# Comprehensive Annual Financial Report

Year Ended | June 30, 2015

NORTHERN ARIZONA UNIVERSITY

Included as an Enterprise Fund of the State of Arizona

# 2015 Comprehensive Annual Financial Report

## For the year ended June 30, 2015

Flagstaff, Arizona
Prepared by the Comptroller's Office

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# Introductory Section

# A Message from the President

After a full year on my journey as NAU's president, I continue to be optimistic about the university's standing and confident about what the future will bring.

This is a university that is coming of age at a time of rapid change in higher education, blossoming with growth and new capabilities. We are setting our sights even higher as our accomplishments point the way to institutional excellence.

NAU welcomed a record number of students in the fall, including its largest freshman class ever. That means our annual economic impact in Arizona increased by $30 million since last year. Overall, NAU contributes nearly $2 billion to the Arizona economy.

As the economy in Arizona continues its gradual recovery, NAU contributes in other ways. Of the tens of thousands of jobs Arizona is projected to add, a significant proportion encompasses STEM fields. NAU's enrollment growth in STEM programs has expanded rapidly in the last 10 years, tracking well with the state's workforce needs.

To ensure the continued vitality of enrollment and workforce trends, NAU has invested in an extensive network of support for first-year students, streamlined processes and structures to enhance organizational effectiveness, and implemented new technologies to integrate student services and advance our capabilities in course scheduling.

At the same time that we have opened spectacular new facilities, such as the Science and Health building, we have also expanded our digital footprint in online courses and programs in order to be even more accessible and flexible.

We have also welcomed new leaders who are coalescing into a visionary team that is focusing on the most essential functions required for the university to maintain its momentum and prepare for an energetic move forward.

Throughout all these changes, our students are at the center of all we do and all we hope to do. One of the most fulfilling aspects of being a high-performing university is knowing we serve our students well. Their success is more than a goal—it's a value, along with access, and quality, and the excellence of their experience. What we achieve with students clearly influences the progress of this state. Their contributions to Arizona's prosperity will become our legacy.

Thank you for your interest and support of Northern Arizona University. We face many challenges while fulfilling our mission but we will always succeed by working with our partners and the community.

Rita Cheng
President

# Letter of Transmittal

October 30, 2015

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

We are respectfully submitting the Comprehensive Annual Financial Report (CAFR) of Northern Arizona University for the fiscal year ended June 30, 2015. The report includes the financial statements for the year as well as other useful information to help ensure the University's accountability to the public.

Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position. We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the audit committee and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements, and provide reasonable assurance that assets are safeguarded from unauthorized use or disposition.

The University's CAFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes §41-725. Additionally, federal guidelines and certain bond covenants require that the University's accounting and financial records be subject to an annual independent audit. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The reports resulting from the audit are shared with University management, the Arizona Board of Regents (ABOR), ABOR Audit Committee and the ABOR Business and Finance Committee. The audit of the University's federal financial assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. The independent auditors' report can be found in front of the Financial Section wherein the auditors' opinion on the fair presentation of the financial statements is an unmodified opinion.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The CAFR includes Management's Discussion and Analysis (MD&A), along with other required supplementary information and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2015. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

## 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 ABOR. The University's fiscal year 2015 fall semester total headcount was 27,715. Headcount was comprised of 23,845 undergraduate and 3,870 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. 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 accompanying financial statements present all funds belonging to the University and its component units. For the fiscal year ended June 30, 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* GASB Statement No. 68 revises existing guidance for the financial reporting by state and local governments for pensions. It will also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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 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, ABOR, state, and federal policies and procedures. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget. Project-length financial plans are adopted for capital projects.

## 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, ABOR 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.

For over 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.

## Economic Condition

As reported by the Arizona Department of Administration Employment Forecast, released in February, 2015, the Office of Employment and Population Statistics within the Arizona Department of Administration is forecasting gradual gains in nonfarm employment in Arizona for the 2015-2016 time period. An over-the-year gain of 56,600 nonfarm jobs is expected in 2015 and 63,100 in 2016, representing growth of 2.2 percent in 2015 and 2.4 percent in 2016 across the State of Arizona. The overall employment situation in Arizona continues to improve. This is consistent with improvement seen in many economic indicators including population growth.

Arizona's year over year average nonfarm employment growth rate exceeded the national average in both 2013 and 2014. While the U.S. has recovered all the jobs shed since the prerecession peak, Arizona has recovered approximately 73.9 percent of jobs lost as of December, 2014. The recovery is expected to continue in Arizona. All eleven major sectors are expected to grow in 2015 and 2016.

There are several factors supporting Arizona's economic growth, including continued improvement in real Gross Domestic Product (GDP), real personal income, employment, and retail sales. There is a continuation of private sector employment gains. Household net worth and U.S. exports continue to increase. The residential real estate market has shown improvement. Some factors that could further dampen the growth of the local economy include disposable income increases offset by constrained budgets for a large majority of households. Population growth has been below the growth rate observed historically, limiting the additional demand for goods and services. Compared to prior recessions, the weak employment recovery is in large part due to lack of new construction. However, the economic fundamentals continue to improve.

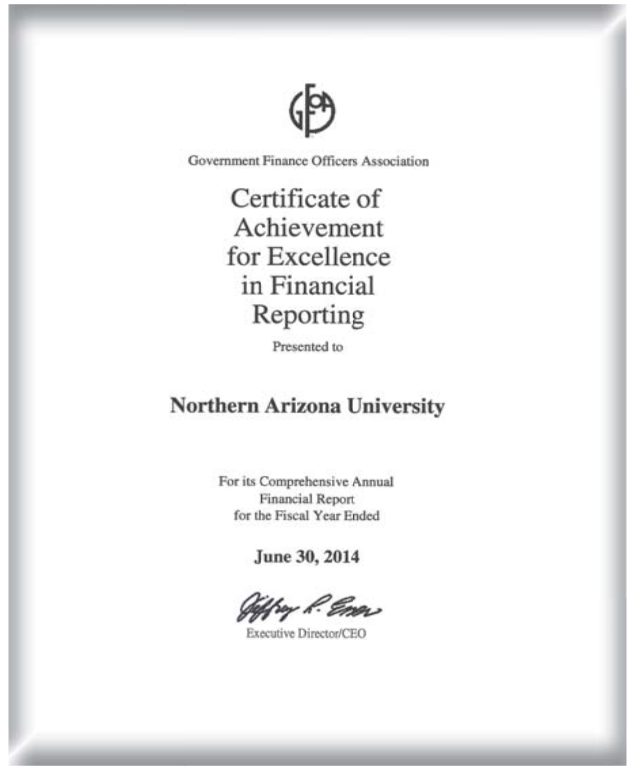
The University will continue to provide excellent teaching, research, and public service endeavors for students, citizens, and other constituents. Management has taken action to restructure and reduce the operating budget while protecting the academic foundation as much as possible. NAU remains committed to sound financial and budgetary planning, protection and enhancement of its endowed and physical assets, as well as its observance of compliance and control standards.

## Planning and Major Initiatives

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 ABOR directions to promote student learning and success, advance educational attainment in Arizona, expand research, and impact Arizona.

The record breaking class of 2019 was chosen from over 30,000 applicants. The 4,341 new, full time freshmen students hail from all 15 Arizona counties, 43 states and 14 countries. More than 25 percent graduated in the top 10 percent of their class. Students who will be the first in their families to graduate from a four-year college comprise almost 43 percent of the class. In extracurricular activities over their last year in high school, 71 percent participated in volunteer work/community service; 94 percent played a sport or exercised weekly; and 72 percent participated in student clubs.

Northern Arizona University is working closely with Northern Arizona Healthcare to create the THRIVE



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, 2014**

Executive Director/CEO

partnership through a grant funded by the Flinn Foundation. Through THRIVE, the two organizations are conducting research in the areas of population and community health, precision and personalized medicine, and translational and biomedical health. The diverse populations of northern Arizona are the focus of the partnership. Specifically, researchers hope to identify the cultural and transitional barriers faced by discharged cardiac patients in order to reduce those barriers, improve the overall aftercare and reduce re-admission rates.

In order to accommodate our growing student population, construction on a new Science and Health building with updated lab and classroom space has been completed and has opened to students this fall. The Student and Academic Services building will be opening in January, 2016 which will help streamline services for students. Construction on the new Aquatic and Tennis Complex is well underway and will open in December. These, among other projects, directly address needs for renovating or replacing aging facilities and accommodating a larger student population.

## 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, 2014. This was the second consecutive year that NAU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

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

Jennus L. Burton
Vice President for Finance and Administration

## Arizona Board of Regents

as of June 30, 2015

EX-OFFICIO MEMBERS

Honorable Doug Ducey
*Governor of Arizona*

Honorable Diane Douglas
*Superintendent of Public Instruction*

APPOINTED MEMBERS

Jay Heiler, *Chair*

Greg Patterson, *Vice Chair*

Ram Krishna, *Secretary*

Mark Killian, *Treasurer*

LuAnn Leonard

Rick Myers

Bill Ridenour

Ron Shoopman

Jared Gorshe, *Student Regent*

Mark Naufel, *Student Regent*

## Executive Administration

as of June 30, 2015

Rita Cheng
*President*

Joanne Keene
*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*

Bjorn Flugstad
*Vice President for Planning and Institutional Research*

Mason Gerety
*Vice President for University Advancement*

William Grabe
*Vice President for Research*

Laura Huenneke
*Provost and Vice President for Academic Affairs*

Fred Hurst
*Senior Vice President for Extended Campuses*

Jane Kuhn
*Vice President for Enrollment Management and Student Affairs*

Mark Neumayr
*Vice President and General Counsel*

Wendy Swartz
*Interim Associate Vice President for Financial Services/ Comptroller*

# Organization Chart

as of June 30, 2015

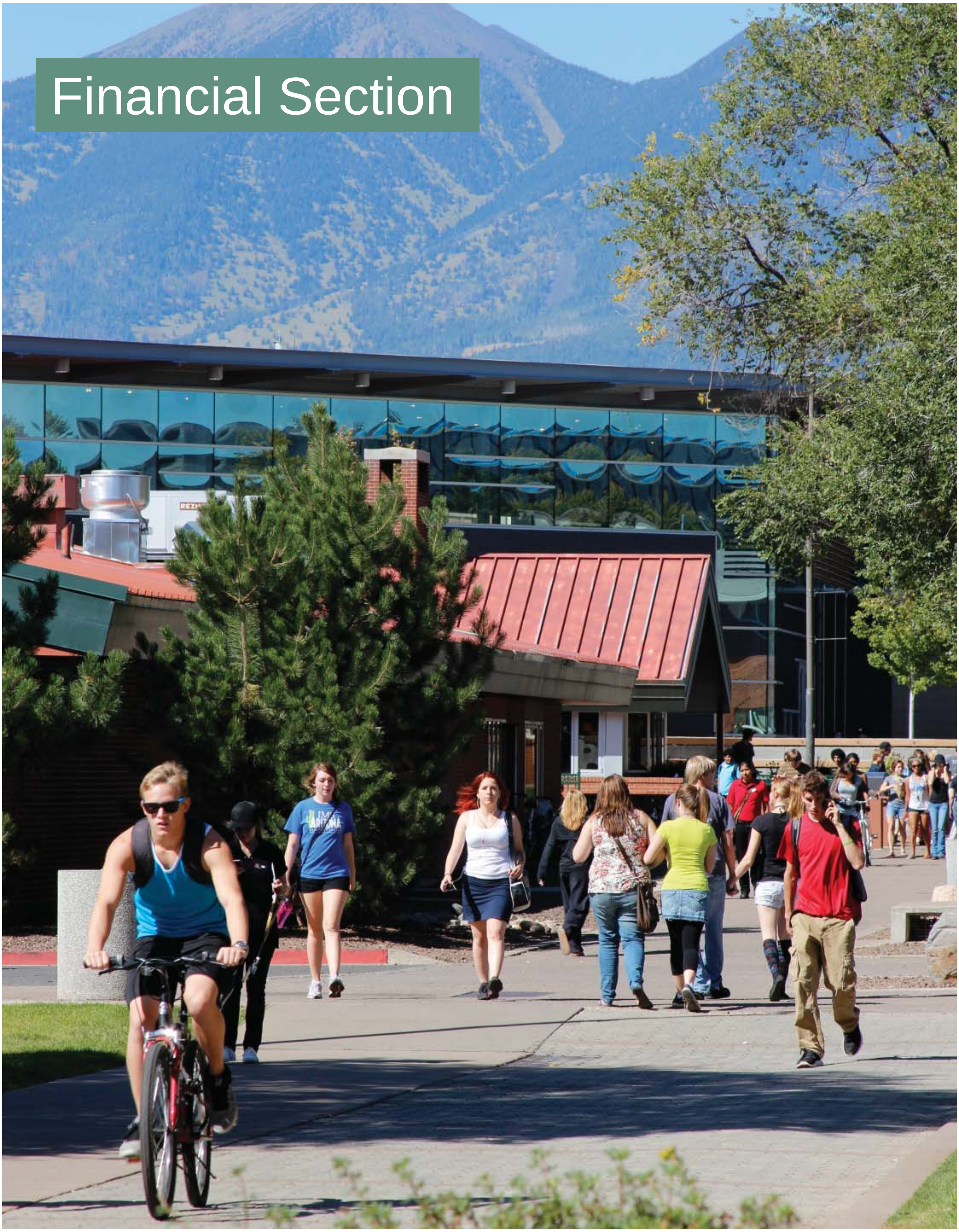
- **Rita Cheng**, President
  - **Joanne Keene**, Exec.VP & Chief of Staff
  - **Laura Huenneke**, Provost & VP for Academic Affairs
  - **Mason Gerety**, VP for University Advancement
  - **Lisa Campos**, VP for Intercollegiate Athletics
  - **Mark Neumayr**, VP & General Counsel
  - **Jennus Burton**, VP for Finance & Administration
  - **Christy Farley**, VP for Government Affairs & Business Partnerships
  - **Jane Kuhn**, VP for Enrollment Management & Student Affairs
  - **William Grabe**, VP for Research
  - **Fred Estrella**, Chief Information Technology Officer
  - **Fred Hurst**, Sr. VP for Extended Campuses
  - **Bjorn Flugstad**, VP for Institutional Effectiveness
  - **David Camacho**, Special Advisor to the President & Assoc. VP for Inclusion
  - **Joseph Martin**, Special Advisor to the President, Native American Affairs
  - **Deborah Craig**, Faculty Athletics Representive

# Organization Chart

as of September 30, 2015

- **Rita Cheng** — President
  - **Joanne Keene** — Exec.VP & Chief of Staff
  - **James Coleman** — Provost & VP for Academic Affairs
  - **Betsy Mennell** — Interim VP for University Advancement
  - **Lisa Campos** — VP for Intercollegiate Athletics
  - **Mark Neumayr** — VP & General Counsel
  - **Jennus Burton** — VP for Finance & Administration
  - **Christy Farley** — VP for Government Affairs & Business Partnerships
  - **Jane Kuhn** — VP for Enrollment Management & Student Affairs
  - **William Grabe** — VP for Research
  - **Ricky Roberts** — Interim Chief Information Technology Officer
  - **Fred Hurst** — Sr. VP for Extended Campuses
  - **Bjorn Flugstad** — VP for Institutional Effectiveness
  - **Carla Andrews-O'Hara** — Chief Marketing & Communications Officer
  - **David Camacho** — Special Advisor to the President & Assoc. VP for Inclusion
  - **Joseph Martin** — Special Advisor to the President, Native American Affairs
  - **Alisse Ali-Joseph** — Faculty Athletics Representative

# Financial Section



STATE OF ARIZONA

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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, 2015, 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.

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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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matters*

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, for the year ended June 30, 2015, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### *Other Matters*

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, Schedule of the University's Proportionate Share of the Net Pension Liability, and Schedule of University's Pension Contributions 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 30, 2015

# Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and the activities of Northern Arizona University for the fiscal year ended June 30, 2015. Management has prepared the discussion and analysis to be read in conjunction with the transmittal letter, the financial statements and notes.

The University is an enterprise fund of the State of Arizona, and an integral part of the State's Comprehensive Annual Financial Report. The financial reporting entity for the financial statements is comprised of the University and two component units. One component unit is reported as if it was part of the University, and one is reported as a discretely presented component unit based on the nature and significance of their relationship to NAU.

The financial statements encompass NAU and its discretely presented component unit; however, the MD&A focuses only on the University. Information relating to the component unit can be found in this report in the component unit Statement of Financial Position and Statement of Activities as well as Note 10, and in its separately issued financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of NAU's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements. NAU's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for the 2013-2014 fiscal year are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases compared with fiscal year 2014-2015 data.

## Overview of Financial Statements

### Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, including all assets and deferred outflows, all liabilities and deferred inflows, and segregates the assets and liabilities into current and non-current components. The following table summarizes the University's assets and deferred outflows, liabilities and deferred inflows, and net position on June 30, 2015 and June 30, 2014 restated for the implementation of GASB Statement No. 68 and GASB Statement No. 71.

**CONDENSED SCHEDULE OF ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOW OF RESOURCES, AND NET POSITION**
**(dollars in thousands)**

| | 2015 | 2014 (restated) |
|---|---|---|
| **Assets:** | | |
| Current assets | $ 230,820 | $ 210,377 |
| **Non-current assets:** | | |
| Endowment, restricted, student loans receivable, and other investments | 101,243 | 164,689 |
| Capital assets, net | 823,088 | 727,698 |
| Other non-current assets | 2,527 | 3,293 |
| **Total Assets** | $ 1,157,678 | $ 1,106,057 |
| **Deferred Outflows of Resources** | $ 38,553 | $ 16,142 |
| **Liabilities:** | | |
| Other liabilities | $ 84,698 | $ 71,249 |
| Long-term liabilities | 792,715 | 769,910 |
| **Total Liabilities** | $ 877,413 | $ 841,159 |
| **Deferred Inflow of Resources** | $ 27,724 | - |
| **Net Position:** | | |
| Net investment in capital assets | $ 268,007 | $ 234,187 |
| Restricted | 55,138 | 51,232 |
| Unrestricted | (32,051) | (4,379) |
| **Total Net Position** | $ 291,094 | $ 281,040 |

### Total Assets

When compared to fiscal year 2014, total assets for the University increased by $51.6 million. The increase was attributable to an increase in capital assets of $95.4 million, an increase in current assets of $20.4 million mainly due to growth in cash and short term investments, offset by decreases in restricted cash for capital projects and other non-current investments of $64.3 million. The net increase in capital assets is due mainly to the construction in progress of three new buildings: Science and Health, Student and Academic Services, and a new Aquatic and Tennis Complex (see the Capital and Debt Analysis section of the MD&A for more information). The increase in cash is an effort to limit the University's interest rate risk; the University has moved its investment portfolio out of non-current long term investments and into shorter term, more liquid investments. This will position the University well for any future interest rate increases. The decrease in restricted cash for capital projects is due to the spending down of bond proceeds for several buildings nearing completion: the Science and Health building, the Student and Academic Services building, and the Aquatic and Tennis Complex.

### Deferred Outflows of Resources

Deferred outflows of resources are consumptions of the University's net position that are applicable to a future reporting period. In fiscal year 2014 the University included deferred charges on refunding of debt as the only deferred outflow of resources. Compared to fiscal year 2014, refunding of debt increased $3.9 million. In fiscal year 2015 the University implemented *GASB* 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* Due to the implementation of the above mentioned GASBs, deferred outflows of resources increased $18.5 million compared to FY 2014 for deferred outflows relating to pensions (see Note 9 for more information).

| | | | |
|---|---|---|---|
| Deferred charge on debt refunding | $ | 9,416,563 | 24% |
| Deferred outflows relating to pensions | | 29,136,580 | 76% |
| Total Deferred Outflows of Resources | $ | 38,553,143 | 100% |

### Total Liabilities

Total liabilities increased $36.3 million compared to fiscal year 2014 (restated) due to the following: an increase in accounts payable of $13.1 million, and an increase in long term debt of $28.6 million. These increases were offset by a decrease in net pension liability of $4.4 million. The increase in accounts payable is attributable to accruing expenses related to new and on-going construction on campus. The increase in long term debt is due to the issuance of new debt for the Student and Academic Services Building.

### Deferred Inflow of Resources

Deferred inflows of resources are an acquisition of net position by the University that are applicable to a future reporting period. In fiscal year 2015 the University implemented *GASB* 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* Due to the implementation in FY 2015 of the above mentioned GASBs, deferred inflow of resources increased $27.7 million for deferred inflows related to pensions (see Note 9 for more information).

### Total Net Position

Net position represents the value of the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position was $291.1 million at June 30, 2015, an increase of $10.1 million over the prior year. Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included. Non-expendable restricted net position includes endowment and similar assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position includes resources in which the University is legally obligated to spend the resources in accordance with restrictions provided by external parties. Unrestricted net position is not subject to externally imposed stipulations; however, most of these resources have been designated for particular academic, research, or other programs, as well as capital projects.

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

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including state appropriations, non-capital grants and gifts, and net investment income are required by GASB Statement No. 35 to be classified as nonoperating revenues. Nonoperating expenses consist of capital financing costs.

### Operating Revenues

The operating revenues represent resources generated from exchange transactions by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees are reported net of the scholarship allowance, which was $88.4 million for fiscal year 2015 and

### CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

A comparison of the University's operations (in thousands of dollars) for the year ended June 30, 2015 and for the year ended June 30, 2014, is as follows:

| | 2015 | 2014 | % Change |
|---|---|---|---|
| Operating revenues: | | | |
| Student tuition and fees, net | $ 205,550 | $ 188,816 | 9% |
| Grants and contracts | 25,081 | 22,459 | 12% |
| Auxiliary enterprises | 55,045 | 51,294 | 7% |
| Other | 23,215 | 20,246 | 15% |
| **Total operating revenues** | $ 308,891 | $ 282,815 | 9% |
| Operating expenses: | | | |
| Educational and general | $ 418,055 | $ 395,493 | 6% |
| Auxiliary enterprises | 37,706 | 32,759 | 15% |
| Depreciation | 35,123 | 33,256 | 6% |
| **Total operating expenses** | $ 490,884 | $ 461,508 | 6% |
| **Operating loss** | $ (181,993) | $ (178,693) | 2% |
| Nonoperating revenues (expenses): | | | |
| State appropriations | $ 112,026 | $ 105,588 | 6% |
| Share of state sales tax revenues | 13,267 | 12,308 | 8% |
| Grants and gifts | 72,690 | 67,333 | 8% |
| Net investment income | 1,771 | 5,703 | (69%) |
| Interest expense on debt | (22,723) | (23,696) | (4%) |
| Other nonoperating revenues | 8,271 | 8,987 | (8%) |
| **Net nonoperating revenues** | $ 185,302 | $ 176,223 | 5% |
| Income (loss) before capital and endowment additions | $ 3,309 | $ (2,470) | 234% |
| Capital appropriations | 5,827 | 5,900 | (1%) |
| Other capital and endowment additions | 918 | 890 | 3% |
| **Increase in net position** | $ 10,054 | $ 4,320 | 133% |
| **Net position, beginning of year (restated)** | 281,040 | 276,720 | 2% |
| **Net position, end of year** | $ 291,094 | $ 281,040 | 4% |

$76.7 million for the prior year. Net revenues from student tuition and fees increased 8.9 percent over the prior year due to approved tuition and fee increases and student enrollment increases in comparison to the prior year.

Revenues from operating grants and contracts increased 11.7 percent over the prior year, primarily due to increased grant expenditures. The funding comes from contracts and grants awarded by federal and state agencies, foundations, non-profit organizations, corporations and associations. Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of large projects and unearned revenues.

Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary revenue increased 7.3 percent over the prior year, primarily due to increased student enrollment.

### Operating Expenses

The University's operating expenses were $490.9 million for the fiscal year ended June 30, 2015. The operating expenses are reported by programmatic (functional) classification in the financial statements and by natural classification in Note 8. The following tables illustrate the University's operating expenses by natural classification and by functional classification.

**EXPENSES - BY NATURAL CLASSIFICATION (in thousands)**

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Operating: | | | | |
| Personal services and benefits | $ | 313,645 | $ | 293,654 |
| Operations | | 113,048 | | 109,185 |
| Scholarships and fellowships | | 29,068 | | 25,413 |
| Depreciation | | 35,123 | | 33,256 |
| Total operating expenses | $ | 490,884 | $ | 461,508 |

**EXPENSES - BY FUNCTIONAL CLASSIFICATION (in thousands)**

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Operating: | | | | |
| Instruction | $ | 167,080 | $ | 156,021 |
| Research | | 25,461 | | 23,584 |
| Public service | | 27,009 | | 25,699 |
| Academic support | | 36,182 | | 33,877 |
| Student services | | 50,335 | | 50,504 |
| Institutional support | | 57,141 | | 53,702 |
| Operation and maintenance of plant | | 25,779 | | 26,693 |
| Scholarships and fellowships | | 29,068 | | 25,413 |
| Auxiliary enterprises | | 37,706 | | 32,759 |
| Depreciation | | 35,123 | | 33,256 |
| Total operating expenses | $ | 490,884 | $ | 461,508 |

Operating expense categories changed at varying rates, although the overall rate of increase was 6.4 percent. Auxiliary enterprises and scholarships and fellowships incurred the highest increase of 15.1 and 14.4 percent respectively, primarily due to increased student enrollment.

### Nonoperating Revenues and Expenses

State appropriations, non-capital gifts and grants, and net investment income are considered non-operating because they were not exchange transactions generated by the University's principal, ongoing operations. For example, state appropriations were not generated by the University but were provided to help fund operating expenses.

State appropriations totaled $112.0 million for FY 2015, a net increase of 6.1 percent. The increase is mainly due to the increased number of students.

Non-capital grants and gifts increased $5.4 million or 8.0 percent. This includes expendable gifts and federal and other awards that are not considered to be operating revenues. Net investment income decreased $3.9 million or a decrease of 68 percent. Net investment income includes income from realized and unrealized gains, and is net of realized and unrealized losses and management fees.

## COMBINED SOURCES AND USES (Dollars in millions)

| | FY 2015 | | FY 2014 | | Percentage Change |
|---|---|---|---|---|---|
| **Sources** | | | | | |
| Tuition and fees, net | $ 205.6 | 39.4% | $ 188.8 | 38.5% | 9% |
| State appropriations | 112.0 | 21.4% | 105.6 | 21.5% | 6% |
| Grants and contracts | 81.9 | 15.6% | 76.0 | 15.5% | 8% |
| Auxiliary enterprises | 55.0 | 10.5% | 51.3 | 10.5% | 7% |
| Other sources | 38.2 | 7.3% | 36.8 | 7.5% | 4% |
| Private gifts, grants and contracts | 15.8 | 3.0% | 13.8 | 2.8% | 14% |
| Share of state sales tax (TRIF) | 13.3 | 2.5% | 12.3 | 2.5% | 8% |
| Net investment income | 1.8 | 0.3% | 5.7 | 1.2% | (68%) |
| Total sources | $ 523.6 | 100.0% | $ 490.3 | 100.0% | 7% |
| **Uses** | | | | | |
| Instruction and academic support | $ 203.2 | 39.7% | $ 189.9 | 39.2% | 7% |
| Student services & institutional support | 107.5 | 20.9% | 104.2 | 21.4% | 3% |
| Research and public service | 52.5 | 10.2% | 49.3 | 10.1% | 6% |
| Auxiliary enterprises | 37.7 | 7.3% | 32.8 | 6.7% | 15% |
| Depreciation | 35.1 | 6.8% | 33.3 | 6.9% | 5% |
| Scholarships and fellowships | 29.1 | 5.7% | 25.4 | 5.2% | 15% |
| Other uses | 22.7 | 4.4% | 24.4 | 5.0% | (7%) |
| Operation & maintenance of plant | 25.8 | 5.0% | 26.7 | 5.5% | (3%) |
| Total uses | $ 513.6 | 100.0% | $ 486.0 | 100.0% | 6% |

### Statement of Cash Flows

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

### Capital and Debt Analysis

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

During fiscal year 2015 the University continued work on the $75 million Science and Health building (bond proceeds), Aquatic and Tennis Complex $27.9 million (bond proceeds), Residence Life fire/life/safety project $16.1 million (bond proceeds) and the International Pavilion $4.9 million (unrestricted net position). The University completed work on the Fieldhouse renovations, $4.8 million (unrestricted net position), ceramics/chemical storage $2.1 million (unrestricted net position), and Phoenix Biomedical buildout, $6.1 million (bond proceeds). In addition to these projects, the University issued new debt for a Student and Academic Services building, $34.3 million.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs) and Certificates of Participation (COPs). Prior to issuing any bonds or COPs, the University must submit a financing and funding plan to the Arizona Board of Regents for approval and to the State Joint Committee on Capital Review for their review. The amount of debt the University is able to issue is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes §15-1683) and ABOR policy 7-102(D)(3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2015, the University's debt ratio was 4.46%. The University's credit ratings on its outstanding System Revenue Bonds are A1 by Moody's and A by Standard and Poor's.

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

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

# Economic Outlook

### The New Normal for Arizona

Ten years ago in 2005, Arizona's economy was very strong with unemployment rates statewide running around 4.5 percent and job growth exceeding 6 percent being led by the construction industry adding jobs at a 15 percent rate and services employment growing over 12 percent. By contrast, the national unemployment was around 5 percent, job growth overall was near 2 percent and no major industries were growing over 5 percent. Then the Great Recession hit, driving Arizona's unemployment rate up to over 11 percent and job losses exceeded 8 percent. While the national economy saw similar losses, the magnitudes were not as great.

By 2015 Arizona and the national economies are now into the sixth year of recovery, but Arizona has not experienced differential improvement. The nation recovered all the jobs it lost over a year ago, but Arizona has over 100,000 jobs yet to recover and it appears that will take until late 2016 or early 2017 to occur. And while the unemployment rate has declined substantially for both Arizona and the United States, Arizona's unemployment rate is over a percentage point above the national rate and the difference in the rates has been widening.

There are multiple reasons that the recovery in Arizona has been slower than many people expected. The most often cited reason has been the construction industry. After over-the-year losses from 2007 through 2011, the industry has been unable to sustain significant growth. With slow population growth and many people questioning the investment value of housing, it will probably be a number of years before all the jobs lost in this industry will return.

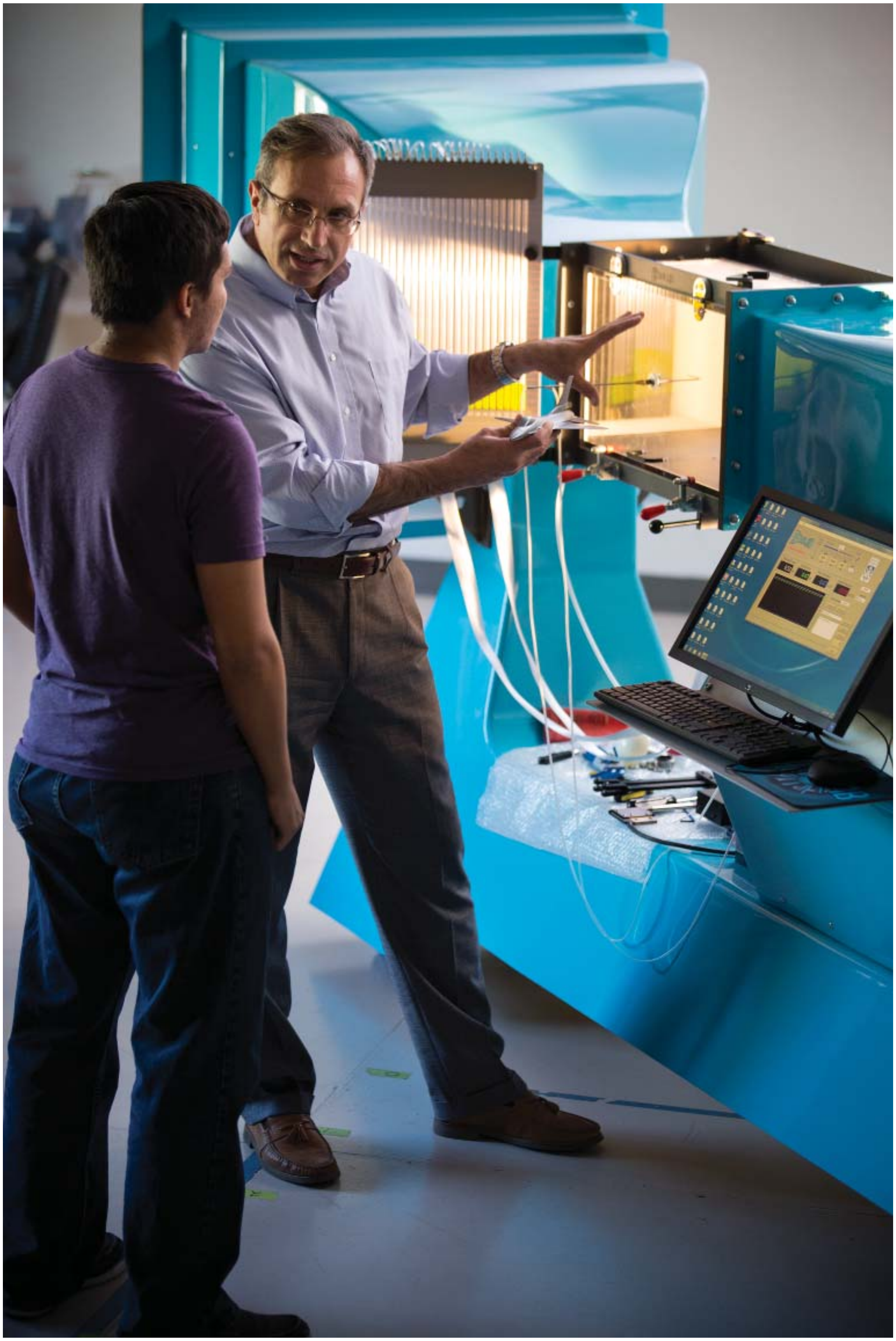
In addition, the manufacturing industry has had similar problems. Arizona has a significant concentration in various high tech segments including electronics and aerospace. Reductions in federal defense spending have impacted these segments negatively. The growth rates that were previously experienced in the semiconductor and electronics industries have not continued, leading to relatively flat employment opportunities.

It appears that the labor market in Arizona has entered a new normal. Historically, Arizona's employment opportunities significantly outpaced nearly every state during a recovery. It now seems that job opportunities will nearly mirror the nation and that large swings from job losses to job gains will not be nearly as pronounced as before.

Slow growth is evident in personal income and state tax collections for the state as well. Before the Great Recession, Arizona's personal income was growing over 10 percent a year and rarely was below 5 percent. It later declined by 4.6 percent but has recently been growing by 4 – 4.5 percent. This closely reflects national personal income growth.

Following the trends mentioned above, state tax collections have not experienced significant differences. The three major sources of revenue to the state are; sales tax collections which are the largest source of funds, followed by personal income taxes which are slightly smaller, and finally corporate income taxes which account for less than 10 percent of tax revenues. Current forecasts are calling for overall growth in tax collections to run 4.5 – 5.0 percent in 2015-16 with slow growth in the years that follow.

It appears that the economic path for Arizona has changed from periods of growth that are among the fastest in the nation to an economy that more mirrors the nation. Among the states, Arizona has many favorable attributes that should continue to support growth for years to come. But in the near future, moderate improvement is the most likely path.



## STATEMENT OF NET POSITION

June 30, 2015

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 90,175,289 |
| Investments | | 62,538,525 |
| Receivables, (net of allowance for uncollectible): | | |
| Accounts receivable | | 23,381,471 |
| Accrued interest | | 851,570 |
| Endowment | | 6,658 |
| Government grants and contracts | | 20,925,437 |
| Student loans, current portion | | 1,179,995 |
| State appropriation receivable | | 30,520,170 |
| Other assets | | 836,235 |
| Inventories | | 404,545 |
| **Total Current Assets** | $ | 230,819,895 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents held by trustee for capital projects | $ | 68,020,791 |
| Investments | | 579,665 |
| Student loans receivable, net of allowance | | 5,026,426 |
| Endowment investments | | 27,616,727 |
| Other noncurrent assets | | 2,527,310 |
| Capital assets, not being depreciated | | 147,637,500 |
| Depreciable capital assets, net of depreciation | | 675,450,493 |
| **Total Noncurrent Assets** | $ | 926,858,912 |
| **Total Assets** | $ | 1,157,678,807 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred charge on debt refunding | $ | 9,416,563 |
| Deferred outflows related to pensions | | 29,136,580 |
| **Total Deferred Outflows of Resources** | $ | 38,553,143 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | | 29,756,206 |
| Accrued payroll and employee benefits | | 9,176,735 |
| Interest payable | | 5,675,511 |
| Unearned revenues | | 16,370,127 |
| Accrued compensated absences | | 6,507,777 |
| Deposits held in custody for others | | 3,128,205 |

## STATEMENT OF NET POSITION (continued)

| | | |
|---|---|---|
| Current portion of long-term debt funded by: | | |
| University operating revenues | | 10,783,670 |
| State appropriations and share of state sales tax | | 3,300,000 |
| **Total Current Liabilities** | $ | 84,698,231 |
| Noncurrent liabilities: | | |
| Deposits held in custody for others | $ | 24,251 |
| Long-term debt funded by: | | |
| University operating revenues | | 460,958,456 |
| State appropriations, share of state sales tax, and lottery revenue | | 166,965,000 |
| Net pension liability | | 164,767,263 |
| **Total Noncurrent Liabilities** | $ | 792,714,970 |
| **Total Liabilities** | $ | 877,413,201 |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred inflows related to pensions | $ | 27,724,380 |
| NET POSITION | | |
| Net investment in capital assets | $ | 268,006,823 |
| Restricted: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | | 15,328,603 |
| Student loans | | 7,211,859 |
| Expendable: | | |
| Scholarships and fellowships | | 11,462,853 |
| Academic department uses | | 21,135,363 |
| Unrestricted | | (32,051,132) |
| **Total Net Position** | $ | 291,094,369 |

See Notes to Financial Statements

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2015

| | |
|---|---|
| **OPERATING REVENUES** | |
| Operating Revenues | |
| Tuition and fees (net of scholarship allowances of $88,365,646) | $ 205,550,108 |
| Government grants and contracts | 22,287,683 |
| Private grants and contracts | 2,793,596 |
| Auxiliary enterprises | |
| Residence life (net of scholarship allowances of $5,671,121) | 31,602,064 |
| Other auxiliaries | 23,442,620 |
| Other | 23,214,851 |
| **Total operating revenues** | **$ 308,890,922** |
| **OPERATING EXPENSES** | |
| Operating Expenses | |
| Educational and general: | |
| Instruction | $ 167,079,867 |
| Research | 25,461,441 |
| Public service | 27,008,502 |
| Academic support | 36,182,488 |
| Student services | 50,334,919 |
| Institutional support | 57,141,165 |
| Operation and maintenance of plant | 25,779,259 |
| Scholarships and fellowships | 29,067,801 |
| Auxiliary enterprises | 37,705,547 |
| Depreciation | 35,123,250 |
| **Total operating expenses** | $ 490,884,239 |
| **Operating loss** | $ (181,993,317) |
| **NONOPERATING REVENUES AND (EXPENSES)** | |
| State appropriations | $ 112,025,850 |
| Share of state sales tax - technology and research initiative funding | 13,267,487 |
| Government grants | 59,657,954 |
| Private grants and gifts | 13,031,881 |
| Net investment income | 1,770,716 |
| Interest expense on capital asset related debt | (22,722,668) |
| Net loss on disposal of capital assets | (12,141) |
| Other nonoperating revenues, net | 8,283,100 |
| **Total nonoperating revenues and expenses** | $ 185,302,179 |
| **Income before other revenues, expenses, gains or losses** | $ 3,308,862 |

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

| | | |
|---|---|---|
| Capital appropriations | $ | 5,827,500 |
| Capital grants and gifts | | 59,789 |
| Additions to permanent endowments | | 858,132 |
| **Total other revenues** | $ | 6,745,421 |
| | | |
| **Increase in net position** | $ | 10,054,283 |

### NET POSITION

| | | |
|---|---|---|
| Total net position, Beginning of year (as restated) | $ | 281,040,086 |
| Total net position, End of year | $ | 291,094,369 |

See Notes to Financial Statements

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

| | | |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Tuition and fees | $ | 198,230,135 |
| Grants and contracts | | 24,367,543 |
| Payments to suppliers | | (99,981,128) |
| Payments for employee wages and benefits | | (299,412,134) |
| Payments for scholarships and fellowships | | (29,066,845) |
| Loans issued to students | | (947,167) |
| Collection on loans to students | | 1,392,009 |
| Auxiliary enterprise receipts | | 54,052,011 |
| Other receipts | | 17,861,583 |
| **Net cash used for operating activities** | **$** | **(133,503,993)** |
| **Cash Flows from Noncapital Financing Activities:** | | |
| State appropriations | $ | 112,037,497 |
| Share of state sales tax receipts | | 13,267,487 |
| Gifts and grants for other than capital purposes | | 72,689,835 |
| Federal direct lending received | | 157,441,348 |
| Federal direct lending disbursed | | (157,778,804) |
| Deposits held in custody for others received | | 22,002,977 |
| Deposits held in custody for others disbursed | | (22,178,916) |
| Financial aid trust funds | | 858,132 |
| **Net cash provided by noncapital financing activities** | **$** | **198,339,556** |
| **Cash Flows from Capital Financing Activities:** | | |
| Capital appropriations | $ | 5,827,500 |
| Proceeds from issuance of capital debt | | 37,357,451 |
| Build America Bonds - federal subsidy | | 8,406,267 |
| Proceeds from sale of capital assets | | 47,277 |
| Capital grants and gifts received | | 59,789 |
| Purchases of capital assets | | (130,572,106) |
| Principal paid on capital debt and leases | | (13,007,876) |
| Interest paid on capital debt and leases | | (22,707,940) |
| **Net cash used for capital financing activities** | **$** | **(114,589,638)** |

## STATEMENT OF CASH FLOWS (continued)

| | | |
|---|---|---|
| **Cash Flows from Investing Activities:** | | |
| Proceeds from sales and maturities of investments | $ | 113,474,360 |
| Interest on investments | | 1,550,410 |
| Purchase of investments | | (78,609,418) |
| **Net cash provided by investing activities** | $ | 36,415,352 |
| **Net decrease in cash and cash equivalents** | $ | (13,338,723) |
| **Cash and Cash Equivalents** | | |
| Cash and cash equivalents - July 1, 2014 | | 171,534,803 |
| Cash and cash equivalents - June 30, 2015 | $ | 158,196,080 |

| | | |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Used for Operating Activities:** | | |
| Operating loss | $ | (181,993,317) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation expense | | 35,123,250 |
| Miscellaneous nonoperating expenses | | 642,451 |
| Pension expense | | 14,922,180 |
| Employer pension contributions | | (11,773,029) |
| Changes in assets and liabilities: | | |
| Receivables: | | |
| Accounts receivable | | (3,045,146) |
| Government grants and contracts receivable | | (2,629,390) |
| Student loans receivable and accrued interest from student loans | | 463,992 |
| Inventories | | (28,865) |
| Other assets | | 89,733 |
| Accounts payable | | 13,452,583 |
| Accrued payroll and employee benefits | | 1,415,962 |
| Unearned revenues | | (156,687) |
| Accrued compensated absences | | 12,290 |
| **Net cash used for operating activities** | **$** | (133,503,993) |

| | | |
|---|---|---|
| **Significant Noncash Transactions:** | | |
| State appropriation receivable* | $ | 30,494,800 |
| Refinancing of long-term debt | $ | 68,095,000 |

* The state appropriation receivable of $30,520,170 reported on the Statement of Net Position includes the state trust land receivable of $25,370.

See Notes to Financial Statements

## STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT

Northern Arizona University Foundation

June 30, 2015

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 3,188,920 |
| Promises to give, net | | 6,261,942 |
| Bequests receivable | | 5,000 |
| Other receivables | | 101,246 |
| Net investment in direct financing leases | | 6,426,077 |
| Investments | | 137,512,130 |
| Cash surrender value of life insurance | | 4,943,897 |
| EBS licenses, net | | 499,762 |
| Donated assets held for sale | | 41,942 |
| Assets held under split-interest agreements | | 4,767,462 |
| Beneficial interest in perpetual trusts | | 3,338,865 |
| Other assets | | 45,000 |
| **Total assets** | $ | 167,132,243 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ | 165,514 |
| Assets held in custody for others | | 28,703,542 |
| Deferred revenue | | 5,438,650 |
| Liabilities under split interest agreements | | 3,291,458 |
| **Total liabilities** | $ | 37,599,164 |
| **NET ASSETS** | | |
| Unrestricted | $ | 10,842,307 |
| Temporarily restricted | | 51,941,973 |
| Permanently restricted | | 66,748,799 |
| **Total net assets** | $ | 129,533,079 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 167,132,243 |

See Notes to Financial Statements

## STATEMENT OF ACTIVITIES - COMPONENT UNIT

Northern Arizona University Foundation

For the Year Ended June 30, 2015

| REVENUE, SUPPORT & GAINS | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Public contributions | $ 218,678 | $ 5,877,423 | $ 7,262,377 | $ 13,358,478 |
| EBS revenue | 1,378,139 | | | 1,378,139 |
| Net investment return | 191,848 | 3,062,732 | 91,433 | 3,346,013 |
| Interest income on direct financing leases | 364,492 | | | 364,492 |
| Change in beneficial interest in perpetual trusts | | | (191,542) | (191,542) |
| Change in value of split-interest agreements | (580,549) | | | (580,549) |
| Change in cash surrender value of life insurance | | 474,767 | | 474,767 |
| Other income and support | 17,874 | 620,501 | 217 | 638,592 |
| Reclassification of donor intent | 239,160 | (530,381) | 291,221 | |
| Net assets released from restrictions | 9,941,154 | (9,941,154) | | |
| **Total revenue, support, and gains** | $ 11,770,796 | $ (436,112) | $ 7,453,706 | $ 18,788,390 |
| | | | | |
| **EXPENSES & LOSSES** | | | | |
| Program expenses: | | | | |
| Disbursements for educational purposes | $ 3,990,723 | | | $ 3,990,723 |
| Scholarships | 2,300,012 | | | 2,300,012 |
| Facilities | 1,220,061 | | | 1,220,061 |
| Other University programs | 1,597,959 | | | 1,597,959 |
| Total program expenses | $ 9,108,755 | | | $ 9,108,755 |
| | | | | |
| Supporting services expense: | | | | |
| Fundraising and development | $ 3,089,522 | | | $ 3,089,522 |
| Management and general | 551,268 | | | 551,268 |
| Amortization of EBS licenses | 464,406 | | | 464,406 |
| Total supporting services expense | 4,105,196 | | | 4,105,196 |
| **Total expenses and losses** | $ 13,213,951 | | | $ 13,213,951 |
| | | | | |
| **Change in net assets** | $ (1,443,155) | $ (436,112) | $ 7,453,706 | $ 5,574,439 |
| **Net assets, beginning of year** | 12,285,462 | 52,378,085 | 59,295,093 | 123,958,640 |
| **Net assets, end of year** | $ 10,842,307 | $ 51,941,973 | $ 66,748,799 | $ 129,533,079 |

See Notes to Financial Statements

# Notes to Financial Statements

## Note 1 - Basis of Presentation & Summary of Significant Accounting Policies

### Basis of 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 below and in Note 10. 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 financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental colleges and universities engaged in business-type activities as adopted by the Governmental Accounting Standards Board (GASB).

The University implemented the provisions of *GASB* 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* The University's beginning net position balance was restated due to the implementation of GASB No. 68, requiring beginning net pension liability to be recorded less FY14 contributions.

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 assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University at June 30. Assets and liabilities are classified as either current or noncurrent. Current liabilities are obligations that will be paid within one year of the statement date, and current assets are those resources available to satisfy current liabilities. Deferred outflows/inflows of resources are resources that will be consumed or acquired in a future reporting period. Net position is the residual amount and is classified according to external donor restrictions and availability of assets to satisfy University obligations. Net investment in capital assets represents capital assets less accumulated depreciation and the amount of related outstanding debt for those assets. Nonexpendable restricted net position is comprised of gifts received for endowment purposes and revolving student loan funds, the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position includes the remaining amounts of net position, including those that have been designated by management to be used for other than general operating purposes.

- The Statement of Revenues, Expenses and Changes in Net Position provides information about the University's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses are those that generally result from exchange transactions. Accordingly, revenues such as tuition and fees, sales and services of auxiliary enterprises and most government and nongovernment research grants and contracts are considered operating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, nonexchange grants, gifts and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

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

### Financial 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. In accordance with generally accepted accounting principles for public colleges and universities, only the statement of financial position and the statement of activities of the discretely presented component unit are included in the University's financial statements.

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

For financial reporting purposes, both the Foundation and NACFFC follow the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the University's financial report. Accordingly, those financial statements have been reported on separate pages following the University's financial statements. 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, 2015, the Foundation distributed $9.1 million to the University.

## Significant Accounting Policies

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection. All significant transactions resulting from internal activity have been eliminated.

### Cash and Cash Equivalents

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

### Investments

Investments are generally reported at fair value. The fair-values of all debt and equity securities with readily determinable fair market values are based on quoted market prices. The net increase or decrease in the fair value of investments is recognized as a component of investment income.

### Receivables

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

### Capital Assets and Special Collections

Capital assets are reported at actual cost or, if donated, at fair market value at date received.

The University maintains special collections for educational purposes and public exhibition. These special collections are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes.

Interest incurred during the construction phase of projects is capitalized, net of interest earned, on the invested proceeds over the same period.

Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight line method. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

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

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

### 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. Inventories consist of expendable supplies, postage, fuel held for consumption, textbooks and other merchandise for resale.

### 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 and Inflows of Resources

The Statement of Net Position includes separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that is applicable to future periods and will be recognized as a revenue in future periods.

### Pensions

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

### Scholarship Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. A scholarship 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.

### Restricted and Unrestricted Resources

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

## Note 2 - Beginning Net Position Balance Restated

Effective July 1, 2014, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* To record the cumulative effect of the reporting change, the University's July 1, 2014 net position balance was restated downward by $158,498,878.

| | | |
|---|---|---|
| Net position as of July 1, 2014 | $ | 439,538,964 |
| Prior period adjustment - implementation of GASB 68: | | |
| Net pension liability (measurement date as of June 30, 2013) | | 169,153,471 |
| Deferred Outflows - University contributions made during fiscal year 2014 | | (10,654,593) |
| Total prior period adjustments | | 158,498,878 |
| Net Position as of July 1, 2014 as restated | $ | 281,040,086 |

## Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) 15-1668 requires that deposits of the University not covered by federal deposit insurance be secured by government bonds or by a safekeeping receipt of the institution accepting the deposit. A.R.S. 35-1207 requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. Further, policy regarding deposits is provided by the Arizona Board of Regents (ABOR). Deposits can be made only at depository banks approved by ABOR. A.R.S. 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, 2015, cash on hand was $19,550, the carrying amount of the University's deposits was $43,906,406 and the bank balance was $48,489,906. Beyond the requirements established by A.R.S. and ABOR, the University does not have a policy that specifically addresses custodial credit risk.

### Investments

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

The State Board of Investment provides oversight for the State Treasurer's investment pools. The fair value of the University's investment in the pool approximates the value of the University's pool shares and the University's shares are not identified with specific investments.

Trust agreements between the University and the Northern Arizona University Foundation (Foundation), authorize the Foundation to invest certain University restricted (gift) and endowment monies. The Foundation Investment Pool invests in a variety of asset classes, including common stocks 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 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, 2015 the Foundation held $28,432,024 in custody for the University, including funds for the University's Arizona Financial Aid Trust Fund described below.

| Investments, at June 30, 2015 | Amount |
|---|---|
| Bond Trustee Funds: | |
| Government Money Market Mutual Fund | $ 68,020,791 |
| U.S. agency securities | 62,538,525 |
| State Treasurer's Investment Pool 4 | 46,013,701 |
| NAU Foundation Investment Pool | 28,432,024 |
| | $ 205,005,041 |

The Arizona Financial Aid Trust Fund (AFAT) was established in accordance with A.R.S. 15-1642 for the purpose of providing aid to students with verifiable financial need. The Foundation holds and manages the University's share of AFAT within its pool. The University's ownership interest is recorded in the Foundation's records. The fair value of the AFAT at June 30, 2015 was $20,521,602.

## 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 Foundation Investment Pool, which is not rated. At June 30, 2015, 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 | $ 68,020,791 |
| U.S. agency securities | AA+ | Standard and Poor's | 62,538,525 |
| State Treasurer's Investment Pool 4 | AA+ | Standard and Poor's | 46,013,701 |
| | | | $ 176,573,017 |

## 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, 2015, the University had $62,538,525 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, 2015: Federal National Mortgage Association, 14.67 percent and Federal Farm Credit Bank, 9.73 percent.

## Interest Rate Risk

University policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The endowment fund portifolio has no such limitation. The following chart presents the interest rate risk for the University's debt investments at June 30, 2015, utilizing the segmented time distribution method:

| | | Maturity | |
|---|---|---|---|
| Investment Type | Fair Value | < 1 Year | 1 - 5 Years |
| Government Money Market Mutual Fund | $ 68,020,791 | $ 68,020,791 | |
| U.S agency securities* | 62,538,525 | 62,538,525 | |
| State Treasurer Investment Pool 4 | 46,013,701 | | $ 46,013,701 |
| Total | $ 176,573,017 | $ 130,559,316 | $ 46,013,701 |

*At June 30, 2015, the University held $62,538,525 or 30.51 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.

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

| Cash, deposits and investments: | | |
|---|---|---|
| Cash on hand | $ | 19,550 |
| Cash in bank | | 43,906,406 |
| Total investments | | 205,005,041 |
| | $ | 248,930,997 |

| Statement of Net Position | | |
|---|---|---|
| Cash and cash equivalents | $ | 90,175,289 |
| Current investments | | 62,538,525 |
| Restricted cash and cash equivalents held by trustee for capital projects | | 68,020,791 |
| Noncurrent investments | | 579,665 |
| Endowment investments | | 27,616,727 |
| | $ | 248,930,997 |

## Note 4 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2015, is presented as follows:

| | Balance July 1, 2014 | Additions | Retirements | Transfers | Balance June 30, 2015 |
|---|---|---|---|---|---|
| Land | $ 6,921,409 | | | | $ 6,921,409 |
| Construction in progress: | | | | | |
| Real property | 53,041,841 | $ 122,012,162 | | $ (35,142,075) | 139,911,928 |
| Intangible assets | 134,822 | 1,580,263 | | (910,922) | 804,163 |
| Total non-depreciable/non-amortizable capital assets | $ 60,098,072 | $ 123,592,425 | | $ (36,052,997) | $ 147,637,500 |
| Infrastructure | $ 137,037,550 | $ 457,968 | | $ 3,196,124 | $ 140,691,642 |
| Buildings and improvements | 810,678,617 | 1,743,038 | | 31,945,951 | 844,367,606 |
| Equipment | 67,626,784 | 4,494,894 | $ 2,978,844 | | 69,142,834 |
| Intangible assets | 6,024,867 | | | 910,922 | 6,935,789 |
| Library materials | 45,706,428 | 417,267 | 1,163,280 | | 44,960,415 |
| Total depreciable/amortizable capital assets | $ 1,067,074,246 | $ 7,113,167 | $ 4,142,124 | $ 36,052,997 | $ 1,106,098,286 |
| Less accumulated depreciation/amortization | | | | | |
| Infrastructure | $ 45,670,888 | $ 4,283,040 | | | $ 49,953,928 |
| Buildings and improvements | 262,726,216 | 23,911,157 | | | 286,637,373 |
| Equipment | 45,049,832 | 5,018,688 | $ 2,785,941 | | 47,282,579 |
| Intangible assets | 2,273,691 | 1,387,158 | | | 3,660,849 |
| Library materials | 43,753,137 | 523,207 | 1,163,280 | | 43,113,064 |
| Total accumulated depreciation/amortization | $ 399,473,764 | $ 35,123,250 | $ 3,949,221 | | $ 430,647,793 |
| Depreciable/amortizable capital assets, net | $ 667,600,482 | $ (28,010,083) | $ 192,903 | $ 36,052,997 | $ 675,450,493 |
| **Capital assets, net** | **$ 727,698,554** | **$ 95,582,342** | **$ 192,903** | | **$ 823,087,993** |

The University had major contractual commitments related to various capital projects at June 30, 2015, including construction of the Science and Health building, Aquatic and Tennis Complex, Student and Academic Services building, and the International Pavilion, as well as major infrastructure upgrades and building renovations. In addition to expenditures through June 30, 2015, it is estimated that $71.9 million will be required to complete projects under construction. Of that amount, $19.4 million is contractually encumbered. These projects are being financed with a combination of systems revenue and lease revenue bond monies, series 2012, 2013, 2014, and 2015, and University reserves.

## Note 5 - Long Term Debt and Leases

A summary of changes in the long-term debt activity for the year ended June 30, 2015 is presented as follows:

| | Balance June 30,2014 | Additions | Reductions | Balance June 30,2015 | Due Within One Year |
|---|---|---|---|---|---|
| Capital leases | $ 17,746,376 | | $ 967,876 | $ 16,778,500 | $ 1,005,308 |
| Certificates of participation | 62,850,000 | $ 18,825,000 | 23,390,000 | 58,285,000 | 3,300,000 |
| Revenue bonds payable | 510,695,000 | 79,680,000 | 56,745,000 | 533,630,000 | 8,300,000 |
| Subtotal long-term debt & leases | $ 591,291,376 | $ 98,505,000 | $ 81,102,876 | $ 608,693,500 | $ 12,605,308 |
| Discounts/premiums | 22,123,421 | 13,789,232 | 2,599,027 | 33,313,626 | 1,478,361 |
| Total long-term debt & leases | $ 613,414,797 | $ 112,294,232 | $ 83,701,903 | $ 642,007,126 | $ 14,083,669 |

### Revenue Bonds Payable and Certificates of Participation

On May 19, 2015, the University sold $45,415,000 of Systems Revenue Refunding Bonds Series 2015 with an interest rate of 5.0 percent. Refunded bonds total $47,595,000 and include $770,000 of the 2004 Systems Revenue Refunding Bonds for maturities from June 1, 2032 to June 1, 2034; $3,620,000 from the Systems Revenue Bonds Series 2005 for maturities from June 1, 2030 to June 1, 2035; $30,795,000 from the Systems Revenue Bonds Series 2007 for maturities on June 1, 2016 and between June 1, 2019 to June 1, 2037; $12,120,000 from the Systems Revenue Bonds Series 2008 for maturities on June 1, 2016, between June 1, 2022 to June 1, 2027 and between June 1, 2029 and June 1, 2030; and $290,000 of the 2009B Systems Revenue Bond maturing on June 1, 2016. The refunding set aside $52,819,894 into escrow that purchased Agency, TNotes, and a TSTRIP with maturities between May 28, 2015 and June 1, 2018. The present value of refunded debt prior to May 19, 2015 was $59,143,408 and the net present value of savings was $3,229,010. The advanced refunding decreases the University's debt service by $1,184,200 in year one and $1,988,300 in year two with additional debt service savings of $56,510 until June 1, 2035.

On May 20, 2015 the University sold $18,825,000 of Refunding Certificates of Participation Series 2015 with interest rates ranging from 3.0 percent to 5.0 percent. Refunded COPs total $20,500,000 from the COP Series 2005 with September 1 maturities in years 2016, 2017, 2020, 2021, 2024, 2025, 2026, 2027, 2028, 2029 and 2030. The refunding set aside $20,986,718 into escrow that purchased a TSTRIP maturing on August 31, 2015. The present value of refunded debt prior to May 20, 2015 was $24,206,525 and the net present value of savings was $2,270,840. The advanced refunding increases the University's debt service by an average of $286,858 per year between June 30, 2016 and June 30, 2020 and decreases debt service by an average of $336,674 per year between June 30, 2021 and June 30, 2031.

On August 21, 2014, the University entered into a lease agreement with Student and Academic Services LLC (SAS), a subsidiary of the NACFFC. During the 30 year lease term, the University will make lease payments on a four-story building of approximately 102,000 gross square feet that will include new classrooms, space for student support services, and office space for faculty. The Student and Academic Services LLC Lease Revenue Bonds have a par value of $34,265,000. The Lease Revenue Bonds include serial bonds of $16,820,000 with interest rates ranging from 2.0 percent to 5.0 percent. The 2014 Lease Revenue Bonds also include two term bonds that are subject to annual sinking fund contributions. The first term bond is for $7,665,000 with an interest rate of 5.0 percent that matures June 1, 2039. The second term bond is for $9,780,000 with an interest rate of 5.0 percent that matures June 1, 2044. The average annual debt service is $2,244,140 with final maturity on June 1, 2044.

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, 2015, the University had Systems Revenue Refunding Series 2004 of $4,540,000, Systems Revenue

Series 2007 of $30,795,000, Series 2008 of $12,120,000, and Series 2009B of $290,000, and $29,725,000, and $8,720,000 in Certificates of Participation Series 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 issues such 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 2015, the Federal government reduced federal direct payment claims filed between December 1, 2014 and September 1, 2015 by 7.3 percent due to the federal budget sequestration resulting in a $273,925 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, 2015. 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 $233.5 million for the prior five years. For fiscal year 2015 pledged revenues totaled $273 million of which 10.1 percent ($27.6 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 10.1 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 $799.5 million.

The following schedule details debt service requirements to maturity for Systems, Lease, and SPEED Revenue Bonds payable at June 30, 2015.

| Year | Principal | Interest |
|---|---|---|
| 2016 | $ 8,300,000 | $ 27,924,965 |
| 2017 | 14,150,000 | 27,441,987 |
| 2018 | 16,335,000 | 26,766,516 |
| 2019 | 17,000,000 | 26,005,019 |
| 2020 | 17,780,000 | 25,166,692 |
| 2021-2025 | 99,040,000 | 111,504,545 |
| 2026-2030 | 123,550,000 | 81,770,038 |
| 2031-2035 | 119,105,000 | 48,187,974 |
| 2036-2040 | 83,480,000 | 19,729,857 |
| 2041-2044 | 34,890,000 | 3,450,462 |
| Total | $ 533,630,000 | $ 397,948,055 |

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2015.

| Year | Principal | Interest |
|---|---|---|
| 2016 | $ 3,300,000 | $ 2,553,937 |
| 2017 | 1,945,000 | 2,487,133 |
| 2018 | 3,490,000 | 2,378,025 |
| 2019 | 3,610,000 | 2,246,050 |
| 2020 | 3,730,000 | 2,130,650 |
| 2021-2025 | 16,865,000 | 8,272,783 |
| 2026-2030 | 20,575,000 | 3,533,625 |
| 2031 | 4,770,000 | 41,667 |
| Total | $ 58,285,000 | $ 23,643,870 |

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.

## Revenue Bonds Payable and Certificates of Participation at June 30, 2015
**(dollars in thousands)**

| | Average Interest Rate | Final Maturity | Balance 7/1/2014 | Additions | Reductions | Balance 6/30/2015 |
|---|---|---|---|---|---|---|
| **Revenue Bonds:** | | | | | | |
| 2004 Systems Revenue Refunding | 4.749% | 6/1/2017 | $ 5,870 | | $ (2,640) | $ 3,230 |
| 2005 Systems Revenue | 4.685% | 6/1/2015 | 3,905 | | (3,905) | - |
| 2006 Systems Revenue Refunding | 4.675% | 6/1/2034 | 41,825 | | (75) | 41,750 |
| 2007 Systems Revenue | 4.929% | 6/1/2018 | 33,460 | | (31,620) | 1,840 |
| 2008 Systems Revenue | 5.041% | 6/1/2038 | 36,990 | | (12,965) | 24,025 |
| 2009A Systems Revenue | 6.490% | 6/1/2039 | 108,860 | | | 108,860 |
| 2009B Systems Revenue | 5.000% | 6/1/2016 | 5,640 | | (3,040) | 2,600 |
| 2012 Systems Revenue | 4.459% | 6/1/2041 | 22,945 | | (520) | 22,425 |
| 2014 Systems Revenue Refunding | 4.982% | 6/1/2044 | 67,260 | | (845) | 66,415 |
| 2015 Systems Revenue Refunding | 5.000% | 6/1/2037 | | $ 45,415 | | 45,415 |
| **Subtotal - Systems Revenue Bonds** | | | $ 326,755 | $ 45,415 | $ (55,610) | $ 316,560 |
| 2010 SPEED Revenue | 6.164% | 8/1/2030 | 64,785 | | | 64,785 |
| 2013 SPEED Revenue | 4.174% | 8/1/2043 | 75,190 | | | 75,190 |
| **Subtotal - SPEED Revenue Bonds** | | | $ 139,975 | | | $ 139,975 |
| 2006 Lease Revenue | 4.894% | 6/1/2036 | 10,870 | | (290) | 10,580 |
| 2008 Lease Revenue Refunding | 4.614% | 6/1/2033 | 33,095 | | (845) | 32,250 |
| 2014 Lease Revenue | 4.987% | 6/1/2044 | | 34,265 | | 34,265 |
| **Subtotal - Lease Revenue Bonds** | | | $ 43,965 | $ 34,265 | $ (1,135) | $ 77,095 |
| **Subtotal Revenue Bonds** | | | $ 510,695 | $ 79,680 | $ (56,745) | $ 533,630 |
| **Certificates of Participation:** | | | | | | |
| 2004 Certificates of Participation | 4.852% | 9/1/2030 | $ 2,425 | | $ (1,185) | $ 1,240 |
| 2005 Certificates of Participation | 4.650% | 9/1/2023 | 23,145 | | (21,795) | 1,350 |
| 2006 Certificates of Participation | 4.350% | 9/1/2017 | 1,275 | | (410) | 865 |
| 2013 Refunding Certificates of Participation | 4.781% | 9/1/2030 | 36,005 | | | 36,005 |
| 2015 Refunding Certificates of Participation | 4.924% | 9/1/2030 | | $ 18,825 | | 18,825 |
| Subtotal - COPs | | | $ 62,850 | $ 18,825 | $ (23,390) | $ 58,285 |
| **Total PAR amount of Bonds & COPs** | | | $ 573,545 | $ 98,505 | $ (80,135) | $ 591,915 |
| Premium on Sale of Bonds and COP's | | | $ 22,123 | $ 13,789 | $ (2,598) | $ 33,314 |
| **Total Bonds / COPs Payable** | | | $ 595,668 | $ 112,294 | $ (82,733) | $ 625,229 |

## Capital Leases

During fiscal year 2013, Northern Arizona Real Estate Holdings (NAREH), a wholly-owned subsidiary of the Northern Arizona University Foundation, 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.

**Capital Lease commitments to lessors at June 30, 2015**

| | Average Interest Rate | Final Maturity | Balance June 30, 2014 | Additions | Reductions | Balance June 30, 2015 | Current Portion |
|---|---|---|---|---|---|---|---|
| Energy Conservation Equipment Lease Purchase | 3.53% | 6/1/2027 | $ 12,420,289 | | $ 767,876 | $ 11,652,413 | $ 795,221 |
| Northern Arizona Real Estate Holdings, LLC | 5.50% | 9/30/2030 | 5,326,087 | | 200,000 | 5,126,087 | 210,087 |
| | | | $ 17,746,376 | | $ 967,876 | $ 16,778,500 | $ 1,005,308 |

The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2015:

| Year Ending | |
|---|---|
| 2016 | $ 1,691,617 |
| 2017 | 1,690,975 |
| 2018 | 1,687,820 |
| 2019 | 1,690,170 |
| 2020-2024 | 8,444,260 |
| 2025-2029 | 6,049,410 |
| 2030-2031 | 980,350 |
| Total minimum lease payments | $ 22,234,602 |
| Less amount representing interest | (5,456,103) |
| Present value of net minimum lease payments | $ 16,778,499 |

**Capital Lease Financing** - Following is a summary of capital assets financed by capital leases at June 30, 2015

| | |
|---|---|
| Buildings | $ 9,780,185 |
| *Building Improvements | 16,983,073 |
| Total cost of assets | 26,763,258 |
| Less: accumulated depreciation | (5,229,870) |
| Carrying value of assets | $ 21,533,388 |

* The value of the building improvements includes other funding sources of $4,562,784

### Operating Leases

The University leases numerous classroom facilities for extended campus instruction and a limited number of administrative facilities under long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of operating leases were $2.4 million for the year ended June 30, 2015. The operating leases have remaining terms from 1 to 10 years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2015 were as follows:

| Year ending June 30, | | |
|---|---|---|
| 2016 | $ | 1,857,506 |
| 2017 | | 1,506,075 |
| 2018 | | 1,076,571 |
| 2019 | | 1,026,899 |
| 2020 | | 876,161 |
| 2021-2025 | | 4,019,481 |
| Total minimum lease payments | $ | 10,362,693 |

## Note 6 - 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 Program and for which the University has no insurance coverage are losses resulting from contractual breaches and losses that arise out of and are directly attributable to an act of omission determined by a court to be a felony. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University.

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

## Note 7 - Accrued Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 264 accrued vacation hours depending on classification and years of service. Upon termination, compensatory time as well as accrued vacation hours up to 176 will be paid. At fiscal year-end, the University accrued all compensated absence balances accumulated to date as a liability in the financial statements. The University does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona State Department of Administration (ADOA). The University pays a percentage of its payroll for RASL to ADOA and does not have further liability. Accrued compensated vacation for the year ended June 30, 2015 was as follows:

| | | |
|---|---|---|
| Beginning balance | $ | 6,495,486 |
| Additions | | 9,425,265 |
| Reductions | | (9,412,974) |
| Ending balance | $ | 6,507,777 |

## 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, 2015**

| | Personal Services and Benefits | Operations | Scholarships | Depreciation | Total |
|---|---|---|---|---|---|
| Functional Classification: | | | | | |
| Educational and general | | | | | |
| Instruction | $ 147,497,492 | $ 19,582,375 | | | $ 167,079,867 |
| Research | 17,520,835 | 7,940,606 | | | 25,461,441 |
| Public service | 12,597,282 | 14,411,220 | | | 27,008,502 |
| Academic support | 29,017,642 | 7,164,846 | | | 36,182,488 |
| Student services | 35,018,648 | 15,316,271 | | | 50,334,919 |
| Institutional support | 38,026,646 | 19,114,519 | | | 57,141,165 |
| Operation and maintenance of plant | 8,623,774 | 17,155,485 | | | 25,779,259 |
| Scholarships and fellowships | 956 | | $ 29,066,845 | | 29,067,801 |
| Auxiliary enterprises | 25,342,356 | 12,363,191 | | | 37,705,547 |
| Depreciation | | | | $ 35,123,250 | 35,123,250 |
| **Total** | **$ 313,645,631** | **$ 113,048,513** | **$ 29,066,845** | **$ 35,123,250** | **$ 490,884,239** |

## Note 9 – Pension and Other Postemployment Benefits

University employees participate in the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), or one of two defined contribution plans which are described below. Although a PSPRS net pension liability has been recorded at June 30, 2015, PSPRS has not been further disclosed due to its relative insignificance to the University's financial statements. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

The University's net pension liability at June 30, 2015, was comprised of the following:

| | |
|---|---|
| ASRS | 156,806,397 |
| PSPRS | 6,253,832 |
| Defined Contribution Pension Plans | 1,707,034 |
| Total net pension liability | 164,767,263 |

## Defined Benefit Plan

### Plan Description

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (Other Postemployment Benefits) (OPEB) plan, and a cost-sharing multiple-employer defined benefit long term disability (OPEB) plan. All full benefit eligible classified staff must participate in these plans. University faculty, academic professionals, and administrative officers have the option to participate in these plans or defined contribution plans described later. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona.

### Benefits Provided

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

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

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

### Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 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 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the University in positions that would typically be filled by an employee who contributes to the ASRS. The University's contributions to the pension plan for the year ended June 30, 2015, were $11,318,482. The University's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

| Years Ended June 30 | Health Benefit Supplement Fund | Long-Term Disability Fund |
|---|---|---|
| 2015 | $ 604,259 | $ 126,303 |
| 2014 | 561,367 | 221,815 |
| 2013 | 555,377 | 204,915 |

### Pension Liability

At June 30, 2015, the University reported a liability of $156,806,397 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The University's proportion of the net pension liability was based on the University's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The University's proportion measured as of June 30, 2014, was 1.06 percent which was an increase of .07 from its proportion measured as of June 30, 2013.

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

For the year ended June 30, 2015, the University recognized pension expense for ASRS of $14,000,886. At June 30, 2015, the University reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 7,969,360 | |
| Net difference between projected and actual earnings on pension plan investments | | $ 27,420,598 |
| Changes in proportion and differences between university contributions and proportionate share of contributions | 8,469,063 | |
| University contributions subsequent to the measurement date | 11,318,482 | |
| Total | $ 27,756,905 | $ 27,420,598 |

The $11,318,482 reported as deferred outflows of resources related to ASRS pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

| Year Ended June 30 | Outflows/ Inflows |
|---|---|
| 2016 | $ 291,991 |
| 2017 | 291,991 |
| 2018 | (4,711,007) |
| 2019 | (6,855,150) |

### Actuarial Assumptions

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

| | |
|---|---|
| Actuarial valuation date | June 30, 2013 |
| Actuarial roll forward date | June 30, 2014 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8% |
| Projected salary increases | 3 – 6.75% |
| Inflation | 3% |
| Permanent benefit increase | Included |
| Mortality rates | 1994 GAM Scale BB |

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Equity | 63% | 7.03% |
| Fixed income | 25% | 3.20% |
| Real estate | 8% | 4.75% |
| Commodities | 4% | 4.50% |
| Total | 100% | |

### Discount Rate

The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

| | 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|---|---|---|---|
| University's proportionate share of the net pension liability | 198,195,245 | 156,806,397 | 134,350,870 |

### Pension Plan Fiduciary Net Position

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

### Pension Contributions Payable

The University's accrued payroll and employee benefits included $287,526 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2015.

## Defined Contribution Plans

### Plan Description

In accordance with A.R.S. 15-1628, defining the authority under which benefit terms are established or may be amended, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. During the fiscal year ended June 30, 2015, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Service Company (Fidelity) were approved by the Board. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately, and University contributions vest after five years of benefit eligible employment. Non-vested contributions held by the University earn interest.

### Funding Policy

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 companies. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2015, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

### Pension Liability

At June 30, 2015, the University reported a liability of $1,707,034 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

### Pension Expense

For the year ended June 30, 2015, the University recognized pension expense for Defined Contribution Plans of $6,049,561. For the year ended June 30, 2015, forfeitures reduced the University's pension expense by $185,306.

### Pension Contributions Payable

The University's accrued payroll and employee benefits included $155,929 of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2015.

# Note 10 - Discretely Presented Component Unit Disclosures

## A. Principal Activity and Significant Accounting Policies

### Organization

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

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

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

Based on the type of organization of NAREH and NAUV, and as otherwise provided in the operating agreement executed by the member of the respective companies, no member is personally liable for any acts, debts or liabilities beyond the member's capital contributions. The LLCs have no defined finite lives.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and NAREH and NAUV because the Foundation has both control and an economic interest in NAREH and NAUV. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Foundation."

### 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

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

### Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2015, the allowance was $247,466.

In October 2011, the Foundation received a conditional promise to give that matches funds raised and deposited for a specific endowment fund at a ratio of 1:3, with a maximum matching annual contribution totaling $133,333 per year for a period of five years. The agreement is based upon fiscal years ending on October 31. For the year ended June 30, 2015, the Foundation did raise the necessary amount for the match as of October 31, 2014 and as such has recorded contribution revenue of $133,333. Any remaining matching contribution will be recognized if and when the Foundation raises the necessary amount to meet the conditions of this promise.

### Bequests Receivable

Bequests receivable are recognized as contribution revenue in the period the Foundation receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met. Bequests receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for uncollectible bequests receivable based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible bequests receivable and a credit to bequests receivable. At June 30, 2015, bequests receivable are considered by management to be fully collectible and, accordingly, an allowance for uncollectible bequests receivable has not been provided.

### Investment in Direct Financing Leases

The Foundation has two leases which are classified as direct financing leases. The components of the net investment in direct financing leases include the minimum lease payments receivable, unguaranteed residual values and unearned income. Interest income is recognized over the life of the lease.

The carrying amount of the net investment in direct financing leases is reduced by a valuation allowance for uncollectible lease payments. The allowance for uncollectible lease payments is established as losses are estimated to have occurred through a provision for lease losses charged to earnings. Lease losses are charged against the allowance when management believes the uncollectability of a lease balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. As of June 30, 2015, the allowance for uncollectible lease payments was $0.

### Investments

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

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

### Revenue and Revenue Recognition

Revenue from exchange transactions, management fees, investment activities, other fees and charges, and non-contribution related revenue is recognized when earned. Revenue received in advance is recorded as deferred revenue in the accompanying consolidated statements of financial position. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). Accordingly, contributions to it qualify for the charitable contribution deduction under section 170(b)(1)(A). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS, or its Arizona equivalent, Form 99-T, with the Arizona Department of Revenue.

NAUV and NAREH are organized as single-member, limited liability corporations and are disregarded as entities separate from the Foundation for income tax purposes.

The Foundation believes that it has appropriate support for any income tax positions taken by the combined entity, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

### 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 744 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, 2015, 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 had the following endowment net asset composition by type of fund as of June 30, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Board-designated quasi-endowment | $ 9,645,388 | | | $ 9,645,388 |
| Donor-restricted quasi-endowment | | $ 4,198,282 | | 4,198,282 |
| Donor-restricted for permanent endowment | (95,068) | 22,961,320 | $ 62,123,944 | 84,990,196 |
| | $ 9,550,320 | $ 27,159,602 | $ 62,123,944 | $ 98,833,866 |

At June 30, 2015, certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of $95,057 are reported in unrestricted net assets.

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 to 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 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 2015, 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.

With the exception of certain permanently restricted contributions that the donor requires to be separately invested, all permanently restricted contributions are consolidated in an investment pool. Appreciation, depreciation, income and expense relative to the pooled endowment investments are allocated to each endowment based upon the ratio of that endowment's investment balance to the total investment pool and are shown as a change in temporarily restricted net assets.

Changes in Endowment net assets for the year ended June 30, 2015 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 9,284,367 | $ 26,777,065 | $ 55,160,706 | $ 91,222,138 |
| Investment return | | | | |
| Investment income, net of fees | 11,378 | 12,256 | | 23,634 |
| Net realized and unrealized gain | 180,471 | 1,969,105 | 91,432 | 2,241,008 |
| | 191,849 | 1,981,361 | 91,432 | 2,264,642 |
| Contributions | 2,558 | 93,542 | 6,580,585 | 6,676,685 |
| Reclassification of donor intent | 250,279 | 363,126 | 291,221 | 904,626 |
| Deficiency in original gift value of permanently restricted funds below fair value | (93,339) | | | (93,339) |
| Appropriaion of endowment assets pursuant to spending-rate policy | (85,394) | (2,055,492) | | (2,140,886) |
| Endowment net assets, end of year | $ 9,550,320 | $ 27,159,602 | $ 62,123,944 | $ 98,833,866 |

## D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2015:

| | | |
|---|---|---|
| Within one year | $ | 2,995,878 |
| In one to five years | | 3,439,976 |
| Over five years | | 166,200 |
| | | 6,602,054 |
| Discount to net present value | | (92,646) |
| Allowance for uncollectible promises to give | | (247,466) |
| | $ | 6,261,942 |

A concentration of credit risk exists with the unconditional promises to give at June 30, 2015 as approximately 43% of the gross promises to give receivable balance is from two donors.

## E. Net Investment Return

Net investment return consists of the following for the year ended June 30, 2015:

| | | |
|---|---|---|
| Interest and dividends | $ | 2,232,546 |
| Net realized and unrealized gain | | 1,184,710 |
| Less investment management and custodial fees | | (71,243) |
| | $ | 3,346,013 |

## F. Lease Agreements

Prior to 2002, the Foundation was the recipient of several donated educational broadband services (EBS) licenses, which were subsequently fully amortized. In fiscal year 2008, the Foundation received approximately $15,000,000 from an outside corporation to purchase additional licenses in exchange for exclusive rights to leasing the purchased licenses.

The licenses are granted for ten-year terms, which are due to expire at various dates through 2025. The licenses are renewable indefinitely in ten-year increments and the Foundation intends on renewing all licenses currently held.

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 June 2025. The FCC has certain educational programming requirements. As part of the lease agreements, the lessees are responsible for ensuring that the educational requirements are met. After the educational requirements are met, there is excess frequency capacity that can be used. The Foundation receives monthly lease payments for the use of the excess capacity. In addition to the monthly payment terms, several leases required the lessee to pay an initial fee.

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 $1,378,139 for the year ended June 30, 2015.

During fiscal 2011, NAREH constructed a restaurant on certain property owned by the Arizona Board of Regents with a total initial direct cost of $3,327,267, which is also the initial net investment in direct financing lease. NAREH then leased the restaurant to Sodexo America, LLC under a direct financing lease. The lease with Sodexo America, LLC originated in fiscal 2011 and has a 6-year term.

During fiscal 2013, NAREH constructed the University Services building on certain property owned by the Arizona Board of Regents with a total initial direct cost of $9,780,185, which is also the initial net investment in direct financing lease. NAREH then leased the building to Northern Arizona University under a direct financing lease. The lease with Northern Arizona University originated in fiscal 2013 and has a 20-year term.

Minimum future lease receipts under these direct financing leases are as follows as of June 30, 2015:

| Years Ending June 30, | | |
|---|---|---|
| 2016 | $ | 984,547 |
| 2017 | | 1,148,081 |
| 2018 | | 488,225 |
| 2019 | | 490,575 |
| 2020 | | 487,100 |
| Thereafter | | 5,390,160 |
| Direct Financing Lease | $ | 8,988,688 |

## G. 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, 2015:

| | | |
|---|---|---|
| Cash | $ | 1,308,974 |
| Investments | | 26,747,888 |
| Beneficial interest in perpetual trust | | 646,680 |
| | $ | 28,703,542 |
| Assets held on behalf of: | | |
| Northern Arizona University | $ | 28,432,024 |
| NAU Parents' Association | | 271,518 |
| | $ | 28,703,542 |

# Required Supplementary Information

## Schedule of University's Proportionate Share of Net Pension Liability

| Arizona State Retirement System | Reporting Fiscal Year (Measurement Date) 2015 (2014) | 2014 through 2006 |
|---|---|---|
| University's proportion of the net pension liability | 1.06% | |
| University's proportionate share of the net pension liability | $ 156,806,397 | Information |
| University's covered-employee payroll | $ 96,736,181 | not available |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 162% | |
| Plan fiduciary net position as a percentage of the total pension liability | 69.49% | |

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

Reporting Fiscal Year

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 11,318,482 | $ 10,291,080 | $ 9,007,925 | $ 7,975,201 | $ 7,244,168 | $ 6,222,744 | $ 6,135,936 | $ 5,939,553 | $ 5,051,466 | $ 3,674,658 |
| Contributions in relation to the statutorily required contribution | 11,318,482 | 10,291,080 | 9,007,925 | 7,975,201 | 7,244,168 | 6,222,744 | 6,135,936 | 5,939,553 | 5,051,466 | 3,674,658 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 104,361,657 | $ 96,736,181 | $ 88,480,987 | $ 80,802,442 | $ 80,401,420 | $ 74,613,237 | $ 76,795,194 | $ 73,783,267 | $ 67,896,048 | $ 63,030,154 |
| Contributions as a percentage of covered-employee payroll | 10.85% | 10.64% | 10.18% | 9.87% | 9.01% | 8.34% | 7.99% | 8.05% | 7.44% | 5.83% |

# Statistical Section

# Narrative to the Statistical Section

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# NET POSITION BY COMPONENT

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| Invested in Capital Assets | $268,007 | $234,187 | $215,847 | $218,676 | $200,274 | $157,565 | $150,766 | $152,828 | $126,930 | $129,359 |
| Restricted, Non-expendable | 22,540 | 21,770 | 20,430 | 19,517 | 19,047 | 18,253 | 17,504 | 16,493 | 16,251 | 16,971 |
| Restricted, Expendable | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 | 18,919 | 22,951 | 22,401 | 20,193 |
| Unrestricted | (32,051) | 154,120 | 172,284 | 178,600 | 182,210 | 173,639 | 124,781 | 80,149 | 70,716 | 47,337 |
| **Total Net Position** | **$291,094** | **$439,539** | **$435,219** | **$434,364** | **$417,897** | **$368,830** | **$311,970** | **$272,421** | **$236,298** | **$213,860** |
| *Expressed as a percent of the total* | % | % | % | % | % | % | % | % | % | % |
| Invested in Capital Assets | 92.1 | 53.3 | 49.6 | 50.3 | 47.9 | 42.7 | 48.3 | 56.1 | 53.7 | 60.5 |
| Restricted, Non-expendable | 7.7 | 4.9 | 4.7 | 4.5 | 4.6 | 4.9 | 5.6 | 6.1 | 6.9 | 7.9 |
| Restricted, Expendable | 11.2 | 6.7 | 6.1 | 4.0 | 3.9 | 5.3 | 6.1 | 8.4 | 9.5 | 9.4 |
| Unrestricted | (11.0) | 35.1 | 39.6 | 41.2 | 43.6 | 47.1 | 40.0 | 29.4 | 29.9 | 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** |
| *% increase/(decrease) from prior year* | % | % | % | % | % | % | % | % | % | % |
| Invested in Capital Assets | 14.4 | 8.5 | (1.3) | 9.2 | 27.1 | 4.5 | (1.3) | 20.4 | (1.9) | 3.6 |
| Restricted, Non-expendable | 3.5 | 6.6 | 4.7 | 2.5 | 4.3 | 4.3 | 6.1 | 1.5 | (4.2) | 11.8 |
| Restricted, Expendable | 10.6 | 10.5 | 51.7 | 7.4 | (15.5) | 2.4 | (17.6) | 2.5 | 10.9 | 10.1 |
| Unrestricted | (120.8) | (10.5) | (3.5) | (2.0) | 4.9 | 39.2 | 55.7 | 13.3 | 49.4 | 5.0 |
| **Total Net Position** | **(33.8)** | **1.0** | **0.2** | **3.9** | **13.3** | **18.2** | **14.5** | **15.3** | **10.5** | **5.1** |

## CHANGE IN NET POSITION

| Fiscal Year Ended June 30, *(Dollars in thousands)* | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| *Operating Revenues* | | | | | | | | | | |
| Student tuition and fees, net | $205,550 | $188,816 | $172,565 | $157,864 | $147,224 | $126,414 | $112,075 | $99,151 | $89,162 | $82,012 |
| Governmental grants and contracts | 22,288 | 19,594 | 19,521 | 18,461 | 26,185 | 17,706 | 14,690 | 14,625 | 55,459 | 51,151 |
| Private grants and contracts | 2,793 | 2,865 | 3,518 | 2,119 | 1,437 | 1,977 | 3,518 | 3,527 | 4,108 | 3,881 |
| Residence Life | 31,602 | 29,870 | 30,541 | 29,534 | 29,480 | 27,841 | 25,448 | 22,804 | 21,755 | 17,942 |
| Other auxiliaries | 23,443 | 21,424 | 20,096 | 16,272 | 17,692 | 14,903 | 13,520 | 13,051 | 16,856 | 20,499 |
| Other revenues (1) | 23,215 | 20,246 | 17,410 | 17,190 | 10,603 | 10,124 | 8,826 | 9,185 | 7,236 | 6,083 |
| **Total Operating Revenues** | **$308,891** | **$282,815** | **$263,651** | **$241,440** | **$232,621** | **$198,965** | **$178,077** | **$162,343** | **$194,576** | **$181,568** |
| **Expenses** | | | | | | | | | | |
| *Operating Expenses* | | | | | | | | | | |
| Educational and general | | | | | | | | | | |
| Instruction | $167,080 | $156,021 | $142,282 | $134,272 | $132,117 | $123,077 | $127,717 | $127,073 | $116,548 | $103,438 |
| Research | 25,461 | 23,584 | 19,886 | 21,766 | 23,178 | 22,306 | 21,463 | 21,433 | 21,353 | 21,232 |
| Public Service | 27,009 | 25,699 | 26,935 | 28,352 | 27,301 | 26,878 | 28,794 | 29,333 | 27,509 | 25,965 |
| Academic support | 36,182 | 33,877 | 32,164 | 28,858 | 30,321 | 27,194 | 27,064 | 29,185 | 26,668 | 25,895 |
| Student services | 50,335 | 50,504 | 42,145 | 36,274 | 32,995 | 25,312 | 28,228 | 27,836 | 23,907 | 21,388 |
| Institutional support | 57,141 | 53,702 | 47,265 | 41,789 | 40,909 | 37,627 | 35,789 | 36,676 | 32,385 | 32,868 |
| Operation & maintenance of plant | 25,779 | 26,693 | 23,259 | 21,781 | 17,426 | 16,591 | 19,658 | 22,610 | 17,874 | 16,399 |
| Scholarship and fellowship | 29,068 | 25,412 | 24,211 | 25,576 | 29,218 | 23,431 | 16,644 | 13,848 | 13,031 | 11,797 |
| Auxiliary enterprises | 37,706 | 32,759 | 44,386 | 37,035 | 34,351 | 29,339 | 28,716 | 28,645 | 33,491 | 35,977 |
| Depreciation | 35,123 | 33,256 | 31,388 | 27,260 | 21,990 | 21,605 | 20,731 | 18,926 | 17,867 | 15,807 |
| **Total Operating Expenses** | **$490,884** | **$461,507** | **$433,921** | **$402,963** | **$389,806** | **$353,360** | **$354,804** | **$355,565** | **$330,633** | **$310,766** |
| **Operating loss** | **$(181,993)** | **$(178,692)** | **$(170,270)** | **$(161,523)** | **$(157,185)** | **$(154,395)** | **$(176,727)** | **$(193,222)** | **$(136,057)** | **$(129,198)** |
| **Nonoperating Revenues (Expenses)** | | | | | | | | | | |
| State operating appropriations | $112,026 | $105,588 | $101,469 | $103,670 | $128,529 | $128,448 | $135,600 | $153,579 | $136,862 | $124,690 |
| Federal fiscal stabilization funds | - | - | - | - | 291 | 10,935 | 23,492 | - | - | - |
| Share of state tax - TRIF | 13,267 | 12,308 | 11,492 | 11,157 | 11,189 | 10,913 | 12,246 | 16,424 | 16,913 | 11,861 |
| Government grants | 59,658 | 56,413 | 57,569 | 60,200 | 56,324 | 53,514 | 43,468 | 42,837 | 259 | 289 |
| Private gifts and grants | 13,032 | 10,920 | 9,925 | 10,367 | 8,003 | 10,873 | 8,880 | 10,469 | 5,275 | 5,175 |
| Net investment return (loss) | 1,771 | 5,703 | 3,174 | 2,678 | 2,983 | 4,178 | (1,192) | 4,700 | 8,933 | 6,814 |
| Interest on debt | (22,723) | (23,696) | (23,456) | (22,852) | (14,023) | (14,450) | (13,422) | (12,206) | (10,506) | (10,043) |
| Other revenues (expenses) | 8,271 | 8,987 | 5,703 | 4,229 | 3,642 | 171 | (117) | (1,664) | 942 | (390) |
| **Net Nonoperating Revenues** | **$185,302** | **$176,223** | **$165,876** | **$169,449** | **$196,938** | **$204,582** | **$208,955** | **$214,139** | **$158,678** | **$138,396** |
| **Income (loss) before other revenues, expenses, gains, or losses** | **$3,309** | **$(2,469)** | **$(4,394)** | **$7,926** | **$39,753** | **$50,187** | **$32,228** | **$20,917** | **$22,621** | **$9,198** |
| Capital appropriations | $5,827 | $5,900 | $5,900 | $5,900 | $5,900 | $5,900 | $5,900 | $5,900 | $2,647 | n/a |
| Capital grants and gifts | 60 | 63 | 63 | 455 | 2,582 | 46 | 770 | 2,997 | 63 | 49 |
| Additions to permanent endowments | 858 | 826 | 882 | 852 | 831 | 727 | 651 | 650 | 522 | 1,167 |
| **Increase (Decrease) in Net Position** | **$10,054** | **$4,320** | **$2,451** | **$15,133** | **$49,066** | **$56,860** | **$39,549** | **$30,464** | **$25,853** | **$10,414** |
| Total Revenues | $523,661 | $489,523 | $459,828 | $440,948 | $452,895 | $424,670 | $409,084 | $399,899 | $366,992 | $331,613 |
| Total Expenses | 513,607 | 485,203 | 457,377 | 425,815 | 403,829 | 367,810 | 369,535 | 369,435 | 341,139 | 321,199 |
| **Increase (Decrease) in Net Position** | **$10,054** | **$4,320** | **$2,451** | **$15,133** | **$49,066** | **$56,860** | **$39,549** | **$30,464** | **$25,853** | **$10,414** |

(1) In compliance with Arizona Revised Statutes 35-391, for FY2015, the University received a rebate in the amount of $392,326 from JP Morgan for Pcard purchases.

# CHANGE IN NET POSITION (Continued)

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

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | % | % | % | % | % | % | % | % | % | % |
| *Operating Revenues* | | | | | | | | | | |
| Student tuition and fees, net | 39.3 | 38.6 | 37.5 | 35.8 | 32.5 | 29.8 | 27.4 | 24.8 | 24.3 | 24.7 |
| Governmental grants and contracts | 4.3 | 4.0 | 4.2 | 4.2 | 5.8 | 4.2 | 3.6 | 3.7 | 15.1 | 15.4 |
| Private grants and contracts | 0.5 | 0.6 | 0.8 | 0.5 | 0.3 | 0.5 | 0.9 | 0.9 | 1.1 | 1.2 |
| Residence Life | 6.0 | 6.1 | 6.6 | 6.7 | 6.5 | 6.6 | 6.2 | 5.7 | 5.9 | 5.4 |
| Other Auxiliaries | 4.5 | 4.4 | 4.4 | 3.7 | 3.9 | 3.5 | 3.3 | 3.3 | 4.6 | 6.2 |
| Other revenues | 4.4 | 4.1 | 3.8 | 3.9 | 2.3 | 2.4 | 2.2 | 2.3 | 2.0 | 1.8 |
| **Total Operating Revenues** | **59.0** | **57.8** | **57.3** | **54.8** | **51.3** | **47.0** | **43.6** | **40.7** | **53.0** | **54.7** |
| **Expenses** | | | | | | | | | | |
| *Operating Expenses* | | | | | | | | | | |
| Educational and general | | | | | | | | | | |
| Instruction | 32.5 | 32.2 | 31.1 | 31.5 | 32.7 | 33.5 | 34.6 | 34.4 | 34.2 | 32.2 |
| Research | 5.0 | 4.9 | 4.3 | 5.1 | 5.7 | 6.1 | 5.8 | 5.8 | 6.3 | 6.6 |
| Public Service | 5.3 | 5.3 | 5.9 | 6.7 | 6.8 | 7.3 | 7.8 | 7.9 | 8.1 | 8.1 |
| Academic support | 7.0 | 7.0 | 7.0 | 6.8 | 7.5 | 7.4 | 7.3 | 7.9 | 7.8 | 8.1 |
| Student services | 9.8 | 10.4 | 9.2 | 8.5 | 8.2 | 6.9 | 7.6 | 7.5 | 7.0 | 6.7 |
| Institutional support | 11.1 | 11.1 | 10.3 | 9.8 | 10.1 | 10.2 | 9.7 | 9.9 | 9.5 | 10.2 |
| Operation & maintenance of plant | 5.0 | 5.5 | 5.1 | 5.1 | 4.3 | 4.5 | 5.3 | 6.1 | 5.2 | 5.1 |
| Scholarships and fellowships | 5.7 | 5.2 | 5.3 | 6.0 | 7.2 | 6.4 | 4.5 | 3.7 | 3.8 | 3.7 |
| Auxiliary enterprises | 7.3 | 6.8 | 9.7 | 8.7 | 8.5 | 8.0 | 7.8 | 7.8 | 9.8 | 11.2 |
| Depreciation | 6.8 | 6.9 | 6.9 | 6.4 | 5.4 | 5.9 | 5.6 | 5.1 | 5.2 | 4.9 |
| **Total Operating Expenses** | **95.6** | **95.3** | **94.8** | **94.6** | **96.4** | **96.2** | **96.0** | **96.1** | **96.9** | **96.8** |
| **Operating loss** | **(34.8)** | **(36.5)** | **(37.0)** | **(36.6)** | **(34.7)** | **(36.4)** | **(43.2)** | **(48.3)** | **(37.1)** | **(39.0)** |
| **Nonoperating Revenues (Expenses)** | | | | | | | | | | |
| State operating appropriations | 21.4 | 21.6 | 22.1 | 23.5 | 28.4 | 30.2 | 33.1 | 38.4 | 37.3 | 37.6 |
| Federal fiscal stabilization funds | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 2.6 | 5.7 | 0.0 | 0.0 | 0.0 |
| Share of state tax - TRIF | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.6 | 3.0 | 4.1 | 4.6 | 3.6 |
| Government Grants | 11.4 | 11.5 | 12.5 | 13.7 | 12.4 | 12.6 | 10.6 | 10.7 | 0.1 | 0.1 |
| Private gifts | 2.5 | 2.2 | 2.2 | 2.4 | 1.8 | 2.6 | 2.2 | 2.6 | 1.4 | 1.6 |
| Net investment return (loss) | 0.3 | 1.2 | 0.7 | 0.6 | 0.7 | 1.0 | (0.3) | 1.2 | 2.4 | 2.1 |
| Interest on debt | (4.4) | (4.9) | (5.1) | (5.4) | (3.5) | (3.9) | (3.6) | (3.3) | (3.1) | (3.1) |
| Other revenues (expenses) | 1.6 | 1.8 | 1.2 | 1.0 | 0.8 | 0.0 | (0.0) | (0.5) | 0.3 | (0.1) |
| **Net Nonoperating Revenues** | **35.3** | **36.0** | **36.1** | **38.3** | **43.2** | **47.7** | **50.7** | **53.2** | **43.0** | **41.8** |
| **Income (loss) before other revenues, expenses, gains, or losses** | **0.6** | **(0.5)** | **(0.9)** | **1.7** | **8.5** | **11.3** | **7.5** | **4.9** | **5.9** | **2.8** |
| Capital appropriations | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 | 1.5 | 0.7 | 0.0 |
| Capital grants | 0.0 | 0.0 | 0.0 | 0.1 | 0.6 | 0.0 | 0.2 | 0.7 | 0.0 | 0.0 |
| Additions to permanent endowments | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.4 |
| **Increase in Net Position** | **1.9** | **0.9** | **0.6** | **3.3** | **10.5** | **12.9** | **9.3** | **7.3** | **6.7** | **3.2** |

## CHANGE IN NET POSITION (Continued)

(Percentage increase (decrease) from prior year)

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 Restated | 2012 Restated | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % | % | % | % |
| **Revenues** | | | | | | | | | | |
| *Operating Revenues* | | | | | | | | | | |
| Student tuition and fees, net | 8.9 | 9.4 | 9.3 | 7.2 | 16.5 | 12.8 | 13.0 | 11.2 | 8.7 | 10.6 |
| Governmental grants and contracts | 13.7 | 0.4 | 5.7 | (29.5) | 47.9 | 20.5 | 0.4 | (73.6) | 8.4 | (5.3) |
| Private grants and contracts | (2.5) | (18.6) | 66.0 | 47.5 | (27.3) | (43.8) | (0.3) | (14.1) | 5.8 | (4.6) |
| Sales and services | | | | | | | | | | |
| Residence Life | 5.8 | (2.2) | 3.4 | 0.2 | 5.9 | 9.4 | 11.6 | 4.8 | 21.3 | 13.6 |
| Other Auxiliaries | 9.4 | 6.6 | 23.5 | (8.0) | 18.7 | 10.2 | 3.6 | (22.6) | (17.8) | 12.3 |
| Other revenues | 14.7 | 16.3 | 1.3 | 62.1 | 4.7 | 14.7 | (3.9) | 26.9 | 19.0 | 15.4 |
| **Total Operating Revenues** | **9.2** | **7.3** | **9.2** | **3.8** | **16.9** | **11.7** | **9.7** | **(16.6)** | **7.2** | **5.8** |
| **Expenses** | | | | | | | | | | |
| *Operating Expenses* | | | | | | | | | | |
| Educational and general | | | | | | | | | | |
| Instruction | 7.1 | 9.7 | 6.0 | 1.6 | 7.3 | (3.6) | 0.5 | 9.0 | 12.7 | 5.4 |
| Research | 8.0 | 18.6 | (8.6) | (6.1) | 3.9 | 3.9 | 0.1 | 0.4 | 0.6 | 8.2 |
| Public Service | 5.1 | (4.6) | (5.0) | 3.8 | 1.6 | (6.7) | (1.8) | 6.6 | 5.9 | 17.0 |
| Academic support | 6.8 | 5.3 | 11.5 | (4.8) | 11.5 | 0.5 | (7.3) | 9.4 | 3.0 | 25.9 |
| Student services | (0.3) | 19.8 | 16.2 | 9.9 | 30.4 | (10.3) | 1.4 | 16.4 | 11.8 | 6.8 |
| Institutional support | 6.4 | 13.6 | 13.1 | 2.2 | 8.7 | 5.1 | (2.4) | 13.2 | (1.5) | 20.8 |
| Operation & maintenance of plant | (3.4) | 14.8 | 6.8 | 25.0 | 5.0 | (15.6) | (13.1) | 26.5 | 9.0 | (0.2) |
| Scholarships and fellowships | 14.4 | 5.0 | (5.3) | (12.5) | 24.7 | 40.8 | 20.2 | 6.3 | 10.5 | 11.0 |
| Auxiliary enterprises | 15.1 | (26.2) | 19.8 | 7.8 | 17.1 | 2.2 | 0.2 | (14.5) | (6.9) | 29.0 |
| Depreciation | 5.6 | 6.0 | 15.1 | 24.0 | 1.8 | 4.2 | 9.5 | 5.9 | 13.0 | (2.6) |
| **Total Operating Expenses** | **6.4** | **6.4** | **7.7** | **3.4** | **10.3** | **(0.4)** | **(0.2)** | **7.5** | **6.4** | **11.4** |
| **Operating loss** | **1.8** | **4.9** | **5.4** | **2.8** | **1.8** | **(12.6)** | **(8.5)** | **42.0** | **5.3** | **20.3** |
| **Nonoperating Revenues (Expenses)** | | | | | | | | | | |
| State operating appropriations | 6.1 | 4.1 | (2.1) | (19.3) | 0.1 | (5.3) | (11.7) | 12.2 | 9.8 | 6.0 |
| Federal fiscal stabilization funds | n/a | n/a | n/a | (100.0) | (97.3) | (53.5) | n/a | n/a | n/a | n/a |
| Share of state tax - TRIF | 7.8 | 7.1 | 3.0 | (0.3) | 2.5 | (10.9) | (25.4) | (2.9) | 42.6 | (12.0) |
| Government grants & contracts | 5.8 | (2.0) | (4.4) | 6.9 | 5.3 | 23.1 | 1.5 | 16,439.4 | (10.4) | (24.3) |
| Private gifts | 19.3 | 10.0 | (4.3) | 29.5 | (26.4) | 22.4 | (15.2) | 98.5 | 1.9 | 54.6 |
| Net investment return (loss) | (68.9) | 79.7 | 18.5 | (10.2) | (28.6) | (450.5) | (125.4) | (47.4) | 31.1 | 91.9 |
| Interest on indebtedness | (4.1) | 1.0 | 2.6 | 63.0 | (3.0) | 7.7 | 10.0 | 16.2 | 4.6 | 37.7 |
| Other revenues (expenses) | (8.0) | 57.6 | 34.9 | 16.1 | 2,029.8 | (246.2) | (93.0) | (276.6) | (341.5) | (62.8) |
| **Net Nonoperating Revenues** | **5.2** | **6.2** | **(2.1)** | **(14.0)** | **(3.7)** | **(2.1)** | **(2.4)** | **35.0** | **14.7** | **6.4** |
| **Income (loss) before other revenues, expenses, gains, or losses** | **(234.0)** | **(43.8)** | **(155.4)** | **(80.1)** | **(20.8)** | **55.7** | **54.1** | **(7.5)** | **145.9** | **(59.4)** |
| Capital appropriations | (1.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 122.9 | n/a | n/a |
| Capital grants | (4.8) | 0.0 | (86.2) | (82.4) | 5,513.0 | (94.0) | (74.3) | 4,657.1 | 28.6 | (39.5) |
| Additions to permanent endowments | 3.9 | (6.3) | 3.5 | 2.5 | 14.3 | 11.7 | 0.2 | 24.5 | (55.3) | 101.6 |
| **Increase (Decrease) in Net Position** | **132.7** | **76.3** | **(83.8)** | **(69.2)** | **(13.7)** | **43.8** | **29.8** | **17.8** | **148.3** | **(55.4)** |

# OPERATING EXPENSES BY NATURAL CLASSIFICATION

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| Personal Services and Benefits | $313,645 | $293,654 | $268,888 | $254,396 | $248,043 | $231,613 | $237,591 | $231,571 | $216,465 | $195,330 |
| Operations | 113,048 | 109,185 | 109,435 | 95,731 | 90,555 | 76,711 | 79,838 | 91,220 | 83,269 | 87,832 |
| Scholarships | 29,068 | 25,412 | 24,211 | 25,576 | 29,218 | 23,431 | 16,644 | 13,848 | 13,032 | 11,797 |
| Depreciation | 35,123 | 33,256 | 31,387 | 27,260 | 21,990 | 21,605 | 20,731 | 18,926 | 17,867 | 15,807 |
| **Total Operating Expenses by Natural Classification** | **$490,884** | **$461,507** | **$433,921** | **$402,963** | **$389,806** | **$353,360** | **$354,804** | **$355,565** | **$330,633** | **$310,766** |
| Expressed as a percent of the total | % | % | % | % | % | % | % | % | % | % |
| Personal Services and Benefits | 63.9 | 63.6 | 62.0 | 63.1 | 63.6 | 65.5 | 67.0 | 65.1 | 65.5 | 62.9 |
| Supplies and Services | 23.0 | 23.7 | 25.2 | 23.8 | 23.3 | 21.8 | 22.5 | 25.7 | 25.2 | 28.2 |
| Student Aid | 5.9 | 5.5 | 5.6 | 6.3 | 7.5 | 6.6 | 4.7 | 3.9 | 3.9 | 3.8 |
| Depreciation | 7.2 | 7.2 | 7.2 | 6.8 | 5.6 | 6.1 | 5.8 | 5.3 | 5.4 | 5.1 |
| **Total Operating Expenses by Natural Classification** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| % increase (decrease) from prior year | % | % | % | % | % | % | % | % | % | % |
| Personal Services and Benefits | 6.8 | 9.2 | 5.7 | 2.6 | 7.1 | (2.5) | 2.6 | 7.0 | 10.8 | 6.9 |
| Supplies and Services | 3.5 | (0.2) | 14.3 | 5.7 | 18.0 | (3.9) | (12.5) | 9.5 | (5.2) | 26.6 |
| Student Aid | 14.4 | 5.0 | (5.3) | (12.5) | 24.7 | 40.8 | 20.2 | 6.3 | 10.5 | 11.0 |
| Depreciation | 5.6 | 6.0 | 15.1 | 24.0 | 1.8 | 4.2 | 9.5 | 5.9 | 13.0 | (2.6) |
| **Total Operating Expenses by Natural Classification** | **6.4** | **6.4** | **7.7** | **3.4** | **10.3** | **(0.4)** | **(0.2)** | **7.5** | **6.4** | **11.4** |

# ACADEMIC YEAR TUITION AND REQUIRED FEES

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **PLEDGE* Resident Undergraduate** | | | | | | | | | | |
| Northern Arizona University | $9,989 | $9,745 | $9,271 | $8,824 | $7,667 | $6,627 | $5,446 | $4,841 | $4,546 | $4,393 |
| percent increase from prior year | 2.5% | 5.1% | 5.1% | 15.1% | 15.7% | 21.7% | 12.5% | 6.5% | 3.5% | 7.9% |
| ABOR Peers with a 4 year guarantee | $12,122 | $12,197 | $11,506 | $11,026 | $10,411 | $9,971 | $9,294 | | | |
| percent increase from prior year | (0.6%) | 6.0% | 4.4% | 5.9% | 4.4% | 7.3% | n/a | | | |
| ABOR Peers Average | | | | | | | | $6,945 | $7,136 | $6,682 |
| percent increase from prior year | | | | | | | | (2.7%) | 6.8% | 7.2% |
| **PLEDGE* Non-Resident Undergraduate** | | | | | | | | | | |
| Northern Arizona University | $22,509 | $22,099 | $21,626 | $21,179 | $20,067 | $17,854 | $16,544 | $14,495 | $13,487 | $13,023 |
| percent increase from prior year | 1.9% | 2.2% | 2.1% | 5.5% | 12.4% | 7.9% | 14.1% | 7.5% | 3.6% | 3.4% |
| ABOR Peers with a 4 year guarantee | $23,060 | $23,044 | $22,079 | $21,117 | $19,854 | $18,832 | $16,869 | | | |
| percent increase from prior year | 0.1% | 4.4% | 4.6% | 6.4% | 5.4% | 11.6% | n/a | | | |
| ABOR Peers Average | | | | | | | | $16,678 | $16,498 | $15,577 |
| percent increase from prior year | | | | | | | | 1.1% | 5.9% | 6.0% |

* 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.

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Resident Graduate** | | | | | | | | | | |
| Northern Arizona University | $9,165 | $8,806 | $8,378 | $8,008 | $7,398 | $6,546 | $5,616 | $5,214 | $4,898 | $4,733 |
| percent increase from prior year | 4.1% | 5.1% | 4.6% | 8.2% | 13.0% | 16.6% | 7.7% | 6.5% | 3.5% | 10.8% |
| **Non-Resident Graduate** | | | | | | | | | | |
| Northern Arizona University | $20,249 | $19,900 | $19,472 | $18,910 | $18,172 | $17,060 | $15,976 | $14,896 | $14,032 | $13,381 |
| percent increase from prior year | 1.8% | 2.2% | 3.0% | 4.1% | 6.5% | 6.8% | 7.3% | 6.2% | 4.9% | 4.6% |

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, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| **Tuition and Fees, net of scholarship allowance** | **$205,550** | **$188,816** | **$172,565** | **$157,864** | **$147,224** | **$126,414** | **$112,075** | **$99,151** | **$89,162** | **$82,012** |
| percent of total revenue | 39% | 39% | 38% | 36% | 33% | 30% | 27% | 25% | 24% | 25% |
| percent increase/(decrease) from prior year | 9% | 9% | 9% | 7% | 16% | 13% | 13% | 11% | 9% | 11% |
| **State of Arizona Government** | | | | | | | | | | |
| State appropriations | $112,026 | $105,588 | $101,469 | $103,670 | $128,529 | $128,448 | $135,600 | $153,579 | $136,862 | $124,690 |
| Technology and research iniatives funding | 13,267 | 12,308 | 11,492 | 11,157 | 11,189 | 10,913 | 12,246 | 16,424 | 16,913 | 11,861 |
| Capital appropriations | 5,827 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 2,647 | - |
| State grants and contracts | 3,464 | 3,469 | 5,649 | 3,359 | 3,229 | 3,796 | 4,518 | 10,693 | 6,322 | 6,427 |
| **State of Arizona Government** | **$134,584** | **$127,265** | **$124,510** | **$124,086** | **$148,847** | **$149,057** | **$158,264** | **$186,596** | **$162,744** | **$142,978** |
| percent of total revenue | 26% | 26% | 27% | 28% | 33% | 35% | 39% | 47% | 44% | 43% |
| percent increase (decrease) from prior year | 6% | 2% | 0% | (17%) | (0%) | (6%) | (15%) | 15% | 14% | 5% |
| **Federal Government** | | | | | | | | | | |
| Federal grants and contracts | $35,669 | $52,981 | $53,838 | $56,412 | $59,255 | $57,577 | $59,901 | $68,220 | $42,000 | $38,298 |
| Financial aid grants | 39,533 | 36,535 | 36,091 | 36,704 | 34,478 | 28,107 | 15,476 | 4,551 | (6,322) | (6,427) |
| Capital grants | 60 | 63 | 63 | 455 | 2,582 | 46 | 770 | 2,997 | 63 | 49 |
| Federal fiscal stablization funds | - | - | - | - | 291 | 10,935 | 23,492 | - | - | - |
| **Federal Government** | **$75,262** | **$89,579** | **$89,992** | **$93,571** | **$96,606** | **$96,665** | **$99,639** | **$75,768** | **$35,741** | **$31,920** |
| percent of total revenue | 14% | 18% | 20% | 21% | 21% | 23% | 24% | 19% | 10% | 10% |
| percent increase (decrease) from prior year | (16%) | (0%) | (4%) | (3%) | (0%) | (3%) | 32% | 112% | 12% | (48%) |
| **Total from principal revenue payers** | **$415,396** | **$405,660** | **$387,067** | **$375,521** | **$392,677** | **$372,136** | **$369,978** | **$361,515** | **$287,647** | **$256,910** |

# LONG-TERM DEBT

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| System Revenue Bonds | $533,630 | $510,695 | $467,425 | $353,820 | $335,700 | $360,010 | $187,270 | $150,710 | $122,565 | $131,805 |
| Unamortized Premium | 25,906 | 16,550 | 9,305 | 4,283 | 3,356 | 4,265 | 4,601 | 4,937 | 4,044 | 3,781 |
| Deferred amount on Refundings | - | - | (1,200) | (1,325) | (1,455) | (1,847) | (2,007) | (2,167) | (2,464) | (1,558) |
| **Net System Revenue Bonds** | **$559,536** | **$527,245** | **$475,530** | **$356,778** | **$337,601** | **$362,428** | **$189,864** | **$153,480** | **$124,145** | **$134,028** |
| Certificates of Participation (COPs) | $58,285 | $62,850 | $65,630 | $69,540 | $80,835 | $83,315 | $85,705 | $88,030 | $90,285 | $90,285 |
| Unamortized Premium | 7,408 | 5,574 | 5,911 | 849 | 894 | 938 | 983 | 1,028 | 1,072 | 1,117 |
| Deferred amount on Refundings | - | - | (3,502) | - | - | - | - | - | - | - |
| **Net Certificates of Participation** | **$65,693** | **$68,424** | **$68,039** | **$70,389** | **$81,729** | **$84,253** | **$86,688** | **$89,058** | **$91,357** | **$91,402** |
| Net System Revenue Bonds Payable | $559,536 | $527,245 | $475,530 | $356,778 | $337,601 | $362,428 | $189,864 | $153,480 | $124,145 | $134,028 |
| Net COPs Payable | 65,693 | 68,424 | 68,039 | 70,389 | 81,729 | 84,253 | 86,688 | 89,058 | 91,357 | 91,402 |
| Capital and Operating Leases Payable | 16,779 | 17,746 | 17,936 | 58,652 | 47,217 | 48,135 | 49,234 | 50,202 | 36,699 | 14,791 |
| **Total Long-Term Debt Payable** | **$642,008** | **$613,415** | **$561,505** | **$485,819** | **$466,547** | **$494,816** | **$325,786** | **$292,740** | **$252,201** | **$240,221** |
| Long Term Debt (whole dollars) | | | | | | | | | | |
| per Student FTE | $24,755 | $24,719 | $23,195 | $21,156 | $20,511 | $23,585 | $16,675 | $16,013 | $14,421 | $14,447 |
| per Dollar of State Appropriations and State Aid | $5.45 | $5.50 | $5.23 | $4.43 | $3.47 | $3.68 | $2.30 | $1.84 | $1.81 | $1.93 |
| per Dollar of Total Grants and Contracts | $6.73 | $6.85 | $6.24 | $5.22 | $4.98 | $5.77 | $4.32 | $3.71 | $4.51 | $4.64 |
| Data Used in Above Calculations | | | | | | | | | | |
| Total Student FTE | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 | 19,537 | 18,281 | 17,489 | 16,628 |
| State Appropriations and State Capital Appropriations | $117,853 | $111,488 | $107,369 | $109,570 | $134,429 | $134,348 | $141,500 | $159,479 | $139,509 | $124,690 |
| Grants and Contracts | $95,327 | $89,516 | $89,929 | $93,116 | $93,733 | $85,684 | $75,377 | $78,913 | $55,977 | $51,729 |

# SUMMARY OF RATIOS

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| COMPOSITE FINANCIAL INDEX | | | | | | | | | | |
| **+ Primary Reserve Ratio** | **0.12** | **0.50** | **0.54** | **0.56** | **0.60** | **0.62** | **0.47** | **0.36** | **0.36** | **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 | 0.90 | 3.76 | 4.06 | 4.21 | 4.51 | 4.66 | 3.53 | 2.71 | 2.71 | 2.11 |
| * Weighting Factor | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| = Ratio Subtotal | 0.32 | 1.32 | 1.42 | 1.47 | 1.58 | 1.63 | 1.24 | 0.95 | 0.95 | 0.74 |
| = Ratio 10.00 Cap Subtotal | 0.32 | 1.32 | 1.42 | 1.47 | 1.58 | 1.63 | 1.24 | 0.95 | 0.95 | 0.74 |
| **+ Return on Net Assets Ratio** | **3.9%** | **4.8%** | **3.1%** | **2.7%** | **14.4%** | **16.8%** | **8.3%** | **11.0%** | **17.6%** | **6.5%** |
| / Strength Factor | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| = Ratio / Strength Factor | 1.95 | 2.40 | 1.55 | 1.35 | 7.20 | 8.40 | 4.15 | 5.50 | 8.80 | 3.25 |
| * Weighting Factor | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| = Ratio Subtotal | 0.39 | 0.48 | 0.31 | 0.27 | 1.44 | 1.68 | 0.83 | 1.10 | 1.76 | 0.65 |
| = Ratio 10.00 Cap Subtotal | 0.39 | 0.48 | 0.31 | 0.27 | 1.44 | 1.68 | 0.83 | 1.10 | 1.76 | 0.65 |
| **+ Net Operating Revenues Ratio** | **0.4%** | **0.3%** | **(0.3%)** | **1.9%** | **9.8%** | **13.2%** | **7.2%** | **5.8%** | **7.2%** | **3.5%** |
| / 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 | 0.31 | 0.23 | -0.23 | 1.46 | 7.54 | 10.00 | 5.54 | 4.46 | 5.54 | 2.69 |
| * Weighting Factor | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| = Ratio Subtotal | 0.03 | 0.02 | -0.02 | 0.15 | 0.75 | 1.00 | 0.55 | 0.45 | 0.55 | 0.27 |
| = Ratio 10.00 Cap Subtotal | 0.03 | 0.02 | -0.02 | 0.15 | 0.75 | 1.00 | 0.55 | 0.45 | 0.55 | 0.27 |
| **+ Viability Ratio** | **0.1** | **0.4** | **0.5** | **0.5** | **0.5** | **0.4** | **0.5** | **0.4** | **0.4** | **0.3** |
| / 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 | 0.24 | 0.96 | 1.09 | 1.10 | 1.17 | 1.03 | 1.14 | 1.02 | 1.07 | 0.81 |
| * Weighting Factor | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| = Ratio Subtotal | 0.08 | 0.34 | 0.38 | 0.39 | 0.41 | 0.36 | 0.40 | 0.36 | 0.38 | 0.28 |
| = Ratio 10.00 Cap Subtotal | 0.08 | 0.34 | 0.38 | 0.39 | 0.41 | 0.36 | 0.40 | 0.36 | 0.38 | 0.28 |
| **Composite Financial Index** | **0.8** | **2.2** | **2.1** | **2.3** | **4.2** | **4.7** | **3.0** | **2.9** | **3.6** | **1.9** |
| **Composite Financial Index w/10.00 Cap** | **0.8** | **2.2** | **2.1** | **2.3** | **4.2** | **4.7** | **3.0** | **2.9** | **3.6** | **1.9** |

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, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| **PRIMARY RESERVE RATIO** | | | | | | | | | | |
| Unrestricted Net Position | $(32,051) | $154,120 | $172,284 | $178,600 | $182,210 | $173,639 | $124,781 | $80,149 | $70,716 | $47,337 |
| Unrestricted Net Assets - Component Units | 10,842 | 12,285 | 32,282 | 29,470 | 30,222 | 24,951 | 17,464 | 20,139 | 15,944 | 10,030 |
| Expendable Restricted Net Position | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 | 18,919 | 22,951 | 22,401 | 20,193 |
| Temp. Restricted Net Assets - Component Units | 51,942 | 52,378 | 23,511 | 18,357 | 22,263 | 15,403 | 17,146 | 22,846 | 25,025 | 15,668 |
| **Expendable Net Position/Assets** | **$63,331** | **$248,245** | **$254,735** | **$243,998** | **$251,061** | **$233,366** | **$178,310** | **$146,085** | **$134,086** | **$93,228** |
| Operating Expenses | $490,884 | $461,507 | $433,921 | $402,963 | $389,806 | $353,360 | $354,804 | $355,565 | $330,633 | $310,766 |
| Nonoperating Expenses | 22,723 | 23,696 | 23,456 | 22,852 | 14,023 | 14,450 | 14,731 | 13,870 | 10,506 | 10,433 |
| Component Unit Total Expenses | 13,214 | 11,944 | 10,822 | 11,363 | 13,424 | 11,289 | 11,506 | 37,868 | 28,203 | 7,001 |
| **Total Expenses** | **$526,821** | **$497,147** | **$468,199** | **$437,178** | **$417,253** | **$379,099** | **$381,041** | **$407,303** | **$369,342** | **$328,200** |
| Expendable Net Position/ | $63,331 | $248,245 | $254,735 | $243,998 | $251,061 | $233,366 | $178,310 | $146,085 | $134,086 | $93,228 |
| Total Expenses | $526,821 | $497,147 | $468,199 | $437,178 | $417,253 | $379,099 | $381,041 | $407,303 | $369,342 | $328,200 |
| **Ratio** | **0.12** | **0.50** | **0.54** | **0.56** | **0.60** | **0.62** | **0.47** | **0.36** | **0.36** | **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 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Change in Total Net Position/ | $15,628 | $25,910 | $15,925 | $13,714 | $64,088 | $64,204 | $29,355 | $34,843 | $46,645 | $16,320 |
| Total Net Position (Beginning of Year) | $404,999 | $537,588 | $521,663 | $509,545 | $445,520 | $381,316 | $351,961 | $317,119 | $264,815 | $249,904 |
| **Ratio** | **3.9%** | **4.8%** | **3.1%** | **2.7%** | **14.4%** | **16.8%** | **8.3%** | **11.0%** | **17.6%** | **6.5%** |

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 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Income/(Loss) Before Capital and Endowment Additions | $3,309 | $(2,469) | $(4,394) | $7,926 | $39,753 | $50,187 | $32,228 | $20,917 | $22,621 | $9,198 |
| Component Unit Change in Unrestriced Net Assets Before Extraordinary or Special items | (1,443) | 3,834 | 2,812 | 646 | 5,271 | 7,488 | (2,676) | 4,195 | 5,816 | 2,657 |
| Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestriced Net Assets Before Extraordinary or Special items | $1,866 | $1,365 | $(1,582) | $8,572 | $45,024 | $57,675 | $29,552 | $25,112 | $28,437 | $11,855 |

# SUMMARY OF RATIOS - (Continued)

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| Total Operating Revenues | $308,891 | $282,815 | $263,651 | $241,440 | $232,621 | $198,965 | $178,077 | $162,343 | $194,576 | $181,568 |
| State Appropriation and State related revenues | 125,293 | 117,896 | 112,961 | 114,827 | 140,009 | 150,296 | 171,338 | 170,003 | 153,775 | 136,551 |
| Non-capital Gifts and Grants, net | 72,690 | 67,333 | 67,494 | 70,567 | 64,327 | 64,387 | 52,348 | 53,306 | 5,534 | 5,464 |
| Investment Income (Loss), net | 1,771 | 5,703 | 3,174 | 2,678 | 2,983 | 4,178 | (1,192) | 4,700 | 8,933 | 6,814 |
| Component Units Total Unrestricted Revenue | 11,771 | 15,778 | 13,634 | 12,009 | 18,696 | 18,777 | 8,830 | 42,063 | 34,018 | 9,657 |
| Adjusted Net Operating Revenues | $520,416 | $489,525 | $460,914 | $441,521 | $458,636 | $436,603 | $409,401 | $432,415 | $396,836 | $340,054 |
| Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items/ | $1,866 | $1,365 | $(1,582) | $8,572 | $45,024 | $57,675 | $29,552 | $25,112 | $28,437 | $11,855 |
| Adjusted Net Operating Revenues | $520,416 | $489,525 | $460,914 | $441,521 | $458,636 | $436,603 | $409,401 | $432,415 | $396,836 | $340,054 |
| **Ratio** | **0.4%** | **0.3%** | **(0.3%)** | **1.9%** | **9.8%** | **13.2%** | **7.2%** | **5.8%** | **7.2%** | **3.5%** |

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

## VIABILITY RATIO

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Unrestricted Net Position | $(32,051) | $154,120 | $172,284 | $178,600 | $182,210 | $173,639 | $124,781 | $80,149 | $70,716 | $47,337 |
| Unrestricted Net Assets - Component Units | 10,842 | 12,286 | 32,282 | 29,470 | 30,222 | 24,951 | 17,464 | 20,139 | 15,944 | 10,030 |
| Expendable Restricted Net Position/ Assets | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 | 18,919 | 22,951 | 22,401 | 20,193 |
| Temporarily Restricted Net Assets - Component Units | 51,942 | 52,378 | 23,511 | 18,357 | 22,263 | 15,403 | 17,146 | 22,846 | 25,025 | 15,668 |
| Expendable Net Position | $63,331 | $248,246 | $254,735 | $243,998 | $251,061 | $233,366 | $178,310 | $146,085 | $134,086 | $93,228 |
| University LT Debt, net capital leases with CUs | $806,774 | $613,415 | $561,505 | $531,802 | $466,547 | $494,816 | $325,786 | $292,740 | $252,201 | $240,221 |
| Component Units Long Term Debt | - | - | - | - | 46,894 | 47,741 | 48,522 | 49,139 | 47,778 | 35,391 |
| Total Adjusted University Debt | $806,774 | $613,415 | $561,505 | $531,802 | $513,441 | $542,557 | $374,308 | $341,879 | $299,979 | $275,612 |
| Expendable Net Position/ | $63,331 | $248,246 | $254,735 | $243,998 | $251,061 | $233,366 | $178,310 | $146,085 | $134,086 | $93,228 |
| Total Adjusted University Debt | $806,774 | $613,415 | $561,505 | $531,802 | $513,441 | $542,557 | $374,308 | $341,879 | $299,979 | $275,612 |
| **Ratio** | **0.08** | **0.40** | **0.45** | **0.46** | **0.49** | **0.43** | **0.48** | **0.43** | **0.45** | **0.34** |

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

## SUMMARY OF RATIOS - OTHER RATIOS

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| **OPERATING MARGIN EXCLUDING GIFTS** | | | | | | | | | | |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | $3,309 | $(2,469) | $(4,394) | $7,926 | $39,753 | $50,187 | $32,228 | $20,917 | $22,621 | $9,198 |
| **Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses** | **$3,309** | **$(2,469)** | **$(4,394)** | **$7,926** | **$39,753** | **$50,187** | **$32,228** | **$20,917** | **$22,621** | **$9,198** |
| Total Operating Revenues | $308,891 | $282,815 | $263,651 | $241,440 | $232,621 | $198,965 | $178,077 | $162,343 | $194,576 | $181,568 |
| State appropriation and share of sales tax | 125,293 | 117,896 | 112,961 | 114,827 | 139,718 | 139,361 | 147,846 | 170,003 | 153,775 | 136,551 |
| Federal fiscal stabilization funds | | | | | 291 | 10,935 | 23,492 | | | |
| Investment Income/(Loss), net | 1,771 | 5,703 | 3,174 | 2,678 | 2,983 | 4,178 | (1,192) | 4,700 | 8,933 | 6,814 |
| **Adjusted Net Operating Revenues less Non-capital Gifts and Grants** | **$435,955** | **$406,414** | **$379,786** | **$358,945** | **$375,613** | **$353,439** | **$348,223** | **$337,046** | **$357,284** | **$324,933** |
| Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses/ | $3,309 | $(2,469) | $(4,394) | $7,926 | $39,753 | $50,187 | $32,228 | $20,917 | $22,621 | $9,198 |
| Adjusted Net Operating Revenues less Non-capital Gifts and Grants | $435,955 | $406,414 | $379,786 | $358,945 | $375,613 | $353,439 | $348,223 | $337,046 | $357,284 | $324,933 |
| **Ratio** | **0.8%** | **(0.6%)** | **(1.2%)** | **2.2%** | **10.6%** | **14.2%** | **9.3%** | **6.2%** | **6.3%** | **2.8%** |

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

### RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Expenses | $490,884 | $461,507 | $433,921 | $402,963 | $389,806 | $353,360 | $354,804 | $355,565 | $330,633 | $310,766 |
| Scholarships and Fellowships | (29,068) | (25,412) | (24,211) | (25,576) | (29,218) | (23,431) | (16,644) | (13,848) | (13,031) | (11,797) |
| Interest on Debt | 22,723 | 23,696 | 23,456 | 22,852 | 14,023 | 14,450 | 13,422 | 12,206 | 10,506 | 10,043 |
| **Total Adjusted Operating Expenses** | **$484,539** | **$459,791** | **$433,166** | **$400,239** | **$374,611** | **$344,379** | **$351,582** | **$353,923** | **$328,108** | **$309,012** |
| Research Expenses/ | $25,461 | $23,584 | $19,886 | $21,766 | $23,178 | $22,306 | $21,463 | $21,433 | $21,353 | $21,232 |
| Total Adjusted Operating Expenses | $484,539 | $459,791 | $433,166 | $400,239 | $374,611 | $344,379 | $351,582 | $353,923 | $328,108 | $309,012 |
| **Ratio** | **5%** | **5%** | **5%** | **5%** | **6%** | **6%** | **6%** | **6%** | **7%** | **7%** |

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

## SUMMARY OF RATIOS - OTHER RATIOS (Continued)

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| **NET TUITION PER STUDENT** | | | | | | | | | | |
| Student Tuition and Fees, net | $205,550 | $188,816 | $172,565 | $157,864 | $147,224 | $126,414 | $112,075 | $99,151 | $89,162 | $82,012 |
| Financial Aid Grants | 39,533 | 36,535 | 36,091 | 36,704 | 34,478 | 28,107 | 15,476 | 10,693 | 13,718 | 13,142 |
| Scholarships and Fellowships | (29,068) | (25,412) | (24,211) | (25,576) | (29,218) | (23,431) | (16,644) | (13,848) | (13,031) | (11,797) |
| Net Tuition and Fees / | $216,015 | $199,939 | $184,445 | $168,992 | $152,484 | $131,090 | $110,907 | $95,996 | $89,849 | $83,357 |
| Student FTE | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 | 19,537 | 18,281 | 17,489 | 16,628 |
| **Net Tuition per Student (whole dollars)** | **$8,329** | **$8,057** | **$7,619** | **$7,359** | **$6,704** | **$6,248** | **$5,677** | **$5,251** | **$5,137** | **$5,013** |

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

| **STATE APPROPRIATIONS PER STUDENT** | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| State Appropriations | $112,026 | $105,588 | $101,469 | $103,670 | $128,529 | $128,448 | $135,600 | $153,579 | $136,862 | $124,690 |
| Capital State Appropriations | 5,827 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 2,647 | - |
| Adjusted State Appropriations / | $117,853 | $111,488 | $107,369 | $109,570 | $134,429 | $134,348 | $141,500 | $159,479 | $139,509 | $124,690 |
| Student FTE | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 | 19,537 | 18,281 | 17,489 | 16,628 |
| **Adjusted State Appropriation per Student (whole dollars)** | **$4,544** | **$4,493** | **$4,435** | **$4,771** | **$5,910** | **$6,404** | **$7,243** | **$8,724** | **$7,977** | **$7,499** |

Measures the instituion’s dependency on state appropriations.

# SUMMARY OF RATIOS - DEBT RELATED RATIOS

| Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| **EXPENDABLE RESOURCES TO DEBT** | | | | | | | | | | |
| Unrestricted Net Position | $(32,051) | $154,120 | $172,284 | $178,600 | $182,210 | $173,639 | $124,781 | $80,149 | $70,716 | $47,337 |
| Expendable Restricted Net Position | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 | 18,919 | 22,951 | 22,401 | 20,193 |
| Expendable Net Position / | $547 | $183,582 | $198,942 | $196,171 | $198,576 | $193,012 | $143,700 | $103,100 | $93,117 | $67,530 |
| Total Bonds, COPS, and Capital Leases | $642,008 | $613,415 | $561,505 | $485,819 | $466,547 | $494,816 | $325,786 | $292,740 | $252,201 | $240,221 |
| **Ratio** | **0.0** | **0.3** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **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 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Unrestricted Net Position | $(32,051) | $154,120 | $172,284 | $178,600 | $182,210 | $173,639 | $124,781 | $80,149 | $70,716 | $47,337 |
| Expendable Restricted Net Position | 32,598 | 29,462 | 26,658 | 17,571 | 16,366 | 19,373 | 18,919 | 22,951 | 22,401 | 20,193 |
| Non-expendable Restricted Net Position | 22,540 | 21,770 | 20,430 | 19,517 | 19,047 | 18,253 | 17,504 | 16,493 | 16,251 | 16,971 |
| Total Financial Resources / | $23,087 | $205,352 | $219,372 | $215,688 | $217,623 | $211,265 | $161,204 | $119,593 | $109,368 | $84,501 |
| Total Bonds, COPS, and Capital Leases | $642,008 | $613,415 | $561,505 | $485,819 | $466,547 | $494,816 | $325,786 | $292,740 | $252,201 | $240,221 |
| **Ratio** | **0.0** | **0.3** | **0.4** | **0.4** | **0.5** | **0.4** | **0.5** | **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.

| DIRECT DEBT TO ADJUSTED CASH FLOW | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Cash Used by Operating Activities | $(133,504) | $(144,325) | $(143,659) | $(147,552) | $(137,184) | $(126,391) | $(151,474) | $(176,809) | $(120,301) | $(105,630) |
| State Appropriations and Federal Stabilization Funds | 112,026 | 105,588 | 101,469 | 103,670 | 128,820 | 139,383 | 159,092 | 153,579 | 136,862 | 124,690 |
| Share of State Sales Tax - TRIF | 13,267 | 12,308 | 11,492 | 11,157 | 11,189 | 10,913 | 12,246 | 16,424 | 16,913 | 11,861 |
| Non-capital Grants and Contracts, Gifts, Other | 72,690 | 67,333 | 67,494 | 70,567 | 64,327 | 64,387 | 52,348 | 53,306 | 5,534 | 5,464 |
| **Adjusted Cash Flow from Operations** | **$64,479** | **$40,904** | **$36,796** | **$37,842** | **$67,152** | **$88,292** | **$72,212** | **$46,500** | **$39,008** | **$36,385** |
| Total Bonds, COPS, and Capital Leases / | $642,008 | $613,415 | $561,505 | $485,819 | $466,547 | $494,816 | $325,786 | $292,740 | $252,201 | $240,221 |
| **Ratio** | **10.0** | **15.0** | **15.3** | **12.8** | **6.9** | **5.6** | **4.5** | **6.3** | **6.5** | **6.6** |

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

## SUMMARY OF RATIOS - DEBT RELATED RATIOS (Continued)

| Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | | | | | | | | | | |
| DEBT SERVICE TO OPERATIONS | | | | | | | | | | |
| Interest and Fees Paid on Debt and Leases | $22,723 | $23,696 | $23,456 | $22,851 | $14,023 | $14,450 | $13,422 | $12,206 | $10,506 | $10,043 |
| Principal Paid on Debt and Leases | 13,008 | 9,538 | 51,997 | 18,115 | 27,708 | 10,034 | 9,863 | 48,482 | 52,277 | 10,763 |
| Principal Paid from Refinancing Activities (1) | | (16,315) | (37,245) | (8,720) | (18,700) | - | - | (35,345) | (41,130) | - |
| Debt Service / | $35,731 | $16,919 | $38,208 | $32,246 | $23,031 | $24,484 | $23,285 | $25,343 | $21,653 | $20,806 |
| Operating Expenses | $490,884 | $461,507 | $433,921 | $402,963 | $389,806 | $353,360 | $354,804 | $355,565 | $330,633 | $310,766 |
| **Ratio** | **7.3%** | **3.7%** | **8.8%** | **8.0%** | **5.9%** | **6.9%** | **6.6%** | **7.1%** | **6.5%** | **6.7%** |

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

(1) Obtained amount from refunding bonds official statements.

# DEBT COVERAGE FOR SENIOR LIEN SYSTEM REVENUE BONDS

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|

*(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.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Revenues Available for Debt Service** | | | | | |
| Tuition and Fees, net of scholarship allowance | $205,550 | $188,816 | $172,565 | $157,864 | $147,224 |
| Receipts from Other Major Revenue Sources (Facilities Revenues) | 67,451 | 63,383 | 61,277 | 56,355 | 46,770 |
| **Net Revenues Available for Debt Service** | **$273,001** | **$252,199** | **$233,842** | **$214,219** | **$193,994** |
| **Senior Lien Bonds Debt Service** | | | | | |
| Interest on Debt | $15,824 | $14,990 | $15,248 | $15,112 | $15,133 |
| Principal Paid on Debt | 8,015 | 6,615 | 6,610 | 5,835 | 5,610 |
| Direct Payment - Build America Bonds | (2,235) | (2,237) | (2,306) | (2,411) | (2,411) |
| **Senior Lien Bonds Debt Service Requirements** | **$21,604** | **$19,368** | **$19,552** | **$18,536** | **$18,332** |
| **Coverage** | **12.64** | **13.02** | **11.96** | **11.56** | **10.58** |

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.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Subordinate Lien Bonds Debt Service** | | | | | |
| Interest on Debt | $7,224 | $7,315 | $3,859 | $3,859 | $3,870 |
| Direct Payment - Build America Bonds | (1,253) | (1,243) | (1,351) | (1,351) | (1,024) |
| Direct Payment - State Lottery Revenue | (5,241) | (2,489) | (2,007) | (2,007) | (2,426) |
| **Subordinate Lien Bonds Debt Service Requirements** | **$730** | **$3,583** | **$501** | **$502** | **$419** |
| **Combined Senior/Subordinate Lien Debt Service** | **$22,334** | **$22,951** | **$20,053** | **$19,038** | **$18,751** |
| **Coverage** | **12.22** | **10.99** | **11.66** | **11.25** | **10.35** |

# DEBT COVERAGE FOR SENIOR LIEN SYSTEM REVENUE BONDS (continued)

| Fiscal Year Ended June 30, | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| *(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.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Revenues Available for Debt Service** | | | | | |
| Tuition and Fees, net of scholarship allowance | $126,414 | $112,075 | $99,151 | $89,162 | $82,012 |
| Receipts from Other Major Revenue Sources (Facilities Revenues) | 49,886 | 40,726 | 35,565 | 39,644 | 40,646 |
| **Net Revenues Available for Debt Service** | **$176,300** | **$152,801** | **$134,716** | **$128,806** | **$122,658** |
| **Senior Lien Bonds Debt Service** | | | | | |
| Interest on Debt | $10,139 | $8,774 | $7,350 | $5,922 | $6,170 |
| Principal Paid on Debt | 6,545 | 6,470 | 10,455 | 10,140 | 10,090 |
| Direct Payment - Build America Bonds | (1,098) | | | | |
| **Senior Lien Bonds Debt Service Requirements** | **$15,586** | **$15,244** | **$17,805** | **$16,062** | **$16,260** |
| **Coverage** | **11.31** | **10.02** | **7.57** | **8.02** | **7.54** |

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.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Subordinate Lien Bonds Debt Service** | | | | | |
| Interest on Debt | $665 | | | | |
| Direct Payment - Build America Bonds | | | | | |
| Direct Payment - State Lottery Revenue | | | | | |
| **Subordinate Lien Bonds Debt Service Requirements** | **$665** | | | | |
| **Combined Senior/Subordinate Lien Debt Service** | **$16,251** | **$15,244** | **$17,805** | **$16,062** | **$16,260** |
| **Coverage** | **10.85** | **10.02** | **7.57** | **8.02** | **7.54** |

## ADMISSIONS, ENROLLMENT AND DEGREES EARNED

| Fall Enrollment of Fiscal Year | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| ADMISSIONS - FRESHMEN | | | | | | | | | | |
| Applications | 27,780 | 33,435 | 29,108 | 24,482 | 22,845 | 21,035 | 16,492 | 13,022 | 9,814 | 7,014 |
| Accepted | 25,159 | 30,561 | 26,010 | 20,620 | 20,562 | 19,076 | 14,745 | 11,563 | 8,894 | 6,254 |
| Enrolled | 4,890 | 4,772 | 4,254 | 3,872 | 4,132 | 3,702 | 3,588 | 3,171 | 2,846 | 2,279 |
| Accepted as Percentage of Application | 91% | 91% | 89% | 84% | 90% | 91% | 89% | 89% | 91% | 89% |
| Enrolled as Percentage of Accepted | 19% | 16% | 16% | 19% | 20% | 19% | 24% | 27% | 32% | 36% |
| Average SAT scores - Total | 1050 | 1053 | 1059 | 1065 | 1062 | 1050 | 1051 | 1057 | 1065 | 1068 |
| Verbal | 524 | 525 | 526 | 522 | 523 | 518 | 518 | 520 | 523 | 528 |
| Math | 520 | 528 | 529 | 526 | 525 | 521 | 523 | 527 | 528 | 527 |

*Source: NAU-Planning and Institutional Research*

| ENROLLMENT | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Student FTE | 25,934 | 24,816 | 24,208 | 22,964 | 22,746 | 20,980 | 19,537 | 18,281 | 17,489 | 16,628 |
| Student Headcount | 27,715 | 26,606 | 26,002 | 25,364 | 25,204 | 23,600 | 22,507 | 21,352 | 20,562 | 19,069 |
| Men (Headcount) | 11,393 | 10,802 | 10,534 | 10,165 | 9,906 | 8,999 | 8,432 | 7,929 | 7,565 | 6,963 |
| Percentage of Total | 41.1% | 40.6% | 40.5% | 40.1% | 39.3% | 38.1% | 37.5% | 37.1% | 36.8% | 36.5% |
| Women (Headcount) | 16,322 | 15,804 | 15,468 | 15,199 | 15,298 | 14,601 | 14,075 | 13,423 | 12,997 | 12,106 |
| Percentage of Total | 58.9% | 59.4% | 59.5% | 59.9% | 60.7% | 61.9% | 62.5% | 62.9% | 63.2% | 63.5% |
| African American (Headcount) | 888 | 839 | 831 | 842 | 823 | 795 | 723 | 641 | 555 | 426 |
| Percentage of Total | 3.2% | 3.2% | 3.2% | 3.3% | 3.3% | 3.4% | 3.2% | 3.0% | 2.7% | 2.2% |
| White (Headcount) | 17,289 | 17,023 | 16,917 | 16,848 | 17,030 | 16,497 | 16,053 | 15,325 | 14,789 | 13,981 |
| Percentage of Total | 62.4% | 64.0% | 65.1% | 66.4% | 67.6% | 69.9% | 71.3% | 71.8% | 71.9% | 73.3% |
| Other (Headcount) | 9,538 | 8,744 | 8,254 | 7,674 | 7,351 | 6,308 | 5,731 | 5,386 | 5,218 | 4,662 |
| Percentage of Total | 34.4% | 32.9% | 31.7% | 30.3% | 29.2% | 26.7% | 25.5% | 25.2% | 25.4% | 24.4% |

Source: NAU-Planning and Institutional Research

| DEGREES EARNED | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bachelor's | 5,004 | 5,034 | 4,513 | 4,497 | 4,020 | 3,635 | 3,277 | 2,935 | 2,895 | 2,845 |
| Master's | 1,202 | 1,346 | 1,424 | 1,546 | 1,707 | 1,699 | 1,719 | 1,767 | 1,760 | 1,926 |
| Doctoral | 126 | 115 | 100 | 109 | 95 | 91 | 103 | 87 | 88 | 82 |
| **Total Degrees** | **6,332** | **6,495** | **6,037** | **6,152** | **5,822** | **5,425** | **5,099** | **4,789** | **4,743** | **4,853** |

Source: NAU - Planning and Institutional Research

## DEMOGRAPHIC DATA

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Arizona Population | 6,731,484 | 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 |
| Arizona Personal Income *(in millions)* | $255,089 | $244,011 | $235,781 | $227,287 | $216,590 | $212,873 | $226,465 | $218,588 | $206,958 | $188,152 |
| Arizona Per Capita Personal Income | $37,895 | $36,823 | $35,979 | $35,062 | $33,773 | $33,560 | $36,059 | $35,441 | $34,326 | $32,223 |
| Arizona Unemployment Rate | 6.30% | 8.00% | 8.30% | 9.50% | 10.50% | 9.90% | 6.00% | 3.70% | 4.10% | 4.70% |

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

## PRINCIPAL EMPLOYERS

| | Calendar Year Ended December 31, 2014 | | | Calendar Year Ended December 31, 2005 | | |
|---|---|---|---|---|---|---|
| Employer | Employees | Rank | Percentage of Total State Employment | Employees | Rank | Percentage of Total State Employment |
| State of Arizona | 48,910 | 1 | 1.58% | 49,958 | 1 | 1.73% |
| Wal-Mart Stores, Inc | 32,438 | 2 | 1.05% | 28,246 | 2 | 0.98% |
| Banner Health | 30,266 | 3 | 0.98% | 19,250 | 3 | 0.67% |
| City of Phoenix | 14,875 | 4 | 0.48% | 13,844 | 4 | 0.48% |
| Wells Fargo | 14,126 | 5 | 0.46% | 11,533 | 5 | 0.40% |
| Maricopa County | 13,341 | 6 | 0.43% | 13,002 | 6 | 0.45% |
| Arizona State University | 12,229 | 7 | 0.40% | 11,202 | 7 | 0.39% |
| Intel Corp. | 11,700 | 8 | 0.38% | | | |
| Scottsdale Lincoln Health | 10,500 | 9 | 0.34% | | | |
| Honeywell International | 10,000 | 10 | 0.32% | 10,700 | 9 | 0.37% |
| U.S. Postal Service | | | | 11,000 | 8 | 0.38% |
| Raytheon Missile Systems | | | | 10,300 | 10 | 0.36% |
| **Total** | **198,385** | | **6.42%** | **179,035** | | **6.21%** |

Sources: Phoenix Business Journal, Book of Lists 2015 and 2006 for employers: Arizona Department of Administration website, www.workforce.az.gov for annual state employment

# FACULTY AND STAFF

| Fall employment of fiscal year | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| FACULTY | | | | | | | | | | |
| Full-time | 1,055 | 973 | 900 | 864 | 836 | 813 | 809 | 774 | 755 | 723 |
| Part-time | 589 | 616 | 639 | 632 | 665 | 601 | 706 | 726 | 737 | 651 |
| **Total Faculty** | **1,644** | **1,589** | **1,539** | **1,496** | **1,501** | **1,414** | **1,515** | **1,500** | **1,492** | **1,374** |
| Percentage Tenured | 50.0% | 53.0% | 52.0% | 60.0% | 63.0% | 69.0% | 71.0% | 75.0% | 76.0% | 77.0% |
| STAFF | | | | | | | | | | |
| Full-time | 1,892 | 1,842 | 1,779 | 1,707 | 1,651 | 1,608 | 1,710 | 1,620 | 1,571 | 1,574 |
| Part-time* | 1,146 | 715 | 651 | 661 | 606 | 682 | 674 | 642 | 677 | 670 |
| **Total Staff** | **3,038** | **2,557** | **2,430** | **2,368** | **2,257** | **2,290** | **2,384** | **2,262** | **2,248** | **2,244** |
| **Total Faculty and Staff** | **4,682** | **4,146** | **3,969** | **3,864** | **3,758** | **3,704** | **3,899** | **3,762** | **3,740** | **3,618** |

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Planning and Institutional Research

# CAPITAL ASSETS

| Fiscal Year Ended June 30, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Academic/Support Facilities | 85 | 84 | 83 | 81 | 80 | 81 | 79 | 80 | 80 | 78 |
| Auxiliary Facilities | 36 | 33 | 31 | 28 | 28 | 27 | 27 | 24 | 23 | 21 |
| **Total** | **121** | **117** | **114** | **109** | **108** | **108** | **106** | **104** | **103** | **99** |

Does not include leased facilities.

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

NORTHERN ARIZONA UNIVERSITY

**Comptrollers Office**

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