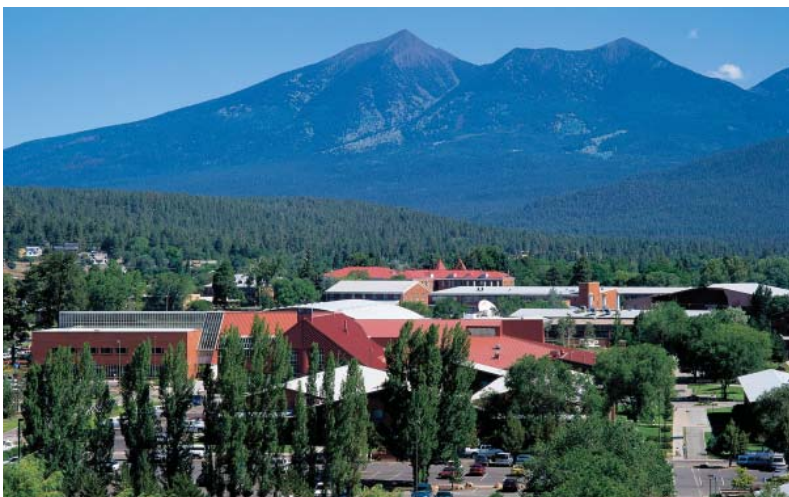


Comprehensive Annual Financial Report

Year Ended
June 30, 2014



NORTHERN
ARIZONA
UNIVERSITY

Included as an Enterprise Fund of the State of Arizona



Comprehensive Annual Financial Report

For the year ended June 30, 2014

Flagstaff, AZ

Prepared by the Associate Vice President for
Financial Services / Comptroller's Office

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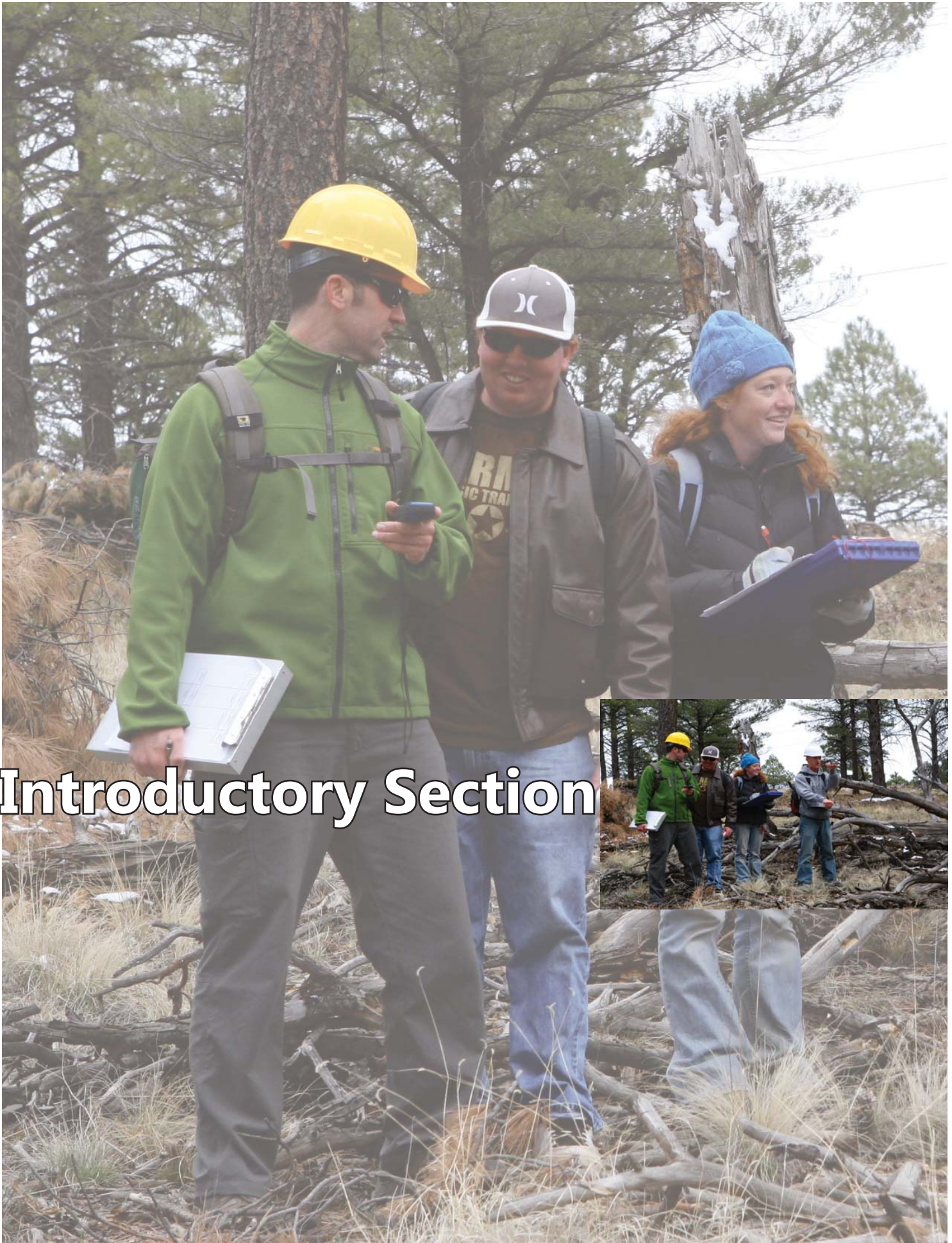
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Introductory Section

A Message from the President

Northern Arizona University is energized by growth and anticipating change during its first year under new leadership since 2001. As the transition ensues, I present the university's comprehensive annual financial report.

Key indicators point to NAU's overall upward trajectory. Enrollment continues its long run of annual increases, as this year the university welcomed more than 5,000 freshmen. Ongoing investments include the grant-funded build-out of the Phoenix Biomedical Campus, residence hall expansion through a public-private partnership and classroom renovation.

New or ongoing projects are evidence of infrastructure enhancements that directly benefit students. The Science and Health Building, Student and Academic Services Building and the Aquatics Center will provide new labs, centralize and streamline the enrollment process and offer our student athletes top-of-the-line facilities.

Financially, the university is experiencing improvement overall, with increases in total sources of revenues and a stable outlook on revenue bonds.

As we hold to our core values, we must adapt to the realities of modern higher education: dwindling state resources, tuition approaching the market maximum and funding tied to performance metrics. With federal policy and accreditation agencies allowing a deeper exploration of competency-based education and other alternative approaches to course delivery, we can innovate with technology to better serve our students while potentially reducing costs. Our Personalized Learning program is a prime example of how NAU can leverage policy changes and transformative educational technology to open the possibility of an affordable college degree to a wider audience.

Especially considering Arizona's fluid and uncertain economic outlook, we need to cultivate new revenue sources, extend our campus-wide initiative to identify efficiencies and partner with external groups. Such has been the case with American Campus Communities, our partner in recent on-campus housing expansions.

We also understand our obligation to serve Arizona. Our commitments to being accessible to more undergraduate students, to expanding the workforce in areas of need, to conducting research that is meaningful to the citizens of Arizona—all must be renewed with a fresh outlook.

Achieving higher levels of success will entail thoughtful growth to demonstrate our determination to conduct a sustainable, responsible operation. Strategic investments in online learning, retention and student recruitment—with close attention to an underserved Native American population—exemplify the need to make wise choices in the allocation of our resources while fulfilling our mission.



Rita Cheng
President

Letter of Transmittal



October 24 2014

To President Cheng, 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, 2014. 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 cost of internal control should not exceed anticipated benefits, consequently, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements, and provide reasonable assurance that assets are safeguarded from unauthorized use or disposition.

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, 2014, the State of Arizona Office of the Auditor General has issued an unmodified 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 fiscal year 2014 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 Facilities 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 Facilities 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 1, 2014.

The Office of Employment and Population Statistics within the Arizona Department of Administration is forecasting gradual gains in nonfarm employment in Arizona for the 2014 through 2015 time period. An over-the-year gain of 53,500 nonfarm jobs is expected in 2014 and 60,400 in 2015, representing growth of 2.1% in 2014 and 2.4% in 2015 across the State of Arizona. The overall employment situation in Arizona continues to improve. Arizona's nonfarm employment growth rate exceeded the national average in both 2012 and 2013.

Arizona's nonfarm employment is forecast to continue a slow subpar growth in 2014 and gradually gain momentum in 2015. The combined effect of many of the post-recession policies that were enacted continue to have some aftereffects, which has resulted in economic uncertainty and made investment planning more problematic, thus creating an environment not conducive to strong growth.

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 employment insecurity, lower wages and benefits, debt, and rising prices for essentials that limits the amount of funds available for discretionary spending.

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 Values

- Excellence in Education: Offer a rigorous, high-quality education to all students.
- Student Success: Place learner needs at the center of our academic and service planning, policies, and programs.
- Educational Access: Provide all qualified students with access to higher education.
- Diversity: Achieve multicultural understanding as a priority of educational and civic life.
- Integrity: Operate with fairness, honesty, and the highest ethical standards to sustain a community of trust.
- Civility: Support a civil, engaging, and respectful campus climate.

The University continues to invest in and improve facilities.

Recent projects include:

- Build out of the existing Phoenix Biomedical Building, in partnership with the University of Arizona.
- Expansion of our partnership with American Campus Communities to build a new housing facility which opened in August 2014 at no expense to NAU except use of land.

- Continued renovation of numerous classrooms on the Flagstaff campus. We are improving the look and feel of the classroom environments along with improved technology to assist Faculty in their teaching mission.
- Addressing Fire, Life, Safety issues in Residence Halls and Academic Buildings, including fire systems, elevators, campus accessibility, and roofing systems.

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.
- Design of an International Student Pavilion to be used in the recruitment and retention of international students.
- Construction of a new Student and Academic Services Building to provide sorely needed space for faculty (42,000 sq. ft.) to accommodate current enrollment growth needs, one stop shopping to assist in student retention (22,000 sq. ft.) and a permanent location for the Lumberjack Mathematics Center (30,000 sq. ft.).
- Construction of a 120,000 sq. ft. Aquatics Building to replace the Wall Aquatic Center that has outlived its building usefulness along with 90,000 square feet of regulation outdoor tennis courts that are desperately needed.

The University continues to improve financially. In fiscal year 2014 the University's total revenues were \$490 million and total net position increased by \$4.3 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; 'AA' 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) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northern Arizona University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the first year that NAU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of Financial Accounting 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



Government Finance Officers Association

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

Presented to

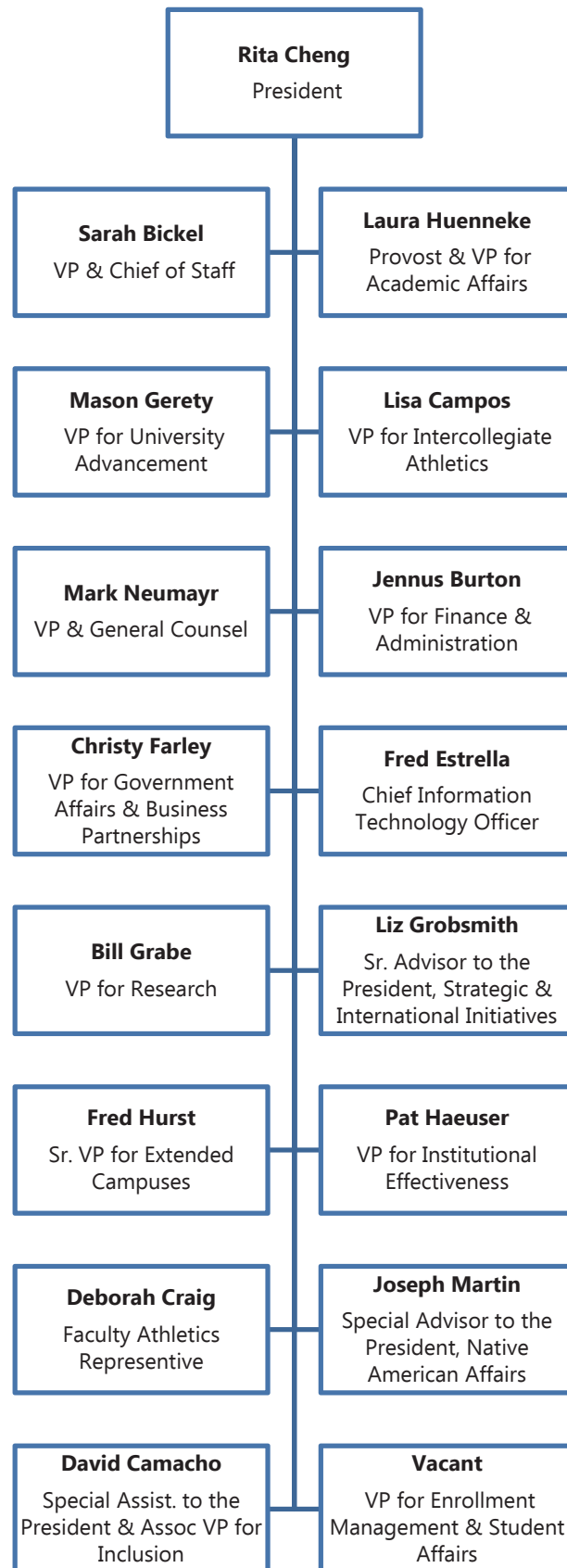
Northern Arizona University

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

ORGANIZATIONAL CHART



As of August 15, 2014

Arizona Board of Regents

AS OF JUNE 30, 2014

EX-OFFICIO MEMBERS

Honorable Janice K. Brewer
Governor of Arizona

Honorable John Huppenthal
Superintendent of Public Instruction

APPOINTED MEMBERS

Rick Myers – Chair

Mark Killian – Vice Chair

LuAnn Leonard – Treasurer

Ron Shoopman

Jay Heiler

Bill Ridenour

Greg Patterson

Ram Krishna

Valerie Hanna
Student Regent

Kaitlin Thompson
Student Regent

Executive Administration

AS OF JUNE 30, 2014

John D. Haeger
President

Sarah Bickel
Executive Vice President and Chief of Staff

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

Robert Norton
Associate Vice President for Financial Services/Comptroller



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, 2014, 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, 2014, 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.

Emphases of Matters

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, 2014, 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 discussed in Note 9 to the financial statements, for the discretely presented component unit, certain errors resulting in an understatement of permanently and temporarily restricted net assets and an overstatement of unrestricted net assets as of June 30, 2013, were discovered by the Foundation's management during the current year. Accordingly, unrestricted, temporarily, and permanently restricted net assets have been restated as of June 30, 2013, to correct the error. Our opinion is not modified with respect to these matters.

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.

Supplementary and 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 24, 2014

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, 2014. 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, noncurrent assets, and deferred outflows of resources less current liabilities and noncurrent 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 non-operating revenues and expenses, with state appropriations reported as non-operating 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 University's 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, and should be read in conjunction with the financial statements and notes.

FINANCIAL HIGHLIGHTS

- Total net position increased \$4.3 million, 1.0 percent from July 1, 2013 to June 30, 2014 based on total sources of funds of \$490.3 million and \$486.0 million of uses.
- Total sources of revenues increased by \$30.2 million or 6.6 percent while total uses of funds increased by \$28.3 million or 6.2 percent.
- State and capital appropriations increased \$4.1 million from the prior year, a 3.8 percent increase.
- Student tuition and fees increased 9.4 percent from the previous year or about \$16.3 million.
- Government grants and contracts decreased \$1.1 million, a 1.4 percent reduction.
- Net investment income increased \$2.5 million from the previous fiscal year, a 79.7 percent increase.
- Auxiliary enterprise revenues increased by \$657 thousand, or 1.3 percent.
- The University share of state sales tax revenue increased \$816 thousand, a 7.1 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, deferred outflows of resources, and liabilities of the University. A summarized comparison of the University's assets, dererred outflows of resources, liabilities, and net position at June 30, 2014 and 2013 (in thousands), as follows:

	2014	2013 (restated)
Current assets	\$210,377	\$213,012
Noncurrent assets		
Cash, cash equivalents, investments, and student loans receivable	138,189	109,126
Endowment investments	26,500	22,080
Capital assets - net of accumulated depreciation	727,698	695,343
Other noncurrent assets	3,293	3,216
Total noncurrent assets	895,680	829,765
Total assets	1,106,057	1,042,777
Deferred outflow of resources	5,487	
Long-term liabilities	600,756	551,500
Other liabilities	71,249	56,058
Total liabilities	672,005	607,558
Net position	\$439,539	\$435,219

A review of NAU's Statement of Net Position at June 30, 2014 and 2013 shows that the University's financial position continues to improve with an increase in net position of \$4.3 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 decreased overall by \$2.6 million over the prior fiscal year. The change was the result of a decrease in cash of \$12.2 million offset by increases in investments of \$3.2 million, a \$3.3 million increase in accounts receivables and a \$2.6 million increase in grants and contracts receivable.

Noncurrent assets increased \$65.9 million over the prior year due to an

increase of \$32.4 million in capital assets, and a \$32.8 million increase in cash and investments.

Capital assets, not being depreciated, increased \$40.3 million primarily due to the construction of the new Science and Health building, the Aquatic Center, Phoenix BioMedical build out, and the Fieldhouse renovations. Capital assets net of accumulated depreciation, decreased \$8.0 million over the prior fiscal year. The changes in capital assets are discussed in more detail in the Capital Assets and Debt Administration section.

The net increase of \$32.8 million in noncurrent cash and investments was due to an increase of \$28.4 million in cash and cash equivalents held by trustee and \$4.4 million in endowment investments.

Long-term liabilities increased by \$49.3 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 increased \$15.2 million over the prior fiscal year. The increase is due to increases in accounts payable of \$5.1 million, current portion of debt payable \$3.0 million, accrued expenses of \$2.7 million, and unearned revenue of \$2.1 million.

NET POSITION

A summarized comparison of the University's net position at June 30, 2014 and 2013 (in thousands), is as follows:

	2014	2013 (restated)
Net investment in capital assets	\$234,187	\$215,847
Restricted:		
Nonexpendable	21,770	20,430
Expendable	29,462	26,658
Unrestricted	154,120	172,284
Total net position	\$439,539	\$435,219

Net investment in capital assets increased \$18.3 million, resulting from a \$32.4 million increase in capital assets (net of depreciation) offset by \$14.1 million of related debt. Net position at June 30, 2014 increased in total by \$4.3 million or 1.0 percent from 2013. This is a result of total combined sources of \$490.3 million and total uses of \$486.0 million.

REVENUES ANALYSIS

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operating, non-operating, 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 \$19.2 million or 7.3 percent from fiscal year 2013. Tuition and fees revenue increased \$16.3 million or 9.4 percent, due to higher student enrollment coupled with an increase in board approved tuition rates. Other revenues increased by \$2.8 million, a 16.3 percent increase.

Non-operating revenues increased overall by \$11.1 million or 5.8 percent. State and capital appropriations increased \$4.1 million or 3.8 percent from the prior fiscal year. The share of state sales taxes - technology and research initiated funding (TRIF) revenues increased \$0.8 million or 7.1 percent over the 2013 fiscal year. Net investment income totaled \$5.7 million in 2014 compared to \$3.2 million in 2013, an increase of 79.7 percent.

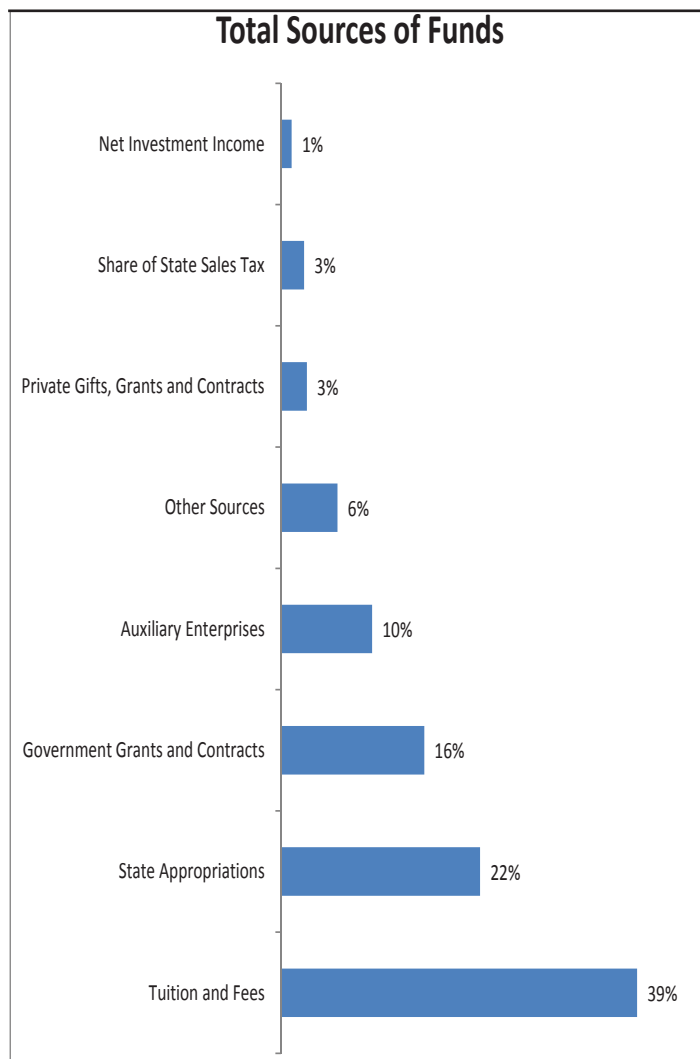
EXPENSES ANALYSIS

Overall, operating expenses increased \$27.6 million or 6.4 percent.

Educational and general expenses increased \$37.3 million or 10.4 percent. Within educational and general expenses, instruction increased \$13.7 million or 9.7 percent. Research increased \$3.7 million or 18.6 percent. Student services increased \$8.4 million or 19.8 percent, reflecting investments made in technology and support services to support higher enrollment levels. Institutional support increased \$6.4 million or 13.6 percent. Operation and maintenance of plant increased \$3.4 million or 14.8 percent. Scholarships and fellowships increased \$1.2 million or 5.0 percent.

Auxiliary enterprises expense decreased \$11.6 million or 26.2 percent.

Depreciation expense increased by \$1.9 million or 6.0 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.



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 non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating 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, 2014 and 2013 (in thousands), is as follows:

	2014	2013
Operating revenues:		
Tuition and fees, net of scholarship allowances	\$188,816	\$172,565
Grants and contracts	22,459	23,039
Auxiliary enterprises	51,294	50,637
Other	20,246	17,410
Total operating revenues	282,815	263,651
Nonoperating revenues:		
State appropriations	105,588	101,469
Share of state sales tax - technology and research initiative funding	12,308	11,492
Grants and gifts	67,333	67,494
Net investment income	5,703	3,174
Net gain on disposal of capital assets		65
Other nonoperating revenues	9,742	5,892
Total nonoperating revenues	200,674	189,586
Total revenues	483,489	453,237
Operating expenses:		
Educational and general	395,493	358,148
Auxiliary enterprises	32,759	44,386
Depreciation	33,256	31,387
Total operating expenses	461,508	433,921
Nonoperating expenses:		
Interest expense on capital asset related debt	23,696	23,456
Other nonoperating expenses	755	254
Total nonoperating expenses	24,451	23,710
Total expenses	485,959	457,631
Decrease before capital appropriations, capital grants and gifts and endowment additions	(2,470)	(4,394)
Capital appropriations, capital grants and gifts and endowment additions	6,790	6,844
Increase in net position	\$4,320	\$2,450

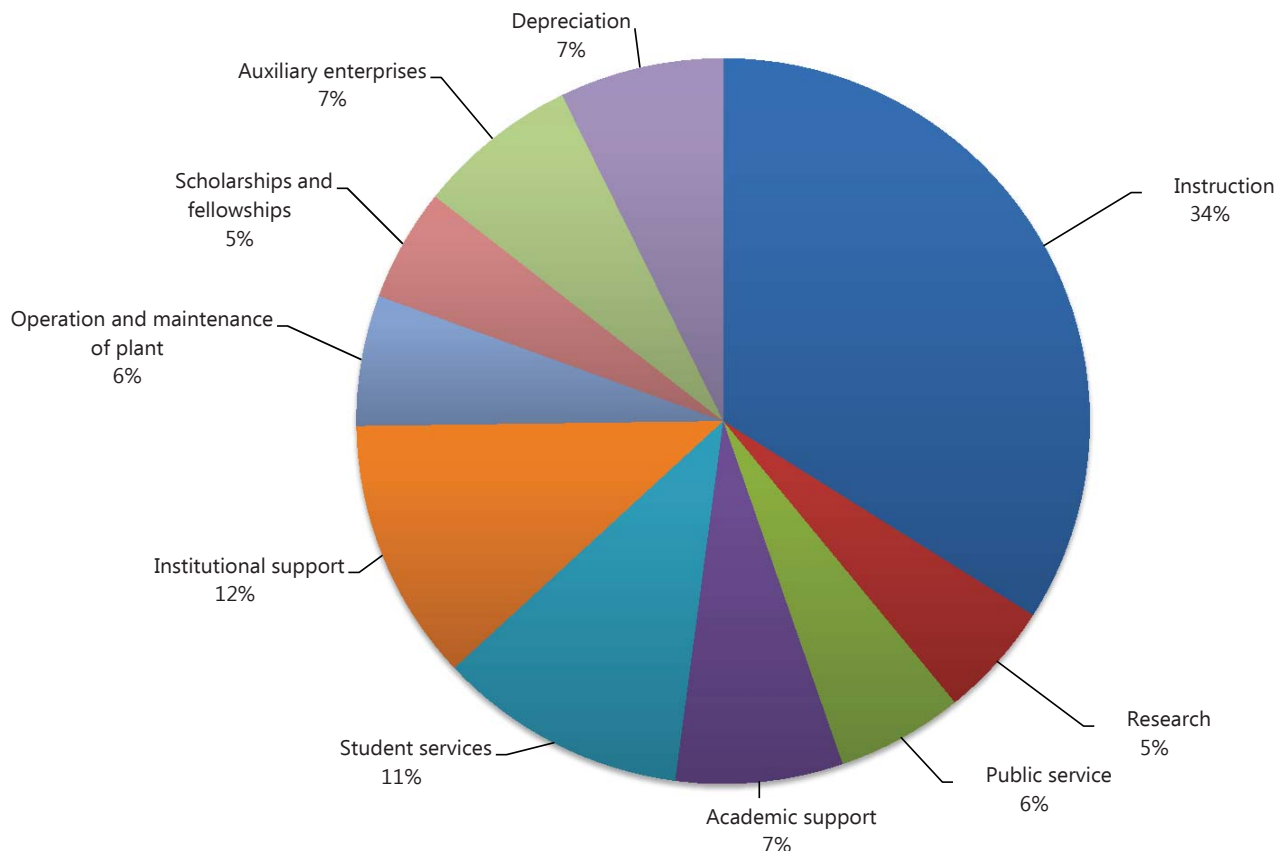


EXPENSES - BY FUNCTIONAL CLASSIFICATION

A comparative summary of the University's operating expenses by functional classification for the years ended June 30, 2014 and 2013, is as follows:

	2014	2013
Operating:		
Instruction	\$156,020,998	\$142,282,297
Research	23,584,493	19,886,287
Public service	25,699,145	26,935,344
Academic support	33,876,693	32,163,479
Student services	50,504,072	42,145,206
Institutional support	53,701,910	47,265,354
Operation and maintenance of plant	26,692,770	23,258,886
Scholarships and fellowships	25,412,539	24,210,772
Total educational and general expenses	395,492,620	358,147,625
Auxiliary enterprises	32,759,258	44,385,785
Depreciation	33,255,545	31,387,521
Total operating expenses	461,507,423	433,920,931
Non-operating:		
Interest and other	24,450,575	23,710,011
Total expenses	\$485,957,998	\$457,630,942

EXPENSES - BY FUNCTIONAL CLASSIFICATION

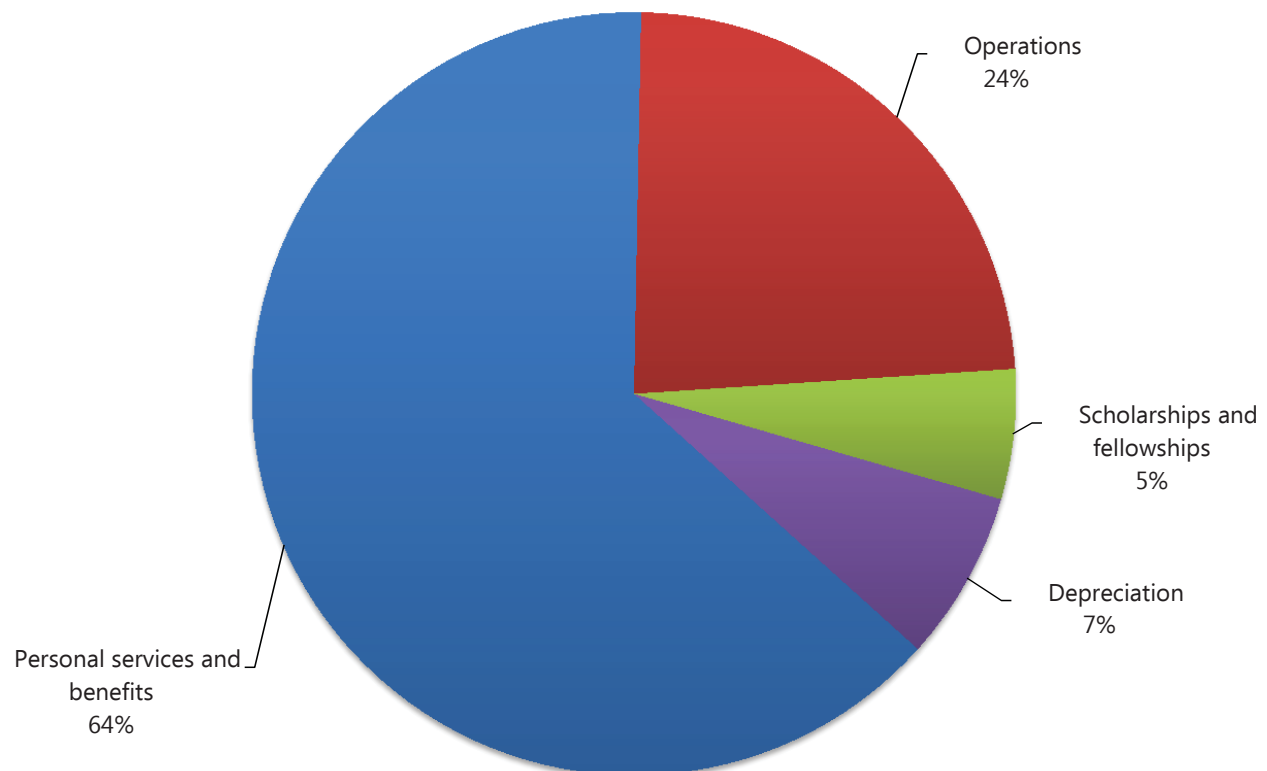


EXPENSES - BY NATURAL CLASSIFICATION

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, 2014 and 2013, is as follows:

	2014	2013
Operating:		
Personal services and benefits	\$293,654,435	\$268,887,721
Operations	109,184,904	109,434,917
Scholarships and fellowships	25,412,539	24,210,772
Depreciation	33,255,545	31,387,521
Total operating expenses	<u>461,507,423</u>	<u>433,920,931</u>
Non-operating:		
Interest and other	<u>24,450,575</u>	<u>23,710,011</u>
Total expenses	<u><u>\$485,957,998</u></u>	<u><u>\$457,630,942</u></u>

EXPENSES - BY NATURAL CLASSIFICATION



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets at June 30, 2014

At June 30, 2014, the University had \$727.7 million invested in capital assets. During the year the University added \$66.5 million in new capital assets and retired \$6.0 million of obsolete assets. Accumulated depreciation increased by \$28.1 million. Details of capital assets at June 30, 2014 and 2013 are as follows:

	2014	2013
Land	\$6,921,409	\$6,851,409
Construction in progress	53,176,663	12,906,733
Infrastructure	137,037,550	134,462,942
Buildings and improvements	810,678,617	792,957,026
Equipment	73,651,651	73,020,098
Library books and media	45,706,428	46,480,283
Accumulated depreciation	(399,473,764)	(371,335,952)
Total Capital Assets	\$727,698,554	\$695,342,539

Outstanding Debt at June 30, 2014

At June 30, 2014 the University had \$613.4 million in outstanding bonds, certificates of participation, other long-term obligations, and capital leases, an increase of approximately \$47.2 million, or 8.3 percent from fiscal year 2013. This is due to the issuance of \$74.9 million in system revenue bonds and other long-term obligations and principal reductions of \$27.7 million. The table below summarizes the University's outstanding debt from fiscal years 2014 and 2013:

	2014	2013
System revenue bonds	\$510,695,000	\$467,425,000
Capital leases	17,746,376	17,935,376
Certificates of participation	62,850,000	65,630,000
Subtotal	591,291,376	550,990,376
Plus bonds premium	22,123,421	15,215,503
Total Outstanding Debt	\$613,414,797	\$566,205,879

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 percent as defined by State law (Arizona Revised Statutes §15-1683) and ABOR policy 7-102(D)(3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2014, the University's debt ratio was 5.09 percent. 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 2014 were:

- New Aquatic/Tennis Center, \$4.0 million, bond proceeds
- Phoenix BioMed Build out, \$3.5 million, bond proceeds
- Ceramics/chemical storage, \$1.1 million, unrestricted net assets
- Residence Life FLS, \$1.8 million, bond proceeds
- Field House renovation, \$3.6 million, unrestricted net assets
- Science and Health Building, \$27.0 million, bond proceeds

A \$34 million Student and Academic Services Classroom Building is a project planned to commence in fiscal year 2015, funded from system revenue bonds.

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.

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

ECONOMIC OUTLOOK

Languid... The Merriam-Webster definition is "showing or having very little strength, energy, or activity; drooping or flagging from or as if from exhaustion, sluggish in character or disposition, lacking force or quickness of movement". In many ways, that has described Arizona's economy for the last few years and is unfortunately an apt description for the near future as well. After decades of being one of the most vibrant economies in the nation, Arizona is now experiencing much slower growth. By nearly any metric, Arizona's economy is performing below expectations.

For many years, Arizona has experienced significant population growth due to a combination of retirees and young adults moving to the state in search of employment. But the Great Recession nearly stopped both those groups from moving. Because of declining property values and investment losses, the number of people retiring and moving to the state has fallen. As well, Arizona experienced significant job losses and has been slow to recover them. This has led to very slow population growth. In the years from 1960 through 2000, Arizona had only one year in which population growth fell below 2.0 percent. Yet for the last seven years, our population growth has not reached that high and it does not appear that the string of slow-growth years will end soon. As is often mentioned, this has manifested itself

most obviously in the construction and real estate industries.

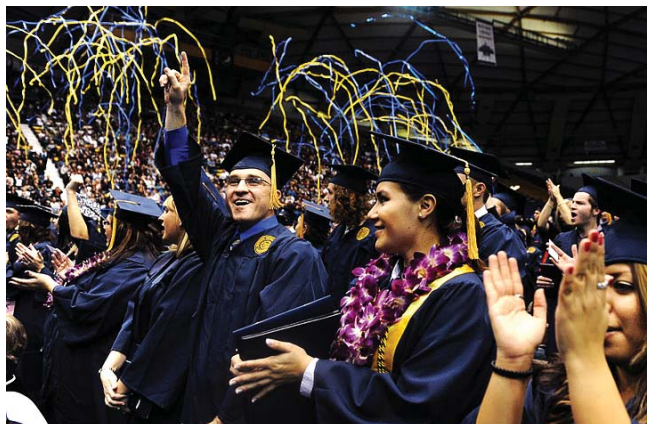
During the Great Recession, Arizona lost nearly three hundred thousand (-300,000) jobs across nearly every industry. In 2012 and 2013 the state recovered slightly over 50,000 jobs a year and it appears that the state might recover about that many in 2014. Which means the Arizona job market will be halfway to recovering the jobs lost from 2008 through 2010 and at this pace will take until 2017 or into 2018 to get back to the peak of 2,719,700 jobs recorded in December 2007. Unless unexpected growth returns soon, it will take ten years to recover the jobs lost. To put that in perspective, the national economy and many other states have already recovered all the jobs they lost.

Historically, Arizona and Nevada have been the fastest growing states in the nation in terms of population and jobs. While Nevada now ranks second in year to date job growth, Arizona ranks 16th. Among large and small states growing more quickly are Texas at third, Utah at fourth, Florida at fifth, Oregon at sixth, Colorado at seventh and California at ninth.

It is nearly undeniable that slow population and job growth has had an impact on Arizona tax revenues. The state has three primary sources of revenue with sales taxes accounting for about 48 percent,

individual income taxes accounting for 43 percent and corporate income taxes accounting for the remaining 9 percent. After significant declines in FY2008 through 2010, sales tax growth turned slightly positive in FY2011 and reached a peak of 6.1 percent in FY2012. FY2013 slowed to 4.9 percent growth and the forecast is for even slower growth in the next few years. Individual income tax growth has been even more pronounced. It peaked in FY2011 at 18.0 percent before slowing to 7.8 percent in FY2012 and 9.9 percent in FY2013. Following the trend in sales tax collections, FY2014 through FY2017 show growth rates of 4.1 to 5.6 percent. This will be insufficient to fund the structural growth of the state budget.

On the positive side, Arizona continues to grow and is projected by national consulting firms to be among the best places to relocate or start a business. A favorable business climate, desirable lifestyles and attractive climate are likely to keep the economy growing. But the state has a number of challenges ahead as it diversifies its economy and competes with other states in an overall climate of slow national growth. Reversing the trends that have developed will take significant time and effort. In years to come, languid will hopefully change to energetic.



Financial Statements

STATEMENT OF NET POSITION

June 30, 2014

	Business- Type Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$54,487,564
Investments	83,447,310
Receivables (net of allowance for uncollectibles):	
Accounts receivable	20,523,508
Accrued interest	429,427
Endowment	7,320
Government grants and contracts	18,296,047
Student loans, current portion	1,352,155
State appropriation receivable	30,531,817
Other assets	925,968
Inventories	375,680
Total Current Assets	\$210,376,796
Noncurrent assets:	
Restricted cash and cash equivalents held by trustee for capital projects	\$117,047,239
Investments	15,853,207
Student loans receivable, net of allowance	5,288,258
Endowment investments	26,500,517
Other noncurrent assets	3,292,927
Capital assets, not being depreciated	60,098,072
Depreciable capital assets, net of depreciation	667,600,482
Total Noncurrent Assets	\$895,680,702
Total Assets	\$1,106,057,498

DEFERRED OUTFLOW OF RESOURCES

Deferred charge on refunding	\$5,486,525
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LIABILITIES

Current liabilities:	
Accounts payable	\$16,659,958
Accrued payroll and employee benefits	7,760,773
Interest payable	5,973,498
Unearned revenues	16,526,814
Accrued compensated absences	6,495,486
Deposits held in custody for others	3,795,733

See Notes to Financial Statements

STATEMENT OF NET POSITION (continued)

Current portion of long-term debt funded by:

University operating revenues	11,147,140
State appropriations and share of state sales tax	2,890,000
Total Current Liabilities	<u>\$71,249,402</u>

Noncurrent liabilities:

Deposits held in custody for others	\$1,378,000
Long-term debt funded by:	
University operating revenues	427,437,657
State appropriations, share of state sales tax, and lottery revenue	171,940,000
Total Noncurrent Liabilities	<u>\$600,755,657</u>

Total Liabilities	<u>\$672,005,059</u>
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NET POSITION

Net investment in capital assets	\$234,187,285
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Restricted:

Nonexpendable:

Scholarships and fellowships	14,480,773
Student loans	7,289,507

Expendable:

Scholarships and fellowships	10,569,428
Academic department uses	18,892,136

Unrestricted	<u>154,119,835</u>
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Total Net Position	<u><u>\$439,538,964</u></u>
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See Notes to Financial Statements

STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT
June 30, 2014

**NAU
FOUNDATION**

ASSETS

Cash and cash equivalents	\$1,290,086
Pledges receivable, net	7,059,393
Bequests receivable	38,974
Other receivables	97,155
Net investment in direct financing lease	7,375,395
Due from Northern Arizona University	400,000
Investments	129,782,960
EBS licenses, net	964,168
Donated assets held for sale	41,942
Assets held under split-interest agreements	3,961,901
Cash surrender value of life insurance	4,469,130
Beneficial interest in perpetual trusts	3,547,227
Other assets	45,000
Total assets	\$159,073,331

LIABILITIES

Accounts payable and accrued liabilities	\$146,167
Assets held in custody for others	27,545,109
Deferred revenue	5,421,596
Obligations under split interest agreements	2,001,819
Total liabilities	\$35,114,691

NET ASSETS

Unrestricted	\$12,285,462
Temporarily restricted	52,378,085
Permanently restricted	59,295,093
Total net assets	\$123,958,640

TOTAL LIABILITIES AND NET ASSETS

\$159,073,331

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

	Business- Type Activities
REVENUES	
Operating Revenues	
Tuition and fees (net of scholarship allowances of \$76,659,632)	\$188,816,077
Government grants and contracts	19,594,435
Private grants and contracts	2,865,004
Auxiliary enterprises	
Residence life (net of scholarship allowances of \$5,939,360)	29,869,683
Other auxiliaries	21,423,598
Other	20,246,265
Total operating revenues	\$282,815,062
EXPENSES	
Operating Expenses	
Educational and general:	
Instruction	\$156,020,998
Research	23,584,493
Public service	25,699,145
Academic support	33,876,693
Student services	50,504,072
Institutional support	53,701,910
Operation and maintenance of plant	26,692,770
Scholarships and fellowships	25,412,539
Auxiliary enterprises	32,759,258
Depreciation	33,255,545
Total operating expenses	\$461,507,423
Operating loss	\$(178,692,361)
NONOPERATING REVENUES AND (EXPENSES)	
State appropriations	\$105,588,275
Share of state sales tax - technology and research initiative funding	12,308,055
Government grants	56,413,717
Private grants and gifts	10,919,359
Net investment income	5,702,338
Interest expense on capital asset related debt	(23,695,674)
Net loss on disposal of capital assets	(754,901)
Other nonoperating revenues, net	9,741,713
Total nonoperating revenues and expenses	\$176,222,882

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)

Loss before other revenues, expenses, gains or losses	<u>\$(2,469,479)</u>
Capital appropriations	\$5,900,000
Capital grants and gifts	63,518
Additions to permanent endowments	<u>826,227</u>
Increase in net position	<u>\$4,320,266</u>

NET POSITION

Total net position, July 1, 2013 (as restated)	<u>\$435,218,698</u>
Total net position, June 30, 2014	<u><u>\$439,538,964</u></u>

See Notes to Financial Statements

STATEMENT OF ACTIVITIES - COMPONENT UNIT

For the Year Ended June 30, 2014

NAU FOUNDATION

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Public contributions	\$1,981,495	\$9,156,244	\$2,329,916	\$13,467,655
EBS revenue	1,369,652			1,369,652
Investment return	1,168,203	15,304,964	64,524	16,537,691
Interest income on direct financing leases	406,059			406,059
Change in beneficial interest in perpetual trusts			269,712	269,712
Change in value of split-interest agreements	188,209			188,209
Change in cash surrender value of life insurance		1,113,175		1,113,175
Other income and support	89,249	564,516	514	654,279
Reclassification of donor intent	98,000	(267,207)	169,207	
Net assets released from restrictions	10,477,449	(10,477,449)		
Total support and revenues	<u>\$15,778,316</u>	<u>\$15,394,243</u>	<u>\$2,833,873</u>	<u>\$34,006,432</u>
EXPENSES				
Program expenses:				
Disbursements for educational purposes	\$3,638,827			\$3,638,827
Scholarships	2,114,166			2,114,166
Facilities	87,518			87,518
Other University programs	1,337,340			1,337,340
Total program expenses	<u>\$7,177,851</u>			<u>\$7,177,851</u>
Supporting services:				
Fundraising	\$3,073,797			\$3,073,797
Management and general	516,811			516,811
Amortization of EBS licenses	1,175,929			1,175,929
Total supporting services	<u>\$4,766,537</u>			<u>\$4,766,537</u>
Total expenses	<u>\$11,944,388</u>			<u>\$11,944,388</u>
Loss on uncollectible pledges		<u>(\$471,908)</u>		<u>(\$471,908)</u>
Change in net assets	<u>\$3,833,928</u>	<u>\$14,922,335</u>	<u>\$2,833,873</u>	<u>\$21,590,136</u>
Net assets, beginning of year (restated)	<u>8,451,534</u>	<u>37,455,750</u>	<u>56,461,220</u>	<u>102,368,504</u>
Net assets, end of year	<u><u>\$12,285,462</u></u>	<u><u>\$52,378,085</u></u>	<u><u>\$59,295,093</u></u>	<u><u>\$123,958,640</u></u>

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Business- Type Activities

Cash flows from operating activities:

Tuition and fees	\$184,627,643
Grants and contracts	19,326,165
Payments to suppliers and providers of goods and services	(104,098,113)
Payments for employee wages and benefits	(286,037,362)
Payments to students for scholarships and fellowships	(25,412,539)
Payments to students for loans	(1,942,476)
Collection of loans to students	1,094,589
Auxiliary enterprise receipts:	
Residence halls	30,578,487
Other auxiliaries	21,635,199
Other receipts	15,903,208
Net cash used for operating activities	<u>\$(144,325,199)</u>

Cash flows from noncapital financing activities:

State appropriations	\$105,551,258
Share of state sales tax - technology and research initiative funding	12,308,055
Gifts and grants for other than capital purposes	67,333,077
Federal direct lending receipts	147,245,897
Federal direct lending disbursements	(147,214,284)
Deposits held in custody for others received	20,019,015
Deposits held in custody for others disbursed	(17,987,708)
Financial aid trust funds	826,227
Net cash provided by noncapital financing activities	<u>\$188,081,537</u>

Cash flows from capital and related financing activities:

Capital appropriations	\$5,900,000
Proceeds from issuance of capital debt	57,447,072
Build America Bonds - federal subsidy	9,215,707
Proceeds from sale of capital assets	99,394
Capital grants and gifts received	63,518
Purchases of capital assets	(66,465,855)
Principal paid on capital debt and leases	(9,538,182)
Interest paid on capital debt and leases	(22,707,234)
Net cash used for capital and related financing activities	<u>\$(25,985,580)</u>

Cash flows from investing activities:

Proceeds from sales and maturities of investments	\$86,979,815
Interest on investments	5,983,151
Purchase of investments	(94,488,818)
Net cash used for investing activities	<u>\$(1,525,852)</u>

Net increase in cash and cash equivalents	\$16,244,906
Cash and cash equivalents - July 1, 2013	155,289,897
Cash and cash equivalents - June 30, 2014	<u>\$171,534,803</u>

See Notes to Financial Statements

STATEMENT OF CASH FLOWS (continued)

For the Year Ended June 30, 2014

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	\$(178,692,361)
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Adjustments to reconcile operating loss to net cash used for operating activities:

Depreciation expense	33,255,545
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Miscellaneous nonoperating expenses	(259,311)
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Changes in assets and liabilities - cash increase (decrease) related to:

Receivables:

Accounts receivable	(3,736,468)
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Government grants and contracts receivable	(2,552,447)
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Student loans receivable and accrued interest from student loans	(1,283,814)
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Inventories	(19,682)
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Other assets	(244,024)
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Accounts payable	4,423,842
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Accrued payroll and employee benefits	2,266,766
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Unearned revenues	2,062,120
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Accrued compensated absences	454,635
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Net cash used for operating activities	<u><u>\$(144,325,199)</u></u>
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Significant noncash transactions:

State appropriation receivable	\$30,531,817
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Refinancing of long-term debt	16,315,000
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See Notes to Financial Statements



Notes to Financial Statements • June 30, 2014

Note 1—Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component unit as described in Note 9. Fiscal responsibility for the University remains with the State of Arizona; therefore, the University is an integral part of the State of Arizona's Tri-University system, which is an enterprise fund in the State of Arizona's Comprehensive Annual Financial Report. The 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, 2014, the University implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections - 2012, an Amendment of GASB Statements No. 10 and No. 62*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statements No. 66 and 70 had no significant impact on the University's fiscal year 2014 financial statements or notes. The implementation of GASB

Statement No. 65 did impact the financial statements, the beginning net position balance for FY2014 was restated, more information is available in Note 2.

Reporting Entity

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.

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, NACFFC is controlled and operated by University personnel, and NACFFC's outstanding debt is expected to be repaid entirely or almost entirely with resources from the University, NACFFC's financial statements have been blended with

those of the University in accordance with GASB Statement No. 61.

For financial reporting purposes, both the Foundation and NACFFC follow the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the University's financial report. Accordingly, those financial statements have been reported on separate pages following the University's 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, 2014, the Foundation distributed \$7.2 million to the University.

Basis of Presentation and 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 at the time liabilities are incurred, regardless of when the cash flow takes place. 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 University's 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 investment 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 consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

The statement of revenues, expenses, and changes in net position provides information about the University's financial activities during the year. Revenues and expenses are classified as either operating or non-operating, 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, in which each party receives and gives up essentially equal values, are considered operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Statement No. 35, including state appropriations, non-exchange grants, gifts, and investment income result from transactions in which parties do not exchange equal values. 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 non-operating 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, non-capital 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, restricted resources will typically 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 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, 2014, are reported less allowances for both estimated uncollectible amounts and collection costs of \$1,120,100 and \$6,871,100 respectively.

The fiscal year 2014 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 2015 with payment to be no later than October 1, 2014. Northern Arizona University's \$30,531,817 portion of the \$200 million deferred appropriation payment was recorded as a receivable in fiscal year 2014.

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.

Deferred Outflows of Resources

The statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods.

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, 2013, the University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With this change, bond issuance costs are expensed as incurred with the exception of prepaid insurance costs which are still expensed over the life of the bonds. To record the cumulative effect of the reporting change, the University's July 1, 2013, net position balance was restated downward by \$1,596,072 to reflect the unamortized amount of bond issuance cost no longer treated as an asset. Beginning net position was adjusted as follows:

Net position as of July 1, 2013	\$436,814,770
Less: Bond issuance costs	<u>1,596,072</u>
Net position as of July 1, 2013 as restated	<u>\$435,218,698</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, 2014, cash on hand was \$22,978, the carrying amount of the University's deposits was \$54,100,481 and the bank balance was \$57,095,318. 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, 2014, \$56,095,318 of the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$41,488,378
Uninsured with collateral held by the pledging financial institution	<u>14,606,940</u>
	<u>\$56,095,318</u>

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

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. As of June 30, 2014 the Foundation held \$27,300,616 in custody for the University.

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, 2014 was \$19,426,668.

Investments	Amount
Bond Trustee Funds:	
Government Money Market Mutual Fund	\$117,047,239
U.S. agency securities	98,714,060
NAU Foundation Investment Pool	27,300,616
State Treasurer's Investment Pool 5	150,463
	<u>\$243,212,378</u>



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, 2014, credit risk for the University's investments in debt securities was as follows:

Investment Type	Rating	Rating Agency	Amount
Bond Trustee Funds:			
Government Money Market Mutual Fund	AAAm	Standard and Poor's	\$117,047,239
U.S. agency securities	AA+	Standard and Poor's	98,714,060
State Treasurer's Investment Pool 5	AAAf/S1+	Standard and Poor's	150,463
			<u>\$215,911,762</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, 2014, the University had \$98,714,060 of U.S. agency securities that were uninsured, not registered in the University's name and held by the counterparty.

Concentration of Credit Risk

University policy limits investments in a single issuer to 5 percent or less of the fair value of the total portfolio. However, securities issued or expressly guaranteed by the federal government are exempt from this provision. The following investments represent five percent or more of the University's investments at June 30, 2014: Federal Home Loan Bank, 12.33 percent, Federal Home Loan Mortgage Corporation, 12.37 percent, and Federal National Mortgage Association, 11.76 percent.

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

Cash, deposits and investments:	Statement of Net Position:
Cash on hand \$22,978	Cash and cash equivalents \$54,487,564
Cash in bank 54,100,481	Current investments 83,447,310
Total investments <u>243,212,378</u>	Restricted cash and cash equivalents
<u>\$297,335,837</u>	held by trustee for capital projects 117,047,239
	Noncurrent investments 15,853,207
	Endowment investments <u>26,500,517</u>
	<u>\$297,335,837</u>

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
Government Money Market Mutual Fund	\$117,047,239	\$117,047,239	
U.S agency securities**	98,714,060	83,447,310	\$15,266,750 *
State Treasurer's Investment Pool 5	150,463	150,463	
Total	<u>\$215,911,762</u>	<u>\$200,645,012</u>	<u>\$15,266,750</u>

*These securities mature in fiscal year 2016.

**At June 30, 2014, the University held \$98,714,060 or 40.59 percent of investments in U.S. agency securities, including the Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank and Federal Home Loan Mortgage Corporation, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary.



Note 4—Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$6,851,409	\$70,000	\$	\$	\$6,921,409
Construction in progress	12,906,733	59,940,039		(19,670,109)	53,176,663
Total capital assets not being depreciated	19,758,142	60,010,039		(19,670,109)	60,098,072
Capital assets being depreciated:					
Infrastructure	134,462,942	613,478		1,961,130	137,037,550
Buildings and improvements	792,957,026	1,676,054	1,663,442	17,708,979	810,678,617
Equipment	73,020,098	3,820,315	3,188,762		73,651,651
Library books and media	46,480,283	357,789	1,131,644		45,706,428
Total capital assets being depreciated	1,046,920,349	6,467,636	5,983,848	19,670,109	1,067,074,246
Less accumulated depreciation for:					
Infrastructure	41,519,014	4,151,874			45,670,888
Buildings and improvements	241,126,599	22,451,237	851,620		262,726,216
Equipment	44,413,961	6,044,032	3,134,470		47,323,523
Library books and media	44,276,378	608,402	1,131,643		43,753,137
Total accumulated depreciation	371,335,952	33,255,545	5,117,733		399,473,764
Total capital assets being depreciated, net	675,584,397	(26,787,909)	866,115	19,670,109	667,600,482
Capital assets, net	\$695,342,539	\$33,222,130	\$866,115	\$	\$727,698,554

Construction - The University had major contractual commitments related to various capital projects at June 30, 2014, including construction of a Science and Health Building, a new Aquatic/Tennis Center, major building renovations and major infrastructure upgrades. At June 30, 2014, the University had spent \$52.9 million on these projects and had remaining contractual commitments with contractors of \$88.6 million. These projects are being financed with a combination of system revenue bonds monies, series 2009, 2010, 2012, 2013, and 2014, and University reserves.

Note 5—Long Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013 (restated)*	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Capital leases	\$17,935,376		\$189,000	\$17,746,376	\$967,876
Certificates of participation	65,630,000		2,780,000	62,850,000	2,890,000
Revenue bonds payable	467,425,000	67,260,000	23,990,000	510,695,000	9,150,000
Discounts/premiums	15,215,503	7,607,890	699,972	22,123,421	1,029,264
Total long-term liabilities	\$566,205,879	\$74,867,890	\$27,658,972	\$613,414,797	\$14,037,140

*Long-term liabilities were restated July 1, 2013 to reclassify deferred charges on refunding as deferred outflows of resources.

The following schedule details debt service requirements to maturity for the University's bonds payable at June 30, 2014

	Revenue Bonds	
	Principal	Interest
Year ending June 30,		
2015	\$9,150,000	\$26,966,952
2016	9,750,000	26,336,169
2017	13,555,000	25,779,565
2018	15,725,000	25,122,490
2019	16,395,000	24,385,880
2020-2024	91,705,000	108,899,978
2025-2029	113,250,000	81,738,843
2030-2034	121,505,000	49,358,180
2035-2039	84,930,000	21,285,802
2040-2044	34,730,000	3,934,635
Total	\$510,695,000	\$393,808,494

The following schedule details debt service requirements to maturity for the University's certificates of participation payable at June 30, 2014

	Certificates of Participation	
	Principal	Interest
Year ending June 30,		
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	2,920,000	2,380,135
2020-2024	17,105,000	9,802,842
2025-2029	21,830,000	4,967,973
2030-2031	10,345,000	353,292
Total	\$62,850,000	\$27,926,912

Funding responsibility for the June 30, 2014 outstanding principal (dollars in thousands)

	Current Portion	Noncurrent Portion	Total
From Northern Arizona University operating revenues	\$11,147	\$427,438	\$438,585
From State of Arizona provided state appropriations, share of state sales tax, and lottery revenue	2,890	171,940	174,830
	\$14,037	\$599,378	\$613,415

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. Systems 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, 2014 (dollars in thousands)

	Average						
	Interest	Final	Balance			Balance	Current
	Rate	Maturity	7/1/2013	Additions	Reductions	6/30/2014	Portion
Revenue Bonds:							
2004 Systems Refunding	4.749%	6/1/2034	\$16,930		\$11,060	\$5,870	\$1,870
2005 Systems Revenue	4.685%	6/1/2040	13,580		9,675	3,905	285
2006 Systems Refunding	4.675%	6/1/2034	41,900		75	41,825	75
2006 Lease Revenue	4.894%	6/1/2036	11,150		280	10,870	290
2007 Systems Revenue	4.929%	6/1/2037	34,250		790	33,460	825
2008 Systems Revenue	5.041%	6/1/2038	37,810		820	36,990	845
2008 Lease Revenue Refunding	4.614%	6/1/2033	33,875		780	33,095	845
2009A Systems Revenue	6.490%	6/1/2039	108,860			108,860	
2009B Systems Revenue	5.000%	6/1/2016	5,640			5,640	2,750
2010 Systems Revenue	6.164%	8/1/2030	64,785			64,785	
2012 Systems Revenue	4.459%	6/1/2041	23,455		510	22,945	520
2013 Systems Revenue	4.174%	8/1/2043	75,190			75,190	
2014 Systems Revenue Refunding	4.982%	6/1/2044		\$67,260		67,260	845
Subtotal: Par Amount of Bonds			\$467,425	\$67,260	\$23,990	\$510,695	\$9,150
Certificates of Participation:							
2004 Certificates of Participation	4.852%	9/1/2030	\$3,565		\$1,140	\$2,425	\$1,185
2005 Certificates of Participation	4.650%	9/1/2030	24,390		1,245	23,145	1,295
2006 Certificates of Participation	4.350%	9/1/2017	1,670		395	1,275	410
2013 Refunding COPs	4.781%	9/1/2030	36,005			36,005	
Subtotal: Par Amount of COPs			\$65,630		\$2,780	\$62,850	\$2,890
Total Par amount of Bonds, COPs			\$533,055	\$67,260	\$26,770	\$573,545	\$12,040
Premium on Sale of Bonds and COPs			\$15,215	\$7,608	\$700	\$22,123	\$1,029
Total Bonds Payable/COPs			\$548,270	\$74,868	\$27,470	\$595,668	\$13,069

Revenue Bonds Payable and Certificates of Participation

On May 8, 2014, the University sold \$67,260,000 of Systems Revenue and Refunding Bonds Series 2014 for the purpose of the construction and equipping of approximately 120,000 square feet of regulation indoor aquatic and tennis spaces for athletic and intramural activities, 90,000 square feet of regulation outdoor tennis courts and a recreation field, renovation of approximately 254,000 gross square feet of existing residential units containing five residential properties to current fire codes, and improvements to infrastructure, including installation of new water supply piping through rock, roads, and existing landscaping. The Systems Revenue and Refunding Bond Series 2014 include serial bonds of \$43,015,000 with interest rates ranging from 3.0 percent to 5.0 percent. The 2014 Bonds also include two term bonds that are subject to annual sinking fund contributions. The first term bond is for \$14,865,000 with an interest rate of 5.0 percent that matures June 1, 2040. The second term bond is for \$9,380,000 with an interest rate of 5.0 percent that matures June 1, 2044. Refunded were \$6,915,000 of the 2004 Systems Revenue Bonds for maturities from June 1, 2018 to June 1, 2031, and \$9,400,000 from the Systems Revenue Bonds Series 2005 for maturities from June 1, 2016 through June 1, 2029 and June 1, 2036 through June 1, 2040. The refunding set aside \$17,420,818 into escrow that purchased SLGS Certificates with maturities between June 1, 2014 and June 1, 2015. The present value of refunded debt prior to May 8, 2014 was \$18,618,641 and the net present value of savings was \$938,307. The advanced refunding decreases the University's debt service by \$377,000 in year one. In addition, annual debt service decreases by an average of \$33,000 in years two through twenty seven.

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, 2014 the University had \$15,210,000 and \$9,400,000 in Systems Revenue Series 2004, 2005, respectfully, 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 percent of the interest payments on such bonds on each interest payment date. In order to receive such payments, the University must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the University by the Federal government may be reduced or eliminated due to such issues as failure by the University to submit the required information, any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2014, the Federal government reduced federal direct payment claims filed between December 1, 2013 and September 1, 2014 by 8.7 percent due to the federal budget sequestration resulting in a \$270,838 reduction in direct payments to the University. For accounting purposes, any direct payments received from the U. S. Treasury Department are recorded as non-operating revenue.

For the 2010 and 2013 revenue bonds, up to 80 percent of the debt service payments are payable from the University's 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, 2014. 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 \$214.1 million for the prior five years. For fiscal year 2014 pledged revenues totaled \$252.2 million of which 10.1 percent (\$25.4 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 12 percent of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044 is \$904.5 million.



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 19 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, 2014

	Average Interest Rate	Final Maturity	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Energy Conservation Equipment							
Lease-Purchase	3.5%	6/1/2027	\$12,420,289			\$12,420,289	\$767,876
Northern Arizona Real Estate							
Holdings, LLC	5.5%	9/30/2030	5,515,087		189,000	5,326,087	200,000
			<u>\$17,935,376</u>		<u>\$189,000</u>	<u>\$17,746,376</u>	<u>\$967,876</u>

The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2014:

Year Ending

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
2029-33	1,473,225
Total minimum lease payments	<u>\$23,927,132</u>
Less amount representing interest	<u>(6,180,756)</u>
Present value of net minimum lease payments	<u>\$17,746,376</u>

Capital Lease Financing - Following is a summary of capital assets financed by capital leases at June 30, 2014

Buildings	\$9,780,185
*Building Improvements	<u>16,252,747</u>
Total cost of assets	<u>26,032,932</u>
Less: accumulated depreciation	<u>3,123,515</u>
Carrying value of assets	<u>\$22,909,417</u>

* The value of the building improvements includes other funding sources of \$3,832,458.

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 \$2.6 million for the year ended June 30, 2014. The operating leases have remaining non-cancelable terms from 1 to 8 years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2014 were as follows:

Year ending June 30,	
2015	\$976,091
2016	732,219
2017	457,958
2018	131,592
2019	95,042
2020 - 2022	<u>249,117</u>
Total minimum lease payments	<u>\$2,642,019</u>

Note 6—Retirement Plans

The University participates in a cost-sharing multiple-employer defined benefit pension, health, and long-term disability plan all of which are 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, 2014, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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 11.54 percent (10.70 percent for retirement, 0.60 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
2014	\$10,011,037	\$561,367	\$221,815
2013	\$8,757,865	\$555,377	\$204,915
2012	\$7,975,201	\$509,055	\$193,755

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, 2014, 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.

Defined Contribution Pension Plans

For the year ended June 30, 2014, University and member contributions are summarized below.

Plan	University Contributions	Member Contributions	Total Contributions
TIAA/CREF	\$3,621,481	\$3,621,481	\$7,242,962
Fidelity	\$2,263,494	\$2,263,494	\$4,526,988

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, 2014, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.



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 presented in the Statement of Revenues, Expenses, and Changes in Net Position by natural and functional classification are summarized in the table below:

For the Year Ended June 30, 2014

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	\$137,014,834	\$19,006,164			\$156,020,998
Research	15,856,927	7,727,566			23,584,493
Public service	12,938,824	12,760,321			25,699,145
Academic support	27,173,997	6,702,696			33,876,693
Student services	33,514,634	16,989,438			50,504,072
Institutional support	35,271,159	18,430,751			53,701,910
Operation and maintenance of plant	7,550,273	19,142,497			26,692,770
Scholarships and fellowships			25,412,539		25,412,539
Auxiliary enterprises	24,333,787	8,425,471			32,759,258
Depreciation				33,255,545	33,255,545
Total	\$293,654,435	\$109,184,904	\$25,412,539	\$33,255,545	\$461,507,423

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 consolidated financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 de-

fines 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

The 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. ENDOWMENTS

The Foundation's endowment (the Endowment) consists of approximately 688 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board of Directors, and quasi-endowments set up by donors that are working to the level of required investment to qualify as an Endowment under the Foundation's donor guidelines. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Arizona Management of Charitable Funds Act (MCFA) as requiring the

preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2014, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Other resources and the investment policies of the organization

The Foundation uses an endowment spending-rate formula to determine the amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for

the prior three years at December 31 in February of each year to determine the spending amount for the upcoming year. During 2014, the spending rate was 4.00%. In establishing this policy, the Foundation considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return, net of investment fees, is equal or greater than 4% plus inflation over long periods of time. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Foundation 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.

The endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	\$9,286,096			\$9,286,096
Donor-restricted quasi-endowment		\$3,807,798		3,807,798
Donor-restricted for permanent endowment	(1,729)	22,969,267	\$55,160,706	78,128,244
	<u>\$9,284,367</u>	<u>\$26,777,065</u>	<u>\$55,160,706</u>	<u>\$91,222,138</u>

Changes in Endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$6,765,624	\$15,398,320	\$52,658,636	\$74,822,580
Investment return				
Investment income, net of fees	250,121	1,463,690		1,713,811
Net realized and unrealized gain	1,024,672	10,861,266	64,524	11,950,462
	<u>1,274,793</u>	<u>12,324,956</u>	<u>64,524</u>	<u>13,664,273</u>
Contributions	717,600	954,015	2,268,339	3,939,954
Reclassification of donor intent	637,331	(42,838)	169,207	763,700
Recovery of deficiency in original gift value of permanently restricted funds below fair value	52,176			52,176
Appropriation of endowment assets pursuant to spending-rate policy	<u>(163,157)</u>	<u>(1,857,388)</u>		<u>(2,020,545)</u>
Endowment net assets, end of year	<u>\$9,284,367</u>	<u>\$26,777,065</u>	<u>\$55,160,706</u>	<u>\$91,222,138</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Foundation to retain as a fund of perpetual duration. In accordance with FAAP, deficiencies of this nature that are reported in unrestricted net assets total \$1,729 as of June 30, 2014. These deficiencies resulted from unfavorable market fluctuations and are reported in unrestricted net assets.

D. PROMISES TO GIVE

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

Gross amounts due in:

Less than one year	\$3,157,374
One to five years	4,264,321
More than five years	<u>127,259</u>
Gross pledges receivable	7,548,954
Discount to net present value	(113,478)
Allowance for uncollectible pledges	<u>(376,083)</u>
Total pledges receivable, net	<u>\$7,059,393</u>

A concentration of credit risk exists with the unconditional promises to give at June 30, 2014 as approximately 60% of the gross pledges receivable balance at June 30, 2014 is from three donors.

E. NET INVESTMENT RETURN

Net investment return consists of the following for the year ended June 30, 2014:

Interest and dividends	\$2,157,744
Net realized and unrealized gain	14,447,658
Less investment management and custodial fees	<u>(67,711)</u>
	<u>\$16,537,691</u>

F. CORRECTION OF AN ERROR

Management determined that the Foundation did not properly account for the unrestricted, temporarily restricted, and permanently restricted net assets for the year ended June 30, 2013. A summary of the effect of the correction of the June 30, 2013 net assets are as follows:

	2013 As Previously Reported	Restatement Adjustment	2013 As Restated
Net Assets			
Unrestricted net assets	\$32,281,531	\$(23,829,997)	\$8,451,534
Temporarily restricted net assets	23,510,531	13,945,219	37,455,750
Permanently restricted net assets	46,576,442	9,884,778	56,461,220
	<u>\$102,368,504</u>	<u>\$ -</u>	<u>\$102,368,504</u>

G. 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, 2014, the cumulative purchased EBS licenses total \$8,880,045. One EBS license totaling \$10,000 was purchased in fiscal year 2014. In addition, the Foundation received a one-time bonus of \$1,300,000 in fiscal year 2010. The remaining balances to be purchased, plus \$601,641 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, 2014, amortization expense of \$1,175,929 was computed using the straight line method over estimated useful lives of 10 years and accumulated amortization expense at June 30, 2014 totaled \$7,915,877.

The Foundation leases the licenses after purchase. The leases are granted for ten-year terms, in accordance with the license terms, which are due to expire at various

dates through May 2023. 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 require the lessee to pay an initial fee.

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. Total revenue received from these agreements was \$1,369,652 for the year ended June 30, 2014

Minimum future lease receipts under these direct financing leases are as follows as of June 30, 2014:

Year Ending June 30,	
2015	\$1,149,635
2016	1,148,722
2017	1,148,081
2018	488,225
2019	490,575
Thereafter	5,877,260
Direct Financing Lease	<u>\$10,302,498</u>

H. ASSETS HELD IN CUSTODY FOR OTHERS

The Foundation maintains certain assets on behalf of others. The balances of assets held in custody for others consist of the following at June 30, 2014:

Cash	\$993,310
Unconditional promises to give	1,304
Investments	25,886,996
Beneficial interest in perpetual trust	663,499
	<u>\$27,545,109</u>

Assets held on behalf of:

Northern Arizona University	\$27,300,616
NAU Parents' Association	244,493
	<u>\$27,545,109</u>





Statistical Section

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Statistical Section

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Net Position by Component

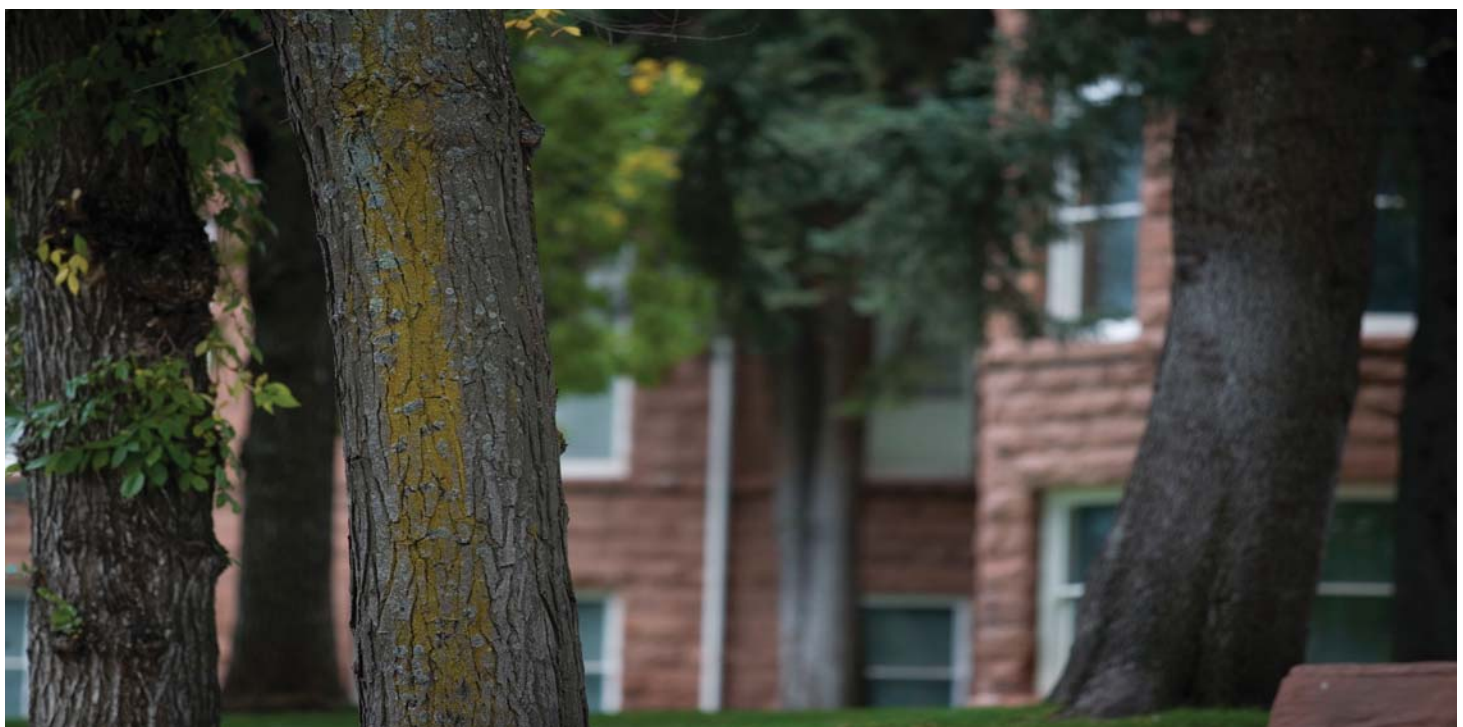
		2013	2012							
Fiscal Year Ended June 30,	2014	Restated	Restated	2011	2010	2009	2008	2007	2006	2005
(Dollars in thousands)										
Invested in Capital Assets	\$ 234,187	\$ 215,847	\$ 218,676	\$ 200,274	\$ 157,565	\$ 150,766	\$ 152,828	\$ 126,930	\$ 129,359	\$ 124,849
Restricted, Non-expendable	21,770	20,430	19,517	19,047	18,253	17,504	16,493	16,251	16,971	15,177
Restricted, Expendable	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401	20,193	18,345
Unrestricted	154,120	172,284	178,600	182,210	173,639	124,781	80,149	70,716	47,337	45,075
Total Net Position	\$ 439,539	\$ 435,219	\$ 434,364	\$ 417,897	\$ 368,830	\$ 311,970	\$ 272,421	\$ 236,298	\$ 213,860	\$ 203,446

Expressed as a percent of the total

	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	53.3	49.6	50.3	47.9	42.7	48.3	56.1	53.7	60.5	61.4
Restricted, Non-expendable	4.9	4.7	4.5	4.6	4.9	5.6	6.1	6.9	7.9	7.5
Restricted, Expendable	6.7	6.1	4.0	3.9	5.3	6.1	8.4	9.5	9.4	9.0
Unrestricted	35.1	39.6	41.1	43.6	47.1	40.0	29.4	29.9	22.1	22.2
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	8.5	(1.3)	9.2	27.1	4.5	(1.3)	20.4	(1.9)	3.6	9.2
Restricted, Non-expendable	6.6	4.7	2.5	4.3	4.3	6.1	1.5	(4.2)	11.8	7.2
Restricted, Expendable	10.5	51.7	7.4	(15.5)	2.4	(17.6)	2.5	10.9	10.1	27.7
Unrestricted	(10.5)	(3.5)	(2.0)	4.9	39.2	55.7	13.3	49.4	5.0	21.0
Total Net Position	1.0	0.2	3.9	13.3	18.2	14.5	15.3	10.5	5.1	12.9



Changes in Net Position

		2013	2012							
Fiscal Year Ended June 30,	2014	Restated	Restated	2011	2010	2009	2008	2007	2006	2005
(Dollars in thousands)										
Revenues										
Operating Revenues										
Student tuition and fees, net	188,816	172,565	157,864	147,224	126,414	112,075	99,151	89,162	82,012	74,121
Governmental grants and contracts	19,594	19,521	18,461	26,185	17,706	14,690	14,625	55,459	51,151	54,026
Private grants and contracts	2,865	3,518	2,119	1,437	1,977	3,518	3,527	4,108	3,881	4,068
Sales and services										
Residence Life	29,870	30,541	29,534	29,480	27,841	25,448	22,804	21,755	17,942	15,798
Other auxiliaries	21,424	20,096	16,272	17,692	14,903	13,520	13,051	16,856	20,499	18,250
Other revenues	20,246	17,410	17,190	10,603	10,124	8,826	9,185	7,236	6,083	5,273
Total Operating Revenues	282,815	263,651	241,440	232,621	198,965	178,077	162,343	194,576	181,568	171,536
Expenses										
Operating Expenses										
Educational and general										
Instruction	156,021	142,282	134,272	132,117	123,077	127,717	127,073	116,548	103,438	98,138
Research	23,584	19,886	21,766	23,178	22,306	21,463	21,433	21,353	21,232	19,615
Public Service	25,699	26,935	28,352	27,301	26,878	28,794	29,333	27,509	25,965	22,185
Academic support	33,877	32,164	28,858	30,321	27,194	27,064	29,185	26,668	25,895	20,564
Student services	50,504	42,145	36,274	32,995	25,312	28,228	27,836	23,907	21,388	20,032
Institutional support	53,702	47,265	41,789	40,909	37,627	35,789	36,676	32,385	32,868	27,208
Operation & maintenance of plant	26,693	23,259	21,781	17,426	16,591	19,658	22,610	17,874	16,399	16,435
Scholarship and fellowship	25,412	24,211	25,576	29,218	23,431	16,644	13,848	13,031	11,797	10,628
Auxiliary enterprises	32,759	44,386	37,035	34,351	29,339	28,716	28,645	33,491	35,977	27,885
Depreciation	33,256	31,388	27,260	21,990	21,605	20,731	18,926	17,867	15,807	16,227
Total Operating Expenses	461,507	433,921	402,963	389,806	353,360	354,804	355,565	330,633	310,766	278,917
Operating loss	(178,692)	(170,270)	(161,523)	(157,185)	(154,395)	(176,727)	(193,222)	(136,057)	(129,198)	(107,381)



Changes in Net Position (continued)

Fiscal Year Ended June 30,	2013		2012		2011	2010	2009	2008	2007	2006	2005
	2014	Restated	Restated								
Nonoperating Revenues (Expenses)											
State operating appropriations	105,588	101,469	103,670	128,529	128,448	135,600	153,579	136,862	124,690	117,635	
Federal fiscal stabilization funds	-	-	-	291	10,935	23,492	-	-	-	-	
Share of state tax - TRIF	12,308	11,492	11,157	11,189	10,913	12,246	16,424	16,913	11,861	13,475	
Government grants	56,413	57,569	60,200	56,324	53,515	43,468	42,837	259	289	382	
Private gifts and grants	10,920	9,925	10,367	8,003	10,873	8,880	10,469	5,275	5,175	3,348	
Net investment return (loss)	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933	6,814	3,550	
Interest on debt	(23,696)	(23,456)	(22,852)	(14,023)	(14,450)	(13,422)	(12,206)	(10,506)	(10,043)	(7,296)	
Other revenue (expenses)	8,987	5,703	4,229	3,642	171	(117)	(1,664)	942	(390)	(1,049)	
Net Nonoperating Revenues	176,223	165,876	169,449	196,938	204,583	208,955	214,139	158,678	138,396	130,045	
Income (loss) before other revenues, expenses, gains, or losses											
	(2,469)	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,198	22,664	
Capital appropriations	5,900	5,900	5,900	5,900	5,900	5,900	5,900	2,647	n/a	n/a	
Capital grants and gifts	63	63	455	2,582	46	770	2,997	63	49	81	
Additions to permanent endowments	826	882	852	831	727	651	650	522	1,167	579	
Increase (Decrease) in Net Position	4,320	2,451	15,133	49,066	56,861	39,549	30,464	25,853	10,414	23,324	
Total Revenues	489,523	459,828	440,948	452,895	424,671	409,084	399,899	366,992	331,613	310,586	
Total Expenses	485,203	457,377	425,815	403,829	367,810	369,535	369,435	341,139	321,199	287,262	
Increase (Decrease) in Net Position	4,320	2,451	15,133	49,066	56,861	39,549	30,464	25,853	10,414	23,324	



Changes in Net Position (continued)

Fiscal Year Ended June 30,	2013		2012		2011	2010	2009	2008	2007	2006	2005
	2014	Restated	Restated								
	%	%	%	%	%	%	%	%	%	%	%
Expressed as a percent of Total Revenues / Total Expenses											
Revenues											
Operating Revenues											
Student tuition and fees, net	38.6	37.5	35.8	32.5	29.8	27.4	24.8	24.3	24.7	23.9	
Governmental grants and contracts	4.0	4.2	4.2	5.8	4.2	3.6	3.7	15.1	15.4	17.4	
Private grants and contracts	0.6	0.8	0.5	0.3	0.5	0.9	0.9	1.1	1.2	1.3	
Sales and services											
Residence Life	6.1	6.6	6.7	6.5	6.6	6.2	5.7	5.9	5.4	5.1	
Other Auxiliaries	4.4	4.4	3.7	3.9	3.5	3.3	3.3	4.6	6.2	5.9	
Other revenues	4.1	3.8	3.9	2.3	2.4	2.2	2.3	2.0	1.8	1.7	
Total Operating Revenues	57.8	57.3	54.8	51.3	47.0	43.6	40.7	53.0	54.7	55.3	
Expenses											
Operating Expenses											
Educational and general											
Instruction	32.2	31.1	31.5	32.7	33.5	34.6	34.4	34.2	32.2	34.2	
Research	4.9	4.3	5.1	5.7	6.1	5.8	5.8	6.3	6.6	6.8	
Public Service	5.3	5.9	6.7	6.8	7.3	7.8	7.9	8.1	8.1	7.7	
Academic support	7.0	7.0	6.8	7.5	7.4	7.3	7.9	7.8	8.1	7.2	
Student services	10.4	9.2	8.5	8.2	6.9	7.6	7.5	7.0	6.7	7.0	
Institutional support	11.1	10.3	9.8	10.1	10.2	9.7	9.9	9.5	10.2	9.5	
Operation & maintenance of plant	5.5	5.1	5.1	4.3	4.5	5.3	6.1	5.2	5.1	5.7	
Scholarships and fellowships	5.2	5.3	6.0	7.2	6.4	4.5	3.7	3.8	3.7	3.7	
Auxiliary enterprises	6.8	9.7	8.7	8.5	8.0	7.8	7.8	9.8	11.2	9.7	
Depreciation	6.9	6.9	6.4	5.4	5.9	5.6	5.1	5.2	4.9	5.6	
Total Operating Expenses	95.3	94.8	94.6	96.4	96.2	96.0	96.1	96.9	96.8	97.1	
Operating loss	(36.5)	(37.0)	(36.6)	(34.7)	(36.4)	(43.2)	(48.3)	(37.1)	(39.0)	(34.6)	
Non-Operating Revenues (Expenses)											
State operating appropriations	21.6	22.1	23.5	28.4	30.2	33.1	38.4	37.3	37.6	37.9	
Federal fiscal stabilization funds	0.0	0.0	0.0	0.1	2.6	5.7	0.0	0.0	0.0	0.0	
Share of state tax - TRIF	2.5	2.5	2.5	2.5	2.6	3.0	4.1	4.6	3.6	4.3	
Financial aid grants	11.5	12.5	13.7	12.4	12.6	10.6	10.7	0.1	0.1	0.1	
Private gifts	2.2	2.2	2.4	1.8	2.6	2.2	2.6	1.4	1.6	1.1	
Net investment return (loss)	1.2	0.7	0.6	0.7	1.0	(0.3)	1.2	2.4	2.1	1.1	
Interest on debt	(4.9)	(5.1)	(5.4)	(3.5)	(3.9)	(3.6)	(3.3)	(3.1)	(3.1)	(2.5)	
Other expenses	1.8	1.2	1.0	0.8	0.0	(0.0)	(0.5)	0.3	(0.1)	(0.4)	
Net Nonoperating Revenues	36.0	36.1	38.3	43.2	47.7	50.7	53.2	43.0	41.8	41.6	
Income (loss) before other revenues, expenses, gains, or losses	(0.5)	(0.9)	1.7	8.5	11.3	7.5	4.9	5.9	2.8	7.0	
Capital appropriations	1.2	1.3	1.3	1.3	1.4	1.4	1.5	0.7	0.0	0.0	
Capital grants	0.0	0.0	0.1	0.6	0.0	0.2	0.7	0.0	0.0	0.0	
Additions to permanent endowments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.4	0.2	
Increase (Decrease) in Net Position	0.9	0.6	3.3	10.5	12.9	9.3	7.3	6.7	3.2	7.2	

Changes in Net Position (continued)

Fiscal Year Ended June 30,	2013		2012	2011	2010	2009	2008	2007	2006	2005
	2014	Restated	Restated							
	%	%	%	%	%	%	%	%	%	%
Percentage increase (decrease) from prior year										
Revenues										
Operating Revenues										
Student tuition and fees, net	9.4	9.3	7.2	16.5	12.8	13.0	11.2	8.7	10.6	4.7
Governmental grants and contracts	0.4	5.7	(29.5)	47.9	20.5	0.4	(73.6)	8.4	(5.3)	4.4
Private grants and contracts	(18.6)	66.0	47.5	(27.3)	(43.8)	(0.3)	(14.1)	5.8	(4.6)	14.6
Sales and services										
Residence Life	(2.2)	3.4	0.2	5.9	9.4	11.6	4.8	21.3	13.6	3.6
Other Auxiliaries	6.6	23.5	(8.0)	18.7	10.2	3.6	(22.6)	(17.8)	12.3	0.8
Other revenues	16.3	1.3	62.1	4.7	14.7	(3.9)	26.9	19.0	15.4	(7.2)
Total Operating Revenues	7.3	9.2	3.8	16.9	11.7	9.7	(16.6)	7.2	5.8	3.9
Expenses										
Operating Expenses										
Educational and general										
Instruction	9.7	6.0	1.6	7.3	(3.6)	0.5	9.0	12.7	5.4	3.2
Research	18.6	(8.6)	(6.1)	3.9	3.9	0.1	0.4	0.6	8.2	4.2
Public Service	(4.6)	(5.0)	3.8	1.6	(6.7)	(1.8)	6.6	5.9	17.0	1.2
Academic support	5.3	11.5	(4.8)	11.5	0.5	(7.3)	9.4	3.0	25.9	2.0
Student services	19.8	16.2	9.9	30.4	(10.3)	1.4	16.4	11.8	6.8	4.7
Institutional support	13.6	13.1	2.2	8.7	5.1	(2.4)	13.2	(1.5)	20.8	0.8
Operation & maintenance of plant	14.8	6.8	25.0	5.0	(15.6)	(13.1)	26.5	9.0	(0.2)	19.6
Scholarships and fellowships	5.0	(5.3)	(12.5)	24.7	40.8	20.2	6.3	10.5	11.0	(10.9)
Auxiliary enterprises	(26.2)	19.8	7.8	17.1	2.2	0.2	(14.5)	(6.9)	29.0	(5.8)
Depreciation	6.0	15.1	24.0	1.8	4.2	9.5	5.9	13.0	(2.6)	1.0
Total Operating Expenses	6.4	7.7	3.4	10.3	(0.4)	(0.2)	7.5	6.4	11.4	2.0
Operating loss	4.9	5.4	2.8	1.8	(12.6)	(8.5)	42.0	5.3	20.3	(0.8)
Non-Operating Revenues (Expenses)										
State operating appropriations	4.1	(2.1)	(19.3)	0.1	(5.3)	(11.7)	12.2	9.8	6.0	5.4
Federal fiscal stabilization funds	n/a	n/a	(100.0)	(97.3)	(53.5)	n/a	n/a	n/a	n/a	n/a
Share of state tax - TRIF	7.1	3.0	(0.3)	2.5	(10.9)	(25.4)	(2.9)	42.6	(12.0)	40.9
Government grants & contracts	(2.0)	(4.4)	6.9	5.2	23.1	1.5	16,439.4	(10.4)	(24.3)	4.1
Private gifts	10.0	(4.3)	29.5	(26.4)	22.4	(15.2)	98.5	1.9	54.6	(7.1)
Net investment return (loss)	79.7	18.5	(10.2)	(28.6)	(450.5)	(125.4)	(47.4)	31.1	91.9	70.3
Interest on indebtedness	1.0	2.6	63.0	(3.0)	7.7	10.0	16.2	4.6	37.7	40.1
Other expenses	57.6	34.9	16.1	2,029.8	(246.2)	(93.0)	(276.6)	(341.5)	(62.8)	(1,427.8)
Net Nonoperating Revenues	6.2	(2.1)	(14.0)	(3.7)	(2.1)	(2.4)	35.0	14.7	6.4	6.5
Income (loss) before other revenues, expenses, gains, or losses	(43.8)	(155.4)	(80.1)	(20.8)	55.7	54.1	(7.5)	145.9	(59.4)	63.8
Capital appropriations	0.0	0.0	0.0	0.0	0.0	0.0	122.9	n/a	n/a	n/a
Capital grants	0.0	(86.2)	(82.4)	5,513.0	(94.0)	(74.3)	4,657.1	28.6	(39.5)	(65.5)
Additions to permanent endowments	(6.3)	3.5	2.5	14.3	11.7	0.2	24.5	(55.3)	101.6	4.5
Increase (Decrease) in Net Position	76.3	(83.8)	(69.2)	(13.7)	43.8	29.8	17.8	148.3	(55.4)	59.5

Operating Expenses by Natural Classification

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(Dollars in thousands)</i>										
Personal Services and Benefits	\$ 293,654	\$ 268,888	\$ 254,396	\$ 248,043	\$ 231,613	\$ 237,591	\$ 231,571	\$ 216,465	\$ 195,330	\$ 182,662
Operations	109,185	109,435	95,731	90,555	76,711	79,838	91,220	83,269	87,832	69,400
Scholarships	25,412	24,211	25,576	29,218	23,431	16,644	13,848	13,032	11,797	10,628
Depreciation	33,256	31,387	27,260	21,990	21,605	20,731	18,926	17,867	15,807	16,227
Total Operating Expenses by Natural Classification	\$ 461,507	\$ 433,921	\$ 402,963	\$ 389,806	\$ 353,360	\$ 354,804	\$ 355,565	\$ 330,633	\$ 310,766	\$ 278,917
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	63.6	62.0	63.1	63.6	65.5	67.0	65.1	65.5	62.9	65.5
Supplies and Services	23.7	25.2	23.8	23.2	21.7	22.5	25.7	25.2	28.3	24.9
Student Aid	5.5	5.6	6.3	7.5	6.6	4.7	3.9	3.9	3.8	3.8
Depreciation	7.2	7.2	6.8	5.6	6.1	5.8	5.3	5.4	5.1	5.8
Total Operating Expenses by Natural Classification	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Percentage increase (decrease) from prior year										
	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	9.2	5.7	2.6	7.1	(2.5)	2.6	7.0	10.8	6.9	5.3
Supplies and Services	(0.2)	14.3	5.7	18.0	(3.9)	(12.5)	9.5	(5.2)	26.6	(3.5)
Student Aid	5.0	(5.3)	(12.5)	24.7	40.8	20.2	6.3	10.5	11.0	(10.9)
Depreciation	6.0	15.1	24.0	1.8	4.2	9.5	5.9	13.0	(2.6)	1.0
Total Operating Expenses by Natural Classification	6.4	7.7	3.4	10.3	(0.4)	(0.2)	7.5	6.4	11.4	2.0



Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
PLEDGE* Resident Undergraduate										
Northern Arizona University	9,738	9,271	8,824	7,667	6,627	5,446	4,841	4,546	4,393	4,072
percent increase from prior year	5.0%	5.1%	15.1%	15.7%	21.7%	12.5%	6.5%	3.5%	7.9%	13.3%
ABOR Peers with a 4 year guarantee	12,197	11,506	11,026	10,411	9,971	9,294				
percent increase from prior year	6.0%	4.4%	5.9%	4.4%	7.3%	n/a				
ABOR Peers Average							6,945	7,136	6,682	6,231
percent increase from prior year							-2.7%	6.8%	7.2%	19.4%
PLEDGE* Non-Resident Undergraduate										
Northern Arizona University	22,093	21,626	21,179	20,067	17,854	16,544	14,495	13,487	13,023	12,592
percent increase from prior year	2.2%	2.1%	5.5%	12.4%	7.9%	14.1%	7.5%	3.6%	3.4%	4.0%
ABOR Peers with a 4 year guarantee	23,044	22,079	21,117	19,854	18,832	16,869				
percent increase from prior year	4.4%	4.6%	6.4%	5.4%	11.6%	n/a				
ABOR Peers Average							16,678	16,498	15,577	14,697
percent increase from prior year							1.1%	5.9%	6.0%	6.6%
* PLEDGE tuition rate means new freshman and transfer students will pay the same tuition rate for four years. The PLEDGE rate began in fall 2008-2009.										
Resident Graduate										
Northern Arizona University	8,768	8,378	8,008	7,398	6,546	5,616	5,214	4,898	4,733	4,273
percent increase from prior year	4.7%	4.6%	8.2%	13.0%	16.6%	7.7%	6.5%	3.5%	10.8%	14.6%
Non-Resident Graduate										
Northern Arizona University	19,862	19,472	18,910	18,172	17,060	15,976	14,896	14,032	13,381	12,793
percent increase from prior year	2.0%	3.0%	4.1%	6.5%	6.8%	7.3%	6.2%	4.9%	4.6%	4.4%

Sources: ABOR History Tuition and Fees: ABOR Base Tuition and Fees
 Source: Peers - ABOR Peer Comparisons Prepared Annually for Tuition Setting Board Meeting



Principal Revenue Sources

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(Dollars in thousands)</i>										
Tuition and Fees, net of scholarship allowance	188,816	172,565	157,864	147,224	126,414	112,075	99,151	89,162	82,012	74,121
percent of total revenue	39%	38%	36%	33%	30%	27%	25%	24%	25%	24%
percent increase/(decrease) from prior year	9%	9%	7%	16%	13%	13%	11%	9%	11%	5%
State appropriations	105,588	101,469	103,670	128,529	128,448	135,600	153,579	136,862	124,690	117,635
Technology and research initiatives funding	12,308	11,492	11,157	11,189	10,913	12,246	16,424	16,913	11,861	13,475
Capital appropriations	5,900	5,900	5,900	5,900	5,900	5,900	5,900	2,647	-	-
State grants and contracts	6,370	8,639	9,041	10,630	10,943	10,773	10,693	13,718	13,142	10,025
AZ State Government	130,166	127,500	129,768	156,248	156,204	164,519	186,596	170,140	149,693	141,135
percent of total revenue	27%	28%	29%	34%	37%	40%	47%	46%	45%	45%
percent increase (decrease) from prior year	2%	-2%	-17%	0%	-5%	-12%	10%	14%	6%	9%
Federal grants and contracts	69,637	68,451	69,620	71,879	60,278	47,385	46,769	42,000	38,298	66,383
Federal fiscal stabilization funds	-	-	-	291	10,935	23,492	-	-	-	-
Federal Government	69,637	68,451	69,620	72,170	71,213	70,877	46,769	42,000	38,298	66,383
percent of total revenue	14%	15%	16%	16%	17%	17%	12%	11%	12%	21%
percent increase (decrease) from prior year	2%	-2%	-4%	1%	0%	52%	11%	10%	-42%	53%
Total from principal revenue payers	388,619	368,516	357,252	375,642	353,831	347,471	332,516	301,302	270,003	281,639
percent of total revenue	79%	80%	81%	83%	83%	85%	83%	82%	81%	91%
percent increase (decrease) from prior year	5%	3%	-5%	6%	2%	4%	10%	12%	-4%	15%



Long-Term Debt

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(Dollars in thousands)</i>										
System Revenue Bonds	\$510,695	\$467,425	\$353,820	\$335,700	\$360,010	\$187,270	\$150,710	\$122,565	\$131,805	\$126,860
Unamortized Premium	16,550	9,305	4,283	3,356	4,265	4,601	4,937	4,044	3,781	4,038
Deferred amount on Refundings	-	(1,200)	(1,325)	(1,455)	(1,847)	(2,007)	(2,167)	(2,464)	(1,558)	(1,824)
Net System Revenue Bonds	\$527,245	\$475,530	\$356,778	\$337,601	\$362,428	\$189,864	\$153,480	\$124,145	\$134,028	\$129,074
Certificates of Participation	\$ 62,850	\$ 65,630	\$ 69,540	\$ 80,835	\$ 83,315	\$ 85,705	\$ 88,030	\$ 90,285	\$ 90,285	\$ 37,585
Unamortized Premium	5,574	5,911	849	894	938	983	1,028	1,072	1,117	-
Deferred amount on Refundings	-	(3,502)	-	-	-	-	-	-	-	-
Net Certificates of Participation	\$ 68,424	\$ 68,039	\$ 70,389	\$ 81,729	\$ 84,253	\$ 86,688	\$ 89,058	\$ 91,357	\$ 91,402	\$ 37,585
Total Bonds Payable	\$527,245	\$475,530	\$356,778	\$337,601	\$362,428	\$189,864	\$153,480	\$124,145	\$134,028	\$129,074
COPs Payable	68,424	68,039	70,389	81,729	84,253	86,688	89,058	91,357	91,402	37,585
Capital and Operating Leases Payable	17,746	17,936	58,652	47,217	48,135	49,234	50,202	36,699	14,791	15,244
Total	\$613,415	\$561,505	\$485,819	\$466,547	\$494,816	\$325,786	\$292,740	\$252,201	\$240,221	\$181,903
LONG TERM DEBT (whole dollars)										
per Student FTE	\$ 24,719	\$ 23,195	\$ 21,156	\$ 20,511	\$ 23,585	\$ 16,675	\$ 16,013	\$ 14,421	\$ 14,447	\$ 10,831
per Dollar of State Appropriations and State Aid	\$ 5.50	\$ 5.23	\$ 4.43	\$ 3.47	\$ 3.68	\$ 2.30	\$ 1.84	\$ 1.81	\$ 1.93	\$ 1.55
per Dollar of Total Grants and Contracts	\$ 8.07	\$ 7.28	\$ 6.18	\$ 5.65	\$ 6.95	\$ 5.60	\$ 5.09	\$ 4.53	\$ 4.67	\$ 3.34
DATA USED IN ABOVE CALCULATIONS										
Total Student FTE	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794
State Appropriations and State Capital Appropriations	\$111,488	\$107,369	\$109,570	\$134,429	\$134,348	\$141,500	\$159,479	\$139,509	\$124,690	\$117,635
Grants and Contracts	\$ 76,007	\$ 77,090	\$ 78,661	\$ 82,509	\$ 71,221	\$ 58,158	\$ 57,462	\$ 55,718	\$ 51,440	\$ 54,408



Summary of Ratios

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.51	0.55	0.56	0.60	0.62	0.47	0.36	0.36	0.28	0.28
/ 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	3.83	4.14	4.21	4.51	4.66	3.53	2.71	2.71	2.11	2.11
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.34	1.45	1.47	1.58	1.63	1.24	0.95	0.95	0.74	0.74
= Ratio 10.00 Cap Subtotal	1.34	1.45	1.47	1.58	1.63	1.24	0.95	0.95	0.74	0.74
+ Return on Net Assets Ratio	4.8%	3.0%	2.7%	14.4%	16.8%	8.3%	11.0%	17.6%	6.5%	12.9%
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	2.40	1.50	1.35	7.20	8.40	4.15	5.50	8.80	3.25	6.45
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.48	0.30	0.27	1.44	1.68	0.83	1.10	1.76	0.65	1.29
= Ratio 10.00 Cap Subtotal	0.48	0.30	0.27	1.44	1.68	0.83	1.10	1.76	0.65	1.29
+ Net Operating Revenues Ratio	0.3%	-0.3%	1.9%	9.8%	13.2%	7.2%	5.8%	7.2%	3.5%	7.6%
/ 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	-0.23	1.46	7.54	10.00	5.54	4.46	5.54	2.69	5.85
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.02	-0.02	0.15	0.75	1.00	0.55	0.45	0.55	0.27	0.58
= Ratio 10.00 Cap Subtotal	0.02	-0.02	0.15	0.75	1.00	0.55	0.45	0.55	0.27	0.58
+ Viability Ratio	0.4	0.5	0.5	0.5	0.4	0.5	0.4	0.4	0.3	0.4
/ 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	0.96	1.09	1.10	1.17	1.03	1.14	1.02	1.07	0.81	0.94
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.34	0.38	0.39	0.41	0.36	0.40	0.36	0.38	0.28	0.33
= Ratio 10.00 Cap Subtotal	0.34	0.38	0.39	0.41	0.36	0.40	0.36	0.38	0.28	0.33
Composite Financial Index	2.2	2.1	2.3	4.2	4.7	3.0	2.9	3.6	1.9	2.9
Composite Financial Index w/10.00 Cap	2.2	2.1	2.3	4.2	4.7	3.0	2.9	3.6	1.9	2.9

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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(Dollars in thousands)</i>										
PRIMARY RESERVE RATIO										
Unrestricted Net Position	154,120	172,284	178,600	182,210	173,639	124,781	80,149	70,716	47,337	45,075
Unrestricted Net Assets - Component Units	12,285	32,282	29,470	30,222	24,951	17,464	20,139	15,944	10,030	7,373
Expendable Restricted Net Position	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401	20,193	18,345
Temp. Restricted Net Assets - Component Units	52,378	23,511	18,357	22,263	15,403	17,146	22,846	25,025	15,668	14,533
Expendable Net Assets	248,245	254,735	243,998	251,061	233,366	178,310	146,085	134,086	93,228	85,326
Operating Expenses	461,507	433,921	402,963	389,806	353,360	354,804	355,565	330,633	310,766	278,917
Nonoperating Expenses	14,709	23,456	22,852	14,023	14,450	14,731	13,870	10,506	10,433	8,345
Component Unit Total Expenses	11,944	10,822	11,363	13,424	11,289	11,506	37,868	28,203	7,001	18,206
Total Expenses	488,160	468,199	437,178	417,253	379,099	381,041	407,303	369,342	328,200	305,468
Expendable Net Position / Net Assets	248,245	254,735	243,998	251,061	233,366	178,310	146,085	134,086	93,228	85,326
Total Expenses	488,160	468,199	437,178	417,253	379,099	381,041	407,303	369,342	328,200	305,468
Ratio	0.51	0.54	0.56	0.60	0.62	0.47	0.36	0.36	0.28	0.28
Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increase in amount over time denotes strength.										
RETURN ON NET ASSETS RATIO										
Change in Total Net Position	25,910	15,925	13,714	64,088	64,205	29,355	34,843	46,645	16,320	28,543
Total Net Position (Beginning of Year)	537,588	523,259	509,545	445,521	381,316	351,961	317,119	264,815	249,904	221,068
Ratio	4.8%	3.0%	2.7%	14.4%	16.8%	8.3%	11.0%	17.6%	6.5%	12.9%
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	(2,469)	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,198	22,664
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	3,834	2,812	646	5,271	7,488	(2,676)	4,195	5,816	2,657	2,446
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	1,365	(1,582)	8,572	45,024	57,676	29,552	25,112	28,437	11,855	25,110
Total Operating Revenues	282,815	263,651	241,440	232,621	198,965	178,077	162,343	194,576	181,568	171,536
State Appropriation and State related revenues	117,896	112,961	114,827	140,009	150,296	171,338	170,003	153,775	136,551	131,110
Non-capital Gifts and Grants, net	67,333	67,494	70,567	64,327	64,388	52,348	53,306	5,534	5,464	3,730
Investment Income (Loss), net	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933	6,814	3,550
Component Units Total Unrestricted Revenue	15,778	13,634	12,009	18,696	18,777	8,830	42,063	34,018	9,657	20,652
Adjusted Net Operating Revneues	489,525	460,914	441,521	458,636	436,604	409,401	432,415	396,836	340,054	330,578

Summary of Ratios (continued)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	1,365	(1,582)	8,572	45,024	57,676	29,552	25,112	28,437	11,855	25,110
Adjusted Net Operating Revenues	489,525	460,914	441,521	458,636	436,604	409,401	432,415	396,836	340,054	330,578
Ratio	0.3%	-0.3%	1.9%	9.8%	13.2%	7.2%	5.8%	7.2%	3.5%	7.6%
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	154,120	172,284	178,600	182,210	173,639	124,781	80,149	70,716	47,337	45,075
Unrestricted Net Assets - Component Units	12,286	32,282	29,470	30,222	24,951	17,464	20,139	15,944	10,030	7,373
Expendable Restricted Net Position	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401	20,193	18,345
Temporarily Restricted Net Assets - Component Units	52,378	23,511	18,357	22,263	15,403	17,146	22,846	25,025	15,668	14,533
Expendable Net Position / Net Assets	248,246	254,735	243,998	251,061	233,366	178,310	146,085	134,086	93,228	85,326
University LT Debt, net capital leases with CUs	613,415	561,505	531,802	466,547	494,816	325,786	292,740	252,201	240,221	181,903
Component Units Long Term Debt	-	-	-	46,894	47,741	48,522	49,139	47,778	35,391	35,480
Total Adjusted University Debt	613,415	561,505	531,802	513,441	542,557	374,308	341,879	299,979	275,612	217,383
Expendable Net Position / Net Assets	248,246	254,735	243,998	251,061	233,366	178,310	146,085	134,086	93,228	85,326
Total Adjusted University Debt	613,415	561,505	531,802	513,441	542,557	374,308	341,879	299,979	275,612	217,383
Ratio	0.405	0.454	0.459	0.489	0.430	0.476	0.427	0.447	0.338	0.393

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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(Dollars in thousands)</i>										
OPERATING MARGIN EXCLUDING GIFTS										
Income (Loss) Before Other Revenues, Expenses,										
Gains, or Losses	(2,469)	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,198	22,664
Adjusted Income (Loss) Before Other Revenues,										
Expenses, Gains, or Losses	(2,469)	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,198	22,664
Total Operating Revenues	282,815	263,651	241,440	232,621	198,965	178,077	162,343	194,576	181,568	171,536
State appropriation and share of sales tax	117,896	112,961	114,827	139,718	139,361	147,846	170,003	153,775	136,551	131,110
Federal fiscal stabilization funds				291	10,935	23,492				
Investment Income/(Loss), net	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933	6,814	3,550
Adjusted Net Operating Revenues less Non-										
capital Gifts and Grants	406,414	379,786	358,945	375,613	353,439	348,223	337,046	357,284	324,933	306,196
Adjusted Income (Loss) Before Other Revenues,										
Expenses, Gains, or Losses	(2,469)	(4,394)	7,926	39,753	50,188	32,228	20,917	22,621	9,198	22,664
Adjusted Net Operating Revenues less Non-										
capital Gifts and Grants	406,414	379,786	358,945	375,613	353,439	348,223	337,046	357,284	324,933	306,196
Ratio	-0.6%	-1.2%	2.2%	10.6%	14.2%	9.3%	6.2%	6.3%	2.8%	7.4%

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	\$ 154,120	\$ 172,284	\$ 178,600	\$ 182,210	\$ 173,639	\$ 124,781	\$ 80,149	\$ 70,716	\$ 47,337	\$ 45,075
Expendable Restricted Net Position	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401	20,193	18,345
Expendable Net Position	\$ 183,582	\$ 198,942	\$ 196,171	\$ 198,576	\$ 193,012	\$ 143,700	\$ 103,100	\$ 93,117	\$ 67,530	\$ 63,420
Expendable Net Position	\$ 183,582	\$ 198,942	\$ 196,171	\$ 198,576	\$ 193,012	\$ 143,700	\$ 103,100	\$ 93,117	\$ 67,530	\$ 63,420
Total Bonds, COPS, and Capital Leases	\$ 613,415	\$ 561,505	\$ 485,819	\$ 466,547	\$ 494,816	\$ 325,786	\$ 292,740	\$ 252,201	\$ 240,221	\$ 181,903
Ratio	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3

Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date.

TOTAL FINANCIAL RESOURCES TO DIRECT DEBT

Unrestricted Net Position	\$ 154,120	\$ 172,284	\$ 178,600	\$ 182,210	\$ 173,639	\$ 124,781	\$ 80,149	\$ 70,716	\$ 47,337	\$ 45,075
Expendable Restricted Net Position	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401	20,193	18,345
Non-expendable Restricted Net Position	21,770	20,430	19,517	19,047	18,253	17,504	16,493	16,251	16,971	15,177
Total Financial Resources	\$ 205,352	\$ 219,372	\$ 215,688	\$ 217,623	\$ 211,265	\$ 161,204	\$ 119,593	\$ 109,368	\$ 84,501	\$ 78,597
Total Financial Resources	\$ 205,352	\$ 219,372	\$ 215,688	\$ 217,623	\$ 211,265	\$ 161,204	\$ 119,593	\$ 109,368	\$ 84,501	\$ 78,597
Total Bonds, COPS, and Capital Leases	\$ 613,415	\$ 561,505	\$ 485,819	\$ 466,547	\$ 494,816	\$ 325,786	\$ 292,740	\$ 252,201	\$ 240,221	\$ 181,903
Ratio	0.3	0.4	0.4	0.5	0.4	0.5	0.4	0.4	0.4	0.4

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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	\$ (144,325)	\$ (143,659)	\$ (147,552)	\$ (137,184)	\$ (126,391)	\$ (151,474)	\$ (176,809)	\$ (120,301)	\$ (105,630)	\$ (91,999)
State Appropriations and Federal Stabilization Fund	105,551	101,469	103,670	128,820	139,383	159,092	153,579	136,862	124,690	117,635
Share of State Sales Tax - TRIF	12,308	11,492	11,157	11,189	10,913	12,246	16,424	16,913	11,861	13,475
Non-capital Grants and Contracts, Gifts, Other	67,333	67,494	70,567	64,327	64,388	52,348	53,306	5,534	5,464	3,730
Adjusted Cash Flow from Operations	\$ 40,867	\$ 36,796	\$ 37,842	\$ 67,152	\$ 88,293	\$ 72,212	\$ 46,500	\$ 39,008	\$ 36,385	\$ 42,841
Total Bonds, COPS, and Capital Leases	\$ 613,415	\$ 561,505	\$ 485,819	\$ 466,547	\$ 494,816	\$ 325,786	\$ 292,740	\$ 252,201	\$ 240,221	\$ 181,903
Adjusted Cash Flow from Operations	\$ 40,867	\$ 36,796	\$ 37,842	\$ 67,152	\$ 88,293	\$ 72,212	\$ 46,500	\$ 39,008	\$ 36,385	\$ 42,841
Ratio	15.0	15.3	12.8	6.9	5.6	4.5	6.3	6.5	6.6	4.2
Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	\$ 23,696	\$ 23,456	\$ 22,851	\$ 14,023	\$ 14,450	\$ 13,422	\$ 12,206	\$ 10,506	\$ 10,043	\$ 7,296
Principal Paid on Debt and Leases (1)	9,538	51,997	18,115	27,708	10,034	9,863	48,482	52,277	10,763	35,901
Principal Paid from Refinancing Activities (2)	(16,315)	(37,245)	(8,720)	(18,700)	-	-	(35,345)	(41,130)	-	(25,555)
Debt Service	\$ 16,919	\$ 38,208	\$ 32,246	\$ 23,031	\$ 24,484	\$ 23,285	\$ 25,343	\$ 21,653	\$ 20,806	\$ 17,642
Debt Service	\$ 16,919	\$ 38,208	\$ 32,246	\$ 23,031	\$ 24,484	\$ 23,285	\$ 25,343	\$ 21,653	\$ 20,806	\$ 17,642
Operating Expenses	\$ 461,507	\$ 433,921	\$ 402,963	\$ 389,806	\$ 353,360	\$ 354,804	\$ 355,565	\$ 330,633	\$ 310,766	\$ 278,917
Ratio	3.7%	8.8%	8.0%	5.9%	6.9%	6.6%	7.1%	6.5%	6.7%	6.3%

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, 2014" table in Note 5 of the audited Notes to the Financial Statements.

(2) Obtained amount from refunding bonds official statements.



Summary of Ratios (continued)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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(Dollars in thousands)

RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

Operating Expenses	461,507	433,921	402,963	389,806	353,360	354,804	355,565	330,633	310,766	278,917
Scholarships and Fellowships	(25,413)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)	(13,031)	(11,797)	(10,628)
Interest on Debt	23,696	23,456	22,852	14,023	14,450	13,422	12,206	10,506	10,043	7,296

Total Adjusted Operating Expenses	459,790	433,166	400,239	374,611	344,379	351,582	353,923	328,108	309,012	275,585
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Research Expenses	23,584	19,886	21,766	23,178	22,306	21,463	21,433	21,353	21,232	19,615
Total Adjusted Operating Expenses	459,790	433,166	400,239	374,611	344,379	351,582	353,923	328,108	309,012	275,585

Ratio	5%	5%	5%	6%	6%	6%	6%	7%	7%	7%
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Measures the institution's research expense to the total operating expenses.

NET TUITION PER STUDENT

Student Tuition and Fees, net	188,816	172,565	157,864	147,224	126,414	112,075	99,151	89,162	82,012	74,121
Financial Aid Grants	6,370	8,639	9,041	10,630	10,943	10,773	10,693	13,718	13,142	10,025
Scholarships and Fellowships	(25,413)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)	(13,031)	(11,797)	(10,628)

Net Tuition and Fees	169,773	156,993	141,329	128,636	113,926	106,204	95,996	89,849	83,357	73,518
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Net Tuition and Fees	169,773	156,993	141,329	128,636	113,926	106,204	95,996	89,849	83,357	73,518
Student FTE	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794

Net Tuition per Student (whole dollars)	\$ 6,841	\$ 6,485	\$ 6,154	\$ 5,655	\$ 5,430	\$ 5,436	\$ 5,251	\$ 5,137	\$ 5,013	\$ 4,378
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Measures the institution's net student tuition and fees received per student.

STATE APPROPRIATIONS PER STUDENT

State Appropriations	105,588	101,469	103,670	128,529	128,448	135,600	153,579	136,862	124,690	117,635
Capital State Appropriations	5,900	5,900	5,900	5,900	5,900	5,900	5,900	2,647	-	-

Adjusted State Appropriations	111,488	107,369	109,570	134,429	134,348	141,500	159,479	139,509	124,690	117,635
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Adjusted State Appropriations	111,488	107,369	109,570	134,429	134,348	141,500	159,479	139,509	124,690	117,635
Student FTE	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794

Adjusted State Appropriation per Student (whole dollars)

Student (whole dollars)	\$ 4,493	\$ 4,435	\$ 4,771	\$ 5,910	\$ 6,404	\$ 7,243	\$ 8,724	\$ 7,977	\$ 7,499	\$ 7,005
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Measures the institution's dependency on state appropriations.

Debt Coverage for Senior Lien System Revenue Bonds

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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(Dollars in thousands)

Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year.

Revenues Available for Debt Service

Tuition and Fees, net of scholarship

allowance \$ 188,816 \$ 172,565 \$ 157,864 \$ 147,224 \$ 126,414 \$ 112,075 \$ 99,151 \$ 89,162 \$ 82,012 \$ 74,121

Receipts from Other Major Revenue

Sources (Facilities Revenues) 63,383 61,277 56,355 46,770 49,886 40,726 35,565 39,644 40,646 28,280

Net Revenues Available for Debt Service \$ 252,199 \$ 233,842 \$ 214,219 \$ 193,994 \$ 176,300 \$ 152,801 \$ 134,716 \$ 128,806 \$ 122,658 \$ 102,401

Senior Lien Bonds Debt Service

Interest on Debt \$ 14,990 \$ 15,248 \$ 15,112 \$ 15,133 \$ 10,139 \$ 8,774 \$ 7,350 \$ 5,922 \$ 6,170 \$ 6,060

Principal Paid on Debt 6,615 6,610 5,835 5,610 6,545 6,470 10,455 10,140 10,090 10,065

Direct Payment - Build America Bonds (2,237) (2,306) (2,411) (2,411) (1,098)

Senior Lien Bonds Debt Service

Requirements \$ 19,368 \$ 19,552 \$ 18,536 \$ 18,332 \$ 15,586 \$ 15,244 \$ 17,805 \$ 16,062 \$ 16,260 \$ 16,125

Coverage 13.02 11.96 11.56 10.58 11.31 10.02 7.57 8.02 7.54 6.35

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 \$ 7,315 \$ 3,859 \$ 3,859 \$ 3,870 \$ 665

Direct Payment - Build America Bonds (1,243) (1,351) (1,351) (1,024)

Direct Payment - State Lottery Revenue (2,489) (2,007) (2,007) (2,426)

Subordinate Lien Bonds Debt Service

Requirements \$ 3,583 \$ 501 \$ 502 \$ 419 \$ 665

Combined Senior/Subordinate Lien

Debt Service \$ 22,951 \$ 20,053 \$ 19,038 \$ 18,751 \$ 16,251 \$ 15,244 \$ 17,805 \$ 16,062 \$ 16,260 \$ 16,125

Coverage 10.99 11.66 11.25 10.35 10.85 10.02 7.57 8.02 7.54 6.35

Admissions, Enrollment, and Degrees Earned

Fall Enrollment of Fiscal Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
ADMISSIONS - FRESHMEN										
Applications	33,435	29,108	24,482	22,845	21,035	16,492	13,022	9,814	7,014	7,821
Accepted	30,561	26,010	20,620	20,562	19,076	14,745	11,563	8,894	6,254	7,107
Enrolled	4,772	4,254	3,872	4,132	3,702	3,588	3,171	2,846	2,279	2,528
Accepted as Percentage of Application	91%	89%	84%	90%	91%	89%	89%	91%	89%	91%
Enrolled as Percentage of Accepted	16%	16%	19%	20%	19%	24%	27%	32%	36%	36%
Average SAT scores - Total	1053	1059	1065	1062	1050	1051	1057	1065	1068	1061
Verbal	525	526	522	523	518	518	520	523	528	520
Math	528	529	526	525	521	523	527	528	527	528

Source: NAU-Planning and Institutional Research

Fall Enrollment of Fiscal Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
ENROLLMENT										
Student FTE	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489	16,628	16,794
Student Headcount	26,606	26,002	25,364	25,204	23,600	22,507	21,352	20,562	19,069	19,426
Men (Headcount)	10,802	10,534	10,165	9,906	8,999	8,432	7,929	7,565	6,963	7,225
Percentage of Total	40.6%	40.5%	40.1%	39.3%	38.1%	37.5%	37.1%	36.8%	36.5%	37.2%
Women (Headcount)	15,804	15,468	15,199	15,298	14,601	14,075	13,423	12,997	12,106	12,201
Percentage of Total	59.4%	59.5%	59.9%	60.7%	61.9%	62.5%	62.9%	63.2%	63.5%	62.8%
African American (Headcount)	839	831	842	823	795	723	641	555	426	442
Percentage of Total	3.2%	3.2%	3.3%	3.3%	3.4%	3.2%	3.0%	2.7%	2.2%	2.3%
White (Headcount)	17,023	16,917	16,848	17,030	16,497	16,053	15,325	14,789	13,981	14,334
Percentage of Total	64.0%	65.1%	66.4%	67.6%	69.9%	71.3%	71.8%	71.9%	73.3%	73.8%
Other (Headcount)	8,744	8,254	7,674	7,351	6,308	5,731	5,386	5,218	4,662	4,650
Percentage of Total	32.9%	31.7%	30.3%	29.2%	26.7%	25.5%	25.2%	25.4%	24.4%	23.9%

Source: NAU-Planning and Institutional Research

	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
DEGREES EARNED										
Bachelor's	4,359	4,005	4,497	4,020	3,635	3,277	2,935	2,895	2,845	2,853
Master's	1,089	1,192	1,546	1,707	1,699	1,719	1,767	1,760	1,926	1,895
Doctoral	108	96	109	95	91	103	87	88	82	111
Total Degrees	5,556	5,293	6,152	5,822	5,425	5,099	4,789	4,743	4,853	4,859

Demographic Data

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Arizona Population	6,626,624	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
Arizona Personal Income (in millions)	244,011	235,781	227,287	216,590	212,873	226,465	218,588	206,958	188,152	170,026
Arizona Per Capita Personal Income	36,823	35,979	35,062	33,773	33,560	36,059	35,441	34,326	32,223	30,080
Arizona Unemployment Rate	8.00%	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%	5.00%

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

State of Arizona Principal Employers

Employer	Calendar Year Ended December 31, 2013			Calendar Year Ended December 31, 2004		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of Arizona	49,278	1	1.64%	49,147	1	1.76%
Wal-Mart Stores, Inc	32,169	2	1.06%	19,510	2	0.70%
Banner Health	25,270	3	0.84%	14,447	4	0.52%
City of Phoenix	14,983	4	0.50%	13,617	5	0.49%
Wells Fargo	14,713	5	0.49%	11,000	8	0.39%
Maricopa County	12,698	6	0.42%	15,218	3	0.55%
Arizona State University	12,222	7	0.40%	10,530	9	0.38%
Intel Corp.	11,900	8	0.39%			
JPMorgan Chase & Co.	11,042	9	0.37%			
Bank of America	11,000	10	0.37%			
Honeywell International				12,000	6	0.43%
U.S. Postal Service				11,406	7	0.41%
Raytheon Missile Systems			0.00%	10,300	10	0.37%
	<u>195,275</u>		<u>6.48%</u>	<u>167,175</u>		<u>6.00%</u>

Sources: Phoenix Business Journal, Book of Lists 2014 and 2005 for employers: Arizona Department of Administration website, www.workforce.az.gov for annual state employment



Faculty and Staff

Fall employment of fiscal year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
FACULTY										
Full-time	973	900	864	836	813	809	774	755	723	710
Part-time	616	639	632	665	601	706	726	737	651	607
Total Faculty	1,589	1,539	1,496	1,501	1,414	1,515	1,500	1,492	1,374	1,317
Percentage Tenured	53.0%	52.0%	60.0%	63.0%	69.0%	71.0%	75.0%	76.0%	77.0%	80.0%
STAFF										
Full-time	1,842	1,779	1,707	1,651	1,608	1,710	1,620	1,571	1,574	1,492
Part-time*	715	651	661	606	682	674	642	677	670	696
Total Staff	2,557	2,430	2,368	2,257	2,290	2,384	2,262	2,248	2,244	2,188
Total Faculty and Staff	4,146	3,969	3,864	3,758	3,704	3,899	3,762	3,740	3,618	3,505

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Planning and Institutional Research

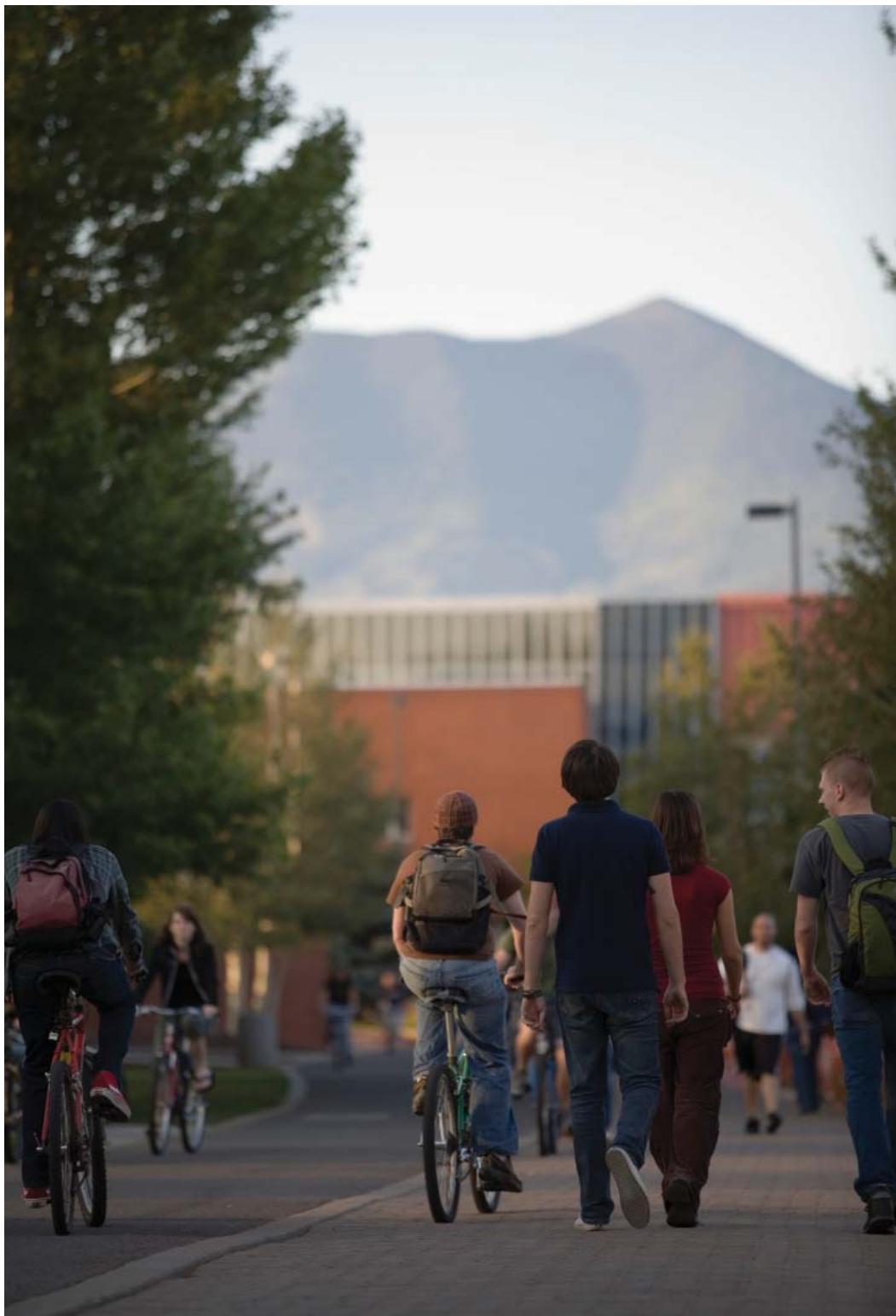
Capital Assets

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Academic/Support Facilities	84	83	81	80	81	79	80	80	78	79
Auxiliary Facilities	33	31	28	28	27	27	24	23	21	23
Total	117	114	109	108	108	106	104	103	99	102

Does not include leased facilities.

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





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