materials	45,593,162	20,302	35,324		45,578,140		
Total depreciable/ amortizable capital assets	\$ 1,402,450,057	\$ 10,617,439	\$ 2,336,320	\$ 20,229,268	\$ 1,430,960,444		
Less accumulated depreciation/ amortization							
Buildings and improvements	\$ 397,415,172	\$ 32,708,175			\$ 430,123,347		
Infrastructure	68,933,152	4,972,637			73,905,789		
Equipment	63,139,877	5,900,294	\$ 2,012,353		67,027,818		
Intangible assets	9,443,639	1,385,873			10,829,512		
Library materials	44,412,695	271,850	35,324		44,649,221		
Total accumulated depreciation/ amortization	\$ 583,344,535	\$ 45,238,829	\$ 2,047,677		\$ 626,535,687		
Depreciable/ amortizable capital assets, net	\$ 819,105,522	\$ (34,621,390)	\$ 288,643	\$ 20,229,268	\$ 804,424,757		
Capital assets, net	\$ 859,248,166	\$ (20,658,925)	\$ 298,205		\$ 838,291,036		

In addition to expenditures through June 30, 2020, it is estimated that \$24.6 million will be required to complete projects under construction, or planned for construction. Of that amount, \$23.3 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 and capital leases for the year ended June 30, 2020, is presented as follows:

	Balance			Balance	Current
	July 1, 2019	Additions	Reductions	June 30, 2020	Portion
Revenue bonds payable	\$ 414,050,000	\$ 188,875,000	\$ 219,375,000	\$ 383,550,000	\$ 12,300,000
Direct placement revenue bonds	106,875,000	46,780,000	5,400,000	148,255,000	6,125,000
Certificates of participation	45,940,000		3,730,000	42,210,000	2,840,000
Capital leases & notes payable	27,767,206		2,046,825	25,720,381	2,139,544
Subtotal long-term debt and lease obligations	\$ 594,632,206	\$ 235,655,000	\$ 230,551,825	\$ 599,735,381	\$ 23,404,544
Premiums on sale of debt	\$ 31,728,921	\$ 29,670,059	\$ 6,520,305	\$ 54,878,675	\$ 2,922,886
Total long-term debt and lease obligations	\$ 626,361,127	\$ 265,325,059	\$ 237,072,130	\$ 654,614,056	\$ 26,327,430

Revenue Bonds Payable and Certificates of Participation

The University's bonded debt consists of various issues of System Revenue bonds 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 law. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the University's system revenue bonds.

During the year ended June 30, 2020, the University issued \$34,205,000 Taxable Revenue Refunding Bonds (2020A) and \$78,520,000 Tax Exempt Revenue Refunding Bonds (2020B) with an average interest rate of 4.39 percent to advance refund older, higher rate issues with an average interest rate of 4.95

percent for the 2020A bonds and 6.63 percent for the 2020B bonds. The University realized net proceeds of \$33,885,411 for 2020A and \$98,728,093 for 2020B after paying \$998,678 in underwriting fees, insurance and other issuance costs. The University used the proceeds to purchase securities that it placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the related liabilities are not included in the financial statements. The net present value of the savings from the refunding was \$18,676,977. Details of the refunding transactions are as follows:

Amount of refunding bonds issued	\$ 112,725,000
Premium on tax-exempt 2020B Series	20,887,182
2009A Refunded	96,130,000
2012 Refunded	13,715,000
2014 Refunded	17,305,000

During the year ended June 30, 2020, the University issued \$36,345,000 Taxable SPEED Refunding Bonds (2020A) and \$39,805,000 Tax Exempt SPEED Refunding Bonds (2020B) with an average interest rate of 3.61 percent to advance refund older, higher rate issues with an average interest rate of 4.92 percent for the 2020A bonds and 6.47 percent for the 2020B bonds. The University realized net proceeds of

\$35,996,228 for 2020A and \$48,225,784 for 2020B after paying \$710,864 in underwriting fees, insurance and other issuance costs. The University used the proceeds to purchase securities that it placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the related liabilities are not included in the financial statements. The net present value of the savings from the refunding was \$12,231,948. Details of the refunding transactions are as follows:

Amount of refunding bonds issued	\$ 76,150,000
Premium on tax-exempt 2020B Series	8,782,875
2010 Refunded	47,000,000
2013 Refunded	32,190,000

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the University is eligible to receive direct payments from the U. S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the University must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the University by the Federal government may be reduced or eliminated due to such issues as failure by the University to submit the required information, any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2019, the Federal government reduced federal direct payment claims filed between October 1, 2018 and September 30, 2019, by 5.9% due to the federal budget sequestration resulting in a \$158,319 reduction in direct payments to the University. For accounting purposes, any direct payments received from the U. S. Treasury Department are recorded as non-operating revenue. As the Series 2009A and 2010 Bonds have been refunded, the University will no longer be receiving the interest payment subsidy.

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, 2020. 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 \$314 million for the prior five years. For fiscal year 2020 pledged revenues totaled \$320 million of which 10.0 percent (\$32.1 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 7.9 percent of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044, is \$605.3 million.

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

On April 8, 2020, the University issued \$46,780,000 Lease Revenue Bonds Series 2020 with an interest rate of 2.8 percent to fund the Student Athlete High Performance Center. The University realized net proceeds of \$46 million after paying \$780,000 in costs of issuance and insurance premium. The 2020 Bonds with maturity on June 1, 2021 through June 1, 2044, are subject to mandatory redemption. The issuance was a direct placement with Capital One. The funds are deposited with US Bank (trustee) and will be disbursed to pay for the costs of designing, developing and equipping the Student Athletic High Performance Center.

Revenue Bonds Payable and Certificates of Participation at June 30, 2020
(dollars in thousands)

	Average		Balance			Balance
	Interest	Final	7/1/2019	Additions	Reductions	6/30/2020
	Rate	Maturity				
Revenue Bonds:						
2009A System Revenue	6.49%	6/1/2020	\$ 99,465		\$ (99,465)	\$ 0
2012 System Revenue	4.46%	6/1/2029	20,190		(13,715)	6,475
2014 System Revenue and Refunding	4.98%	6/1/2038	59,555		(17,305)	42,250
2015 System Revenue Refunding	5.00%	6/1/2037	44,455		(1,040)	43,415
2016 System Revenue and Refunding	5.00%	6/1/2038	32,150		(1,510)	30,640
2020 System Revenue Refunding	4.39%	6/1/2044		\$ 112,725	(1,085)	111,640
Subtotal - System Revenue Bonds			\$ 255,815	\$ 112,725	\$ (134,120)	\$ 234,420
Direct Placement Revenue Bonds:						
2017 System Revenue Refunding	2.91%	6/1/2034	\$ 42,310		\$ (2,360)	\$ 39,950
2017A System Revenue	2.58%	6/1/2038	23,320		(960)	22,360
Subtotal - Direct Placement System Revenue Bonds			\$ 65,630		\$ (3,320)	\$ 62,310
Speed Revenue Bonds						
2010 SPEED Revenue	6.16%	8/1/2020	\$ 54,455		\$ (50,665)	\$ 3,790
2013 SPEED Revenue	4.71%	8/1/2042	71,935		(33,920)	38,015
2020 SPEED Revenue Refunding	3.61%	8/1/2043		\$ 76,150		76,150
Subtotal - SPEED Revenue Bonds			\$ 126,390	\$ 76,150	\$ (84,585)	\$ 117,955
Lease Revenue Bonds:						
2014 Lease Revenue	4.99%	6/1/2044	\$ 31,845		\$ (670)	\$ 31,175
Subtotal - Lease Revenue Bonds			\$ 31,845		\$ (670)	\$ 31,175
Direct Placement Lease Revenue Bonds:						
2016 Lease Refunding	2.61%	6/1/2036	\$ 9,380		\$ (445)	\$ 8,935
2017 Lease Refunding	2.90%	6/1/2033	31,865		(1,635)	30,230
2020 Lease Revenue	2.80%	6/1/2044		\$ 46,780		46,780
Subtotal - Direct Placement Lease Revenue Bonds			\$ 41,245	\$ 46,780	\$ (2,080)	\$ 85,945
Subtotal: Revenue Bonds			\$ 520,925	\$ 235,655	\$ (224,775)	\$ 531,805
Certificates of Participation (COP's):						
2013 Refunding COP's	4.78%	9/1/2030	\$ 31,650		\$ (3,115)	\$ 28,535
2015 Refunding COP's	4.92%	9/1/2030	14,290		(615)	13,675
Subtotal: COP's			\$ 45,940		\$ (3,730)	\$ 42,210
Total Par Amount of Bonds and COP's			\$ 566,865	\$ 235,655	\$ (228,505)	\$ 574,015
Premiums on Sale of Bonds and COP's			\$ 31,728	\$ 29,670	\$ (6,520)	\$ 54,878
Total Bonds and COP's Payable			\$ 598,593	\$ 265,325	\$ (235,025)	\$ 628,893

The following schedule details debt service requirements to maturity at June 30, 2020.

Year	System, SPEED, and Lease, Revenue Bonds		Direct Placement System and Lease Revenue Bonds		Certificated of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 12,300,000	\$ 17,379,213	\$ 6,125,000	\$ 4,144,823	\$ 2,840,000	\$ 1,992,167
2022	12,105,000	16,720,290	6,335,000	3,972,442	3,150,000	1,837,250
2023	12,680,000	16,138,800	7,495,000	3,791,809	3,580,000	1,661,833
2024	13,265,000	15,525,368	7,755,000	3,579,785	3,765,000	1,475,125
2025	16,700,000	14,862,338	8,005,000	3,360,404	3,530,000	1,296,667
2026-2030	97,380,000	60,989,359	44,255,000	13,245,574	20,575,000	3,525,208
2031-2035	99,590,000	37,833,575	41,885,000	6,669,513	4,770,000	39,750
2036-2040	84,865,000	15,953,428	16,300,000	2,581,304		
2041-2044	34,665,000	2,760,802	10,100,000	693,233		
Total	\$ 383,550,000	\$ 198,163,174	\$ 148,255,000	\$ 42,038,886	\$ 42,210,000	\$ 11,828,000

Capital Leases

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

The following schedule details minimum lease payments to maturity for the University's capital leases and notes payable at June 30, 2020:

Year	
2021	\$ 3,308,990
2022	3,226,843
2023	2,819,568
2024	2,821,505
2025	2,817,514
2026-2030	10,485,445
2031-2035	6,171,708
2036-2038	3,406,937
Total minimum lease payments	\$ 35,058,510
Less amount representing interest	(9,338,129)
Present value of net minimum lease payments	\$ 25,720,381

Capital Lease Financing - Following is a summary of capital assets financed by capital leases at June 30, 2020:

Land	\$ 15,834,591
Buildings	9,780,185
Building Improvements*	17,051,207
Equipment	2,133,484
Total cost of assets	44,799,467
Less: accumulated depreciation	(15,072,048)
Carrying value of assets	\$ 29,727,419

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

The following schedule details capital lease commitments at June 30, 2020:

Capital Lease Commitments to Lessors and Notes Payable as of June 30, 2020

	Average Interest Rate	Final Maturity	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Energy Conservation Equipment Lease Purchase	3.53%	6/1/2027	\$ 8,297,544		\$ 914,693	\$ 7,382,851	\$ 947,267
Northern Arizona Real Estate Holdings, LLC	5.50%	9/30/2030	4,220,000		255,000	3,965,000	273,000
Dell Financial Services, LLC	3.85%	3/1/2022	1,126,639		359,600	767,039	375,298
Equipment	5.65%	6/22/2022	123,884		60,205	63,679	63,679
Northern Arizona Real Estate Holdings, LLC Notes Payable	5.00%	4/1/2038	13,999,139		457,327	13,541,812	480,300
Total Capital Leases and Notes Payable			\$ 27,767,206		\$ 2,046,825	\$ 25,720,381	\$ 2,139,544

Operating Leases

The University leases numerous classroom facilities for extended campus instruction and a limited number of administrative facilities under long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of operating leases were \$2.8 million for the year ended June 30, 2020. The operating leases have remaining terms from one to eight years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2020 are as noted:

Year	
2021	\$ 2,401,235
2022	1,949,385
2023	1,850,980
2024	1,850,980
2025	409,042
2026-2028	15,598
Total minimum lease payments	\$ 8,477,220



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 A.R.S. §41-621, the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State’s Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations, and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. §41-621. Loss risks not covered by the Risk Management Program and for

which the University has no insurance coverage are losses resulting from contractual breaches and losses that arise out of and are directly attributable to an act of omission determined by a court to be a felony. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University.

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



Note 7 - Accrued Compensated Absences

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

Accrued compensated vacation for the year ended June 30, 2020, was as follows:

Beginning balance	\$	7,231,973
Additions		9,920,225
Reductions		(9,258,781)
Ending balance	\$	7,893,417
Current portion	\$	722,667

Note 8 - Operating Expense by Natural Classification

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

For the Year Ended June 30, 2020

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	\$ 154,710,092	\$ 16,469,714			\$ 171,179,806
Research	38,928,294	16,679,736			55,608,030
Public service	15,240,960	13,704,471			28,945,431
Academic support	28,976,125	7,963,304			36,939,429
Student services	40,054,158	29,354,787			69,408,945
Institutional support	45,203,008	25,537,443			70,740,451
Operation and maintenance of plant	2,218,318	21,150,093			23,368,411
Scholarships			\$ 46,945,639		46,945,639
Auxiliary enterprises	32,219,967	11,144,547			43,364,514
Depreciation				\$ 45,238,829	45,238,829
Total	\$ 357,550,922	\$ 142,004,095	\$ 46,945,639	\$ 45,238,829	\$ 591,739,485



Note 9 – Pension Plans

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are 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 liability have been recorded at June 30, 2020, 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.

The University’s net pension liability at June 30, 2020, was comprised of the following:

ASRS	\$ 170,081,275
PSPRS	8,179,646
Defined Contribution Pension Plans	3,329,972
Total net pension liability	\$ 181,590,893

Changes in the University’s net pension liability during the fiscal year ended June 30, 2020, were as follows:

Beginning balance	\$ 174,162,345
Increases	46,841,301
Decreases	(39,412,753)
Ending balance	\$ 181,590,893
Current portion	\$ 560,143

Defined Benefit Plan

Plan Description

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

Benefits Provided

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

	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 11.94 percent for retirement of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 11.45 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 10.29 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, 2020, were \$14,158,925.

Pension Liability

At June 30, 2020, the University reported a liability of \$170,081,275 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019.

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, 2019. The University's proportion measured as of June 30, 2019, was 1.17 percent, which was the same as its proportion measured as of June 30, 2018.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020, the University recognized pension expense for ASRS of \$18,904,347. At June 30, 2020, the University reported deferred outflows and deferred inflows of resources related to ASRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,072,563	\$ 31,977
Changes in assumptions or other inputs	718,939	6,772,970
Net difference between projected and actual earnings on pension plan investments		3,822,839
Changes in proportion and differences between University contributions and proportionate share of contributions	1,576,766	133,915
University contributions subsequent to the measurement date	14,158,925	
Total	\$ 19,527,193	\$ 10,761,701

The \$14,158,925 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, 2021. 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	
2021	\$ (1,088,884)
2022	(4,594,262)
2023	(734,147)
2024	1,023,860

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
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, 2018, 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%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	100%	

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%)	\$ 242,065,049
Current discount rate (7.5%)	170,081,275
1% increase (8.5%)	109,921,365

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 \$535,719 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2020.



Note 10 - Other Post-Employment Benefits (OPEB)

Other post-employment benefits (OPEB) provided as part of University employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit post-employment plan, the PSPRS state administered multiple-employer defined benefit post-employment plans, 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, 2020, 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, 2020, were as follows:

Beginning balance	\$	8,818,240
Increases		49,530,079
Decreases		(52,709,859)
Ending balance	\$	5,638,460

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 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, 2019, plan membership consisted of the following:

Retired employees currently receiving health benefits*	309
Active employees	2,888
Total	3,197

*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, 2020, the University reported an OPEB liability of \$5,230,921. The total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date. The total OPEB liability as of June 30, 2019, reflects no plan changes since the prior valuation.

Arizona Department of Administration	Total OPEB Liability
Balance at 6/30/2019	\$ 8,648,090
Service cost	474,116
Interest	341,069
Difference between expected and actual experience	(4,350,723)
Changes of assumptions	736,476
Expected benefit payments	(618,107)
Net change in total OPEB liability	\$ (3,417,169)
Balance at 6/30/2020	\$ 5,230,921

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020, the University recognized negative OPEB expense of \$6,967,298. The following chart reflects the deferred outflows and inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 647,637	\$ 36,762,146
Difference between expected and actual experience in the Total OPEB Liability		5,948,491
University contributions subsequent to the measurement date	389,490	
Total	\$ 1,037,127	\$ 42,710,637

The \$389,490 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2021	\$ (7,782,483)
2022	(7,782,483)
2023	(7,782,483)
2024	(7,782,483)
2025	(7,782,483)
Thereafter	(3,150,585)

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	2.7%	
Salary increases	0.00% to 4.50%, not including wage inflation of 2.70%	
Discount rate	3.13% as of June 30, 2019	
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 rates	<i>Healthy Employees</i>	RP-2014 Active member Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2014.
	<i>Healthy Retirees and Spouses</i>	2017 State Retirees of Arizona (SRA) mortality table. Generational mortality improvements in accordance with the Ultimate MP scales and projected from the year 2017.
	<i>Disabled Retirees</i>	RP-2014 Disabled Retiree Mortality. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2014.

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 scale). For this purpose, the Bond Buyer 20-Bond General Obligation Municipal Bond Index was used. The index value as of the June 30, 2019, measurement date is 3.13%, and as of June 30, 2018, is 3.87%.

Sensitivity Analysis

The following table presents the impact of the OPEB liability calculated using the discount rate of 3.13 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:

	Total OPEB Liability
1% decrease (2.13%)	\$ 5,591,017
Current discount rate (3.13%)	5,230,921
1% increase (4.13%)	4,891,641

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

	Total OPEB Liability
1% decrease in trend rates	\$ 4,726,426
Current trend rates	5,230,921
1% increase in trend rates	5,825,456



Note 11 – 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 uncollectible. At June 30, 2020, the allowance was \$282,061.

Receivables and Credit Policy

Accounts receivable consist primarily of interest receivable and Educational Broadband Services 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, 2020.

Notes Receivable

Notes receivable represent amounts due from the University under extended payment terms exceeding one year. The notes carry interest rates at 5%, with payments applied first to unpaid interest balances and any remainder to the principal balance. The Foundation evaluates the collectability of the

balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided if necessary.

Educational Broadband Services License and Deferred Revenue

The Foundation has been granted several educational broadband services (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 exchange transactions, 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. Consequently, at June 30, 2020, conditional contributions of \$500,000, for which no amounts have been received in advance, have not been recognized in the accompanying consolidated financial statements.

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, 2020, 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment	\$ 11,160,514		\$ 11,160,514
Donor-restricted quasi-endowment		\$ 6,008,004	6,008,004
Donor-restricted for permanent endowment			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor		85,464,570	85,464,570
Accumulated investment gains		24,690,791	24,690,791
	<u>\$ 11,160,514</u>	<u>\$ 116,163,365</u>	<u>\$ 127,323,879</u>

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, 2020, deficiencies of \$516,060 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, 2020:

	Amount	Fair Value Measurements at Report Date Using		
		Level 1	Level 2	Level 3
Assets				
Operating investments				
Mutual Fund				
Bond Market Index Fund	\$ 26,577,212	\$ 26,577,212		
Exchange Traded Funds	581,295	581,295		
Equity Mutual Funds	70,451,166	70,451,166		
International Bond Mutual Funds	7,503,020	7,503,020		
International Equity Mutual Funds	71,888,633	71,888,633		
Common Stock	3,579,334	3,579,334		
Money Market Funds	2,649,584	2,649,584		
Commercial Paper	1,249,063		\$ 1,249,063	
Certificates of Deposit	250,307		250,307	
Corporate Bonds	1,890,531		1,890,531	
	<u>\$ 186,620,145</u>	<u>\$ 183,230,244</u>	<u>\$ 3,389,901</u>	
Assets held under split-interest agreements				
Mutual Fund				
Corporate Bond Mutual Fund	\$ 1,278,944		\$ 1,278,944	
Equity Mutual Funds	1,831,719	\$ 1,831,719		
Alternative Investment Mutual Funds	164,804	164,804		
Money Market Funds	40,806	40,806		
	<u>\$ 3,316,273</u>	<u>\$ 2,037,329</u>	<u>\$ 1,278,944</u>	
Beneficial interests in				
Perpetual trusts	\$ 3,153,342		\$ 3,153,342	

	Amount	Fair Value Measurements at Report Date Using		
		Level 1	Level 2	Level 3
Liabilities				
Assets held in custody for others	\$ 35,073,792		\$ 35,073,792	
Liabilities under split-interest agreements	\$ 2,121,883			\$ 2,121,883

D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2020:

Within one year		\$ 7,556,241
In one to five years		6,723,406
Over five years		370,403
		<u>\$ 14,650,050</u>
Less discount to present value at rates ranging from 0.1% - 2.33%		(142,912)
Less allowance for uncollectible promises to give		(282,061)
		<u>\$ 14,225,077</u>

At June 30, 2020, two donors accounted for approximately 39% 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, 2020:

Cash	\$ 1,735,871
Pledges receivable	905
Investments	32,700,282
Beneficial interest in perpetual trust	636,734
	<u>\$ 35,073,792</u>
Assets held on behalf of:	
Northern Arizona University	\$ 34,773,528
NAU Parents' Association	300,264
	<u>\$ 35,073,792</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, 2020, gross unconditional pledges receivable from these members totaled \$338,363. During the year ended June 30, 2020, the Foundation recognized contribution revenue from these donors of \$342,896. During the year ended June 30, 2020, the Foundation recognized expenses for scholarships to Northern Arizona University of \$3,485,773. Additionally, as of June 30, 2020, the Foundation has a liability to Northern Arizona University for \$18,677 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, 2020

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
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 2011				Information not available	

Schedule of University's Pension Contributions Arizona State Retirement System - June 30, 2020

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
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%
2011	7,244,168	7,244,168		80,401,420	9.01%

Schedule of Changes in Total OPEB Liability - June 30, 2020

Arizona Department of Administration Other Postemployment Benefits	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Service cost	\$ 474,116	\$ 880,795	\$ 5,002,684	
Interest	341,069	315,381	1,798,612	Information
Change of benefit terms			(185,220)	not available
Differences between expected and actual experience	(4,350,723)		(3,326,316)	
Changes of assumptions	736,476	(179,990)	(57,396,230)	
Expected benefit payments	(618,107)	(593,683)	(1,554,279)	
Net change in total OPEB liability	\$ (3,417,169)	\$ 422,503	\$ (55,660,749)	
Total OPEB liability- beginning	8,648,090	8,225,587	63,886,336	
Total OPEB liability- ending	\$ 5,230,921	\$ 8,648,090	\$ 8,225,587	
Covered employee payroll*	195,800,772	189,497,552	184,515,630	
Plan total OPEB liability as a percentage of covered employee payroll	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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These schedules contain service and infrastructure data to help the reader understand how the University's financial information relates to the activities it performs.

- Faculty and Staff
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Net Position by Component

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011
(Dollars in thousands)										
Net Investment in Capital Assets	\$248,641	\$245,903	\$232,568	\$269,240	\$265,882	\$268,007	\$234,187	\$215,847	\$218,676	\$200,274
Restricted, Non-expendable	19,142	26,258	25,107	24,625	23,593	22,540	21,770	20,430	19,517	19,047
Restricted, Expendable	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366
Unrestricted	(70,943)	(60,756)	(59,530)	(45,408)	(39,221)	(32,051)	154,120	172,284	178,600	182,210
Total Net Position	\$250,898	\$259,551	\$242,739	\$287,650	\$282,438	\$291,094	\$439,539	\$435,219	\$434,364	\$417,897

Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	99.2	94.8	95.8	93.6	94.1	92.1	53.3	49.6	50.3	47.9
Restricted, Non-expendable	7.6	10.1	10.3	8.6	8.4	7.7	4.9	4.7	4.5	4.6
Restricted, Expendable	21.5	18.5	18.4	13.6	11.4	11.2	6.7	6.1	4.0	3.9
Unrestricted	(28.3)	(23.4)	(24.5)	(15.8)	(13.9)	(11.0)	35.1	39.6	41.2	43.6
Total Net Position	100.0									

% increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	1.1	5.7	(13.6)	1.3	(0.8)	14.4	8.5	(1.3)	9.2	27.1
Restricted, Non-expendable	(27.1)	4.6	2.0	4.4	4.7	3.5	6.6	4.7	2.5	4.3
Restricted, Expendable	12.3	8.0	13.8	21.8	(1.3)	10.6	10.5	51.7	7.4	(15.5)
Unrestricted	(16.8)	(2.1)	(31.1)	(15.8)	(22.4)	(120.8)	(10.5)	(3.5)	(2.0)	4.9
Total Net Position	(3.3)	6.9	(15.6)	1.8	(3.0)	(33.8)	1.0	0.2	3.9	13.3

Note: The University implemented GASB 65 in FY 2014, balances prior to FY 2014 have not been adjusted in the statistical section. The University implemented GASB 68 and GASB 71 in FY 2015, historical data has not been restated in the statistical section. The University implemented GASB 75 in FY 2018, historical data has not been restated in the statistical section.

Change in Net Position

Fiscal Year Ended June 30, (Dollars in thousands)	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011
Revenues										
Operating Revenues										
Student tuition and fees, net	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864	\$147,224
Governmental grants and contracts	38,514	35,287	29,818	25,802	22,772	22,288	19,594	19,521	18,461	26,185
Private grants and contracts	4,866	4,618	4,127	4,372	3,438	2,793	2,865	3,518	2,119	1,437
Residence Life	33,189	35,729	32,437	32,791	32,141	31,602	29,870	30,541	29,534	29,480
Other auxiliaries	24,917	29,850	34,042	27,656	24,745	23,443	21,424	20,096	16,272	17,692
Other revenues	19,438	24,931	22,362	23,110	21,577	23,215	20,246	17,410	17,190	10,603
Total Operating Revenues	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651	\$241,440	\$232,621
Expenses										
Operating Expenses										
Instruction	\$171,180	\$168,338	\$174,245	\$176,334	\$169,385	\$167,080	\$156,021	\$142,282	\$134,272	\$132,117
Research	55,608	46,113	40,655	36,068	30,142	25,461	23,584	19,886	21,766	23,178
Public Service	28,945	30,924	31,665	28,866	28,163	27,009	25,699	26,935	28,352	27,301
Academic support	36,939	38,445	39,482	41,074	40,506	36,182	33,877	32,164	28,858	30,321
Student services	69,409	57,210	55,138	54,246	53,834	50,335	50,504	42,145	36,274	32,995
Institutional support	70,740	62,202	64,158	59,238	52,447	57,141	53,702	47,265	41,789	40,909
Operation & maintenance of plant	23,368	27,456	29,031	31,003	29,790	25,779	26,693	23,259	21,781	17,426
Scholarship and fellowship	46,946	39,857	38,659	35,290	31,485	29,068	25,412	24,211	25,576	29,218
Auxiliary enterprises	43,365	44,790	40,905	41,067	38,071	37,706	32,759	44,386	37,035	34,351
Depreciation	45,239	42,822	42,830	41,538	37,964	35,123	33,256	31,388	27,260	21,990
Total Operating Expenses	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963	\$389,806
Operating loss	\$(236,904)	\$(190,137)	\$(197,192)	\$(193,063)	\$(190,067)	\$(181,993)	\$(178,692)	\$(170,270)	\$(161,523)	\$(157,185)
Nonoperating Revenues (Expenses)										
State operating appropriations	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469	\$103,670	\$128,529
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	291
Share of state tax-TRIF	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492	11,157	11,189
Government grants	86,950	73,183	71,612	68,533	66,142	59,658	56,413	57,569	60,200	56,324
Private gifts and grants	14,550	14,175	14,460	14,050	13,093	13,032	10,920	9,925	10,367	8,003
Investment income	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174	2,678	2,983
Interest on debt	(23,990)	(28,084)	(28,061)	(28,144)	(27,187)	(22,723)	(23,696)	(23,456)	(22,852)	(14,023)
Other nonoperating revenues, net	5,957	14,330	16,126	15,488	10,578	8,271	8,987	5,703	4,229	3,642
Net Nonoperating Revenues	\$218,529	\$198,903	\$192,490	\$187,648	\$172,045	\$185,302	\$176,223	\$165,876	\$169,449	\$196,938
Income/(loss) before other revenues, expenses, gains, or losses	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926	\$39,753



Change in Net Position (continued)

Fiscal Year Ended June 30, (Dollars in thousands)	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011
Capital appropriations	\$5,900	\$5,896	\$5,897	\$4,247	\$5,493	\$5,827	\$5,900	\$5,900	\$5,900	\$5,900
Capital grants and gifts	2,870	1,164	3,321	5,474	3,010	60	63	63	455	2,582
Additions to permanent endowments	952	986	922	906	863	858	826	882	852	831
Increase/(Decrease) in Net Position	\$(8,653)	\$16,812	\$5,438	\$5,212	\$(8,656)	\$10,054	\$4,320	\$2,451	\$15,133	\$49,066
Total Revenues	\$607,076	\$603,053	\$590,267	\$578,080	\$530,318	\$523,661	\$489,523	\$459,828	\$440,948	\$452,895
Total Expenses	615,729	586,241	584,829	572,868	538,974	513,607	485,203	457,377	425,815	403,829
Increase/(Decrease) in Net Position	\$(8,653)	\$16,812	\$5,438	\$5,212	\$(8,656)	\$10,054	\$4,320	\$2,451	\$15,133	\$49,066

(1) In compliance with Arizona Revised Statutes §35-391, for FY2020, the University received a rebate in the amount of \$622,824.40 from JP Morgan for Purchase Card purchases.

Change in Net Position (Continued)

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

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net	38.5	39.4	40.1	41.2	40.9	39.3	38.6	37.5	35.8	32.5
Governmental grants and contracts	6.3	5.9	5.1	4.5	4.3	4.3	4.0	4.2	4.2	5.8
Private grants and contracts	0.8	0.8	0.7	0.8	0.6	0.5	0.6	0.8	0.5	0.3
Residence Life	5.5	5.9	5.5	5.7	6.1	6.0	6.1	6.6	6.7	6.5
Other Auxiliaries	4.1	4.9	5.8	4.8	4.7	4.5	4.4	4.4	3.7	3.9
Other revenues (1)	3.2	4.1	3.8	4.0	4.1	4.4	4.1	3.8	3.9	2.3
Total Operating Revenues	58.4	61.0	61.0	61.0	60.7	59.0	57.8	57.3	54.8	51.3
Expenses										
Operating Expenses										
Instruction	27.8	28.7	29.8	30.8	31.4	32.5	32.2	31.1	31.5	32.7
Research	9.0	7.9	7.0	6.3	5.6	5.0	4.9	4.3	5.1	5.7
Public Service	4.7	5.3	5.4	5.0	5.2	5.3	5.3	5.9	6.7	6.8
Academic support	6.0	6.6	6.8	7.2	7.5	7.0	7.0	7.0	6.8	7.5
Student services	11.3	9.8	9.4	9.5	10.0	9.8	10.4	9.2	8.5	8.2
Institutional support	11.5	10.6	11.0	10.3	9.7	11.1	11.1	10.3	9.8	10.1
Operation & maintenance of plant	3.8	4.7	5.0	5.4	5.5	5.0	5.5	5.1	5.1	4.3
Scholarships and fellowships	7.6	6.8	6.6	6.2	5.8	5.7	5.2	5.3	6.0	7.2
Auxiliary enterprises	7.0	7.6	7.0	7.2	7.1	7.3	6.8	9.7	8.7	8.5
Depreciation	7.3	7.3	7.3	7.3	7.0	6.8	6.9	6.9	6.4	5.4
Total Operating Expenses	96.0	95.3	95.3	95.2	94.9	95.5	95.3	94.8	94.6	96.4
Operating loss	(39.0)	(31.5)	(33.4)	(33.4)	(35.8)	(34.8)	(36.5)	(37.0)	(36.6)	(34.7)
Nonoperating Revenues (Expenses)										
State operating appropriations	18.7	17.1	16.9	17.3	17.8	21.4	21.6	22.1	23.5	28.4
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Share of state tax-TRIF	2.8	2.6	2.4	2.4	2.6	2.5	2.5	2.5	2.5	2.5
Government Grants	14.3	12.1	12.1	11.9	12.5	11.4	11.5	12.5	13.7	12.4
Private gifts	2.4	2.4	2.4	2.4	2.5	2.5	2.2	2.2	2.4	1.8
Investment income	0.8	1.0	0.7	0.7	0.2	0.3	1.2	0.7	0.6	0.7
Interest on debt	(3.9)	(4.8)	(4.8)	(4.9)	(5.0)	(4.4)	(4.9)	(5.1)	(5.4)	(3.5)
Other nonoperating revenues, net	1.0	2.4	2.7	2.7	2.0	1.6	1.8	1.2	1.0	0.8
Net Nonoperating Revenues	36.1	32.8	32.6	32.5	32.5	35.3	35.9	36.1	38.3	43.2
Income/(loss) before other revenues, expenses, gains, or losses	(2.9)	1.3	(0.8)	(0.9)	(3.3)	0.5	(0.6)	(0.9)	1.7	8.5
Capital appropriations	1.0	1.0	1.0	0.7	1.0	1.1	1.2	1.3	1.3	1.3
Capital grants	0.5	0.2	0.6	0.9	0.6	0.0	0.0	0.0	0.1	0.6
Additions to permanent endowments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Increase/(Decrease) in Net Position	(1.4)	2.8	0.9	0.9	(1.5)	1.8	0.8	0.6	3.3	10.6

Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	(1.6)	0.3	(0.5)	9.6	5.6	8.9	9.4	9.3	7.2	16.5
Governmental grants and contracts	9.1	18.3	15.6	13.3	2.2	13.7	0.4	5.7	(29.5)	47.9
Private grants and contracts	5.4	11.9	(5.6)	27.2	23.1	(2.5)	(18.6)	66.0	47.5	(27.3)
Residence Life	(7.1)	10.1	(1.1)	2.0	1.7	5.8	(2.2)	3.4	0.2	5.9
Other Auxiliaries	(16.5)	(12.3)	23.1	11.8	5.6	9.4	6.6	23.5	(8.0)	18.7
Other revenues	(22.0)	11.5	(3.2)	7.1	(7.1)	14.7	16.3	1.3	62.1	4.7
Total Operating Revenues	(3.6)	2.3	2.3	9.3	4.2	9.2	7.3	9.2	3.8	16.9
Expenses										
Operating Expenses										
Instruction	1.7	(3.4)	(1.2)	4.1	1.4	7.1	9.7	6.0	1.6	7.3
Research	20.6	13.4	12.7	19.7	18.4	8.0	18.6	(8.6)	(6.1)	3.9
Public Service	(6.4)	(2.3)	9.7	2.5	4.3	5.1	(4.6)	(5.0)	3.8	1.6
Academic support	(3.9)	(2.6)	(3.9)	1.4	12.0	6.8	5.3	11.5	(4.8)	11.5
Student services	21.3	3.8	1.6	0.8	7.0	(0.3)	19.8	16.2	9.9	30.4
Institutional support	13.7	(3.0)	8.3	12.9	(8.2)	6.4	13.6	13.1	2.2	8.7
Operation & maintenance of plant	(14.9)	(5.4)	(6.4)	4.1	15.6	(3.4)	14.8	6.8	25.0	5.0
Scholarships and fellowships	17.8	3.1	9.5	12.1	8.3	14.4	5.0	(5.3)	(12.5)	24.7
Auxiliary enterprises	(3.2)	9.5	(0.4)	7.9	1.0	15.1	(26.2)	19.8	7.8	17.1
Depreciation	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0	15.1	24.0	1.8
Total Operating Expenses	6.0	0.2	2.2	6.4	4.3	6.4	6.4	7.7	3.4	10.3
Operating loss	24.6	(3.6)	2.1	1.6	4.4	1.8	4.9	5.4	2.8	1.8
Nonoperating Revenues (Expenses)										
State operating appropriations	10.0	3.5	(0.4)	5.8	(15.5)	6.1	4.1	(2.1)	(19.3)	0.1
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	(97.3)
Share of state tax-TRIF	6.9	10.5	4.3	(0.5)	4.2	7.8	7.1	3.0	(0.3)	2.5
Government grants & contracts	18.8	2.2	4.5	3.6	10.9	5.8	(2.0)	(4.4)	6.9	5.3
Private gifts	2.6	(2.0)	2.9	7.3	0.5	19.3	10.0	(4.3)	29.5	(26.4)
Investment income	(26.5)	45.5	11.3	302.8	(45.8)	(68.9)	79.7	18.5	(10.2)	(28.6)
Interest on debt	(14.6)	0.1	(0.3)	3.5	19.6	(4.1)	1.0	2.6	63.0	(3.0)
Other nonoperating revenues, net	(58.4)	(11.1)	4.1	46.4	27.9	(8.0)	57.6	34.9	16.1	2,029.8
Net Nonoperating Revenues	9.9	3.3	2.6	9.1	(7.2)	5.2	6.2	(2.1)	(14.0)	(3.7)
Income/(loss) before other revenues, expenses, gains, or losses	309.6	286.4	13.2	70.0	(644.6)	234.0	43.8	(155.4)	(80.1)	(20.8)
Capital appropriations	0.1	(0.0)	38.9	(22.7)	(5.7)	(1.2)	0.0	0.0	0.0	0.0
Capital grants	146.6	(65.0)	(39.3)	81.9	4,916.7	(4.8)	0.0	(86.2)	(82.4)	5,513.0
Additions to permanent endowments	(3.4)	6.9	1.8	5.0	0.6	3.9	(6.3)	3.5	2.5	14.3
Increase/(Decrease) in Net Position	(151.5)	209.2	4.3	160.2	(186.1)	132.7	76.3	(83.8)	(69.2)	(13.7)

Operating Expenses by Natural Classification

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
Personal Services	\$267,900	\$260,390	\$254,688	\$243,537	\$233,543	\$233,110	\$222,481	\$205,196	\$190,541	\$184,352
Benefits	92,137	89,195	86,550	82,172	78,687	77,386	71,173	63,691	63,855	63,691
Pensions and OPEB (1)	(2,487)	(15,094)	(2,521)	11,741	10,926	3,149				
Personal Services and Benefits	357,550	334,491	338,717	337,450	323,156	313,645	293,654	268,887	254,396	248,043
Operations	142,004	140,987	136,563	130,446	119,182	113,048	109,185	109,435	95,731	90,555
Scholarships	46,946	39,857	38,658	35,290	31,485	29,068	25,412	24,211	25,576	29,218
Depreciation	45,239	42,822	42,830	41,538	37,964	35,123	33,256	31,388	27,260	21,990

Total Operating Expenses by Natural Classification	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963	\$389,806
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Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services	45.3	46.6	45.7	44.7	45.6	47.5	48.2	47.3	47.3	47.3
Benefits	15.6	16.0	15.5	15.1	15.4	15.8	15.4	14.7	15.8	16.3
Pensions and OPEB (1)	(0.4)	(2.7)	(0.5)	2.2	2.1	0.6				
Personal Services and Benefits	60.5	59.9	60.8	61.9	63.1	63.9	63.6	62.0	63.1	63.6
Supplies and Services	24.0	25.3	24.5	23.9	23.3	23.0	23.7	25.2	23.8	23.3
Student Aid	7.9	7.1	6.9	6.5	6.2	5.9	5.5	5.6	6.3	7.5
Depreciation	7.6	7.7	7.7	7.6	7.4	7.2	7.2	7.2	6.8	5.6

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	2.9	2.2	4.6	4.3	0.2	4.8	8.4	7.7	3.4	5.8
Benefits	3.3	3.1	5.3	4.4	1.7	8.7	11.7	(0.3)	0.3	10.9
Pensions and OPEB (1)	(83.5)	498.7	(121.5)	7.5	247.0					
Personal Services and Benefits	6.9	(1.2)	0.4	4.4	3.0	6.8	9.2	5.7	2.6	7.1
Supplies and Services	0.7	3.2	4.7	9.5	5.4	3.5	(0.2)	14.3	5.7	18.0
Student Aid	17.8	3.1	9.5	12.1	8.3	14.4	5.0	(5.3)	(12.5)	24.7
Depreciation	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0	15.1	24.0	1.8

Total Operating Expenses by Natural Classification	6.0	0.2	2.2	6.4	4.3	6.4	6.4	7.7	3.4	10.3
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(1) Implementation of GASB 45/75 (OPEB) and GASB 68 (Pensions) resulted in recognition of benefit-related operating expenses/revenue each year. The impact of the implementation has been presented separately for comparability purposes.

Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012
PLEDGE* Resident Undergraduate									
Northern Arizona University	\$11,896	\$11,564	\$11,059	\$10,764	\$10,358	\$9,989	\$9,745	\$9,271	\$8,824
Percent increase from prior year	2.9%	4.6%	2.7%	3.9%	3.7%	2.5%	5.1%	5.1%	15.1%
ABOR Peers	\$13,057	\$12,994	\$13,103	\$12,228	\$12,670	\$12,122	\$12,197	\$11,506	\$11,026
Percent increase (decrease) from prior year	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	\$26,516	\$25,828	\$24,841	\$24,144	\$23,348	\$22,509	\$22,099	\$21,626	\$21,179
Percent increase from prior year	2.7%	4.0%	2.9%	3.4%	3.7%	1.9%	2.2%	2.1%	5.5%
ABOR Peers	\$22,918	\$22,269	\$22,682	\$23,785	\$23,816	\$23,060	\$23,044	\$22,079	\$21,117
Percent increase (decrease) from prior year	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	\$10,970	\$10,261	\$9,990	\$9,606	\$9,165	\$8,806	\$8,378	\$8,008
Percent increase from prior year	6.9%	6.9%	2.7%	4.0%	4.8%	4.1%	5.1%	4.6%	8.2%

Non-Resident Graduate									
Northern Arizona University	\$25,730	\$24,056	\$22,609	\$21,976	\$21,244	\$20,249	\$19,900	\$19,472	\$18,910
Percent increase from prior year	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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864	\$147,224
Percent of total revenue	39%	39%	40%	41%	41%	39%	39%	38%	36%	33%
Percent increase/(decrease) from prior year	(2%)	0%	0%	10%	6%	9%	9%	9%	7%	16%
State of Arizona Government										
State appropriations	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469	\$103,670	\$128,529
Technology and research initiatives funding	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492	11,157	11,189
Capital appropriations	5,900	5,896	5,897	4,247	5,493	5,827	5,900	5,900	5,900	5,900
State grants and contracts	8,037	7,685	6,062	6,675	3,591	3,464	3,469	5,649	3,359	3,229
Arizona State Government	\$144,403	\$132,625	\$126,014	\$124,780	\$117,544	\$134,584	\$127,265	\$124,510	\$124,086	\$148,847
Percent of total revenue	24%	22%	21%	22%	22%	26%	26%	27%	28%	33%
Percent increase (decrease) from prior year	9%	5%	1%	6%	(13%)	6%	2%	0%	(17%)	(0%)
Federal Government										
Federal grants and contracts	\$66,836	\$49,050	\$45,199	\$41,508	\$39,773	\$35,669	\$52,981	\$53,838	\$56,412	\$59,255
Financial aid grants	45,530	46,908	46,062	42,881	41,587	39,533	36,535	36,091	36,704	34,478
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	291
Federal Government	\$112,366	\$95,958	\$91,261	\$84,389	\$81,360	\$75,202	\$89,516	\$89,929	\$93,116	\$94,024
Percent of total revenue	19%	16%	15%	15%	15%	14%	18%	20%	21%	21%
Percent increase/(decrease) from prior year	17%	5%	8%	4%	8%	(16%)	(0%)	(3%)	(1%)	(3%)
Total from principal revenue payers	\$490,680	\$466,188	\$454,065	\$447,099	\$415,951	\$415,336	\$405,597	\$387,004	\$375,066	\$390,095
Percent of total revenue	81%	77%	77%	77%	78%	79%	83%	84%	85%	86%
Percent increase/(decrease) from prior year	5%	3%	2%	7%	0%	2%	5%	3%	(4%)	5%

Long-Term Debt

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
System Revenue Bonds	\$531,805	\$520,925	\$537,980	\$526,925	\$536,420	\$533,630	\$510,695	\$467,425	\$353,820	\$335,700
Unamortized Premium	49,836	26,213	27,435	28,658	30,748	25,906	16,550	9,305	4,283	3,356
Deferred amount on Refundings	-	-	-	-	-	-	-	(1,200)	(1,325)	(1,455)
Net System Revenue Bonds	\$581,641	\$547,138	\$565,415	\$555,583	\$567,168	\$559,536	\$527,245	\$475,530	\$356,778	\$337,601
Certificates of Participation (COPs)	\$42,210	\$45,940	\$49,550	\$53,040	\$54,985	\$58,285	\$62,850	\$65,630	\$69,540	\$80,835
Unamortized Premium	5,043	5,516	5,989	6,462	6,935	7,408	5,574	5,911	849	894
Deferred amount on Refundings*	-	-	-	-	-	-	-	(3,502)	-	-
Net Certificates of Participation	\$47,253	\$51,456	\$55,539	\$59,502	\$61,920	\$65,693	\$68,424	\$68,039	\$70,389	\$81,729
Net System Revenue Bonds Payable	\$581,641	\$547,138	\$565,415	\$555,583	\$567,168	\$559,536	\$527,245	\$475,530	\$356,778	\$337,601
Net COPs Payable	47,253	51,456	55,539	59,502	61,920	65,693	68,424	68,039	70,389	81,729
Capital Leases Payable	25,720	27,767	15,138	14,729	15,773	16,778	17,746	17,936	58,652	47,217
Total	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$466,547

Long Term Debt (whole dollars)

per Student FTE	\$22,437	\$21,316	\$21,545	\$21,937	\$23,557	\$24,755	\$24,719	\$23,195	\$21,156	\$20,511
per Dollar of State Appropriations and State Aid	\$5.48	\$5.74	\$6.02	\$6.04	\$6.44	\$5.45	\$5.50	\$5.23	\$4.43	\$3.47
per Dollar of Total Grants and Contracts	\$4.26	\$5.12	\$5.45	\$5.72	\$6.09	\$6.73	\$6.85	\$6.24	\$5.22	\$4.98

Data Used in Above Calculations

Total Student FTE	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964	22,746
State Appropriations and State Capital Appropriations	\$119,423	\$109,096	\$105,613	\$104,353	\$100,126	\$117,853	\$111,488	\$107,369	\$109,570	\$134,429
Grants and Contracts	\$153,786	\$122,233	\$116,811	\$110,041	\$105,915	\$95,327	\$89,516	\$89,929	\$93,116	\$93,733

* 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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Summary of Composite Financial Index Ratios										
+ Primary Reserve Ratio	0.10	0.13	0.13	0.13	0.09	0.12	0.50	0.54	0.56	0.60
/ Strength Factor	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
= Ratio / Strength Factor	0.75	0.98	0.98	0.98	0.68	0.90	3.76	4.06	4.21	4.51
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.26	0.34	0.34	0.34	0.24	0.32	1.32	1.42	1.47	1.58
= Ratio 10.00 Cap Subtotal	0.26	0.34	0.34	0.34	0.24	0.32	1.32	1.42	1.47	1.58
+ Return on Net Assets Ratio	1.3%	5.8%	5.4%	7.4%	(1.5%)	3.9%	4.8%	3.1%	2.7%	14.4%
/ 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	0.65	2.90	2.70	3.70	(0.75)	1.95	2.40	1.55	1.35	7.20
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.13	0.58	0.54	0.74	(0.15)	0.39	0.48	0.31	0.27	1.44
= Ratio 10.00 Cap Subtotal	0.13	0.58	0.54	0.74	(0.15)	0.39	0.48	0.31	0.27	1.44
+ Net Operating Revenues Ratio	(3.1%)	1.3%	(1.1%)	(0.9%)	(3.6%)	0.4%	0.3%	(0.3%)	1.9%	9.8%
/ 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	(2.38)	1.00	(0.85)	(0.69)	(2.77)	0.31	0.23	(0.23)	1.46	7.54
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.24)	0.10	(0.08)	(0.07)	(0.28)	0.03	0.02	(0.02)	0.15	0.75
= Ratio 10.00 Cap Subtotal	(0.24)	0.10	(0.08)	(0.07)	(0.28)	0.03	0.02	(0.02)	0.15	0.75
+ Viability Ratio	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.5	0.5	0.5
/ Strength Factor	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
= Ratio / Strength Factor	0.24	0.24	0.24	0.24	0.24	0.24	0.96	1.09	1.20	1.17
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.08	0.08	0.08	0.08	0.08	0.08	0.34	0.38	0.42	0.41
= Ratio 10.00 Cap Subtotal	0.08	0.08	0.08	0.08	0.08	0.08	0.34	0.38	0.42	0.41
Composite Financial Index	0.2	1.1	0.9	1.1	(0.1)	0.8	2.2	2.1	2.3	4.2
Composite Financial Index w/10.00 Cap	0.2	1.1	0.9	1.1	(0.1)	0.8	2.2	2.1	2.3	4.2

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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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(Dollars in thousands)

PRIMARY RESERVE RATIO

Unrestricted Net Position	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600	\$182,210
Unrestricted Net Assets- Component Units	7,251	7,760	8,814	10,403	10,055	10,842	12,286	32,282	29,470	30,222
Expendable Restricted Net Position	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366
Temp. Restricted Net Assets- Component Units	71,546	85,038	81,573	69,074	49,179	51,942	52,378	23,511	18,357	22,263

Expendable Net Position/ Assets	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735	\$243,998	\$251,061
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Operating Expenses	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963	\$389,806
Nonoperating Expenses	23,990	28,084	28,061	28,144	27,187	22,723	23,696	23,456	22,852	14,023
Component Unit Total Expenses	16,523	15,079	14,220	13,085	13,186	13,214	11,944	10,822	11,363	13,424

Total Expenses	\$632,252	\$601,320	\$599,049	\$585,953	\$552,160	\$526,821	\$497,147	\$468,199	\$437,178	\$417,253
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Expendable Net Position	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735	\$243,998	\$251,061
Total Expenses	\$632,252	\$601,320	\$599,049	\$585,953	\$552,160	\$526,821	\$497,147	\$468,199	\$437,178	\$417,253

Ratio	0.10	0.13	0.13	0.13	0.09	0.12	0.50	0.54	0.56	0.60
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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	\$5,696	\$24,016	\$21,337	\$30,862	\$(6,331)	\$15,628	\$25,910	\$15,925	\$13,714	\$64,088
Total Net Position (Beginning of Year)	\$440,162	\$416,146	\$394,809	\$414,296	\$420,627	\$404,999	\$537,588	\$521,663	\$509,545	\$445,520

Ratio	1.3%	5.8%	5.4%	7.4%	(1.5%)	3.9%	4.8%	3.1%	2.7%	14.4%
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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	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926	\$39,753
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	(509)	(1,054)	(1,589)	348	(787)	(1,443)	3,834	2,812	646	5,271

Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365	\$(1,582)	\$8,572	\$45,024
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Summary of Ratios - (Continued)

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
Total Operating Revenues	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651	\$241,440	\$232,621
State Appropriation and State related revenues	130,466	119,044	114,055	113,858	108,460	125,293	117,896	112,961	114,827	140,009
Non-capital Gifts and Grants, net	101,500	87,358	86,072	82,583	79,235	72,690	67,333	67,494	70,567	64,327
Investment Income (Loss), net	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174	2,678	2,983
Component Units Total Unrestricted Revenue	16,013	14,025	12,631	13,433	12,399	11,771	15,778	13,634	12,009	18,696
Adjusted Net Operating Revenues	\$607,410	\$594,702	\$576,632	\$565,398	\$522,773	\$520,416	\$489,525	\$460,914	\$441,521	\$458,636
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365	\$(1,582)	\$8,572	\$45,024
Adjusted Net Operating Revenues	\$607,410	\$594,702	\$576,632	\$565,398	\$522,773	\$520,416	\$489,525	\$460,914	\$441,521	\$458,636
Ratio	(3.1%)	1.3%	(1.1%)	(0.9%)	(3.6%)	0.36%	0.28%	(0.3%)	1.94%	9.82%

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	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600	\$182,210
Unrestricted Net Assets- Component Units	7,251	7,760	8,814	10,403	10,055	10,842	12,286	32,282	29,470	30,222
Expendable Restricted Net Position/Assets	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366
Temporarily Restricted Net Assets- Component Units	71,546	85,038	81,573	69,074	49,179	51,942	52,378	23,511	18,357	22,263
Expendable Net Position	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735	\$243,998	\$251,061
University LT Debt, net capital leases with CUs	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$466,547
Component Units Long Term Debt	-	-	-	-	-	-	-	-	-	46,894
Total Adjusted University Debt	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$513,441
Expendable Net Position	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735	\$243,998	\$251,061
Total Adjusted University Debt	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$513,441
Ratio	0.09	0.13	0.12	0.12	0.08	0.10	0.40	0.45	0.50	0.49

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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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(Dollars in thousands)

OPERATING MARGIN EXCLUDING GIFTS

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926	\$39,753
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Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926	\$39,753
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Total Operating Revenues	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651	\$241,440	\$232,621
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State appropriation and share of sales tax	130,466	119,044	114,055	113,858	108,460	125,293	117,896	112,961	114,827	139,718
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Federal fiscal stabilization funds										291
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Investment Income/(Loss), net	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174	2,678	2,983
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Adjusted Net Operating Revenues less Non-capital Gifts and Grants	\$489,897	\$493,319	\$477,929	\$469,382	\$431,139	\$435,955	\$406,414	\$379,786	\$358,945	\$375,613
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Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)	\$7,926	\$39,753
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Adjusted Net Operating Revenues less Non-capital Gifts and Grants	\$489,897	\$493,319	\$477,929	\$469,382	\$431,139	\$435,955	\$406,414	\$379,786	\$358,945	\$375,613
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Ratio	(3.8%)	1.8%	(1.0%)	(1.2%)	(4.2%)	0.8%	(0.6%)	(1.2%)	2.2%	10.6%
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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	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963	\$389,806
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Scholarships and Fellowships	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)
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Interest on Debt	23,990	28,084	28,061	28,144	27,187	22,723	23,696	23,456	22,852	14,023
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Total Adjusted Operating Expenses	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791	\$433,166	\$400,239	\$374,611
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Research Expenses	\$55,608	\$46,113	\$40,655	\$36,068	\$30,142	\$25,461	\$23,584	\$19,886	\$21,766	\$23,178
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Total Adjusted Operating Expenses	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791	\$433,166	\$400,239	\$374,611
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Ratio	9.8%	8.4%	7.4%	6.7%	5.9%	5.3%	5.1%	4.6%	5.4%	6.2%
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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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864	\$147,224
Financial Aid Grants	45,530	46,908	46,062	42,881	41,587	39,533	36,535	36,091	36,704	34,478
Scholarships and Fellowships	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)
Net Tuition and Fees	\$232,495	\$244,656	\$244,193	\$245,521	\$227,149	\$216,015	\$199,939	\$184,445	\$168,992	\$152,484
Student FTE	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964	22,746
Net Tuition per Student (whole dollars)	\$7,969	\$8,326	\$8,271	\$8,552	\$8,298	\$8,329	\$8,057	\$7,619	\$7,359	\$6,704

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

STATE APPROPRIATIONS PER STUDENT

State Appropriations	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469	\$103,670	\$128,529
Capital State Appropriations	5,900	5,896	5,897	4,247	5,493	5,827	5,900	5,900	5,900	5,900
Adjusted State Appropriations	\$119,423	\$109,096	\$105,613	\$104,353	\$100,126	\$117,853	\$111,488	\$107,369	\$109,570	\$134,429
Student FTE	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964	22,746
Adjusted State Appropriation per Student (whole dollars)	\$4,093	\$3,713	\$3,577	\$3,635	\$3,658	\$4,544	\$4,493	\$4,435	\$4,771	\$5,910

Measures the institution's dependency on state appropriations.



Summary of Ratios - Debt Related Ratios

Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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(Dollars in thousands)

EXPENDABLE RESOURCES TO DEBT

Unrestricted Net Position	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600	\$182,210
Expendable Restricted Net Position	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366
Expendable Net Position	\$(16,885)	\$(12,610)	\$(14,936)	\$(6,215)	\$(7,037)	\$547	\$183,582	\$198,942	\$196,171	\$198,576
Total Bonds, COPS, and Capital Leases	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$466,547

Ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.4	0.4	0.4
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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	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284	\$178,600	\$182,210
Expendable Restricted Net Position	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366
Non-expendable Restricted Net Position	19,142	26,258	25,107	24,625	23,593	22,540	21,770	20,430	19,517	19,047
Total Financial Resources	\$2,257	\$13,648	\$10,171	\$18,410	\$16,556	\$23,087	\$205,352	\$219,372	\$215,688	\$217,623

Total Bonds, COPS, and Capital Leases	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$466,547
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Ratio	0.0	0.0	0.0	0.03	0.0	0.0	0.3	0.4	0.4	0.5
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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	\$(184,852)	\$(163,438)	\$(147,009)	\$(135,026)	\$(150,773)	\$(133,504)	\$(144,325)	\$(143,659)	\$(147,552)	\$(137,184)
State Appropriations and Federal Stabilization Funds	113,523	103,200	99,716	100,106	94,633	112,026	105,588	101,469	103,670	128,820
Share of State Sales Tax- TRIF	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492	11,157	11,189
Non-capital Grants and Contracts, Gifts, Other	101,500	87,358	86,072	82,583	79,235	72,690	67,333	67,494	70,567	64,327

Adjusted Cash Flow from Operations	\$47,114	\$42,964	\$53,118	\$61,415	\$36,922	\$64,479	\$40,904	\$36,796	\$37,842	\$67,152
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Total Bonds, COPS, and Capital Leases	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505	\$485,819	\$466,547
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Adjusted Cash Flow from Operations	47,114	42,964	53,118	61,415	36,922	64,479	40,904	36,796	37,842	67,152
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Ratio	13.9	14.6	12.0	10.3	17.5	10.0	15.0	15.3	12.8	6.9
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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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	\$23,990	\$28,084	\$28,061	\$28,144	\$27,187	\$22,723	\$23,696	\$23,456	\$22,851	\$14,023
Principal Paid on Debt and Leases	24,212	24,051	18,193	88,795	46,400	81,103	26,959	51,997	18,115	27,708
Principal Paid from Refinancing Activities (1)	(206,340)	-	-	(73,005)	(33,680)	(68,095)	(16,315)	(37,245)	(8,720)	(18,700)
Debt Service	\$(158,138)	\$52,135	\$46,254	\$43,934	\$39,907	\$35,731	\$34,340	\$38,208	\$32,246	\$23,031
Operating Expenses	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921	\$402,963	\$389,806
Ratio	(26.7%)	9.3%	8.3%	8.1%	7.8%	7.3%	7.4%	8.8%	8.0%	5.9%

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

(1) Obtained amount from refunding bonds official statements.



Debt Service Coverage for Senior Lien System Revenue Bonds

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565	\$157,864	\$147,224
Receipts from Other Major Revenue Sources (Facilities Revenues)	86,040	92,508	85,874	75,144	68,525	67,452	63,383	61,277	56,355	46,770
Net Revenues Available for Debt Service	\$319,951	\$330,113	\$322,664	\$313,074	\$285,572	\$273,002	\$252,199	\$233,842	\$214,219	\$193,994
Senior Lien Bonds Debt Service										
Interest on Debt	\$12,573	\$15,569	\$15,599	\$15,738	\$15,926	\$15,824	\$14,990	\$15,248	\$15,112	\$15,133
Principal Paid on Debt	10,290	9,305	7,140	8,445	6,500	8,015	6,615	6,610	5,835	5,610
Direct Payment- Build America Bonds	(1,418)	(2,162)	(2,204)	(2,245)	(2,247)	(2,235)	(2,237)	(2,306)	(2,411)	(2,411)
Senior Lien Bonds Debt Service Requirements	\$21,445	\$22,712	\$20,535	\$21,938	\$20,179	\$21,604	\$19,368	\$19,552	\$18,536	\$18,332
Coverage	14.92	14.53	15.71	14.27	14.15	12.64	13.02	11.96	11.56	10.58
Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year.										
Subordinate Lien Bonds Debt Service										
Interest on Debt	\$5,239	\$6,627	\$6,871	\$7,093	\$7,223	\$7,224	\$7,315	\$3,859	\$3,859	\$3,870
Principal Paid on Debt	5,395	5,205	5,035	3,345						
Direct Payment- Build America Bonds	(1,077)	(1,137)	(1,186)	(1,235)	(1,255)	(1,253)	(1,243)	(1,351)	(1,351)	(1,024)
Direct Payment- State Lottery Revenue	(8,128)	(8,858)	(8,866)	(7,590)	(4,900)	(5,241)	(2,489)	(2,007)	(2,006)	(2,426)
Subordinate Lien Bonds Debt Service Requirements	\$1,429	\$1,837	\$1,854	\$1,613	\$1,068	\$730	\$3,583	\$501	\$502	\$420
Combined Senior/Subordinate Lien Debt Service	\$22,874	\$24,549	\$22,389	\$23,551	\$21,247	\$22,334	\$22,951	\$20,053	\$19,038	\$18,752
Coverage	13.99	13.45	14.41	13.29	13.44	12.22	10.99	11.66	11.25	10.35
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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ADMISSIONS - FRESHMEN										
Applications	36,855	36,831	36,875	36,511	29,583	27,780	33,435	29,108	24,482	22,845
Accepted	31,313	30,428	29,812	28,495	22,739	25,159	30,561	26,010	20,620	20,562
Enrolled	5,455	5,869	5,900	5,607	5,218	4,890	4,772	4,254	3,872	4,132
Accepted as Percentage of Application	85%	83%	81%	78%	77%	91%	91%	89%	84%	90%
Enrolled as Percentage of Accepted	17%	19%	20%	20%	23%	19%	16%	16%	19%	20%
Average SAT scores- Total	1136	1138	1124	1045	1050	1050	1053	1059	1065	1062
Verbal/Evidence-Based Reading & writing	572	574	568	523	520	524	525	526	522	523
Math	563	563	557	522	520	520	528	529	526	525
ENROLLMENT										
Student FTE	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208	22,964	22,746
Student Headcount	30,736	31,073	31,057	30,368	29,031	27,715	26,606	26,002	25,364	25,204
Men (Headcount)	11,537	11,814	12,064	12,016	11,622	11,393	10,802	10,534	10,165	9,906
Percentage of Total	37.5%	38.0%	38.8%	39.6%	40.0%	41.1%	40.6%	40.5%	40.1%	39.3%
Women (Headcount)	19,199	19,259	18,993	18,352	17,409	16,322	15,804	15,468	15,199	15,298
Percentage of Total	62.5%	62.0%	61.2%	60.4%	60.0%	58.9%	59.4%	59.5%	59.9%	60.7%
African American (Headcount)	1,019	1,070	1,067	1,007	946	888	839	831	842	823
Percentage of Total	3.3%	3.4%	3.4%	3.3%	3.3%	3.2%	3.2%	3.2%	3.3%	3.3%
Hispanic/Latino (Headcount)	7,395	7,236	7,118	6,635	6,036	5,369	4,899	4,575	4,139	3,843
Percentage of Total	24.1%	23.3%	22.9%	21.8%	20.8%	19.4%	18.4%	17.6%	16.3%	15.2%
White (Headcount)	16,942	17,452	17,957	17,982	17,645	17,289	17,023	16,917	16,848	17,030
Percentage of Total	55.1%	56.2%	57.8%	59.2%	60.8%	62.4%	64.0%	65.1%	66.4%	67.6%
Other (Headcount)	5,380	5,315	4,915	4,744	4,404	4,169	3,845	3,679	3,535	3,508
Percentage of Total	17.5%	17.1%	15.8%	15.6%	15.2%	15.0%	14.5%	14.1%	13.9%	13.9%
DEGREES EARNED										
Bachelor's	6,253	6,117	6,040	5,824	5,105	5,063	5,009	4,478	4,300	3,864
Master's	1,266	1,249	1,194	1,201	1,267	1,234	1,348	1,423	1,550	1,707
Doctoral	213	194	174	123	132	127	116	99	109	95
Total Degrees Earned	7,732	7,560	7,408	7,148	6,504	6,424	6,473	6,000	5,959	5,666

Source: Northern Arizona University- Institutional Research and Analysis

Demographic Data

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Arizona Population	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	6,413,158
Arizona Personal Income (in millions)	\$336,514	\$313,042	\$292,108	\$278,925	\$266,756	\$255,089	\$244,011	\$235,781	\$227,287	\$216,590
Arizona Per Capita Personal Income	\$46,233	\$43,650	\$41,633	\$40,243	\$39,060	\$37,895	\$36,823	\$35,979	\$35,062	\$33,773
Arizona Unemployment Rate	4.50%	4.90%	4.90%	5.40%	6.00%	6.80%	7.70%	8.30%	9.50%	10.50%

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

Principal Employers

Employer	Calendar Year Ended December 31, 2019			Calendar Year Ended December 31, 2010		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Banner Health	45,894	1	1.29%	28,220	3	0.89%
State of Arizona	37,040	2	1.04%	49,282	1	1.55%
Wal-Mart Stores, Inc.	33,619	3	0.95%	30,608	2	0.96%
Fry's Food Stores	20,165	4	0.57%			
Wells Fargo	16,700	5	0.47%	13,100	5	0.41%
University of Arizona	15,967	6	0.45%			
Amazon.com, Inc.	15,000	7	0.42%			
Arizona State University	14,889	8	0.42%	12,221	8	0.38%
City of Phoenix	14,821	9	0.42%	15,544	4	0.49%
Maricopa County	13,595	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%
Total	227,690		6.41%	198,433		6.24%

Sources: Phoenix Business Journal, Book of Lists 2019 and Arizona Department of Transportation CAFR 2011 for employers: Arizona Commerce Authority website, <https://www.azcommerce.com/oeo/labor-market/unemployment/>.

Faculty and Staff

Fall employment of fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
FACULTY										
Full-time	1,175	1,180	1,151	1,094	1,068	1,055	973	900	864	836
Part-time	607	625	593	569	553	589	616	639	632	665
Total Faculty	1,782	1,805	1,744	1,663	1,621	1,644	1,589	1,539	1,496	1,501
Percentage Tenured	46%	47%	47%	49%	49%	50%	53%	52%	60%	63%
STAFF										
Full-time	2,009	2,034	1,987	1,952	1,883	1,892	1,842	1,779	1,707	1,651
Part-time*	775	772	751	737	753	756	715	651	661	606
Total Staff	2,784	2,806	2,738	2,689	2,636	2,648	2,557	2,430	2,368	2,257
Total Faculty and Staff	4,566	4,611	4,482	4,352	4,257	4,292	4,146	3,969	3,864	3,758

*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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Academic/Support Facilities	97	96	87	88	87	85	84	83	81	80
Auxiliary Facilities	71	71	39	38	38	36	33	31	28	28
Total	168	167	126	126	125	121	117	114	109	108

Does not include leased facilities.

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

Credits

Content

Wendy Swartz

Associate Vice President/Comptroller

Anton Ciochetti

Associate Comptroller

Tammy Laird

Associate Comptroller

Kristi Markey

Accounting Analyst, Senior

Joseph Sturm

Cash & Investment Analyst

Francine Dalgai

Accountant, Principal

Anthea Vadasz

Accountant, Senior

Additional Contributions by

Financial Accounting Services office staff, Contracting, 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, and the Facility Services staff.

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

Northern Arizona University
PO Box 4069
Flagstaff, AZ 86011

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



Associate Vice President and Comptroller's Office



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