

Northern Arizona University
Comprehensive Annual
Financial Report 2012-2013



Included as an Enterprise Fund of the State of Arizona

NORTHERN ARIZONA UNIVERSITY
Comprehensive Annual Financial Report (CAFR)

Table of Contents

1 INTRODUCTORY SECTION

- 2 Message from the President
- 3 Letter of Transmittal
- 7 Organizational Chart
- 8 Arizona Board of Regents
- 8 Northern Arizona University Administration

9 FINANCIAL SECTION

- 10 Independent Auditors' Report
- 12 Management's Discussion and Analysis
- 20 Statement of Net Position
- 21 Statement of Financial Position - Component Unit
- 22 Statement of Revenues, Expenses, and Changes in Net Position
- 23 Statement of Activities - Component Unit
- 24 Statement of Cash Flows
- 25 Notes to Financial Statements

41 STATISTICAL SECTION

TABLE OF CONTENTS

- 42 Net Position by Component
- 43 Changes in Net Position
- 46 Operating Expenses by Natural Classification
- 47 Academic Year Tuition and Required Fees
- 48 Principal Revenue Sources
- 49 Long-Term Debt
- 50 Summary of Ratios
- 55 Debt Coverage for Senior Lien System Revenue Bonds
- 56 Admissions, Enrollment, and Degrees Earned
- 57 Demographic Data
- 57 State of Arizona Principal Employers
- 58 Faculty and Staff
- 59 Capital Assets





Introductory Section

Message from the President

As Northern Arizona University undergoes a sweeping transformation to meet the financial and educational challenges facing modern higher education, I am pleased to present the University's comprehensive annual financial report.

The overall success of NAU involves adhering to sound business practices, identifying new revenue streams and closely linking academic performance to financial principles. Despite years of declining state support, NAU has emerged into a \$1 billion enterprise with record enrollment, and maintaining that level of growth will require discipline and innovation in the development of future budgets.

Key to NAU's continued vitality is the continued development and implementation of educational technology. Not only do such advances bring efficiencies in individual classrooms, but the wider application of adaptive learning also opens the door to entirely new approaches to earning a college degree. For example, Personalized Learning, a competency-based online program, upends long-held notions about credit hours and semesters while offering University access for a flat fee.

Additional learning technologies allow NAU to reduce its overall fixed cost base while providing services and options that actually enhance student success. Evidence shows that blended learning in general, and the Lumberjack Mathematics Center in particular, are helping to increase retention. At today's levels, each five percent increase in retention equals an additional \$6 million in annual tuition revenue.

While overall increases in enrollment do much to improve the University's bottom line, a focus on increasing the diversity of that enrollment can have even more pronounced effects. In fall 2013, NAU's incoming freshman class was made up of 35 percent out-of-state students and more than 1,000 international students. Non-Arizona students generate additional revenue, and a doubling of the international cohort would bring \$9 million in additional tuition revenue.

The University also continues to pursue partnerships that either generate revenue or provide needed services with minimal effect on NAU's payroll or debt obligations. In one example, NAU is meeting its increased need for housing by partnering once again with American Campus Communities to provide much-needed dormitory space on a lease basis.

As you will see from the full report, NAU is on a sound financial footing and is executing a long-term business strategy that embeds increased student success with financial performance, thus ensuring the citizens of Arizona a stable, adaptable institution that will continue to operate as the state's premier option for residential undergraduate education.



Letter of Transmittal



October 28, 2013

To President Haeger, Members of the Arizona Board of Regents, and Citizens of Arizona:

We are pleased to present the Northern Arizona University Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. The report includes the financial statements for the year as well as other useful information to help ensure the University's accountability.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The University functions under a framework of internal controls that is sound and sufficient to disclose any material deficiencies, and provides reasonable assurance that assets are safeguarded from unauthorized use.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the year ended June 30, 2013, the State of Arizona Office of the Auditor General has issued an unqualified opinion on Northern Arizona University's financial statements. The independent auditors' report is in front of the financial section. The University's CAFR is intended to fulfill the State of Arizona's Transparency Law, Arizona Revised Statutes §41-725.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. MD&A is located immediately following the independent auditors' report and complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

The University is a fully-accredited, four-year degree-granting institution of higher learning (Carnegie Classification: Doctoral, Public, High Research), supported by the State and governed by the Board. The University's 2013 fall semester total headcount was 26,606. Headcount was comprised of 22,670 undergraduate and 3,936 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. For almost 100 years, the University's philosophy has been to preserve a friendly campus atmosphere and to maintain close student-faculty relationships through quality teaching in the classroom and through faculty guidance for each individual student. The University's Mission Statement embodies a number of themes and goals which provide guidance for University programs. These include goals to be a learning-centered University with a deep commitment to student success and high expectations for student achievement; provide responsive educational programs to State citizens wherever they live and work; further the environmental, economic, social, and cultural vitality of our communities through collaborative stewardship of place; advance the internationalization of the University to prepare students for global citizenship; create a culture of inclusion that contributes to a rich learning experience and helps prepare students for engaged social responsiveness in a global environment; become the nation's leading University serving Native Americans and to exemplify an innovative, effective, and accountable learning community.

History

The University was established in 1899 as Northern Arizona Normal School, with 33 students and a single building. In 1925, the State Legislature changed the institution's status from a normal school to a four-year, degree-conferring college, granting the Bachelor of Education. The same year, the name of the school was changed to Northern Arizona State Teachers College. In 1929, the name was changed to Arizona State Teachers College at Flagstaff. The name was changed again in 1945 to Arizona State College at Flagstaff when majors leading to the Bachelor of Arts and the Bachelor of Science degrees were added. Effective May 1, 1966, the institution was designated a University by the State Legislature and was given its present name. Graduate work at the University began in 1937, with a program leading to the Master of Arts in Education degree. In 1954, the Board authorized the granting of the Educational Specialist degree and, in 1955, the Master of Arts and Master of Science degrees. Approval for programs leading to the Doctor of Philosophy and the Doctor of Education degrees was given in 1968. In 1973, the first doctoral students were graduated.

The Arizona Board of Regents (ABOR) governs Northern Arizona University as well as the other two public universities in the State. 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 financial reporting entity for NAU's financial statements is comprised of the University and two component units. The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) reporting requirements. The component units include the NAU Foundation and Northern Arizona Capital Finance Corporation. The component units are non-profit, tax-exempt organizations. The NAU Foundation is a discretely presented component unit and the Northern Arizona Capital Finance Corporation is a blended component unit, based on the nature and significance of their relationship to the University.

The University is responsible for controlling its budget and using its resources to fulfill its educational, research, and public service mission. It is also responsible for planning, developing, and controlling budgets and expenses within authorized allocations in accordance with University, Arizona Board of Regents, state, and federal policies and procedures.

Arizona Economy

The following economic summary is based on the Arizona Department of Administration Employment Forecast, released on May 9, 2013.

The Office of Employment and Population Statistics within the Arizona Department of Administration is projecting that a total of approximately 98,000 nonfarm jobs will be added during 2013 and 2014, representing growth of 1.9% in 2013 and 2.1% in 2014 across the State of Arizona. These gradual gains are projected as the overall employment situation in Arizona is expected to improve, although on a slower track as economic fundamentals continue to improve, but appear to be dampened by the effects of federal sequestration and increased payroll taxes.

Additional risk factors that add uncertainty to the forecast include constrained personal household budgets as U.S. consumers face employment insecurity, lower wages and higher debt, continued weakness in commercial real estate, and a slowing rate of growth in real business investment.

However, these risks are outweighed by positive factors, including continued improvement in real Gross Domestic Product (GDP), real personal income, employment, and retail sales. Household net worth continues to climb gradually and the fraction of disposable income used for household debt continues to decline. Residential real estate markets in Arizona are showing improvement with rising levels of building permits and rising home prices. With an improving domestic economy and employment growth, consumers are expected to spend more, although demand may be slightly lower in the short-run due to the impact of sequestration and payroll taxes.

Planning and Initiatives

Northern Arizona University Strategic Planning

Northern Arizona University's mission focus is to provide an outstanding undergraduate residential education strengthened by research, graduate and professional programs, and sophisticated methods of distance delivery and innovative new campuses and programs throughout the state. The University's strategic goals are aligned with the Arizona Board of Regents directions to promote student learning and success, advance educational attainment in Arizona, expand research, and impact Arizona.

Northern Arizona University Goals:

- Student Success: Promote high levels of student access, engagement, achievement, and affordability.
- Nationally Recognized Research Excellence: Expand the boundaries of knowledge to improve lives.
- Global Engagement: Advance the internationalization of the universities to prepare students for global citizenship.
- Diversity, Civic Engagement, and Community Building: Promote issues of diversity, civility, democracy, citizenship, and community engagement and collaboration.
- Commitment to Native Americans: Become one of the nation's leading universities serving Native Americans.
- Sustainability and Effectiveness: Exemplify a sustainable, innovative, and effective University community.

The University continues to invest in and improve facilities. Recent projects include:

- Renovation of 44 additional classrooms. We are continuing to invest in upgrading the look and feel of the classroom environments along with improved technology to assist Faculty in their teaching mission.
- Expansion of our partnership with American Campus Communities to build 2 new housing facilities to open in August 2014 at no expense to NAU except use of land.
- Completed retrofitting of some temporary classrooms to accommodate the Mathematics Emporium teaching concept to accommodate an additional 1,800 students for this Fall semester.
- Completed expansion of the Dining Hall seating area to accommodate increased enrollment on campus.
- Completed renovations of the SkyDome to accommodate office needs for Athletics staff.

New projects planned or underway include:

- Construction on a new 118,000 sq. ft. Science and Health Building to accommodate all the teaching and research needs currently housed in the outdated Chemistry Building.
- A Chemical Storage facility to comply with current EPA handling and storage requirements that will make teaching labs safer for students and faculty.
- Planning for a new Student and Academic Services Building to provide sorely needed space for faculty to accommodate current enrollment growth needs, one stop shopping to assist in student retention and a permanent location for the Lumberjack Mathematics Center.
- Design to replace the Wall Aquatic Center that has outlived its building usefulness along with tennis courts that are desperately needed.

The University continues to improve financially. In fiscal year 2013 University total assets topped \$1 billion for the first time in its history. Total revenues were \$453 million and total net position increased by \$2.5 million. The University maintains a Moody's A1 rating on NAU's system revenue bonds, A2 rating on Series 2010 SPEED revenue bonds, and A2 ratings on other rated certificates of participation and lease revenue bonds with a stable outlook. The ratings from Standard and Poor's are 'A' long-term rating on the University's outstanding SPEED revenue bonds, 'A+' long-term and underlying rating (SPUR) on the board of regents' system revenue bonds issued for NAU; 'A' SPUR on the University's lease revenue bonds; and 'A' SPUR on NAU's outstanding Certificates of Participation (COPs). The outlook on all bonds is stable.

Awards and Acknowledgements

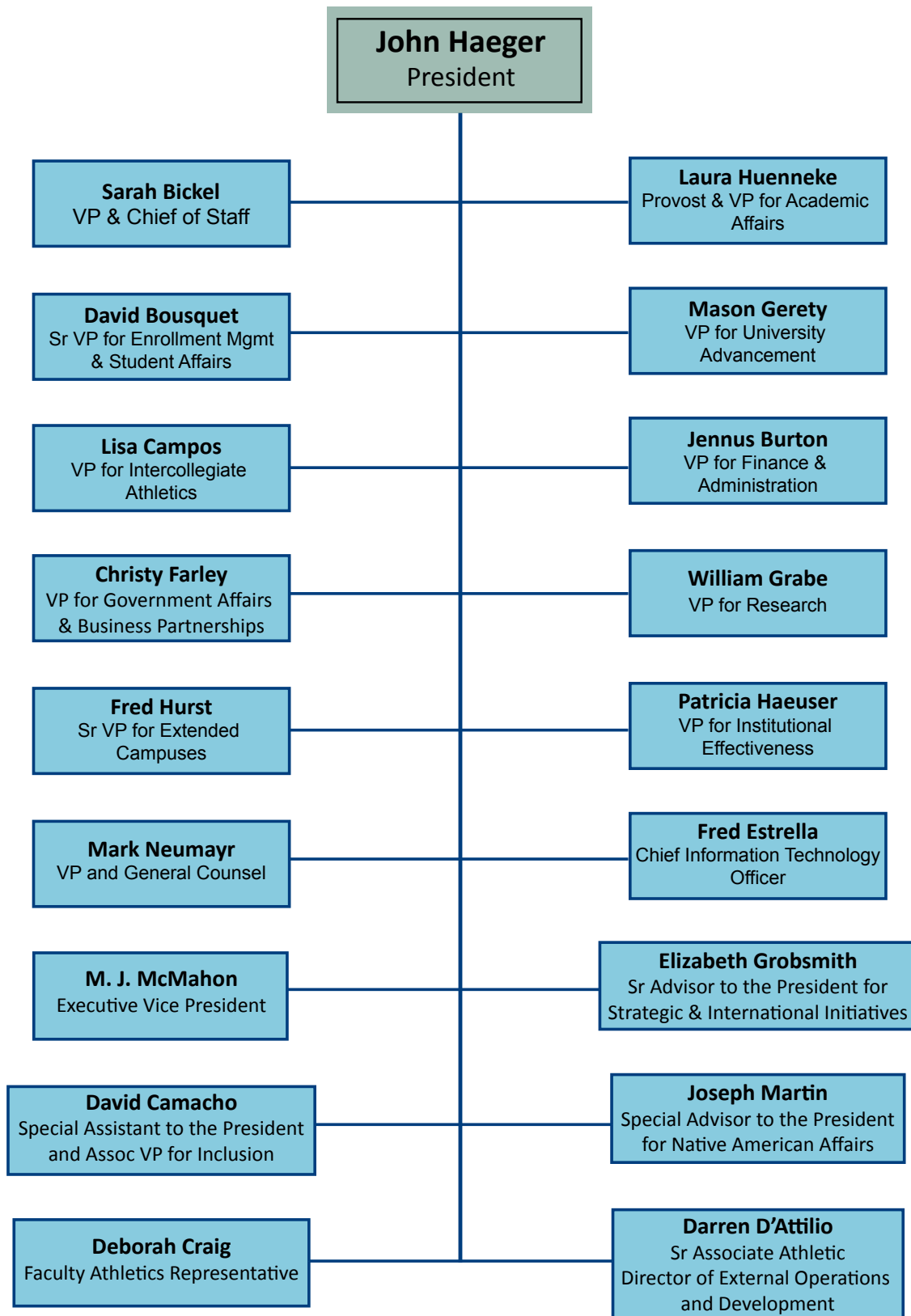
The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting. To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

This is the inaugural year the University is participating in the GFOA program by submitting this report for review and comment by GFOA, with the goal of meeting all GFOA requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts of the Financial Services Office and other University administrators, faculty and staff. In addition, the State of Arizona Office of the Auditor General provided invaluable assistance.

Jennus L. Burton
Vice President for Finance and Administration

ORGANIZATIONAL CHART



Arizona Board of Regents

AS OF JUNE 30, 2013

EX-OFFICIO MEMBERS

**The Honorable
Janice K. Brewer
Governor of Arizona**

**The Honorable
John Huppenthal
Arizona Superintendent
of Public Instruction**

APPOINTED

Dennis DeConcini

Jay Heiler

Mark Killian

Ram Krishna

LuAnn Leonard

Anne Mariucci

**Rick Myers
Chair**

Greg Patterson

**Tyler Bowyer
Student Regent**

**Kaitlin Thompson
Student Regent**

Northern Arizona University Administration

AS OF JUNE 30, 2013

John D. Haeger
President

MJ McMahon
Executive Vice President

Sarah Bickel
Vice President and Chief of Staff

David Bousquet
Senior Vice President for Enrollment Management and Student Affairs

Jennus L. Burton
Vice President for Finance and Administration

Lisa Campos
Vice President for Intercollegiate Athletics

Christy Farley
Vice President for Government Affairs and Business Partnerships

Mason Gerety
Vice President for University Advancement

William Grabe
Vice President for Research

Patricia Haeuser
Vice President for Planning, Budget and Institutional Effectiveness

Laura Huenneke
Provost and Vice President for Academic Affairs

Fred Hurst
Senior Vice President for Extended Campuses

Mark Neumayr
Vice President and General Counsel

This financial report is compiled and issued by Robert G. Norton - Associate Vice President for Finance/Comptroller
Northern Arizona University
P.O. Box 4069
Flagstaff, AZ 86011-4069

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



Financial Section



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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 Northern Arizona University as of and for the year ended June 30, 2013, 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 report of the other auditors. 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 financial statements of the discretely presented component unit were not audited by the other auditors 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 Northern Arizona University as of June 30, 2013, 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 described in Note 1, 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, 2013, 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.

As described in Notes 1 and 2, the University implemented the provisions of the Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, for the year ended June 30, 2013, which represents a change in accounting principle. 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 listed in the table of contents 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 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 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.

Debbie Davenport
Auditor General

October 28, 2013

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

Management's Discussion and Analysis

The discussion and analysis of Northern Arizona University's financial statements provides an overview of the University's financial activities for the year ended June 30, 2013. Management has prepared the financial statements and the accompanying note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's management.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This annual financial report includes the independent auditors' report, management's discussion and analysis, the financial statements in the format referred to below, notes to the financial statements, which include the summary of significant accounting policies, and statistical data.

The financial statements presented by the University include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

- The Statement of Net Position presents the financial position of the University at the end of the fiscal year. This statement is classified between current assets and liabilities and noncurrent assets and liabilities. In addition, capital assets are depreciated over the useful life of the asset and the annual depreciation amount is shown as a current year expense.
- The Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and nonoperating

revenues and expenses, with state appropriations reported as nonoperating revenue. Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances.

- The Statement of Cash Flows provides information about the University's sources and uses of cash during the year.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, the University reports as a component unit those organizations that raise and hold economic resources for the direct benefit of the University or its constituents.

Based on GASB 61, the University identified two component units, the Northern Arizona University Foundation (Foundation), and the Northern Arizona Capital Facilities Finance Corporation (NACFFC). The Foundation is discretely presented in this report, NACFFC is blended with the financial activities of the University.

Information on the Foundation discretely presented component unit can be found in this report in the component unit Statement of Financial Position and Statement of Activities, as well as Note 9.

The Management's Discussion and Analysis focuses only on the University and does not address the component unit.

FINANCIAL HIGHLIGHTS

- Total net position increased \$2.5 million, 0.6 percent from July 1, 2012 to June 30, 2013 based on total sources of funds of \$460.1 million and \$457.6 million of uses.
- Total sources of revenues increased by \$17.5 million or 3.9 percent while total uses of funds increased by \$30.1 million or 7.0 percent.
- State and capital appropriations decreased \$2.2 million from the prior year, a 2.0 percent reduction.
- Student tuition and fees increased 9.3 percent from the previous year or about \$14.7 million.
- Government grants and contracts decreased \$1.6 million, a 2.0 percent reduction.
- Private gifts, grants and contracts increased \$1.0 million, a 7.7 percent increase.
- Investment income increased \$500 thousand from the previous fiscal year, a 18.5 percent increase.
- Auxiliary enterprise revenues increased by \$4.8 million, or 10.5 percent.
- The University share of state sales tax revenue increased \$300 thousand, a 3.0 percent increase.



STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. A summarized comparison of the University's assets, liabilities, and net position at June 30, 2013 and 2012 (in thousands), is as follows:

	2013	2012 (as restated)
Current assets	\$ 213,012	\$ 186,913
Noncurrent assets:		
Cash, cash equivalents, investments, and student loans receivable	109,126	85,607
Endowment investments	22,080	19,169
Capital assets – net of accumulated depreciation	695,343	670,710
Other noncurrent assets	4,812	3,642
Total noncurrent assets	831,361	779,128
Total assets	1,044,373	966,041
Long-term liabilities	561,505	484,550
Other liabilities	46,053	47,127
Total liabilities	607,558	531,677
Net position	\$ 436,815	\$ 434,364

A review of NAU's Statement of Net Position at June 30, 2013 and 2012 shows that the University's financial position continues to improve with an increase in net position of \$2.5 million.

Current assets consist primarily of cash and investments, state appropriation receivable, government grants and contracts receivable, and accounts receivable. Current assets are generally considered to be convertible to cash within one year. Current assets increased overall by \$26.1 million over the prior fiscal year. The change was the result of an increase in cash and investments of \$22.5 million, and a \$3.6 million increase in receivables.

Noncurrent assets increased \$52.2 million over the prior year due to an increase of \$24.6 million in capital assets, and a \$26.4 million increase in cash and investments.

Capital assets, net of accumulated depreciation, increased \$24.6 million over the prior fiscal year as the University continued with major capital improvement projects, including capital facilities and infrastructure projects. The changes in capital assets are discussed in more detail in the Capital Assets and Debt Administration section.

The net increase of \$26.4 million in noncurrent cash and investments was due to an increase of \$53.4 million in cash and cash equivalents held by trustee and \$2.9 million in endowment investments offset by decreases of \$29.9 million in noncurrent investments.

Long-term liabilities increased by \$77.0 million over the prior fiscal year. The increase is mainly attributable to the increase of long-term debt, which is discussed further in the Capital Assets and Debt Administration section.

Current liabilities, which include accounts payable, accrued expenses, and deferred revenue, was close to unchanged over the prior fiscal year.

A decrease in accounts payable of \$2.9 million was largely offset by an increase in deferred revenue of \$2.5 million.

A review of NAU's Statement of Net Position at June 30, 2013 and 2012 shows that the University's financial position continues to improve with an increase in net position of \$2.5 million.

NET POSITION

A summarized comparison of the University's net position at June 30, 2013 and 2012 (in thousands), is as follows:

	2013	2012 (as restated)
Net investment in capital assets	\$ 215,847	\$ 218,676
Restricted:		
Nonexpendable	20,430	19,517
Expendable	26,658	17,571
Unrestricted	173,880	178,600
Total net position	\$ 436,815	\$ 434,364

Net investment in capital assets decreased \$2.8 million, resulting from a \$24.6 million increase in capital assets (net of depreciation) offset by \$27.4 million of related debt. Net position at June 30, 2013 increased in total by \$2.5 million or 0.6 percent from 2012. This is a result of total combined sources of \$460.1 million and total uses of \$457.6 million. The University continues to effectively manage operating expenses, resulting in positive net position growth.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the University, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to U.S. generally accepted accounting principles. A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012 (in thousands), is as follows:

	2013	2012*
Operating revenues:		
Tuition and fees, net of scholarship allowances	\$ 172,565	\$ 157,865
Grants and contracts	23,039	20,580
Auxiliary enterprises	50,637	45,806
Other	17,410	17,189
Total operating revenues	<u>263,651</u>	<u>241,440</u>
Nonoperating revenues:		
State appropriations	101,469	103,670
Share of state sales tax - technology and research initiative funding	11,492	11,157
Grants and gifts	67,494	70,567
Investment income	3,174	2,678
Net gain on disposal of capital assets	65	
Other nonoperating revenues	5,892	5,909
Total nonoperating revenues	<u>189,586</u>	<u>193,981</u>
Total revenues	<u>453,237</u>	<u>435,421</u>
Operating expenses:		
Educational and general	358,148	338,668
Auxiliary enterprises	44,386	37,035
Depreciation	31,387	27,260
Total operating expenses	<u>433,921</u>	<u>402,963</u>
Nonoperating expenses:		
Interest expense on capital asset related debt	23,456	22,852
Other nonoperating expenses	254	1,680
Total nonoperating expenses	<u>23,710</u>	<u>24,532</u>
Total expenses	<u>457,631</u>	<u>427,495</u>
Decrease before capital appropriations, capital grants and gifts and endowment additions	<u>(4,394)</u>	<u>7,926</u>
Capital appropriations, capital grants and gifts and endowment additions	<u>6,844</u>	<u>7,207</u>
Increase in net position	\$ 2,450	\$ 15,133

*The University restated beginning net position in FY 2013 because of a change in reporting entity related to the Northern Arizona Capital Facilities Finance Corporation. The University chose not to restate the amounts presented for revenues and expenses for fiscal year 2012 because the changes were extremely immaterial.

REVENUES ANALYSIS

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operating, nonoperating, and capital related financial activity during the fiscal year. Tuition and fees and state appropriations continue to be the major funding sources for operations related to educational purposes. Operating revenues are provided as a result of the University's ongoing operations such as tuition and fees, government grants and contracts, and auxiliary enterprises. Operating revenues (which does not include state appropriations) increased by \$22.2 million or 9.2 percent from fiscal year 2012. Tuition and fees revenue increased \$14.7 million or 9.3 percent, due to higher student enrollment coupled with an increase in board approved tuition rates. Operating grants and contracts revenue increased \$2.5 million or 11.9 percent. Auxiliary enterprise revenues increased by \$4.8 million, a 10.5 percent increase.

Nonoperating revenues decreased overall by \$4.4 million or 2.3 percent. State and capital appropriations decreased \$2.2 million or 2.2 percent from the prior fiscal year. Nonoperating grants and gifts decreased \$3.1 million or 4.4 percent. The share of state sales taxes - technology and research initiated funding (TRIF) revenues increased \$0.3 million or 3.0% over the 2012 fiscal year. Investment income totaled \$3.2 million in 2013 compared to \$2.7 million in 2012.

EXPENSES ANALYSIS

Overall, operating expenses increased \$31.0 million or 7.7 percent.

Educational and general expenses, which continued to account for a majority of the operating expenses, increased \$19.5 million or 5.8 percent. Within educational and general expenses, instruction increased \$8.0 million or 6.0 percent. Student services increased \$5.9 million or 16.2 percent, reflecting investments made in technology and support services to support higher enrollment levels. Institutional support increased \$5.5 million or 13.1 percent. Operation and maintenance of plant increased \$1.5 million or 6.8 percent. Scholarships and fellowships decreased \$1.4 million or 5.3 percent.

Depreciation expense increased by \$4.1 million or 15.1 percent, as the University constructed new buildings and made improvements and renovations. Depreciation expense is expected to continue to increase as the University continues to construct new buildings and renovate older ones.

Nonoperating expenses decreased by \$0.8 million or 3.3 percent.



Overall, operating expenses increased \$30.1 million or 7.0 percent.

EXPENSES - BY FUNCTIONAL CLASSIFICATION

A comparative summary of the University's expenses by functional classification for the years ended June 30, 2013 and 2012, is as follows:

	2013	2012*
Operating:		
Instruction	\$ 142,282,297	\$ 134,271,789
Research	19,886,287	21,765,938
Public service	26,935,344	28,352,445
Academic support	32,163,479	28,857,958
Student services	42,145,206	36,273,676
Institutional support	47,265,354	41,788,624
Operation and maintenance of plant	23,258,886	21,781,043
Scholarships and fellowships	24,210,772	25,576,141
Total educational and general expenses	<u>358,147,625</u>	<u>338,667,614</u>
Auxiliary enterprises	44,385,785	37,035,147
Depreciation	31,387,521	27,260,505
Total operating expenses	<u>433,920,931</u>	<u>402,963,266</u>
Nonoperating:		
Interest and other	<u>23,710,011</u>	<u>24,531,739</u>
Total expenses	<u>\$ 457,630,942</u>	<u>\$ 427,495,005</u>

*The University restated beginning net position in FY 2013 because of a change in reporting entity related to the Northern Arizona Capital Facilities Finance Corporation. The University chose not to restate the amounts presented for revenues and expenses for fiscal year 2012 because the changes were extremely immaterial.

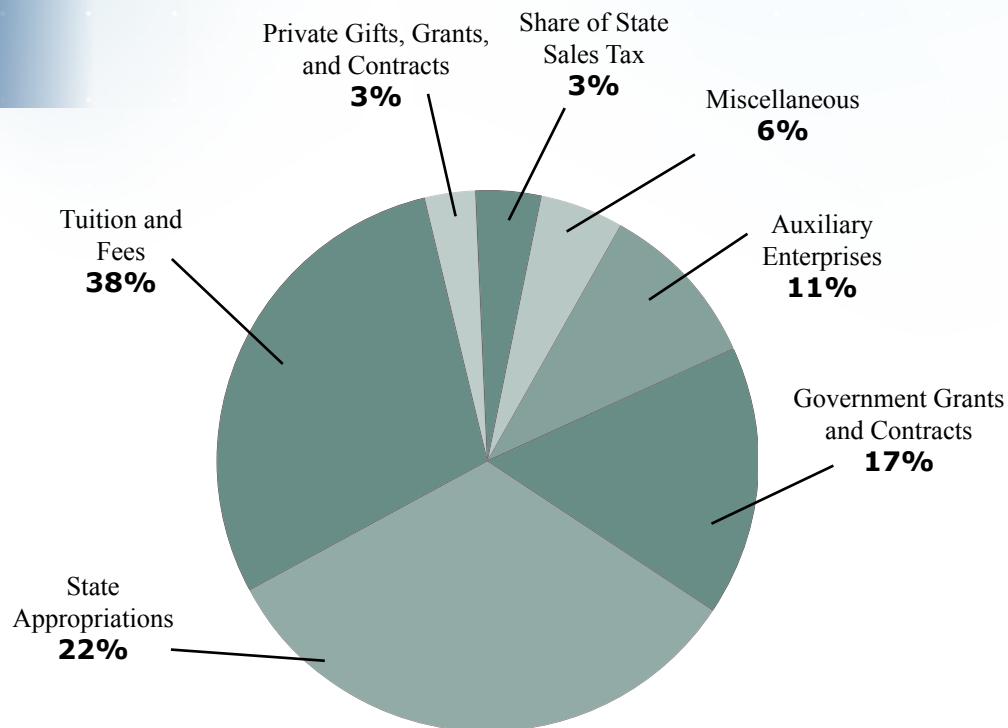
EXPENSES - BY NATURAL CLASSIFICATION

In addition to their functional (program) classification, it is also informative to review operating expenses by their natural (expense) classification. A comparative summary of the University's expenses by natural classification for the years ended June 30, 2013 and 2012, is as follows:

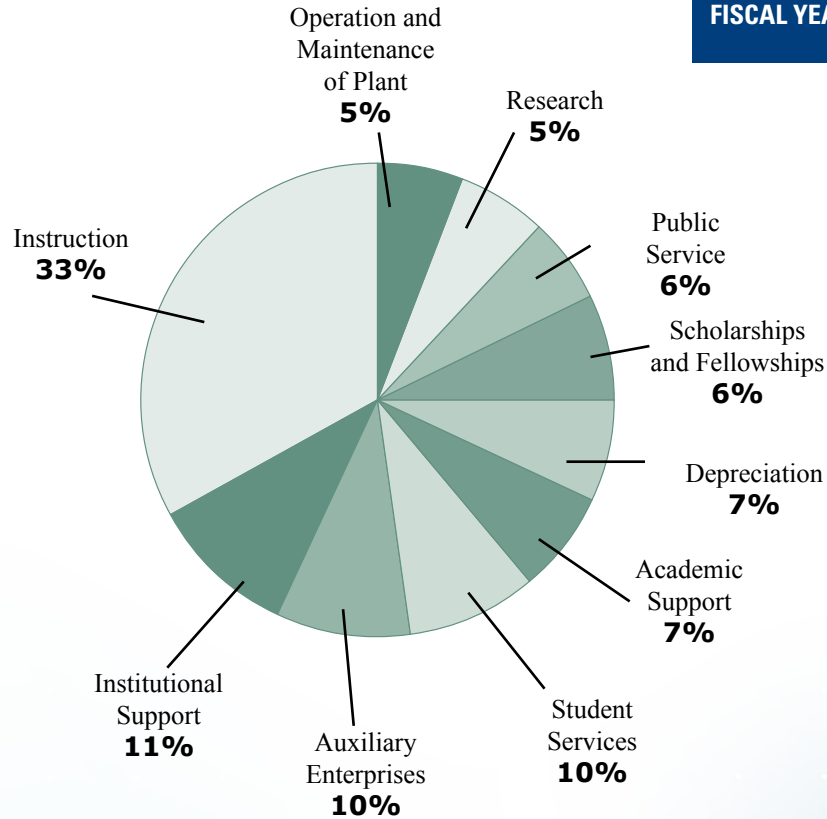
	2013	2012*
Operating:		
Personal services and benefits	\$ 268,887,721	\$ 254,396,049
Operations	109,434,917	95,730,571
Scholarships	24,210,772	25,576,141
Depreciation	31,387,521	27,260,505
Total operating	<u>433,920,931</u>	<u>402,963,266</u>
Nonoperating:		
Interest and other	<u>23,710,011</u>	<u>24,531,739</u>
Total expenses	<u>\$ 457,630,942</u>	<u>\$ 427,495,005</u>

*The University restated beginning net position in FY 2013 because of a change in reporting entity related to the Northern Arizona Capital Facilities Finance Corporation. The University chose not to restate the amounts presented for revenues and expenses for fiscal year 2012 because the changes were extremely immaterial.

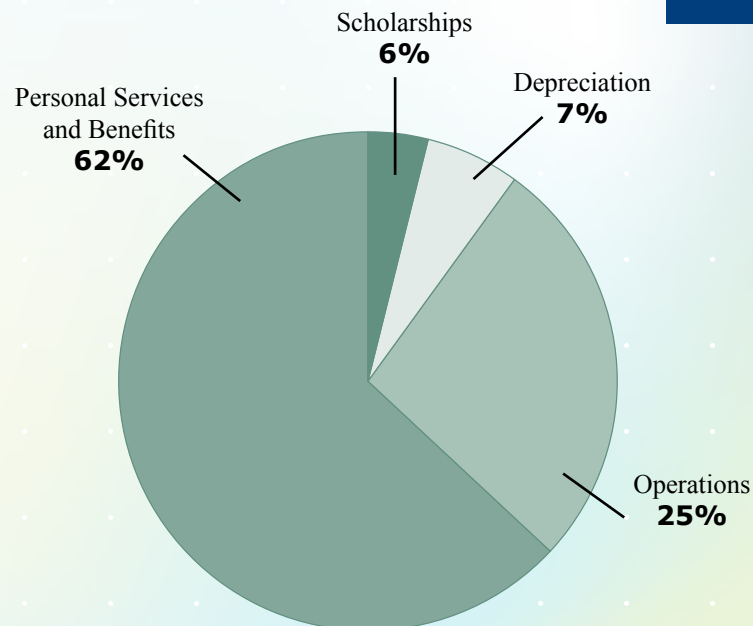
TOTAL SOURCES OF FUNDS FISCAL YEAR 2013



**OPERATING EXPENSES
FUNCTIONAL CLASSIFICATION
FISCAL YEAR 2013**



**OPERATING EXPENSES
NATURAL CLASSIFICATION
FISCAL YEAR 2013**



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets at June 30, 2013

At June 30, 2013, the University had \$695.3 million invested in capital assets. During the year the University added \$56.5 million in new capital assets and retired \$3.4 million of obsolete assets. Accumulated depreciation increased by \$28.4 million. Details of capital assets at June 30, 2013 and 2012 are as follows:

	2013	2012
Land	\$ 6,851,409	\$ 6,851,409
Construction in progress	12,906,733	40,253,220
Infrastructure	134,462,942	130,766,732
Buildings and improvements	792,957,026	727,121,836
Equipment	73,020,098	61,808,997
Library books and media	46,480,283	46,799,768
Accumulated depreciation	(371,335,952)	(342,892,133)
Total capital assets	\$ 695,342,539	\$ 670,709,829

Outstanding Debt at June 30, 2013

At June 30, 2013, the University had \$551.0 million in outstanding bonds, certificates of participation, other long-term obligations, and capital leases, an increase of approximately \$69.0 million, or 14 percent from fiscal year 2012. This is due to the issuance of \$121.0 million system revenue bonds and other long-term obligations and principal reductions of \$52.0 million.

The table below summarizes the University's outstanding debt from fiscal years 2013 and 2012.

	2013	2012 (as restated)
System revenue bonds	\$ 467,425,000	\$ 399,830,000
Capital leases	17,935,376	12,420,289
Certificates of participation	65,630,000	69,540,000
Other long-term obligations		222,111
Subtotal	550,990,376	482,012,400
Less deferred amount on refunding	(4,701,208)	(1,325,246)
Plus bonds premium	15,215,503	5,105,116
Total	\$ 561,504,671	\$ 485,792,270

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs) and Certificates of Participation (COPs). Prior to issuing any Bonds or COPs, the University must submit a financing and funding plan to the Arizona Board of Regents for approval and to the State Joint Committee on Capital Review for their review. The amount of debt the University is able to issue is limited by a debt ratio of 8% 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, 2013, the University's debt ratio was 5.43%. The University's credit ratings on its outstanding System Revenue Bonds are A1 by Moody's and A+ by Standard and Poor's.

Significant capital additions completed or in progress, and the resources that funded their acquisitions for fiscal year 2013 were:

- NORESKO Energy Savings Project, \$17.8 million, capital lease
- University Services Building, \$9.6 million, capital lease
- Parking Structure, \$6.9 million, bond proceeds
- University Union Dining Expansion, \$5.0 million, NAU Foundation
- Ardrey Auditorium renovation, \$4.5 million, unrestricted net assets
- Science and Health Building, \$3.4 million, bond proceeds

Projects planned to commence in fiscal year 2014, funded from system revenue bonds and unrestricted net assets include:

- Center for Aquatics and Tennis, \$47.5 million
- Phoenix Biomedical Center expansion, \$8.2 million

A \$29 million Student and Academic Services Classroom Building will be constructed by a third party and leased to the university.

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

ECONOMIC OUTLOOK

By most economic and demographic measures, Arizona continues to improve following the Great Recession. But that recovery is slow and it will take many months for the hardest hit sectors to fully recover their pre-recession highs. That said many businesses have undertaken various adjustments that have returned profitability to their operations without the need to expand their sales volume and workforces to previous highs.

In the last 40 years, Arizona has been one of the fastest growing states in terms of population. Only once, in FY1990, did the state's population growth rate fall below 2% when it slowed to 1.7%. Yet from FY2008 through FY2013, Arizona's population growth rate never reached above 2% and in fact was below 1% for most of those years. In FY2014 and FY2015 the state is expected to have improving rates of growth, but still below 2%. In FY2016 and beyond, the state should return to 2% and greater rates of growth. But it is not expected to return to the long run average of over 3% in the foreseeable future.

Because of the slow growth in population, Arizona's labor market has been slow to recover the nearly quarter of a million jobs that were lost from 2007 through 2010. In 2012, the local labor market added 48,900 for a growth rate of 2.0%. And in 2013 and 2014, the state is expected to continue to grow jobs with a combined addition of just short of 100,000 jobs. But even if that growth occurs, it is not expected that the state will return to its previous employment high in 2007 of nearly 2.7 million jobs until 2017 or later. While the state is recovering jobs, some industries are not performing as well as others.

The manufacturing industry, with its concentration in high technology and defense, began its decline in 2006 and is recovering much more slowly

than the rest of the economy. In addition to the general weakness of this recovery, reductions in federal defense spending are a significant headwind for manufacturing recovery. The relatively high wages of this industry and its ability to create additional job opportunities throughout the economy make it critical that this industry expand.

Another industry that has historically been very important to recovery in Arizona's economy is construction. But that industry is faltering too. In 2006, employment reached a peak of over 240,000 jobs before declining rapidly by more than a half to about 110,000 jobs in 2010. There has been some improvement in the last year, adding 4,800 new positions. But the recovery is forecasted to be slow with the addition of 6,700 jobs in 2013 and 5,500 jobs in 2014. A shortage of lots ready for housing, a shortage of workers with the requisite skills and poor credit histories of potential buyers all combine to retard growth. The current outlook for this industry is not strong.

The industries in which jobs are being created tend to be among those that offer lower than average wages or less than full-time employment. From 2012 to 2014, the greatest number of jobs are expected to be created in the leisure and hospitality industry. The addition of an expected 18,100 new workers translates into a growth rate of 6.8%. The second fastest growing industry, professional and business services, is the sector that contains temporary help agencies. Slightly fewer, 14,700 new jobs are forecast for a growth rate of 4.2%. Finally, trade, transportation and utilities is forecast to add 14,300 new jobs. While significant in number, the industry pays relatively low wages and is growing just slightly faster than the population at 3.0%.

The result of all these factors can be seen in tax collections for the state. In FY2007, tax collections totaled \$9.62 billion.

Three years later, FY2010 tax collections had fallen by more than a third to \$6.29 billion. Even with the addition of the temporary 1¢ sales tax, tax collections only reached \$8.92 billion in FY2013. The end of the temporary sales tax means that total tax collections will decline by about \$600 million in FY2014 and then grow by 6.1% to \$8.7 billion. But even with this improvement it is forecasted to take at least eleven years, until FY2018, until Arizona returns to its previous peak in tax collections. And given the increases in inflation and the demand for services, it will take many more years for full restoration to occur.

The recovery in Arizona is expected to be slow, but steady, for the near future. There is no expectation that the heady years of economic growth with population growing by over 3%, jobs growing by 4-5% and personal income growing by double digit rates will return anytime soon. Yet, Arizona is still seeing solid and sustainable growth. Most national projections show that states in the west will do better than many others. And in the west, Arizona is still forecast to be one of the better performers. Among ten western states, only Texas is forecast to have faster growth in personal income than Arizona. So the outlook is for better economic performance in the years ahead.



Financial Statements

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

Business-Type Activities

Current assets:

Cash and cash equivalents	\$ 66,645,853
Investments	80,203,358
Receivables, net of allowance for uncollectibles:	
Accounts receivable	17,198,895
Accrued interest	741,398
Endowment	33,190
Government grants and contracts	15,743,600
Student loans, current portion	835,966
State appropriation receivable	30,494,800
Other assets	758,909
Inventories	355,998
Total Current Assets	\$ 213,011,967

Noncurrent assets:

Restricted cash and cash equivalents held by trustee for capital projects	\$ 88,644,044
Investments	15,905,288
Student loans receivable, net of allowance	4,576,423
Endowment investments	22,080,488
Other noncurrent assets	4,812,034
Capital assets, not being depreciated	19,758,142
Depreciable capital assets, net of depreciation	675,584,397
Total Noncurrent Assets	\$ 831,360,816

Total Assets

\$1,044,372,783

LIABILITIES

Current liabilities:

Accounts payable	\$ 11,553,485
Accrued payroll and employee benefits	5,494,007
Interest payable	4,285,085
Deferred revenue	14,464,694
Accrued compensated absences	6,040,851
Deposits held in custody for others	3,196,597
Current portion of long-term debt funded by:	
University operating revenues	8,243,472
State appropriations and share of state sales tax	2,780,000
Total Current Liabilities	\$ 56,058,191

Noncurrent liabilities:

Deposits held in custody for others	\$ 1,018,623
Long-term debt funded by:	
University operating revenues	375,651,199
State appropriations, share of state sales tax, and lottery revenue	174,830,000
Total Noncurrent Liabilities	\$ 551,499,822

Total Liabilities

\$ 607,558,013

NET POSITION

Net investment in capital assets	\$ 215,846,861
Restricted:	
Nonexpendable:	
Scholarships and fellowships	13,782,980
Student loans	6,647,011
Expendable:	
Scholarships and fellowships	8,016,510
Academic department uses	18,641,770
Unrestricted	173,879,638
Total Net Position	\$ 436,814,770

See Notes to Financial Statements

STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT

June 30, 2013

ASSETS

Cash and cash equivalents	\$ 1,004,843
Pledges receivable, net	5,988,678
Bequests receivable	1,266,868
Other receivables	100,677
Net investment in direct financing lease	7,954,192
Due from Northern Arizona University	1,511,291
Investments	104,269,634
EBS licenses, net	2,130,097
Donated assets held for sale	42,037
Assets held under split interest agreements	2,913,827
Cash surrender value of life insurance	3,355,955
Beneficial interest in perpetual trusts	3,215,990
Other Assets	45,000
Total assets	\$ 133,799,089

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,640,858
Assets held in custody for others	23,063,304
Deferred revenue	5,402,841
Obligations under split interest agreements	1,323,582
Total liabilities	\$ 31,430,585

NET ASSETS

Unrestricted	\$ 32,281,531
Temporarily restricted	23,510,531
Permanently restricted	46,576,442
Total net assets	\$ 102,368,504

TOTAL LIABILITIES AND NET ASSETS

\$ 133,799,089

See Notes to Financial Statements

NAU FOUNDATION



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013

REVENUES

Operating Revenues	
Tuition and fees, net of scholarship allowances of \$69,472,462	\$ 172,564,634
Government grants and contracts	19,520,771
Private grants and contracts	3,518,007
Auxiliary enterprises	
Residence life, net of scholarship allowances of \$5,424,267	30,540,652
Other auxiliaries	20,096,291
Other	17,410,551
Total operating revenues	\$ 263,650,906

Business-Type Activities

EXPENSES

Operating Expenses	
Educational and general:	
Instruction	\$ 142,282,297
Research	19,886,287
Public service	26,935,344
Academic support	32,163,479
Student services	42,145,206
Institutional support	47,265,354
Operation and maintenance of plant	23,258,886
Scholarships and fellowships	24,210,772
Auxiliary enterprises	44,385,785
Depreciation	31,387,521
Total operating expenses	\$ 433,920,931
Operating loss	\$ (170,270,025)

NONOPERATING REVENUES AND (EXPENSES)

State appropriations	\$ 101,468,725
Share of state sales tax - technology and research initiative funding	11,492,061
Government grants	57,569,078
Private gifts and grants	9,925,288
Net investment income	3,173,694
Interest expense on capital asset related debt	(23,456,171)
Net gain on disposal of capital assets	64,461
Other nonoperating revenues, net	5,638,399
Total nonoperating revenues and expenses	\$ 165,875,535
Loss before other revenues, expenses, gains or losses	\$ (4,394,490)
Capital appropriations	\$ 5,900,000
Capital grants and gifts	62,820
Additions to permanent endowments	881,988
Increase in net position	\$ 2,450,318

NET POSITION

Total net position, July 1, 2012 (as restated)	\$ 434,364,452
Total net position, June 30, 2013	\$ 436,814,770

See Notes to Financial Statements

STATEMENT OF ACTIVITIES - COMPONENT UNIT

For the Year Ended June 30, 2013

NAU FOUNDATION

SUPPORT AND REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public contributions	\$ 542,602	\$ 3,750,726	\$ 5,555,548	\$ 9,848,876
EBS revenue	1,390,396			1,390,396
Investment return	378,395	11,037,320	49,348	11,465,063
Interest income on direct financing lease	367,037			367,037
Change in cash surrender value of life insurance	900,025			900,025
Other income and support	1,985	720,678	(12,317)	710,346
Reclassification of donor intent	20,244	64,043	(84,287)	
Net assets released from restrictions	10,033,237	(10,033,237)		
Total support and revenues	\$ 13,633,921	\$ 5,539,530	\$ 5,508,292	\$ 24,681,743
EXPENSES				
Program expenses:				
Disbursements for educational purposes	\$ 2,851,341			\$ 2,851,341
Scholarships	1,852,051			1,852,051
Facilities	187,373			187,373
Other University programs	1,126,374			1,126,374
Total program expenses	\$ 6,017,139			\$ 6,017,139
Supporting services:				
Fundraising	\$ 2,848,291			\$ 2,848,291
Management and general	527,141			527,141
Amortization of EBS licenses	1,429,768			1,429,768
Total supporting services	\$ 4,805,200			\$ 4,805,200
Total Expenses	\$ 10,822,339			\$ 10,822,339
Loss on uncollectible pledges		(385,442)		(385,442)
Change in net assets	\$ 2,811,582	\$ 5,154,088	\$ 5,508,292	\$ 13,473,962
Net assets, beginning of year	29,469,949	18,356,443	41,068,150	88,894,542
Net assets, end of year	\$ 32,281,531	\$ 23,510,531	\$ 46,576,442	\$ 102,368,504



STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Business-Type Activities

Cash flows from operating activities:	
Tuition and fees	\$ 168,671,324
Grants and contracts	20,034,508
Payments to suppliers and providers of goods and services	(112,076,824)
Payments for employee wages and benefits	(263,344,084)
Payments for scholarships and fellowships	(24,210,772)
Loans issued to students	(1,039,941)
Collection of loans to students	1,101,635
Auxiliary enterprise receipts:	
Residence halls	31,241,417
Other auxiliaries	19,374,856
Other receipts	16,588,556
Net cash used for operating activities	\$ (143,659,325)
Cash flows from noncapital financing activities:	
State appropriations	\$ 101,468,725
Share of state sales tax - technology and research initiative funding	11,492,061
Gifts and grants for other than capital purposes	67,494,366
Federal direct student lending received	159,320,761
Federal direct student lending disbursed	(158,618,981)
Deposits held for others received	16,292,904
Deposits held for others disbursed	(18,063,777)
Financial aid trust funds	881,988
Net cash provided by noncapital financing activities	\$ 180,268,047
Cash flows from capital financing activities:	
Capital appropriations	\$ 5,900,000
Proceeds from issuance of capital debt	82,643,449
Build America Bonds - federal subsidy	5,596,911
Proceeds from sale of capital assets	82,644
Capital grants and gifts received	4,246
Purchases of capital assets	(46,199,654)
Principal paid on capital debt and leases	(14,752,208)
Interest paid on capital debt and leases	(24,222,920)
Net cash provided by capital financing activities	\$ 9,052,468
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	\$ 69,973,525
Interest on investments	4,042,677
Purchase of investments	(43,390,886)
Net cash provided by investing activities	\$ 30,625,316
Net increase in cash and cash equivalents	\$ 76,286,506
Cash and cash equivalents - beginning of year	79,003,391
Cash and cash equivalents - end of year	<u>\$ 155,289,897</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (170,270,025)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	31,387,521
Miscellaneous nonoperating expenses	(888,900)
Changes in assets and liabilities - cash increase (decrease) related to:	
Receivables:	
Accounts receivable	(951,370)
Government grants and contracts receivable	(3,437,582)
Student loans receivables and accrued interest from student loans	56,042
Inventories	(18,298)
Other assets	25,178
Accounts payable	(2,694,922)
Accrued payroll and employee benefits	(109,427)
Deferred revenue	2,467,587
Accrued compensated absences	774,871
Net cash used for operating activities	\$ (143,659,325)
Significant noncash transactions:	
State Appropriation receivable	\$ 30,494,800
Refinancing of long-term debt	37,245,000
Assets acquired through long-term debt	9,780,185

See Notes to Financial Statements

Notes to Financial Statements • June 30, 2013

Note 1—Summary of Significant Accounting Policies

Financial Statement Presentation

The accounting policies of the University conform to U.S. generally accepted accounting principles applicable to public institutions of higher education engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2013, the University implemented the provisions of GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements; GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34; GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 60 improves consistency in financial reporting for service concession arrangements. GASB Statement No. 61 modifies existing requirements for determining which component units should be included in the financial reporting entity and the related display and disclosure requirements. GASB Statement No. 62 incorporates certain accounting and financial reporting guidance in FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB's authoritative literature. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The implementation of GASB Statements No. 60, 62, and 63 had no significant impact on the University's fiscal year 2013 financial statements or notes.

Reporting Entity

The financial statements of the University include all monies, financial transactions, and activities for which the University has financial accountability. Fiscal responsibility for the University remains with the State of Arizona; therefore, the University is considered part of the reporting entity of the State for financial reporting purposes.

The accompanying financial statements present the activities of the University, its discretely presented component unit, the Northern Arizona University Foundation (Foundation) and its blended component unit, the Northern Arizona Capital Facilities Finance Corporation (NACFFC).

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 is included in the University's financial statement.

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 the NACFFC Board of Directors is appointed by the University, and NACFFC is controlled and operated by University personnel and NACFFC's debt outstanding is expected to be repaid entirely or almost entirely with resources from the University, NACFFC's financial statements have been blended with those of the University in accordance with GASB Statement No. 61.

For financial reporting purposes, both the Foundation and NACFFC report 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 respective counterpart financial statements. For financial reporting purposes, only the Foundation's statements of financial position and activities are included in the University's financial statements as required by generally accepted accounting principles for public colleges and universities. 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 the Northern Arizona University Comptroller's Office, P.O. Box 4069, Flagstaff, AZ 86011.

During the year ended June 30, 2013, the Foundation distributed \$6.0 million to the University.

Basis of Accounting

The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. All significant transactions resulting from internal activity have been eliminated.

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 assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University 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 University obligations. Net investments in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding debt 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 and monies that are restricted for the purpose of issuing student loans. Expendable restricted net position represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position include 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 are those that generally result from exchange transactions generated from providing instructional, research, public, and auxiliary services, which are consistent with the University's mission. Accordingly, revenues such as tuition and fees, sales and services of auxiliary enterprises and most government and nongovernment research grants and contracts are considered operating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, nonexchange grants, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be 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 operating, noncapital financing, capital financing, or investing activities.

The University has both restricted and unrestricted resources available for its operations. Generally, the use of these resources is managed at the department level. Restricted resources are primarily externally provided sponsored research grants and contracts, and externally provided student financial aid. When both restricted and unrestricted resources are available for use, typically restricted resources will be used first. University policy is that the funding source to be used is determined by each department based on: (1) relative priorities of the department in accordance with University strategic initiatives, (2) externally imposed

matching requirements of the restricted grants and contracts, and (3) any pertinent lapsing provisions of the restricted or unrestricted funding resources available for the expense.

Cash and Cash Equivalents

The University considers all short-term, highly liquid investments with maturities of less than three months from the date of acquisition to be cash equivalents. Cash and investments held by trustee and Money Market Mutual Funds are also considered cash equivalents.

Investments

Investments are reported at fair value. Fair value typically is the quoted market price for investments.

Receivables

Student loans and accounts receivable as of June 30, 2013, are reported less allowances for both estimated uncollectible amounts and collection costs of \$1,522,500 and \$5,663,100 respectively.

The fiscal year 2013 appropriation to Arizona Board of Regents for the support and maintenance of institutions under its jurisdiction was deferred in the amount of \$200 million to fiscal year 2014 with payment to be no later than October 1, 2013. Northern Arizona University's \$30,494,800 portion of the \$200 million deferred appropriation payment was recorded as a receivable in fiscal year 2013.

Inventories

Inventories are stated at the lower of cost or market. The cost of inventories is determined generally using the first-in, first-out or weighted average cost methods.

Special Collections

The University does not capitalize its special collections because the items are held for educational and research purposes and not for financial gain. The items are preserved, unencumbered, and protected. It is the University's policy to acquire other items to further or enhance collections with any proceeds from the disposal of special collection items.

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, but any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Upon termination of employment, all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years

of service and full-time equivalent employment status, and compensatory time are paid to employees. Accordingly, vacation benefits and compensatory time are accrued as a liability in the financial statements.

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

Investment Income

Investment income is composed of interest, dividends, and net changes in 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 discount and allowance is the difference between the stated charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on behalf of the student.

Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the University are considered to be scholarship allowances. These allowances are netted against tuition and fees and certain auxiliary enterprise revenues in the statement of revenues, expenses, and changes in net position.



Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received. Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building improvements	\$5 thousand	Straight Line	20 years
Buildings	All	Straight Line	40 years
Infrastructure	All	Straight Line	20-40 years
Land	All	None	
Equipment			
Machinery, vehicles, and other equipment	\$5 thousand	Straight Line	5-15 years
Intangible assets:			
Computer software > \$10 million	\$10 million	Straight Line	10 years
Computer software < \$10 million	\$1 million	Straight Line	5 years
All other (1)	\$100 thousand	Straight Line	(1)
Library books and media	All	Straight Line	10 years

(1) 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.

Note 2 – Beginning Net Position Balance Restated

Effective July 1, 2012, the University decided to blend the financial activities of its component unit Northern Arizona Capital Facilities Finance Corporation (NACFFC) in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*.

Since FY 2002, NACFFC had been a component unit of the University and discretely presented in the University's annual financial reports. As a result of the reporting

entity change, the University's business-type activities July 1, 2012 net position balance was restated by \$1,334,588 to incorporate NACFFC's July 1, 2012 financial position and NACFFC's discrete presentation was eliminated.

The effect of the change in reporting entity: the University's business-type activities include NACFFC's \$46,010,000 in revenue bonds liability and the University's capital lease liability owed to NACFFC in the same amount as the bonds was eliminated. The \$1,334,588 increase in the University's beginning net position is the result of the NACFFC's other assets and liabilities that were not previously recorded

within the University's business-type activities. Beginning net position was adjusted as follows:

	Business-Type Activities
Net position as of July 1, 2012	\$ 433,029,864
Plus:	
Blending NACFFC	<u>1,334,588</u>
Net position as of July 1, 2012, as restated	<u>\$ 434,364,452</u>



Note 3—Deposits and Investments

Arizona Revised Statutes (A.R.S.) § 15-1668 require 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. Further, policy regarding deposits is provided by the Arizona Board of Regents (ABOR). Deposits can be made only at depository banks approved by the Board. A.R.S. and ABOR policies constitute the University's policy regarding custodial credit risk for deposits.

There is no statutory requirement that governs university investment activities. A.R.S. § 15-1625 gives the ABOR jurisdiction and control over the universities, and A.R.S. § 15-1626 allows ABOR to authorize the universities to adopt regulation, policies, rules, or measures as deemed necessary. ABOR investment policies require that the University invest its operating funds only in the State Treasurer's Local Government Investment Pool, collateralized time certificates of deposit and repurchase agreements, U.S. Treasury securities, and obligations of other agencies sponsored by the federal government. 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, 2013, cash on hand was \$22,869, the carrying amount of the University's deposits was \$56,434,988 and the bank balance was \$54,509,706. 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, 2013, \$54,009,706 of the University's bank balance was uninsured with collateral held by the pledging financial institution.

Investments	Amount
U.S. agency securities	\$ 95,590,978
Bond Trustee Funds:	
Government Money	
Market Mutual Fund	88,644,044
NAU Foundation	
Investment Pool	22,786,152
Money Market	
Mutual Funds	10,000,000
	<u>\$ 217,021,174</u>

U.S. agency securities include Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities.

Trust agreements between the University and the NAU Foundation, Inc. authorize the Foundation to invest certain University restricted (gift) and endowment monies. The NAU Foundation Investment Pool invests in a variety of asset classes, including common stocks and 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 NAU 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.

The Arizona Student Financial Aid Trust Fund (ASFAT) was established in accordance with A.R.S. §15-1642 for the purpose of providing aid to students with verifiable financial need. The Northern Arizona University Foundation holds and manages the University's share of ASFAT within its pool. The University's ownership interest is recorded in the Northern Arizona University Foundation's records. The fair value of the ASFAT at June 30, 2013 was \$15,950,630.



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. There is no formal policy with regards to gift and endowment funds. Gift and endowment funds are held in the NAU Foundation Investment Pool, which is not rated. At June 30, 2013, credit risk for the University's investments in debt securities was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AA+	Standard and Poor's	\$ 95,590,978
Bond Trustee Funds:			
Government Money Market Mutual Fund	AAAm	Standard and Poor's	88,644,044
Money Market Mutual Funds	AAAm	Standard and Poor's	10,000,000
			<u>\$ 194,235,022</u>

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, 2013, the University had \$95,590,978 of U.S. agency securities that were uninsured and held by the counterparty not in the University's name.

Concentration of Credit Risk

University policy limits investments in a single issuer to 5 percent or less of the fair value of the total portfolio. However, securities issued or expressly guaranteed by the federal government are exempt from this provision. The following investments represent five percent or more of the University's investments at June 30, 2013: Federal National Mortgage Association, 30.2 percent and Federal Home Loan Mortgage Corporation securities 13.9 percent.

Interest Rate Risk

University policy for its operating funds limits the maximum maturity of any fixed or variable rate security to five years.

Investment type	Fair Value	Maturity	
		Less than 1 Year	1-5 Years
U.S. agency securities**	\$ 95,590,978	\$ 80,203,358	\$ 15,387,620*
Government Money Market Mutual Fund	88,644,044	88,644,044	
Money Market Mutual Fund	10,000,000	10,000,000	
Total	<u>\$ 194,235,022</u>	<u>\$ 178,847,402</u>	<u>\$ 15,387,620</u>

*These securities mature in fiscal year 2015.

**At June 30, 2013, the University held \$95,590,978 or 44 percent of investments in U.S. Agency securities, including the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary.

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

Cash, deposits and investments:

Cash on hand	\$ 22,869
Cash in bank	56,434,988
Total investments	<u>217,021,174</u>
	<u>\$ 273,479,031</u>

Statement of Net Position:

Cash and cash equivalents	\$ 66,645,853
Current investments	80,203,358
Restricted cash and cash equivalents held by trustee for capital projects	88,644,044
Noncurrent investments	15,905,288
Endowment investments	22,080,488
	<u>\$ 273,479,031</u>

Note 4—Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 6,851,409	\$	\$	\$	\$ 6,851,409
Construction in progress	40,253,220	25,667,859	9,131	(53,005,215)	12,906,733
Total capital assets not being depreciated	47,104,629	25,667,859	9,131	(53,005,215)	19,758,142
Capital assets being depreciated:					
Infrastructure	130,766,732	2,247,693		1,448,517	134,462,942
Buildings and improvements	727,121,836	20,303,359		45,531,831	792,957,026
Equipment	61,808,997	7,977,064	2,790,830	6,024,867	73,020,098
Library books and media	46,799,768	292,473	611,958		46,480,283
Total capital assets being depreciated	966,497,333	30,820,589	3,402,788	53,005,215	1,046,920,349
Less accumulated depreciation for:					
Infrastructure	37,460,931	4,058,083			41,519,014
Buildings and improvements	219,949,686	21,176,913			241,126,599
Equipment	41,275,403	5,470,301	2,331,743		44,413,961
Library books and media	44,206,113	682,224	611,959		44,276,378
Total accumulated depreciation	342,892,133	31,387,521	2,943,702		371,335,952
Total capital assets being depreciated, net	623,605,200	(566,932)	459,086	53,005,215	675,584,397
Capital assets, net	\$ 670,709,829	\$ 25,100,927	\$ 468,217	\$	\$ 695,342,539

Construction - The University had major contractual commitments related to various capital projects at June 30, 2013, including construction of a Science and Health Building, a new Aquatic/Tennis Center, major building renovations and major infrastructure upgrades. At June 30, 2013, the University had spent \$12.9 million on these projects and had remaining contractual commitments with contractors of \$12.9 million. These projects are being financed with a combination of system revenue bonds monies, series 2008, 2009, 2010, 2012 and 2013, and University reserves.

Note 5—Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012 (Restated)	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Long-term obligations*	\$ 222,111	\$	\$ 222,111	\$	\$
Capital leases**	12,420,289	9,780,185	4,265,098	17,935,376	189,000
Revenue bonds payable	399,830,000	75,190,000	7,595,000	467,425,000	7,675,000
Certificates of participation	69,540,000	36,005,000	39,915,000	65,630,000	2,780,000
Deferred amount on refunding	(1,325,246)	(3,501,675)	(125,713)	(4,701,208)	(320,501)
Discounts/premiums	5,105,116	10,887,805	777,418	15,215,503	699,973
Total long-term liabilities	\$ 485,792,270	\$ 128,361,315	\$ 52,648,914	\$ 561,504,671	\$ 11,023,472

*Note: The University reevaluated a long-term liability and reclassified a \$12,420,289 long-term obligation to a capital lease as of July 1, 2012.

** Note: The \$46,010,000 capital lease from the Northern Arizona Capital Facilities Finance Corporation (NACFFC) was reclassified as revenue bonds payable in connection with blending the component unit NACFFC for the first time in fiscal year 2013. NACFFC was previously a discretely presented component unit. See Note 2 for additional information.

The University's bonded debt and certificates of participation (COPs) consist of various issues that are generally callable at a prescribed date with interest payable semiannually. All issues are at a fixed rate. Bond proceeds primarily pay for acquiring, constructing or renovating capital facilities. System revenue bonds are repaid from pledged gross revenues that primarily consist of student tuition and fees and certain auxiliary revenues.

Revenue Bonds Payable and Certificates of Participation at June 30, 2013 (dollars in thousands)

	Average Interest Rate	Final Maturity	Balance 7/01/2012 (Restated)	Additions	Reductions	Balance 6/30/2013	Current Portion
Revenue Bonds:							
2004 System Refunding	4.749%	6/1/2034	\$ 20,855	\$	\$ 3,925	\$ 16,930	\$ 4,145
2005 System Revenue	4.685%	6/1/2040	13,845		265	13,580	275
2006 System Refunding	4.675%	6/1/2034	41,965		65	41,900	75
2006 Lease Revenue	4.894%	6/1/2036	11,420		270	11,150	280
2007 System Revenue	4.929%	6/1/2037	35,010		760	34,250	790
2008 System Revenue	5.041%	6/1/2038	38,905		1,095	37,810	820
2008 Lease Revenue Refunding	4.614%	6/1/2033	34,590		715	33,875	780
2009A System Revenue	6.490%	6/1/2039	108,860			108,860	
2009B System Revenue	5.000%	6/1/2016	5,640			5,640	
2010 System Revenue	6.164%	8/1/2030	64,785			64,785	
2012 System Revenue	4.459%	6/1/2041	23,955		500	23,455	510
2013 System Revenue	4.174%	8/1/2043		75,190		75,190	
Subtotal: Par Amount of Bonds			\$ 399,830	\$ 75,190	\$ 7,595	\$ 467,425	\$ 7,675
Certificates of Participation:							
2004 Certificates of Participation	4.852%	9/1/2015	\$ 32,680	\$	\$ 29,115	\$ 3,565	\$ 1,140
2005 Certificates of Participation	4.650%	9/1/2030	34,815		10,425	24,390	1,245
2006 Certificates of Participation	4.350%	9/1/2017	2,045		375	1,670	395
2013 Refunding Certificates of Participation	4.781%	9/1/2030		36,005		36,005	
Subtotal: Par Amount of COPS			\$ 69,540	\$ 36,005	\$ 39,915	\$ 65,630	\$ 2,780
Total Par Amount of Bonds and COPS			\$ 469,370	\$ 111,195	\$ 47,510	\$ 533,055	\$ 10,455
Deferred Amount on Refundings			(1,325)	(3,502)	(126)	(4,701)	(321)
Premium on Sale of Bonds and COPS			\$ 5,105	\$ 10,888	\$ 778	\$ 15,215	\$ 700
Total Revenue Bonds Payable and COPS			\$ 473,150	\$ 118,581	\$ 48,162	\$ 543,569	\$ 10,834

The following schedule details debt service requirements to maturity for the University's bonds payable at June 30, 2013.

Revenue Bonds		
Year ending June 30,	Principal	Interest
2014	\$ 7,675,000	\$ 23,778,794
2015	8,305,000	24,238,821
2016	8,730,000	23,826,009
2017	12,510,000	23,298,234
2018	14,685,000	22,682,837
2019-23	81,655,000	102,083,838
2024-28	100,915,000	78,306,685
2029-33	114,245,000	48,557,160
2034-38	82,705,000	21,733,384
2039-43	31,705,000	3,781,111
2044	4,295,000	56,795
Total	\$ 467,425,000	\$ 372,343,668

The following schedule details debt service requirements to maturity for the University's certificates of participation payable at June 30, 2013.

Certificates of Participation		
Year ending June 30,	Principal	Interest
2014	\$ 2,780,000	\$ 2,918,147
2015	2,890,000	2,748,575
2016	3,015,000	2,644,698
2017	1,860,000	2,559,870
2018	2,885,000	2,469,527
2019-23	16,260,000	10,575,023
2024-28	20,790,000	6,020,800
2029-31	15,150,000	908,419
Total	\$ 65,630,000	\$ 30,845,059

Revenue Bonds Payable and Certificates of Participation

On June 20, 2013, the University sold \$75,190,000 of SPEED (Stimulus Plan for Economic and Educational Development) Revenue Bonds Taxable Series 2013 for the purpose of the construction of a new sciences and health services facility at the University's main campus, and the construction build-out of approximately 15,000 square feet in the existing Health Sciences Education Building at the University of Arizona College of Medicine Phoenix Campus. The Taxable Series 2013 Bonds include serial bonds of \$39,930,000 with interest rates ranging from 4.0% to 5.0%. The 2013 Bonds also include three term bonds that are subject to annual sinking fund contributions. The first term bond is for \$15,570,000 with an interest rate of 5.0% that matures August 1, 2038, the second is for \$7,500,000 with an interest rate of 5.0% that matures on August 1, 2043, and the third term bond is for \$12,190,000 with an interest rate of 4.25% and matures August 1, 2043. The bonds are generally subject to redemption prior to maturity. The 2013 Taxable Bonds are limited obligations that are payable solely from and secured solely by a pledge from the NAU Account of the SPEED Fund which is derived from certain revenues of the Arizona State Lottery not to exceed 80% of annual debt service and other University monies equal to at least 20%, and as much as 10% of annual debt service. To the extent monies of the SPEED Fund are not sufficient to make the debt service payments, the 2013 Taxable Bonds are also secured by a pledge of certain gross revenues, but that pledge is junior and subordinate to the pledge of those gross revenues for the University's Systems Revenue Bonds.

On February 20, 2013, the University sold \$36,005,000 of Tax-exempt Refunding 2013 Certificates of Participation. Refunded were \$28,020,000 of the 2004 Series Certificates of Participation for maturities from September 1, 2016 to September 1, 2030, and \$9,225,000 from the 2005 Series Certificates of Participation for maturities from September 1, 2018 to September 1, 2023. The refunding set aside \$41,218,889 into escrow that purchased SLGS Certificates and Notes with maturities

between 09/01/2016 and 09/01/2030. The present value of refunded debt prior to 02/20/2013 was \$57,848,925 and the net present value of savings was \$2,903,645. The advance refunding decreases the University's debt service by \$922,000 in year one, \$142,000 in year two, \$192,000 in years three and four, and \$1,442,000 in year five. In addition, annual debt service decreases by an average of \$20,000 in years six through fifteen.

In the current and prior years, the University defeased certain revenue bonds and Certificates of Participation by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2013, the University had \$25,955,000 and \$8,295,000 in 2003 Systems Revenue Bonds, and \$28,020,000, \$9,225,000, \$8,720,000 in Certificates of Participation Series 2004, 2005, and 2006, respectively, outstanding that are considered defeased.

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. The University is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds. For

accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as nonoperating revenue.

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

The University 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, 2013. 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 \$206.1 million for the prior five years. At June 30, 2013 pledged revenues totaled \$263.2 million of which 9.6% (\$25.2 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 10 percent of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of August 1, 2043 is \$839.8 million.



Funding responsibility for the June 30, 2013 outstanding principal (dollars in thousands)

	Current Portion	Noncurrent Portion	Total
From Northern Arizona University operating revenues	\$ 8,243	\$ 375,652	\$ 383,895
From State of Arizona provided state appropriations, share of state sales tax, and lottery revenue (NAU in substance acting as conduit)	2,780	174,830	177,610
	<u>\$ 11,023</u>	<u>\$ 550,482</u>	<u>\$ 561,505</u>

Capital Leases

During fiscal year 2013, Northern Arizona Real Estate Holdings (NAREH), a wholly-owned subsidiary of the Northern Arizona Foundation, Inc. constructed a building on land on the Northern Arizona University campus owned by the Arizona Board of Regents at a total initial direct cost of \$9,780,185. NAREH then leased the University Services Building to Northern Arizona University under a direct financing lease with a 20 year term. The University treated the arrangement as a capital lease and capitalized the University Services Building at the \$9,780,185 cost.

On June 28, 2012 the University entered into an Energy Conservation Equipment Lease-Purchase Agreement with Capital One Public Funding LLC for the acquisition, construction, and installation of energy efficient equipment at the University facilities over two years. The interest rate is 3.530% and the first two years of the University's payments are interest-only payments of approximately \$438,000. After two years, the University's payments are approximately \$1.2 million each year through June 1, 2027. The lease-purchase agreement was initially recorded as a long-term obligation in the amount of \$12,420,289, but reclassified to a capital lease effective July 1, 2012.

Capital lease commitments to lessors at June 30, 2013

	Average Interest Rate	Final Maturity	Balance July 1, 2012 (Restated)	Additions	Reductions	Balance June 30, 2013	Current Portion
Energy Conservation Equipment Lease-Purchase	3.53%	6/1/2027	\$ 12,420,289	\$	\$	\$ 12,420,289	\$
Northern Arizona Real Estate Holdings, LLC	5.50%	9/30/2030		9,780,185	4,265,098	5,515,087	189,000
			<u>\$ 12,420,289</u>	<u>\$ 9,780,185</u>	<u>\$ 4,265,098</u>	<u>\$ 17,935,376</u>	<u>\$ 189,000</u>

The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2013:

Year Ending	
2014	\$ 930,766
2015	1,692,530
2016	1,691,617
2017	1,690,975
2018	1,687,820
2019-23	8,444,060
2024-28	7,246,905
2029-31	1,473,225
Total minimum lease payments	<u>\$24,857,898</u>
Less amount representing interest	<u>(6,922,522)</u>
Present value of net minimum lease payments	<u>\$17,935,376</u>

Capital Lease Financing - Following is a summary of capital assets financed by capital leases at June 30, 2013

Buildings	\$ 9,780,185
Building Improvements	10,693,789
Total cost of assets	\$ 20,473,974
Less: accumulated depreciation	1,140,361
Carrying value of assets	<u>\$ 19,333,613</u>

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 \$2.4 million for the year ended June 30, 2013. The operating leases have remaining noncancelable terms from 1 to 4 years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2013 were as follows:

Year ending June 30,

2014	\$ 1,839,753
2015	1,506,214
2016	1,324,496
2017	749,147
Total minimum lease payments	<u>\$ 5,419,610</u>

Note 6—Retirement Plans

The University participates in a cost-sharing multiple-employer defined benefit pension, health, and long-term disability plan administered by the Arizona State Retirement System (ASRS) and a defined contribution pension plan available through one of two independent insurance and annuity companies approved by the Arizona Board of Regents.

Under the University's defined benefit plan, the ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a Comprehensive Annual Financial Report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910, calling (602) 240-2000 or (800) 621-3778, or online at www.AZASRS.gov.

The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the University was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The University's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 8,757,865	\$ 555,377	\$ 204,915
2012	\$ 7,975,201	\$ 509,055	\$ 193,755
2011	\$ 7,244,168	\$ 474,368	\$ 200,687

In accordance with A.R.S. § 15-1628, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. During the fiscal year ended June 30, 2013, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Service Company (Fidelity) were approved by the Board. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately, and University contributions vest after five years of benefit eligible employment.

Employee and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity company. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2013, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Defined Contribution Pension Plans

for the year ended June 30, 2013, are summarized below.

Plan	University Contributions	Member Contributions	Total Contributions
TIAA/CREF	\$ 3,454,230	\$ 3,454,230	\$ 6,908,460
Fidelity	\$ 2,019,108	\$ 2,019,108	\$ 4,038,216

Note 7—Risk Management

Pursuant to A.R.S. § 41-621, Northern Arizona University (University) participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations as theft, damage and destruction of property, buildings, and equipment; errors and omissions; injuries to employees; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. § 41-621. Loss risks not covered by the Risk Management Section 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 Section 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 Comprehensive Annual Financial Report.



Note 8—Expense Classification

The University's operating expenses by natural and functional classification are summarized in the table below:

For the Year Ended June 30, 2013		Natural Classification			
	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Education and general					
Instruction	\$ 126,855,653	\$ 15,426,644			\$ 142,282,297
Research	13,889,971	5,996,316			19,886,287
Public service	13,708,995	13,226,349			26,935,344
Academic support	25,126,734	7,036,745			32,163,479
Student services	26,622,971	15,522,235			42,145,206
Institutional support	31,252,500	16,012,854			47,265,354
Operation and maintenance of plant	7,397,378	15,861,508			23,258,886
Scholarships and fellowships			\$ 24,210,772		24,210,772
Auxiliary enterprises	24,033,519	20,352,266			44,385,785
Depreciation				\$ 31,387,521	31,387,521
Total	\$ 268,887,721	\$ 109,434,917	\$ 24,210,772	\$ 31,387,521	\$ 433,920,931

Note 9—Discretely Presented Component Unit Disclosures

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northern Arizona University Foundation, Inc. (Foundation) are consolidated financial statements, which include Northern Arizona Real Estate Holdings and NAU Ventures (limited liability companies) wholly owned subsidiaries, have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Foundation follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Not-for-Profit - Presentation of Financial Statements*. Under FASB ASC 958-205, the Foundation is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* - Includes unrestricted amounts associated with the operating activities of the Foundation. Certain unrestricted net assets have been designated as quasi-endowments by the Board of Directors of the Foundation.

- *Temporarily restricted net assets* - Includes amounts for which donor-imposed restrictions have not been met. Donor-restricted contributions for which restrictions are met within the same fiscal year as they are received are reported as temporarily restricted net assets. Expenditures that fulfill the temporary restriction are shown as expenses in unrestricted net assets and a reduction in temporarily restricted revenue as a release from restriction.
- *Permanently restricted net assets* - Includes amounts for which the donor-imposed restrictions state that the corpus is to be invested in perpetuity with the income to be made available for specified programs or uses.

Cash and Cash Equivalents

Highly liquid investments with an original maturity of three months or less are classified as cash equivalents and are stated at fair value.

Investments

The Foundation accounts for its investments in accordance with FASB ASC 958-320, *Not for-Profit - Investments-Debt and Equity Securities*. Under FASB ASC 958-320, the Foundation is required to report investments in equity securities that have readily determinable fair

values, and all investments in debt securities, at fair value. The fair value is based on quoted market prices. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

For management efficiency, investments of the unrestricted and restricted net assets are pooled, except for certain net assets that the Board of Directors or the donors have designated to be segregated and maintained separately.

The Foundation investment policy is approved by the Investment Committee of the Foundation's Board of Directors. The spending policy defines the calculation of the amount made available for spending from the endowment pools which is based on a three year rolling average.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at rates commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

Contributions received for prospective endowments that have not yet met the minimum requirements for acceptance as an endowment are accumulated in temporarily restricted accounts. The accumulated contributions are transferred to permanently restricted endowment accounts when the minimum requirements are fulfilled.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Foundation is a public foundation and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State taxes has been made. Continued tax-exempt status is contingent on future operations being in compliance with the Internal Revenue Code.

B. ASSETS HELD BY TRUSTEE

Foundation has an irrevocable right to receive income earned from the trusts' assets held in perpetuity. The Foundation will never receive the trusts' assets. The trust agreements are administered and related assets are invested by an individual or organization other than the Foundation. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as public contributions and changes in value of perpetual trusts, respectively, and are classified as permanently restricted. Income earned is reported as increases in unrestricted, temporarily restricted or permanently restricted net assets depending on the nature of the restrictions of each trust.



C. PLEDGES RECEIVABLE

Pledges receivable for the Foundation consist of the following unconditional promises to give:

Gross amounts due in:	
Less than one year	\$ 1,942,199
One to five years	4,569,720
More than five years	106,800
Gross pledges receivable	<u>6,618,719</u>
Discount to present value	(398,155)
Allowance for uncollectible pledges	(231,886)
Total pledges receivable, net	<u>\$ 5,988,678</u>

A concentration of credit risk exists with the unconditional promises to give at June 30, 2013 as approximately 70% of the gross pledges receivable balance at June 30, 2013 is from one donor.

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, 2013, gross unconditional pledges receivable from these members total approximately \$322,000. During fiscal year 2013, the Foundation recognized contribution revenue from these donors of approximately \$43,000.

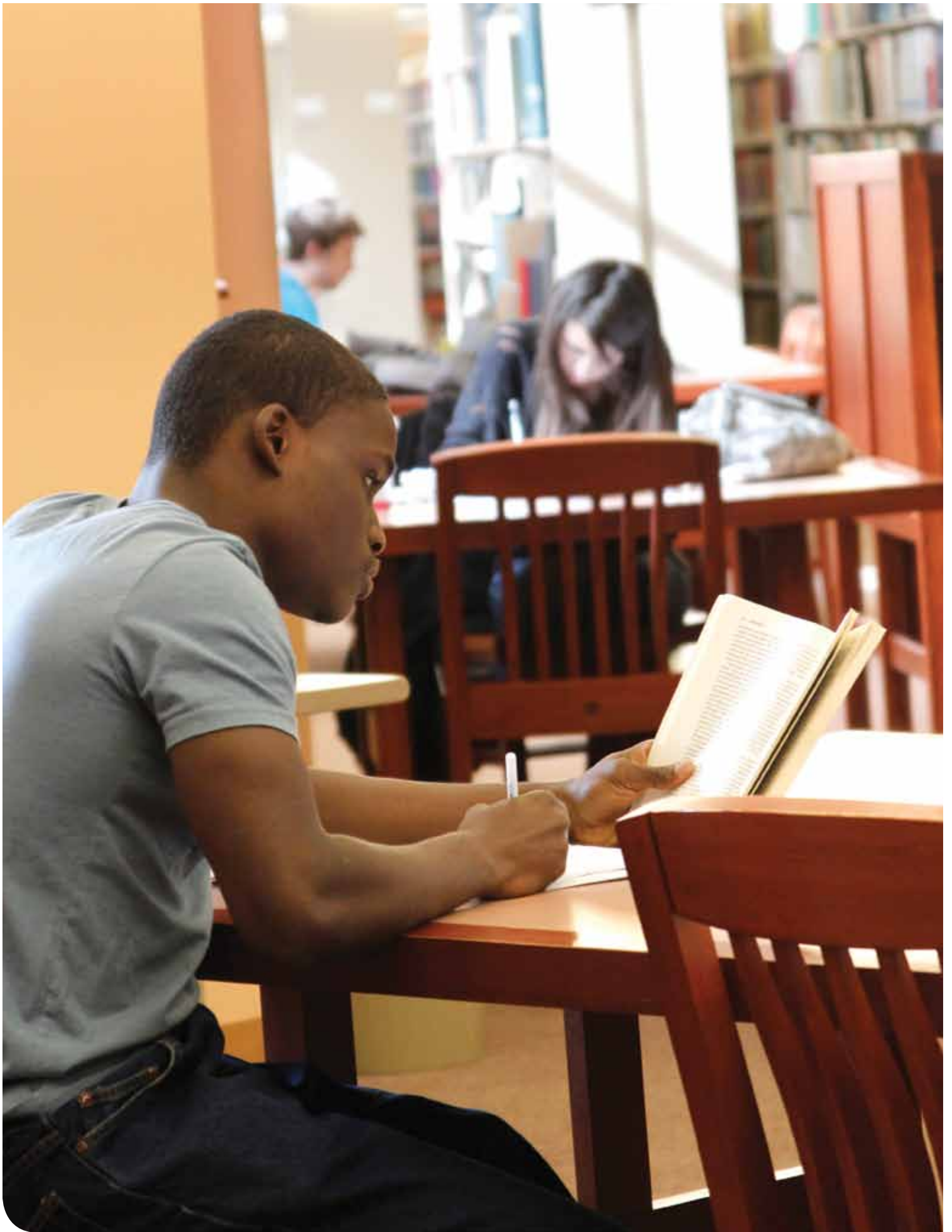
D. INVESTMENTS

The fair value and cost of the Foundation's investments at June 30, 2013 are as follows:

	Fair Value	Cost
U.S. Government/agency bonds	\$ 10,397,886	\$ 10,156,024
Corporate bond mutual funds	15,685,518	18,329,118
Equity mutual funds	56,813,676	43,458,779
International equity funds	21,024,418	22,088,397
Money market funds	348,136	348,136
	<u>\$ 104,269,634</u>	<u>\$ 94,380,454</u>

Investments include funds held for the custody of others of \$21,523,255 at June 30, 2013. The Foundation has recorded a custodial liability for these investments.

The Foundation had a total investment return of \$11,465,063, including dividends and interest of \$1,610,975, realized investment gains of \$317,215, a change in value of perpetual trusts of \$125,207, a change in value of split interest gains of \$191,929 and unrealized gains on investments of \$9,282,034 for the year ended June 30, 2013. Investment expenses of \$62,297 for the year ended June 30, 2013 have been netted against investment earnings in the statement of activities.



E. LEASE AGREEMENTS

Educational broadcast system licenses - The Foundation has been granted several educational broadcast system (EBS) licenses from the Federal Communications Commission (FCC). Additionally, the Foundation entered into an agreement to purchase EBS licenses with funding from an outside corporation. Under the agreement, which is considered an exchange transaction and not a contribution under FASB ASC 958-605, the Foundation will purchase the EBS licenses and then lease the licenses to the outside corporation. In fiscal year 2008, the Foundation received approximately \$15,000,000 from the outside corporation to purchase the licenses. As of June 30, 2013, the cumulative purchased EBS licenses total \$8,870,045. One EBS license totaling \$60,001 was purchased in fiscal year 2013. In addition, the Foundation received a one time bonus of \$1,300,000 in fiscal year 2010. The remaining balance to be purchased, plus \$572,886 in interest earned on investments of the advanced funds, comprise the deferred revenue balance in the accompanying consolidated statement of financial position. For the year ended June 30, 2013, amortization expense of \$1,429,768 was computed using the straight line method over estimated useful lives of 10 years and accumulated amortization expense at June 30, 2013 totaled \$6,739,948.

The Foundation leases the licenses to various companies. The licenses are granted for ten-year terms, which are due to expire through May 2023. The terms of the related lease agreements correspond with the terms of the licenses. Most leases have renewal clauses, which provide for a maximum lease term of 30 years. The FCC has certain educational programming requirements. As part of the lease agreements, the lessees are responsible for ensuring that the educational requirements are met. After the educational requirements are met, there is excess frequency capacity that can be used.

The Foundation receives monthly lease payments for the use of the excess capacity. In addition to the monthly payment terms, several leases required the lessee to pay an initial fee. Total revenue received from these agreements was \$1,390,396 for the year ended June 30, 2013.

The future minimum lease payments to be received under these agreements, at June 30, 2013, are as follows:

Year ended June 30,	Amount
2014	\$ 1,244,411
2015	1,156,638
2016	1,100,306
2017	1,096,644
2018	1,064,312
Thereafter	<u>3,297,044</u>
	<u>\$ 8,959,355</u>

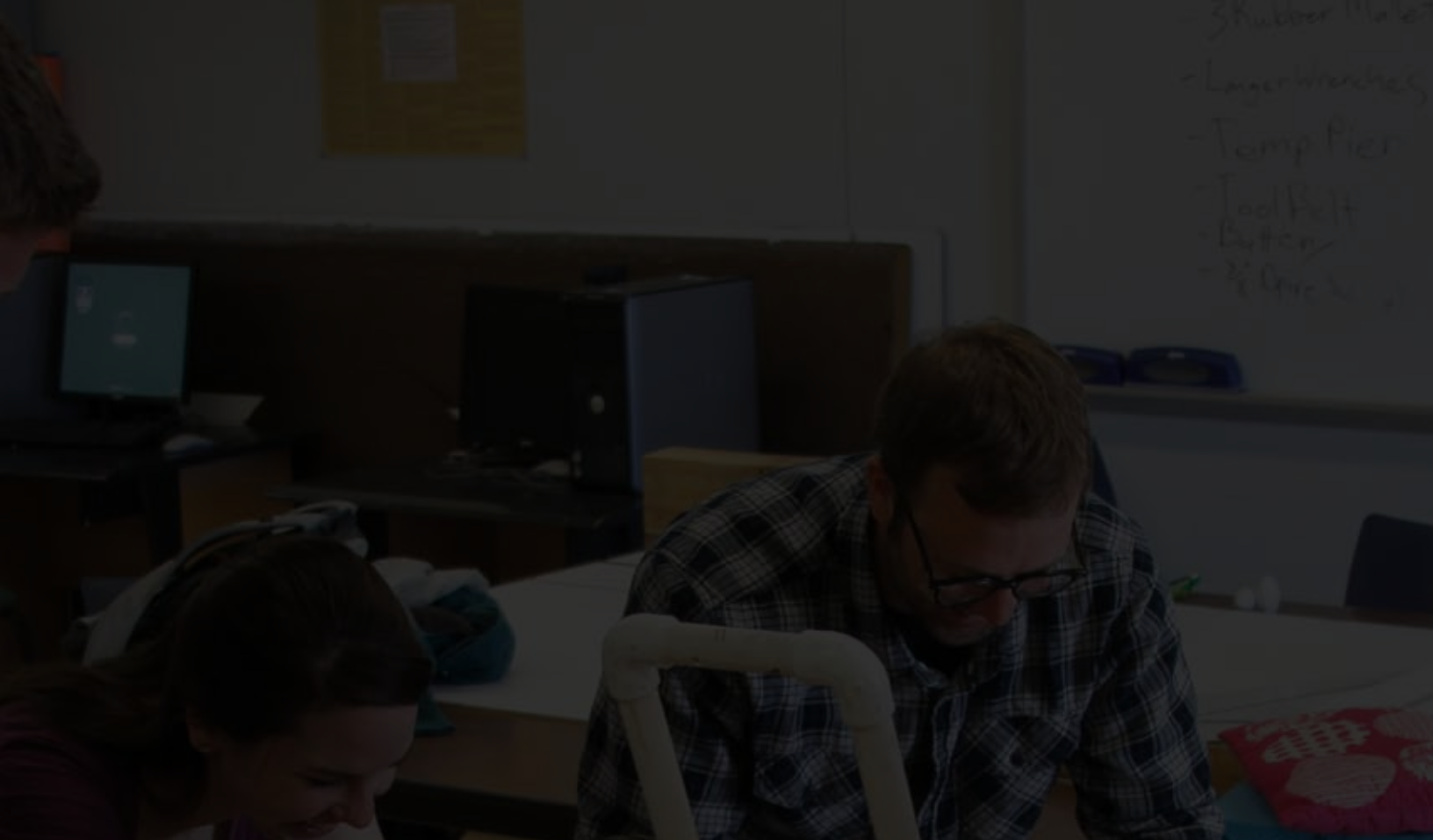
F. ASSETS HELD IN CUSTODY FOR OTHERS

The Foundation maintains certain asset balances on behalf of others, which consists of the following at June 30, 2013:

Cash	\$ 936,786
Unconditional promises to give	1,289
Investments	21,523,255
Beneficial interest in perpetual trust	<u>601,974</u>
Total assets held in custody for others	<u>\$ 23,063,304</u>

Assets held on behalf of:	
Northern Arizona University	\$ 22,786,152
Parents' Association	<u>277,152</u>
Total	<u>\$ 23,063,304</u>





Statistical Section



Table of Contents

Statistical Section

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the University's financial performance has changed over time.

- 42 Net Position by Component
- 43 Changes in Net Position
- 46 Operating Expenses by Natural Classification

REVENUE CAPACITY

These schedules contain information to help the reader assess the University's revenue sources.

- 47 Academic Year Tuition and Required Fees
- 48 Principal Revenue Sources

DEBT CAPACITY

These schedules present information to help the reader assess the University's current level of outstanding debt.

- 49 Long-Term Debt
- 50 Summary of Ratios
- 55 Debt Coverage for Senior Lien System Revenue Bonds

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place.

- 56 Admissions, Enrollment, and Degrees Earned
- 57 Demographic Data
- 57 State of Arizona Principal Employers

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the University's financial information relates to the activities it performs.

- 58 Faculty and Staff
- 59 Capital Assets

Net Position by Component

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
		(Restated)								
<i>(Dollars in thousands)</i>										
Invested in Capital Assets	\$215,847	\$218,676	\$200,274	\$157,565	\$150,766	\$152,828	\$126,930	\$129,359	\$124,849	\$114,348
Restricted, Non-expendable	20,430	19,517	19,047	18,253	17,504	16,494	18,851	16,971	15,178	14,162
Restricted, Expendable	26,658	17,571	16,366	19,373	18,919	22,950	19,801	20,193	18,344	14,368
Unrestricted	173,880	178,600	182,210	173,639	124,781	80,149	70,716	47,337	45,075	37,244
Total Net Position	\$436,815	\$434,364	\$417,897	\$368,830	\$311,970	\$272,421	\$236,298	\$213,860	\$203,446	\$180,122

Expressed as a percent of the total

	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	49.4	50.3	47.9	42.7	48.3	56.1	53.7	60.5	61.4	63.5
Restricted, Non-expendable	4.7	4.5	4.6	4.9	5.6	6.1	8.0	7.9	7.5	7.9
Restricted, Expendable	6.1	4.1	3.9	5.3	6.1	8.4	8.4	9.4	9.0	8.0
Unrestricted	39.8	41.1	43.6	47.1	40.0	29.4	29.9	22.1	22.2	20.7
Total Net Position	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Percentage increase/(decrease) from prior year

	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	(1.3)	9.2	27.1	4.5	(1.3)	20.4	(1.9)	3.6	9.2	25.8
Restricted, Non-expendable	4.7	2.5	4.3	4.3	6.1	(12.5)	11.1	11.8	7.2	11.3
Restricted, Expendable	51.7	7.4	(15.5)	2.4	(17.6)	15.9	(1.9)	10.1	27.7	(56.3)
Unrestricted	(2.6)	(2.0)	4.9	39.2	55.7	13.3	49.4	5.0	21.0	28.3
Total Net Position	0.6	3.9	13.3	18.2	14.5	15.3	10.5	5.1	12.9	8.8



Changes in Net Position

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
		(Restated)								
<i>(Dollars in thousands)</i>										
OPERATING REVENUES										
Student tuition and fees, net	\$172,565	\$157,864	\$147,224	\$126,414	\$112,075	\$ 99,151	\$ 89,162	\$ 82,012	\$ 74,121	\$ 70,821
Gov't grants & contracts	19,521	18,461	26,185	17,706	14,690	14,625	55,459	51,151	54,026	51,751
Private grants & contracts	3,518	2,119	1,437	1,977	3,518	3,527	4,108	3,881	4,068	3,550
Sales and services										
Residence Life	30,541	29,534	29,480	27,841	25,448	22,804	21,755	17,942	15,798	15,245
Other Auxiliaries	20,096	16,272	17,692	14,903	13,520	13,051	16,856	20,499	18,250	18,104
Other revenues	17,410	17,190	10,603	10,124	8,826	9,185	7,236	6,083	5,273	5,684
Total Operating Revenues	\$263,651	\$241,440	\$232,621	\$198,965	\$178,077	\$162,343	\$194,576	\$181,568	\$171,536	\$165,155
OPERATING EXPENSES										
Educational and general										
Instruction	\$142,282	\$134,272	\$132,117	\$123,077	\$127,717	\$127,073	\$116,548	\$103,438	\$ 98,138	\$ 95,100
Research	19,886	21,766	23,178	22,306	21,463	21,433	21,353	21,232	19,615	18,825
Public Service	26,935	28,352	27,301	26,878	28,794	29,333	27,509	25,965	22,185	21,919
Academic support	32,164	28,858	30,321	27,194	27,064	29,185	26,668	25,895	20,564	20,160
Student services	42,145	36,274	32,995	25,312	28,228	27,836	23,907	21,388	20,032	19,130
Institutional support	47,265	41,789	40,909	37,627	35,789	36,676	32,385	32,868	27,208	26,992
Op and maintenance of plant	23,259	21,781	17,426	16,591	19,658	22,610	17,874	16,399	16,435	13,738
Scholarship and fellowship	24,211	25,576	29,218	23,431	16,644	13,848	13,031	11,797	10,628	11,934
Auxiliary enterprises	44,386	37,035	34,351	29,339	28,716	28,645	33,491	35,977	27,885	29,588
Depreciation	31,388	27,260	21,990	21,605	20,731	18,926	17,867	15,807	16,227	16,069
Total Operating Expenses	\$433,921	\$402,963	\$389,806	\$353,360	\$354,804	\$355,565	\$330,633	\$310,766	\$278,917	\$273,455
Operating Loss	\$(170,270)	\$(161,523)	\$(157,185)	\$(154,395)	\$(176,727)	\$(193,222)	\$(136,057)	\$(129,198)	\$(107,381)	\$(108,300)
NONOPERATING REVENUES (EXPENSES)										
State operating appropriations	\$ 101,469	\$103,670	\$128,529	\$128,448	\$135,600	\$153,579	\$136,862	\$124,690	\$117,635	\$111,643
Federal fiscal stabilization funds			291	10,935	23,492					
Share of state sales tax - TRIF	11,492	11,157	11,189	10,913	12,246	16,424	16,913	11,861	13,475	9,564
Government grants	57,569	60,200	56,324	53,515	43,468	42,837	259	290	382	367
Private gifts & grants	9,925	10,367	8,003	10,873	8,880	10,469	5,275	5,175	3,348	3,602
Net investment return / (loss)	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933	6,814	3,550	2,085
Interest on indebtedness	(23,456)	(22,852)	(14,023)	(14,450)	(13,422)	(12,206)	(10,506)	(10,043)	(7,296)	(5,206)
Other revenues (expenses)	5,703	4,229	3,642	171	(117)	(1,664)	942	(390)	(1,049)	79
Net Nonoperating Revenues	\$165,876	\$169,449	\$196,938	\$204,583	\$208,955	\$214,139	\$158,678	\$138,397	\$130,045	\$122,134
Income (Loss) Before Other Revenues,										
Expenses, Gains, or Losses	\$ (4,394)	\$ 7,926	\$ 39,753	\$ 50,188	\$ 32,228	\$ 20,917	\$ 22,621	\$ 9,199	\$ 22,664	\$ 13,834
Capital appropriation - Research										
Infrastructure Capital Financing	5,900	5,900	5,900	5,900	5,900	5,900	2,647	n/a	n/a	n/a
Capital Grants and gifts	63	455	2,582	46	770	2,997	63	49	81	235
Additions to permanent endowments	882	852	831	727	651	650	522	1,167	579	554
Increase in Net Position	\$ 2,451	\$ 15,133	\$ 49,066	\$ 56,861	\$ 39,549	\$ 30,464	\$ 25,853	\$ 10,415	\$ 23,324	\$ 14,623
Net Position at Beginning										
of Year, as restated	434,364*	417,897	368,831	311,970	272,421	241,957*	210,445*	203,446	180,122	165,499
Net Position at End of Year	\$436,815	\$433,030*	\$417,897	\$368,831	\$311,970	\$272,421	\$236,298*	\$213,861*	\$203,446	\$180,122

* NOTE: Beginning net position for FY2013, FY2008 and FY2007 differs from ending net position at the end of the prior year, due to restatements. For FY2013 the restatement is explained in Note 2 on page 27. See FY2008 and FY2007 Annual Financial Reports for details.

Changes in Net Position (continued)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>Expressed as a percent of Total Revenues / Total Expenses</i>										
Revenues	%	%	%	%	%	%	%	%	%	%
<i>Operating Revenues</i>										
Student tuition & fees,	37.5	36.1	32.8	29.8	27.5	24.8	24.4	24.7	23.9	24.2
Government grants & contracts	4.2	4.2	5.8	4.2	3.6	3.7	15.2	15.4	17.4	17.7
Private grants & contracts	0.8	0.5	0.3	0.5	0.9	0.9	1.1	1.2	1.3	1.2
Sales & services										
Residence Life	6.6	6.8	6.6	6.6	6.2	5.7	5.9	5.4	5.1	5.2
Other Auxiliaries	4.4	3.7	3.9	3.5	3.3	3.3	4.6	6.2	5.9	6.2
Other revenues	3.8	3.9	2.4	2.4	2.2	2.3	2.0	1.8	1.7	1.9
Total Operating Revenues	57.3	55.2	51.8	47.0	43.7	40.7	53.2	54.7	55.3	56.4
Expenses										
<i>Operating Expenses</i>										
Educational & general										
Instruction	31.1	31.8	33.0	33.5	34.7	34.4	34.3	32.2	34.2	34.1
Research	4.3	5.2	5.8	6.1	5.8	5.8	6.3	6.6	6.8	6.8
Public Service	5.9	6.7	6.8	7.3	7.8	7.9	8.1	8.1	7.7	7.9
Academic support	7.0	6.8	7.6	7.4	7.3	7.9	7.8	8.1	7.2	7.2
Student services	9.2	8.6	8.2	6.9	7.7	7.5	7.0	6.7	7.0	6.9
Institutional support	10.3	9.9	10.2	10.2	9.7	9.9	9.5	10.2	9.5	9.7
Operation & maintenance	5.1	5.2	4.4	4.5	5.3	6.1	5.3	5.1	5.7	4.9
Scholarships & fellowships	5.3	6.1	7.3	6.4	4.5	3.7	3.8	3.7	3.7	4.3
Auxiliary enterprises	9.7	8.8	8.6	8.0	7.8	7.8	9.8	11.2	9.7	10.6
Depreciation	6.9	6.5	5.5	5.9	5.6	5.1	5.3	4.9	5.6	5.8
Total Operating Expenses	94.8	95.6	97.4	83.2	87.0	88.9	90.3	93.7	89.8	93.3
Operating loss	(37.0)	(37.0)	(35.0)	(36.4)	(43.3)	(48.3)	(37.2)	(39.0)	(34.6)	(36.9)
Non-Operating Revenues (Expenses)										
State operating appropriations	22.1	23.7	28.6	30.3	33.2	38.4	37.4	37.6	37.9	38.1
Federal fiscal stabilization funds	n/a	n/a	0.1	2.6	5.8	n/a	n/a	n/a	n/a	n/a
Share of state sales tax - TRIF	2.5	2.6	2.5	2.6	3.0	4.1	4.6	3.6	4.3	3.3
Government grants & contracts	12.5	13.8	12.5	12.6	10.7	10.7	0.1	0.1	0.1	0.1
Private gifts & contracts	2.2	2.4	1.8	2.6	2.2	2.6	1.4	1.6	1.1	1.2
Net investment return / (loss)	0.7	0.6	0.7	1.0	(0.3)	1.2	2.4	2.1	1.1	0.7
Interest on indebtedness	(5.1)	(5.4)	(3.5)	(3.9)	(3.6)	(3.3)	(3.1)	(3.1)	(2.5)	(1.9)
Other expenses	1.2	1.0	0.9	0.0	(0.0)	(0.5)	0.3	(0.1)	(0.4)	0.0
Net Nonoperating Revenues	36.1	38.8	43.8	48.2	51.2	53.5	43.3	41.7	41.9	41.7
Income loss before other revenues, expenses, gains, or losses	(0.1)	1.8	8.8	11.8	7.9	5.2	6.2	2.8	7.3	4.7
Capital appropriation	1.3	1.3	1.3	1.4	1.4	1.5	0.7			
Capital grants & gifts	0.0	0.1	0.6	0.0	0.2	0.7	0.0	0.0	0.0	0.1
Additions to permanent endowments	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.4	0.2	0.2
Increase in Net Position	0.5	3.4	10.8	13.3	9.7	7.6	7.0	3.1	7.5	5.0

Changes in Net Position (continued)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>Percentage increase/(decrease) from prior year</i>										
	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition & fees, net	9.3	7.2	16.5	12.8	13.0	11.2	8.7	10.6	4.7	32.9
Government grants & contracts	5.7	(29.5)	47.9	20.5	0.4	(73.6)	8.4	(5.3)	4.4	8.0
Private grants	66.0	47.5	(27.3)	(43.8)	(0.3)	(14.1)	5.8	(4.6)	14.6	(23.5)
Sales & services										
Residence Life	3.4	6.2	5.9	10.2	11.6	4.8	21.3	13.6	3.6	2.9
Other Auxiliaries	23.5	(8.0)	18.7	10.2	3.6	(22.6)	(17.8)	12.3	0.8	17.1
Other revenues	1.3	62.1	4.7	14.7	(3.9)	26.9	19.0	15.4	(7.2)	(28.1)
Total Operating Revenues	9.2	3.8	16.9	11.7	9.7	(16.6)	7.2	5.8	3.9	15.1
Expenses										
Operating Expenses										
Educational & general										
Instruction	6.0	1.6	7.3	(3.6)	0.5	9.0	12.7	5.4	3.2	5.3
Research	(8.6)	(6.1)	3.9	3.9	0.1	0.4	0.6	8.2	4.2	4.1
Public Service	(5.0)	3.8	1.6	(6.7)	(1.8)	6.6	5.9	17.0	1.2	12.2
Academic support	11.5	(4.8)	11.5	0.5	(7.3)	9.4	3.0	25.9	2.0	2.7
Student services	16.2	9.9	30.4	(10.3)	1.4	16.4	11.8	6.8	4.7	10.5
Institutional support	13.1	2.2	8.7	5.1	(2.4)	13.2	(1.5)	20.8	0.8	(4.9)
Operation & maintenance of plant	6.8	25.0	5.0	(15.6)	(13.1)	26.5	9.0	(0.2)	19.6	(1.8)
Scholarships & fellowships	(5.3)	(12.5)	24.7	40.8	20.2	6.3	10.5	11.0	(10.9)	34.6
Auxiliary enterprises	19.8	7.8	17.1	2.2	2.2	(14.5)	(6.9)	29.0	(5.8)	(1.4)
Depreciation	15.1	24.0	1.8	4.2	9.5	5.9	13.0	(2.6)	1.0	(8.0)
Total Operating Expenses	7.7	3.4	10.3	(0.4)	(0.2)	7.5	6.4	11.4	2.0	3.8
Operating loss	5.4	2.8	1.8	(12.6)	(8.5)	42.0	5.3	20.3	(0.8)	(9.8)
Non-Operating Revenues (Expenses)										
State operating appropriations	(2.1)	(19.3)	0.1	(5.3)	(11.7)	12.2	9.8	6.0	5.4	0.4
Federal fiscal stabilization funds	n/a	(100.0)	(97.3)	(53.5)	n/a	n/a	n/a	n/a	n/a	n/a
Share of state sales tax - TRIF	3.0	(0.3)	2.5	(10.9)	(25.4)	(2.9)	42.6	(12.0)	40.9	12.3
Government grants & contracts	(4.4)	6.9	5.2	23.1	1.5	16439.4	(10.7)	(24.1)	4.1	(30.6)
Private gifts	(4.3)	29.5	(26.4)	22.4	(15.2)	98.5	1.9	54.6	(7.1)	(12.6)
Net investment return / (loss)	18.5	(10.2)	(28.6)	(450.5)	(125.4)	(47.4)	31.1	91.9	70.3	35.0
Interest on indebtedness	2.6	63.0	(3.0)	7.7	10.0	16.2	4.6	37.7	40.1	3.7
Other expenses	34.9	16.1	2029.8	(246.2)	93.0	(276.6)	(341.5)	(62.8)	(1427.8)	93.0
Net Nonoperating Revenues	(2.1)	(14.0)	(3.7)	(2.1)	(2.4)	35.0	14.7	6.4	6.5	0.5
Income loss before other revenues, expenses, gains, or losses	(155.4)	(80.1)	(20.8)	55.7	54.1	(7.5)	245.9	(59.4)	63.8	858.4
Capital appropriation - Research										
Infrastructure Capital Financing	0.0	0.0	0.0	0.0	0.0	122.9	n/a	n/a	n/a	n/a
Capital grants	(86.2)	(82.4)	5513.0	(94.0)	(74.3)	4657.1	28.6	(39.5)	(65.5)	(47.0)
Additions to permanent endowments	3.5	2.5	14.3	11.7	0.2	24.5	(55.3)	101.6	4.5	18.4
Increase(Decrease) in Net Position	(83.8)	(69.2)	(13.7)	43.8	29.8	17.8	148.2	(55.3)	59.5	621.2

Operating Expenses by Natural Classification

Fiscal Year Ended June 30, <i>(Dollars in thousands)</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Personal Services and Benefits	\$268,888	\$254,396	\$248,043	\$231,613	\$237,591	\$231,571	\$216,465	\$195,330	\$182,662	\$173,520
Operations	109,435	95,731	90,555	76,711	79,838	91,220	83,269	87,832	69,400	71,931
Scholarships	24,211	25,576	29,218	23,431	16,644	13,848	13,032	11,796	10,628	11,934
Depreciation	31,387	27,260	21,990	21,606	20,731	18,926	17,867	15,807	16,227	16,070
Total Operating Expenses by Natural Classification	\$433,921	\$402,963	\$389,806	\$353,361	\$354,804	\$355,565	\$330,633	\$310,765	\$278,917	\$273,455

Expressed as a percent of the total

	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	62.0	63.1	63.6	65.5	67.0	65.1	65.5	62.9	65.5	63.5
Operations	25.2	23.8	23.2	21.7	22.5	25.7	25.2	28.3	24.9	26.3
Scholarships	5.6	6.3	7.5	6.6	4.7	3.9	3.9	3.8	3.8	4.4
Depreciation	7.2	6.8	5.6	6.1	5.8	5.3	5.4	5.1	5.8	5.9
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

Percentage increase/(decrease) from prior year

	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	5.7	2.6	7.1	(2.5)	2.6	7.0	10.8	6.9	5.3	2.6
Operations	14.3	5.7	18.0	(3.9)	(12.5)	9.5	(5.2)	26.6	(3.5)	5.6
Scholarships	(5.3)	(12.5)	24.7	40.8	20.2	6.3	10.5	11.0	(10.9)	34.6
Depreciation	15.1	24.0	1.8	4.2	9.5	5.9	13.0	(2.6)	1.0	(8.0)
Total Operating Expenses by Natural Classification	7.7	3.4	10.3	(0.4)	(0.2)	7.5	6.4	11.4	2.0	3.8



Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Flagstaff New Student PLEDGE* Resident Undergraduate										
Northern Arizona University	\$ 9,271	\$ 8,824	\$ 7,667	\$ 6,627	\$ 5,446	\$ 4,841	\$ 4,546	\$ 4,393	\$ 4,072	\$ 3,593
percent increase from prior year	5.1%	15.1%	15.7%	21.7%	12.5%	6.5%	3.5%	7.9%	13.3%	39.1%

* 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.

ABOR Peers With a 4 year Guarantee										
Average (2 Peers)	\$11,506	\$11,026	\$10,411	\$ 9,971	\$ 9,294					
percent increase from prior year	4.4%	5.9%	4.4%	7.3%	n/a					
ABOR Peers Average						\$ 6,945	\$ 7,136	\$ 6,682	\$ 6,231	\$ 5,220
percent increase from prior year						-2.7%	6.8%	7.2%	19.4%	11.7%

Flagstaff New Student PLEDGE* Non-Resident Undergraduate										
Northern Arizona University	\$21,626	\$21,179	\$20,067	\$17,854	\$16,544	\$14,495	\$13,487	\$13,023	\$12,592	\$12,113
percent increase from prior year	2.1%	5.5%	12.4%	7.9%	14.1%	7.5%	3.6%	3.4%	4.0%	9.1%

* 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.

ABOR Peers With a 4 year Guarantee										
Average (2 Peers)	\$22,079	\$21,117	\$19,854	\$18,832	\$16,869					
percent increase from prior year	4.6%	6.4%	5.4%	11.6%	n/a					
ABOR Peers Average						\$16,678	\$16,498	\$15,577	\$14,697	\$13,783
percent increase from prior year						1.1%	5.9%	6.0%	6.6%	8.3%

Resident Graduate

Northern Arizona University	\$ 8,378	\$ 8,008	\$ 7,398	\$ 6,546	\$ 5,616	\$ 5,214	\$ 4,898	\$ 4,733	\$ 4,273	\$ 3,730
percent increase from prior year	4.6%	8.2%	13.0%	16.6%	7.7%	6.5%	3.5%	10.8%	14.6%	48.7%

Non-Resident Graduate

Northern Arizona University	\$19,472	\$18,910	\$18,172	\$17,060	\$15,976	\$14,896	\$14,032	\$13,381	\$12,793	\$12,250
percent increase from prior year	3.0%	4.1%	6.5%	6.8%	7.3%	6.2%	4.9%	4.6%	4.4%	11.1%

Sources: ABOR Tuition Reports

Note: Peer comparisons do not include NAU.

Principal Revenue Sources

Fiscal Year Ended June 30, (Dollars in thousands)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees, net of scholarship allowance	\$172,565	\$157,864	\$147,224	\$126,414	\$112,075	\$ 99,151	\$ 89,162	\$ 82,012	\$ 74,121	\$ 70,821
percent of total revenue	38%	36%	33%	30%	27%	25%	24%	25%	24%	24%
percent increase/(decrease) from prior year	9%	7%	16%	13%	13%	11%	9%	11%	5%	33%
State and local grants and contracts	\$ 8,639	\$ 9,041	\$ 10,630	\$ 10,943	\$ 10,773	\$ 10,693	\$ 13,718	\$ 13,142	\$ 10,025	\$ 8,864
State appropriations	101,469	103,670	128,529	128,448	135,600	153,579	136,862	124,690	117,635	111,643
Technology and research initiatives funding	11,492	11,157	11,189	10,913	12,246	16,424	16,913	11,861	13,475	9,564
Capital appropriations	5,900	5,900	5,900	5,900	5,900	5,900	2,647	n/a	n/a	n/a
AZ State Government	\$127,500	\$129,768	\$156,248	\$156,204	\$164,519	\$186,596	\$170,140	\$149,693	\$141,135	\$130,071
percent of total revenue	28%	30%	35%	37%	40%	47%	46%	45%	45%	44%
percent increase/(decrease) from prior year	-2%	-17%	0%	-5%	-12%	10%	14%	6%	9%	1%
Federal grants and contracts	\$ 68,451	\$ 69,621	\$ 71,879	\$ 60,277	\$ 47,385	\$ 46,770	\$ 42,000	\$ 38,298	\$ 66,383	\$ 43,253
Federal fiscal stabilization funds	n/a	n/a	291	10,935	23,492	n/a	n/a	n/a	n/a	n/a
Federal Government	\$ 68,451	\$ 69,621	\$ 72,170	\$ 71,212	\$ 70,877	\$ 46,770	\$ 42,000	\$ 38,298	\$ 66,383	\$ 43,253
percent of total revenue	15%	16%	16%	17%	17%	12%	11%	12%	21%	15%
percent increase/(decrease) from prior year	-2%	-4%	1%	0%	52%	11%	10%	-42%	53%	9%
Total from principal revenue sources	\$368,516	\$357,253	\$375,642	\$353,830	\$347,471	\$ 332,517	\$301,302	\$270,003	\$281,639	\$244,145
percent of total revenue	81%	82%	84%	83%	85%	83%	82%	81%	91%	83%
percent increase/(decrease) from prior year	3%	-5%	6%	2%	4%	10%	12%	-4%	15%	10%



Long-Term Debt

Fiscal Year Ended June 30, <i>(Dollars in thousands)</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Systems Revenue Bonds	\$467,425	\$353,820	\$335,700	\$360,010	\$187,270	\$150,710	\$122,565	\$131,805	\$126,860	\$122,710
Plus Unamortized Premium	9,305	4,283	3,356	4,265	4,601	4,937	4,044	3,781	4,038	1,756
Less Deferred amount on Refundings	(1,200)	(1,325)	(1,455)	(1,847)	(2,007)	(2,167)	(2,464)	(1,558)	(1,824)	(587)
Net System Revenue Bonds	\$475,530	\$356,778	\$337,601	\$362,428	\$189,864	\$153,480	\$124,145	\$134,028	\$129,074	\$123,879
Certificates of Participation	\$65,630	\$69,540	\$80,835	\$83,315	\$85,705	\$88,030	\$90,285	\$90,285	\$ 37,585	
Plus Unamortized Premium	5,911	849	894	938	983	1,028	1,072	1,117		
Less Deferred amount on Refundings	(3,502)									
Net Certificates of Participation	\$ 68,039	\$ 70,389	\$ 81,729	\$ 84,253	\$ 86,688	\$ 89,058	\$ 91,357	\$ 91,402	\$ 37,585	
Total Bonds Payable	\$475,530	\$356,778	\$337,601	\$362,428	\$189,864	\$153,480	\$124,145	\$134,028	\$129,074	\$123,879
COPs Payable	68,039	70,389	81,729	84,253	86,688	89,058	91,357	91,402	37,585	
Capital and Operating Leases Payable	17,936	58,652	47,217	48,135	49,234	50,202	36,699	14,791	15,244	2,395
Total	\$561,505	\$485,819	\$466,547	\$494,816	\$325,786	\$292,740	\$252,201	\$240,221	\$181,903	\$126,274

Long Term Debt (whole dollars)

per Student FTE	\$ 23,195	\$ 21,156	\$ 20,511	\$ 23,585	\$ 16,675	\$ 16,013	\$ 14,421	\$ 14,447	\$ 10,831	\$ 7,705
per Dollar of State Appropriation and State Aid	5.23	4.43	3.47	3.68	2.34	1.84	1.77	1.93	1.55	1.13
per Dollar of Total Grants and Contracts	7.28	6.18	5.65	6.95	5.60	5.09	4.53	4.67	3.34	2.42

DATA USED IN ABOVE CALCULATIONS

Total student FTE	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794	16,389
State Appropriation and State Capital Appropriations	\$107,369	\$109,570	\$134,429	\$134,348	\$139,509	\$159,479	\$142,157	\$124,690	\$117,635	\$111,643
Grants and Contracts	\$ 77,090	\$ 78,662	\$ 82,509	\$ 71,220	\$ 58,158	\$ 57,463	\$ 55,718	\$ 51,440	\$ 54,408	\$ 52,117



Summary of Ratios

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.55	0.56	0.60	0.62	0.47	0.36	0.36	0.28	0.28	0.24
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	4.14	4.21	4.51	4.66	3.53	2.71	2.71	2.11	2.11	1.80
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.45	1.47	1.58	1.63	1.24	0.95	0.95	0.74	0.74	0.63
= Ratio 10.00 Cap Subtotal	1.45	1.47	1.58	1.63	1.24	0.95	0.95	0.74	0.74	0.63
+ Return on Net										
Assets Ratio	3.0%	2.7%	14.4%	16.8%	8.3%	11.0%	17.6%	6.5%	12.9%	9.3%
/ 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	1.50	1.35	7.20	8.40	4.15	5.50	8.80	3.25	6.45	4.65
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.30	0.27	1.44	1.68	0.83	1.10	1.76	0.65	1.29	0.93
= Ratio 10.00 Cap Subtotal	0.30	0.27	1.44	1.68	0.83	1.10	1.76	0.65	1.29	0.93
+ Net Operating										
Revenues Ratio	(0.3%)	1.9%	9.8%	13.2%	7.2%	5.8%	7.2%	3.5%	7.6%	5.6%
/ 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	(0.23)	1.46	7.54	101.69	5.54	4.46	5.54	2.69	5.85	4.31
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.02)	0.15	0.75	10.17	0.55	0.45	0.55	0.27	0.58	0.43
= Ratio 10.00 Cap Subtotal	(0.02)	0.15	0.75	10.00	0.55	0.45	0.55	0.27	0.58	0.43
+ Viability Ratio										
Ratio	0.457	0.461	0.489	0.430	0.477	0.428	0.439	0.338	0.393	0.488
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	1.10	1.11	1.17	1.03	1.14	1.03	1.05	0.81	0.94	1.17
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.38	0.39	0.41	0.36	0.40	0.36	0.37	0.28	0.33	0.41
= Ratio 10.00 Cap Subtotal	0.38	0.39	0.41	0.36	0.40	0.36	0.37	0.28	0.33	0.41
Composite Financial Index	2.1	2.3	4.2	4.7	3.0	2.8	3.6	2.0	2.9	2.4
Composite Financial Index with 10.00 Cap	2.1	2.3	4.2	4.7	3.0	2.8	3.6	2.0	2.9	2.4

Source: Northern Arizona University Annual Financial Reports

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,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>(Dollars in thousands)</i>										
PRIMARY RESERVE RATIO										
Unrestricted Net Position	\$173,880	\$178,600	\$182,210	\$173,639	\$124,781	\$ 80,149	\$ 70,716	\$ 47,337	\$ 45,075	\$ 37,244
Unrestricted Net Position - Component Units	32,282	30,805	30,222	24,951	17,464	20,139	15,944	10,030	7,373	5,061
Expendable Restricted Net Position	26,658	17,571	16,366	19,373	18,919	22,951	19,801	20,193	18,345	14,367
Temporarily Restricted Net Position - Component Units	23,511	18,356	22,263	15,403	17,146	22,845	25,025	15,668	14,533	12,656
Expendable Net Position	\$256,331	\$245,332	\$251,061	\$233,366	\$178,310	\$146,084	\$131,486	\$ 93,228	\$ 85,326	\$ 69,328
Operating Expenses	\$433,921	\$402,963	\$389,806	\$353,361	\$354,804	\$355,565	\$330,633	\$310,766	\$278,917	\$273,455
Nonoperating Expenses	23,710	24,532	14,023	14,450	13,480	13,966	10,541	10,433	8,345	5,781
Component Unit Total Expenses	10,822	13,606	13,425	11,289	11,506	37,869	28,202	7,000	18,206	6,907
Total Expenses	\$468,453	\$441,101	\$417,254	\$379,100	\$379,790	\$407,400	\$369,376	\$328,199	\$305,468	\$286,143
Expendable Net Position	\$256,331	\$245,332	\$251,061	\$233,366	\$178,310	\$146,084	\$131,486	\$ 93,228	\$ 85,326	\$ 69,328
Total Expenses	\$468,453	\$441,101	\$417,254	\$379,100	\$379,790	\$407,400	\$369,376	\$328,199	\$305,468	\$286,143
Ratio	0.55	0.56	0.60	0.62	0.47	0.36	0.36	0.28	0.28	0.24
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 Net Position	\$ 15,924	\$ 13,650	\$ 64,088	\$ 64,205	\$ 29,355	\$ 34,842	\$ 46,646	\$ 16,322	\$ 28,543	\$ 18,924
Total Net Position (Beginning of Year)	\$523,259	\$509,609	\$445,520	\$381,316	\$351,960	\$312,119	\$264,815	\$249,904	\$221,068	\$202,862
Ratio	3.0%	2.7%	14.4%	16.8%	8.3%	11.1%	17.6%	6.5%	12.9%	9.3%
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 Other Revenues, Expenses, Gains, or Losses	\$ (4,394)	\$ 7,926	\$ 39,753	\$ 50,188	\$ 32,228	\$ 20,917	\$ 22,621	\$ 9,199	\$ 22,664	\$ 13,834
Component Units Change in Unrestricted Net Position Before Extraordinary or Special Items	2,812	582	5,272	7,487	(2,675)	4,195	5,816	2,657	2,446	3,175
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Position Before Extraordinary or Special Items	\$ (1,582)	\$ 8,508	\$ 45,025	\$ 57,675	\$ 29,553	\$ 25,112	\$ 28,437	\$ 11,856	\$ 25,110	\$ 17,009
Total Operating Revenues	\$263,651	\$241,440	\$232,621	\$198,965	\$178,077	\$162,343	\$194,576	\$181,568	\$171,536	\$165,155
State Appropriation and State related revenues, Federal Fiscal Stabilization	112,961	114,827	140,009	150,297	171,338	170,003	153,775	136,551	131,110	121,207
Non-capital Gifts and Grants, net	67,494	70,567	64,327	64,388	52,348	53,307	5,534	5,464	3,730	3,968
Investment Income/(Loss), net	3,174	2,678	2,984	4,178	(1,192)	4,700	8,933	6,814	3,550	2,085
Component Units Total Unrestricted Revenue	13,634	14,187	18,696	18,777	8,830	42,063	34,018	9,657	20,652	10,082
Adjusted Net Operating Revenues	\$460,914	\$443,699	\$458,637	\$436,605	\$409,401	\$432,416	\$396,836	\$340,054	\$330,578	\$302,497
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Position Before Extraordinary or Special Items	(1,582)	8,508	45,025	57,675	29,553	25,112	28,437	11,856	25,110	17,009
Adjusted Net Operating Revenues	\$460,914	\$443,699	\$458,637	\$436,605	\$409,401	\$432,416	\$396,836	\$340,054	\$330,578	\$302,497
Ratio	(0.3)%	2.0%	9.8%	13.2%	7.2%	5.8%	7.2%	3.5%	7.6%	5.6%
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	\$173,880	\$178,600	\$182,210	\$173,639	\$124,781	\$ 80,149	\$ 70,716	\$ 47,337	\$ 45,075	\$ 37,244
Unrestricted Net Position - Component Units	32,282	30,805	30,222	24,951	17,464	20,139	15,944	10,030	7,373	5,061
Expendable Restricted Net Position	26,658	17,571	16,366	19,373	18,919	22,951	22,401	20,193	18,345	14,367
Temporarily Restricted Net Position - Component Units	\$ 23,511	\$ 18,356	\$ 22,263	\$ 15,403	\$ 17,146	\$ 22,845	\$ 25,025	\$ 15,668	\$ 14,533	\$ 12,656
Expendable Net Position	\$256,331	\$245,332	\$251,061	\$233,366	\$178,310	\$146,084	\$134,086	\$ 93,228	\$ 85,326	\$ 69,328
University Long Term Debt, net capital leases with CUs	\$561,505	\$485,819	\$466,547	\$494,816	\$325,786	\$292,740	\$252,201	\$240,221	\$181,903	\$126,274
Component Units Long Term Debt	0	45,983	46,894	47,741	47,737	48,519	47,423	35,391	35,480	15,736
Total Adjusted University Debt	\$561,505	\$531,802	\$513,441	\$542,557	\$373,523	\$341,259	\$299,624	\$275,612	\$217,383	\$142,010
Expendable Net Position	\$256,331	\$245,332	\$251,061	\$233,366	\$178,310	\$146,084	\$134,086	\$ 93,228	\$ 85,326	\$ 69,328
Total Adjusted University Debt	\$561,505	\$531,802	\$513,441	\$542,557	\$373,523	\$341,259	\$299,624	\$275,612	\$217,383	\$142,010
Viability Ratio	0.457	0.461	0.489	0.430	0.477	0.428	0.448	0.338	0.393	0.488
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 (continued)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>(Dollars in thousands)</i>										
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss)										
Before Other Revenues,										
Expenses, Gains, or Losses \$	(4,394)	\$ 7,926	\$ 39,753	\$ 50,188	\$ 32,228	\$ 20,917	\$ 22,621	\$ 9,199	\$ 22,664	\$ 13,834
Adjusted Income/(Loss)										
Before Other Revenues,										
Expenses, Gains, or Losses	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,199	22,664	13,834
Total Operating Revenues	\$263,651	\$241,440	\$232,621	\$198,965	\$178,077	\$162,343	\$194,576	\$181,568	\$171,536	\$165,155
State Appropriation and share of sales tax	112,961	114,827	139,718	139,361	147,846	170,003	153,775	136,551	131,110	121,207
Federal fiscal stabilization funds			291	10,935	23,492					
Investment Income/(Loss), net	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933	6,814	3,550	2,085
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	\$379,786	\$358,945	\$375,613	\$353,439	\$348,223	\$337,046	\$357,284	\$324,933	\$306,196	\$288,447
Adjusted Income/(Loss) Before Other Revenues,										
Expenses, Gains, or Losses	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,199	22,664	13,834
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	379,786	358,945	375,613	353,439	348,223	337,046	357,284	324,933	306,196	288,447
Ratio	(1.2%)	2.2%	10.6%	14.2%	9.3%	6.2%	6.3%	2.8%	7.4%	4.8%
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.										
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	\$ 173,880	\$ 177,266	\$ 182,210	\$ 173,639	\$ 124,781	\$ 80,149	\$ 70,716	\$ 47,337	\$ 45,075	\$ 37,244
Expendable Restricted										
Net Position	\$ 26,658	\$ 17,570	\$ 16,366	\$ 19,373	\$ 18,919	\$ 22,950	\$ 22,401	\$ 20,193	\$ 18,344	\$ 14,368
Expendable Net Position	\$ 200,538	\$ 194,836	\$ 198,576	\$ 193,012	\$ 143,700	\$ 103,099	\$ 93,117	\$ 67,530	\$ 63,419	\$ 51,612
Total Bonds, COPS, and										
Capital Leases	\$ 561,505	\$ 485,792	\$ 466,547	\$ 494,816	\$ 325,786	\$ 292,740	\$ 252,201	\$ 240,221	\$ 181,903	\$ 128,008
Ratio	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4
Measures the ability of the institution to cover its debt by using expendable resources as of the balance sheet date.										
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	\$ 173,880	\$ 177,266	\$ 182,210	\$ 173,639	\$ 124,781	\$ 80,149	\$ 70,716	\$ 47,337	\$ 45,075	\$ 37,244
Expendable Restricted										
Net Position	26,658	17,570	16,366	19,373	18,919	22,950	22,401	20,193	18,344	14,368
Non-expendable Restricted										
Net Position	20,430	19,517	19,047	18,253	17,504	16,494	16,251	16,971	15,177	14,163
Total Financial Resources	\$ 220,968	\$ 214,353	\$ 217,623	\$ 211,265	\$ 161,204	\$ 119,593	\$ 109,368	\$ 84,501	\$ 78,596	\$ 65,775
Total Bonds, COPS, and Capital Leases	\$ 561,505	\$ 485,792	\$ 466,547	\$ 494,816	\$ 325,786	\$ 292,740	\$ 252,201	\$ 240,221	\$ 181,903	\$ 128,008
Ratio	0.4	0.4	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.5
A broader measure of the ability of the institution to cover its debt as of the balance sheet date.										

Summary of Ratios (continued)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>(Dollars in thousands)</i>										
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by										
Operating Activities	\$(143,659)	\$(147,552)	\$(137,184)	\$(126,391)	\$(151,474)	\$(176,809)	\$(120,301)	\$(105,630)	\$(91,999)	\$(95,661)
State Appropriation/FES	101,469	103,670	128,820	139,384	159,092	153,578	136,862	124,690	117,635	111,643
Share of State Sales Tax	11,492	11,157	11,189	10,913	12,246	16,424	16,913	11,861	13,415	9,564
Non-capital Grants and Contracts, Gifts, Other	67,494	70,567	64,327	64,388	52,348	53,307	5,534	5,464	3,730	3,968
Adjusted Cash Flow										
from Operations	\$ 36,796	\$ 37,842	\$ 67,152	\$ 88,294	\$ 72,212	\$ 46,500	\$ 39,008	\$ 36,385	\$ 42,781	\$ 29,514
Total Bonds, COPS, and										
Capital Leases	\$ 561,505	\$ 485,792	\$ 466,547	\$ 494,816	\$ 325,786	\$ 292,740	\$ 252,201	\$ 240,221	\$ 181,903	\$ 128,008
Adjusted Cash flow										
from Operations	\$ 36,796	\$ 37,842	\$ 67,152	\$ 88,294	\$ 72,212	\$ 46,500	\$ 39,008	\$ 36,385	\$ 42,781	\$ 29,514
Ratio	15.3	12.8	6.9	5.6	4.5	6.3	6.5	6.6	4.3	4.3

A broader measure of the ability of the institution to cover its debt as of the balance sheet date.

DEBT SERVICE TO OPERATIONS

Interest and Fees Paid										
on Debt and Leases	\$ 23,456	\$ 22,851	\$ 14,023	\$ 14,450	\$ 13,422	\$ 12,206	\$ 10,506	\$ 10,043	\$ 7,296	\$ 5,206
Principal Paid on Debt and Leases (1)	51,997	18,115	27,708	10,034	9,863	48,482	52,277	10,763	35,901	10,293
Less: Principal Paid from Refinancing Activities (2)	(37,245)	(8,720)	(18,700)			(35,345)	(41,130)		(25,555)	
Debt Service	\$ 38,208	\$ 31,977	\$ 23,031	\$ 24,484	\$ 23,285	\$ 25,343	\$ 21,653	\$ 20,806	\$ 17,642	\$ 15,499
Operating Expenses	\$ 433,921	\$ 402,963	\$ 389,806	\$ 353,360	\$ 354,804	\$ 355,565	\$ 330,633	\$ 310,766	\$ 278,917	\$ 73,455
Ratio	8.8%	8.0%	5.9%	6.9%	6.6%	7.1%	6.5%	6.7%	6.3%	21.1%

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 from "Long-term liability activity for the year ended June 30, 20xx" table in Note 5 of the audited Notes to Financial Statements.

(2) Obtained amount from refunding bonds official statements



Summary of Ratios (continued)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>(Dollars in thousands)</i>										
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	\$433,921	\$402,963	\$389,806	\$353,360	\$354,804	\$355,565	\$330,633	\$310,766	\$278,917	\$273,455
Interest on Debt	23,456	22,852	14,023	14,450	13,422	12,206	10,506	10,043	7,296	5,206
Less: Scholarships & Fellowships	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)	(13,031)	(11,797)	(10,628)	(11,934)
Total Adjusted Operating Expenses	433,166	400,239	374,611	344,379	351,582	353,923	328,108	309,012	275,585	266,727
Research Expenses	19,886	21,766	23,178	22,306	21,463	21,433	21,353	21,232	19,615	18,825
Total Adjusted Operating Expenses	\$433,166	\$400,239	\$374,611	\$344,379	\$351,582	\$353,923	\$328,108	\$309,012	\$275,585	\$266,727
Ratio	5%	5%	6%	6%	6%	6%	6%	7%	7%	7%

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

NET TUITION PER STUDENT

Student Tuition and Fees, net	\$172,565	\$157,864	\$147,224	\$126,414	\$112,075	\$ 99,151	\$ 89,162	\$ 82,012	\$ 74,121	\$ 70,821
Financial Aid Grants	8,639	9,041	10,630	10,943	10,773	10,693	13,718	13,142	10,025	8,864
Less: Scholarships & Fellowships	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)	(13,031)	(11,797)	(10,628)	(11,934)
Net Tuition and Fees	\$156,993	\$141,329	\$128,636	\$113,926	\$106,204	\$ 95,996	\$ 89,849	\$ 83,357	\$ 73,518	\$ 67,751
Undergraduate, Graduate, and Professional FTE	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794	16,389
Net Tuition per Student (whole dollars)	\$6,485	\$6,154	\$5,655	\$5,430	\$5,436	\$5,251	\$5,137	\$5,013	\$4,378	\$4,134

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

STATE APPROPRIATIONS PER STUDENT

State Appropriations	\$101,469	\$103,670	\$128,529	\$128,448	\$135,600	\$153,579	\$136,862	\$124,690	\$117,635	\$111,643
Capital State Appropriations	5,900	5,900	5,900	5,900	5,900	5,900	2,647	n/a	n/a	n/a
Adjusted State Appropriations	\$107,369	\$109,570	\$134,429	\$134,348	\$141,500	\$159,479	\$139,509	\$124,690	\$117,635	\$111,643
Undergraduate, Graduate, and Professional FTE	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794	16,389
State Appropriations per Student (whole dollars)	\$ 4,435	\$ 4,771	\$ 5,910	\$ 6,404	\$ 7,243	\$ 8,724	\$ 7,977	\$ 7,499	\$ 7,005	\$ 6,812

Measures the institution's dependency on state appropriations.



Debt Coverage for Senior Lien System Revenue Bonds

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<i>(Dollars in thousands)</i>										
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 a fiscal year.										
Revenues Available for Debt Service										
Tuition and Fees, net of scholarship allowance	\$172,565	\$157,864	\$147,224	\$126,414	\$112,075	\$ 99,151	\$ 89,162	\$ 82,011	\$ 74,121	\$ 70,821
Receipts from Other Major Revenue Sources										
(Facilities Revenues)	55,732	55,963	46,601	49,717	40,548	35,565	39,644	40,646	28,280	25,477
Net Revenues Available for Debt Service	\$ 228,297	\$213,827	\$193,825	\$176,131	\$152,623	\$134,716	\$128,806	\$122,657	\$ 102,401	\$ 96,298
Senior Lien Bonds Debt Service										
Interest on Debt	\$ 15,225	\$ 15,112	\$ 15,133	\$ 10,139	\$ 8,774	\$ 7,350	\$ 5,922	\$ 6,170	\$ 6,060	\$ 5,603
Principal Paid on Debt	6,610	5,835	5,610	6,545	6,470	10,455	10,140	10,090	10,065	9,935
Direct Payment- Build America Bonds	(2,306)	(2,411)	(2,411)	(1,098)						
Senior Lien Bonds Debt Service Requirements	\$ 19,529	\$ 18,536	\$ 18,332	\$ 15,586	\$ 15,244	\$ 17,805	\$ 16,062	\$ 16,260	\$ 16,125	\$ 15,538
Coverage	11.69	11.54	10.57	11.30	10.01	7.57	8.02	7.54	6.35	6.20

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.

Subordinate Lien Bonds Debt Service										
Interest on Debt	\$ 3,859	\$ 3,859	\$ 3,870	\$ 665						
Principal Paid on Debt										
Direct Payment- Build America Bonds	(1,351)	(1,351)	(1,024)							
Direct Payment- State Lottery Revenue	(2,007)	(2,007)	(2,426)							
Subordinate Lien Bonds Debt Service Requirements	501	501	420	665						
Combined Senior/Subordinate Lien Debt Service	\$ 20,030	\$ 19,038	\$ 18,751	\$ 16,251	\$ 15,244	\$ 17,805	\$ 16,062	\$ 16,260	\$ 16,125	\$ 15,538
Coverage	11.40	11.23	10.34	10.84	10.01	7.57	8.02	7.54	6.35	6.20

Admissions, Enrollment, and Degrees Earned

Fall enrollment of fiscal year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
ADMISSIONS - FRESHMEN										
Applications	29,108	24,482	22,845	21,035	16,492	13,022	9,814	7,014	7,821	n/a
Accepted	26,010	20,620	20,562	19,076	14,745	11,563	8,894	6,254	7,107	n/a
Enrolled	4,254	3,872	4,132	3,702	3,588	3,171	2,846	2,279	2,528	2,369
Accepted as Percentage of Application	89%	84%	90%	91%	89%	89%	91%	89%	91%	n/a
Enrolled as Percentage of Accepted	16%	19%	20%	19%	24%	27%	32%	36%	36%	36%
Average SAT scores - Total	1059	1065	1062	1050	1051	1057	1065	1068	1061	1054
Verbal	526	522	523	518	518	520	523	528	520	520
Math	529	526	525	521	523	527	528	527	528	516

Source: Institutional Analysis (Mary Carrillo)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794	16,389
Undergraduate, Graduate and Professional Headcount	26,002	25,364	25,204	23,600	22,507	21,352	20,562	19,069	19,426	19,199
Men (Headcount)	10,534	10,165	9,906	8,999	8,432	7,929	7,565	6,963	7,225	7,133
Percentage of Total	40.5%	40.1%	39.3%	38.1%	37.5%	37.1%	36.8%	36.5%	37.2%	37.2%
Women (Headcount)	15,468	15,199	15,298	14,601	14,075	13,423	12,997	12,106	12,201	12,066
Percentage of Total	59.5%	59.9%	60.7%	61.9%	62.5%	62.9%	63.2%	63.5%	62.8%	62.8%
African American (Headcount)	831	842	823	795	723	641	555	426	442	430
Percentage of Total	3.2%	3.3%	3.3%	3.4%	3.2%	3.0%	2.7%	2.2%	2.3%	2.2%
White (Headcount)	16,917	16,848	17,030	16,497	16,053	15,325	14,789	13,981	14,334	14,612
Percentage of Total	65.1%	66.4%	67.6%	69.9%	71.3%	71.8%	71.9%	73.3%	73.8%	76.1%
Other (Headcount)	8,254	7,674	7,351	6,308	5,731	5,386	5,218	4,662	4,650	4,157
Percentage of Total	31.7%	30.3%	29.2%	26.7%	25.5%	25.2%	25.4%	24.4%	23.9%	21.7%
Total:										
Men/Women	26,002	25,364	25,204	23,600	22,507	21,352	20,562	19,069	19,426	19,199
Ethnicity	26,002	25,364	25,204	23,600	22,507	21,352	20,562	19,069	19,426	19,199

Source: NAU-Planning and Institutional Research

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
DEGREES EARNED										
Bachelor's	4,005	4,497	4,020	3,635	3,277	2,935	2,895	2,845	2,853	2,893
Master's	1,192	1,546	1,707	1,699	1,719	1,767	1,760	1,926	1,895	2,051
Doctoral	96	109	95	91	103	87	88	82	111	75
Total Degrees Earned	5,293	6,152	5,822	5,425	5,099	4,789	4,743	4,853	4,859	5,019

Source: NAU-Planning and Institutional Research, IPEDS Completions, Common Data Set

Demographic Data

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Arizona Population	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681	6,029,141	5,839,077	5,652,404	5,510,364
Arizona Personal Income (in millions)	235,781	227,287	216,590	212,873	226,465	218,588	206,958	188,152	170,026	155,607
Arizona Per Capita Personal Income	35,979	35,062	33,773	33,560	36,059	35,441	34,326	32,223	30,080	28,239
Arizona Unemployment Rate	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%	5.00%	5.70%

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

State of Arizona Principal Employers

Employer	Calendar Year Ended December 31, 2012			Calendar Year Ended December 31, 2003		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	52,076	1	1.72%	50,363	1	1.88%
Wal-Mart Stores, Inc.	31,837	2	1.05%	18,677	2	0.69%
Banner Health	25,126	3	0.83%	13,576	3	0.51%
City of Phoenix	14,983	4	0.50%	13,095	5	0.49%
Wells Fargo	13,679	5	0.45%			
Maricopa County	13,308	6	0.44%	13,482	4	0.50%
Bank of America	12,500	7	0.41%			
Arizona State University	12,222	8	0.40%	10,005	9	0.37%
Raytheon Co.	11,500	9	0.38%	10,200	8	0.38%
JPMorgan Chase & Co.	11,407	10	0.38%			
Honeywell International Inc.				12,000	6	0.45%
U.S. Postal Service				11,406	7	0.43%
Albertson's - Osco				9,500	10	0.36%
Intel Corp.				9,500	10	0.36%
	198,638		6.56%	171,804		6.42%

Source: Business Journal, Book of Lists 2013 and 2004 for employers; Arizona Department of Commerce website, www.workforce.az.gov (for annual State employment).



Faculty and Staff

Fall employment of fiscal year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
FACULTY										
Full-time	900	864	836	813	809	774	755	723	710	711
Part-time	639	632	665	601	706	726	737	651	607	431
Total Faculty	1,539	1,496	1,501	1,414	1,515	1,500	1,492	1,374	1,317	1,142
Percentage Tenured	57%	60%	63%	69%	71%	75%	76%	77%	80%	80%
STAFF										
Full-time	1,779	1,707	1,651	1,608	1,710	1,620	1,571	1,574	1,492	1,525
Part-time*	651	661	606	682	674	642	677	670	696	726
Total Staff	2,430	2,368	2,257	2,290	2,384	2,262	2,248	2,244	2,188	2,251
Total Faculty and Staff	3,969	3,864	3,758	3,704	3,899	3,762	3,740	3,618	3,505	3,393

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Planning and Institutional Research



Capital Assets

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Academic/Support Facilities	83	81	80	81	79	80	80	78	79	79
Auxiliary Facilities	31	28	28	27	27	24	23	21	23	21
Total	114	109	108	108	106	104	103	99	102	100

Does not include leased facilities.

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



Notes

[illegible]

Notes



NORTHERN
ARIZONA
UNIVERSITY



Comptroller's Office
PO Box 4069
Flagstaff AZ 86011