



# Annual Comprehensive FINANCIAL REPORT

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Year Ended June 30, 2022

Included as an Enterprise Fund of the State of Arizona



# Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

Flagstaff, Arizona

Prepared by the Comptroller's Office

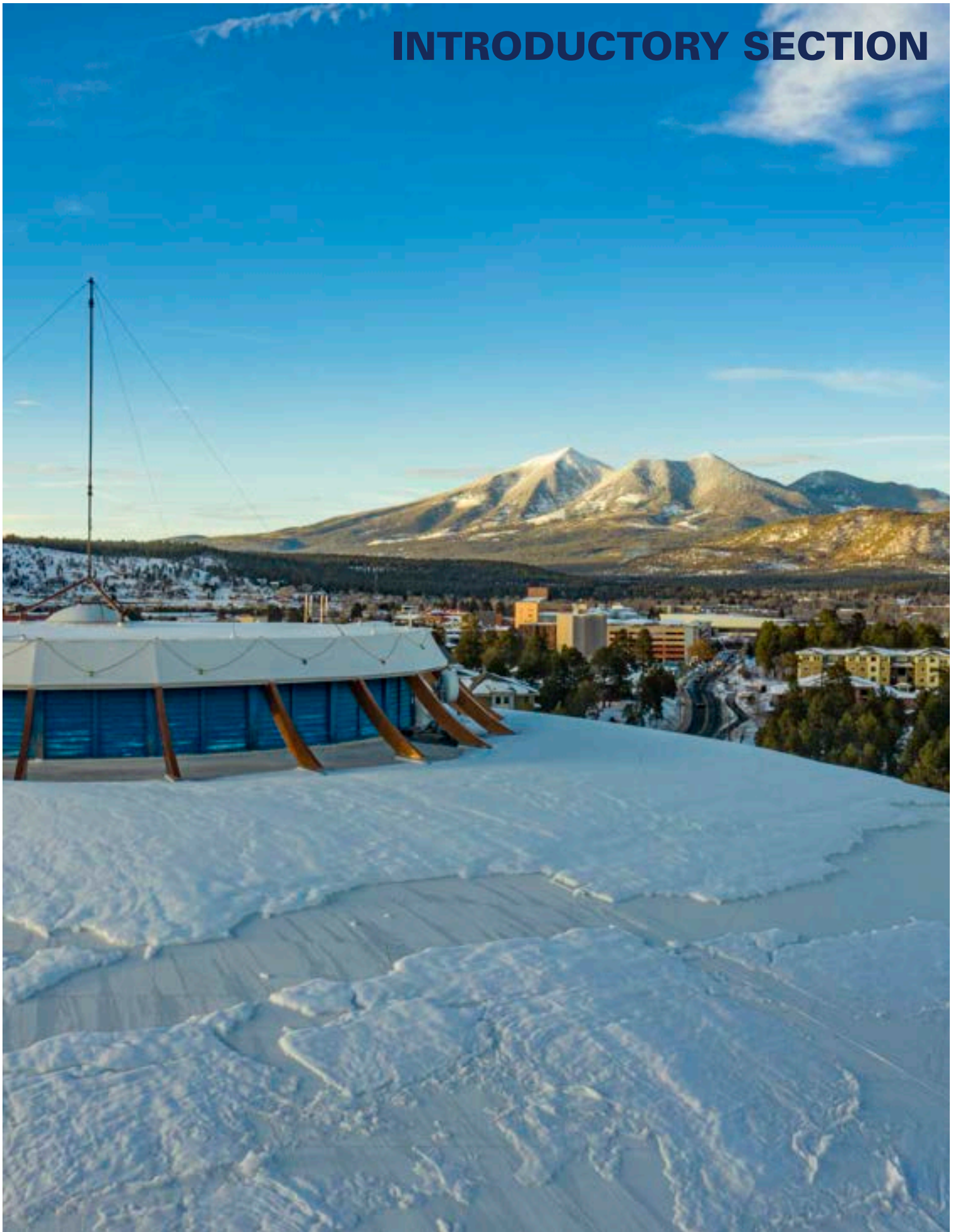
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# INTRODUCTORY SECTION





## A MESSAGE FROM THE PRESIDENT



Founded in 1899, Northern Arizona University (NAU) is fueled by a vision to be the nation's leading engine of opportunity, vehicle of economic mobility, and driver of social impact by delivering equitable postsecondary value in Arizona and beyond. As a community-engaged, high research university that is recognized for its commitment to student success and its impactful portfolio of academic programs offered in Flagstaff, statewide, and online, NAU is truly a jewel of Arizona and the southwest.

NAU is an educational and economic anchor for our state, offering more than 150 degree programs, contributing more than \$2.6 billion to Arizona's economy each year, and supporting more than 24,000 jobs throughout Arizona (Economic Policy Institute). In addition to its residential Flagstaff Mountain Campus, nearly 1,800 students earned NAU credit at more than 20 community campuses across the state, and the university's leading online learning program enrolled approximately 5,600 students (Institutional Research and Analysis, Fall 2021).

The university enrolls nearly 29,000 students, with two-thirds of students Arizona residents, over 63% of the student body identifying as female, and increasing numbers of students coming from underrepresented and diverse backgrounds, including first-generation college students, reflecting the diversity of Arizona's population. As we enter the 2022-23 academic year, we are taking bold strategic measures to position NAU as a national leader in delivering equitable postsecondary value to our students and the communities they represent, helping all students, particularly Arizonans, take advantage of the state's booming economy and realize exceptional outcomes from their college education.

The strategic priorities set forth in *NAU 2025 – Elevating Excellence*, our new strategic plan, represent a robust synthesis of the NAU community's thoughtful engagement and bold aspirations for the future, coupled with the input of important public, private, and philanthropic partners. The strategic priorities and corresponding components we have landed upon are informed by the strategic context in which we operate and are responsive to the evolving challenges and opportunities facing higher education today. *NAU 2025 – Elevating Excellence* emphasizes the increasing importance of our statewide and online programs as vehicles to ensure all Arizonans have access to the educational opportunities required to prepare students for the workforce and support Arizona's businesses and communities.

Beginning Fall 2023, NAU will launch two transformative initiatives that will accelerate its work toward achieving the vision of *NAU 2025 – Elevating Excellence* and powering the strides in college-going and postsecondary attainment that are essential to sustain the vitality of Arizona's economy and the health of its communities. First, NAU will provide a tuition-free college education for every undergraduate Arizona resident with a household income of \$65,000 or below. NAU's new Access2Excellence (A2E) initiative is broadening access to higher education and increasing attainment of valuable postsecondary credentials for Arizona residents—fueling economic and social mobility in Arizona and throughout the nation. Importantly, NAU will remain the lowest cost of attendance university in the state for any Arizonan, regardless of household income level.

Second, NAU will launch the Admissions Pilot program which removes longstanding barriers created by course availability in the state's high schools that curtail students' college-going aspirations. Now, more talented and hardworking Arizonans will have a clear opportunity to pursue a postsecondary education. The Admissions Pilot will accelerate and expand college participation statewide, with a projected 50,000 students eligible and, in turn, strengthening Arizona's workforce.

Inspired by this sharpened vision and commitment, NAU secured \$81 million in public and private funding to broaden access, increase attainment, and power post-graduate success. In addition, NAU achieved the highest annual fundraising milestone in our 123-year history with a record-breaking \$21.5 million in philanthropic support. These public and private donations will support student success, impactful scholarship, and meaningful community engagement, and are a testament to the enthusiasm of our donors, alumni, employees, parents, students, and community partners who are inspired by the vision and mission of the New NAU.

These are just some of the many examples of how NAU is making important strides to transform lives and enrich communities through its high-quality academics and impactful scholarship, creative endeavors, and public service. As you will see from the full financial report, NAU operates on sound financial footing and continues to demonstrate effective stewardship of physical, technological, and financial resources in support of our vision and mission. NAU has taken proactive measures to manage discretionary expense spending to improve the University's bottom line through uncertain times. This positions NAU as a stable, adaptable institution determined to provide equitable postsecondary value at a time of great need for our students and their communities.

I'm so proud and inspired by the important work taking place at our university every day, fueled by our faculty, staff, students, and an engaged community of supporters near and far. Powered by the vision of Elevating Excellence and enriched by the vibrancy of a new class of Lumberjacks joining us in Flagstaff and throughout the state, I look forward to realizing the bold and boundless opportunities before us. Thank you for your ongoing support of NAU.

In partnership,

A handwritten signature in black ink that reads "José Luis Cruz Rivera". The signature is written in a cursive, flowing style.

José Luis Cruz Rivera  
President



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

I respectfully submit the Northern Arizona University Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022. This report includes the financial statements as well as other useful information that helps ensure the University's accountability to the public. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the audit committee and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The University's ACFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes §41-725. Additionally, federal guidelines and certain bond covenants require that the University's accounting and financial records be audited each year. The University's annual audit is performed by the Arizona Auditor General. The University's internal auditors also perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with University management, the Arizona Board of Regents (ABOR), ABOR Audit Committee and the ABOR Finance, Capital and Resources Committee.

The ACFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The ACFR includes Management's Discussion and Analysis (MD&A), along with other required supplementary information and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the year ended June 30, 2022. This letter of transmittal is designed to complement the MD&A.



## LETTER OF TRANSMITTAL

November 15, 2022

### Profile of the University

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

Flagstaff is a culturally diverse city rich with natural beauty and history. Located on the Colorado Plateau in the heart of the largest contingent Ponderosa pine forest in the world, Flagstaff has an estimated 76,989 residents and is growing at a population rate of 1.5% annually (U.S. Census Bureau, 2021). Nestled at the base of the San Francisco Peaks at an elevation of 7,000 feet, Flagstaff welcomes nearly 6 million visitors every year who find a favorable climate with four-seasons, many outdoor recreation opportunities, and easy access to the Grand Canyon. NAU's rich economic and educational contributions regularly lead Flagstaff to be recognized as one of the best college towns in the nation.

NAU is the largest employer in the Flagstaff area. NAU's educational and economic impacts in the region and across the state are profound. NAU's Flagstaff Mountain Campus thrives year-round. In addition to providing outstanding undergraduate resident education, the Flagstaff Mountain Campus is a prestigious high elevation sports training site. Flagstaff is located at a "perfect" training elevation suggested by sport science research, at which the desired physiological adaptations and subsequent increases in aerobic and anaerobic performance are most likely to occur.



NAU's Student Athlete High Performance Center (SAHPC) opened and commenced operations in February 2022. The 77,000 square foot sports center allows NAU student athletes to train their bodies and minds for competition. In addition to providing space to support their success in the classroom, NAU's SAHPC increases opportunities for high altitude exercise-based research.

For the fifth time in University history, and for the second consecutive year, NAU won the 2021-22 Big Sky Conference Presidents' Cup. The award is given annually to the member school that excels both academically and athletically. NAU's eight Big Sky Championships in 2021-22 with five coming courtesy of Lumberjack women's teams helped secure this award. The five women's conference championships propelled NAU to its second consecutive and 10th all-time Big Sky Women's All-Sport Trophy. Additionally, the Northern Arizona Lumberjacks repeated as NCAA Men's Division I Cross Country National Champions for a second consecutive title and, the fifth title in the last six years.

NAU aims to be the nation's preeminent engine of opportunity, vehicle of economic mobility, and driver of social impact by delivering equitable postsecondary value in Arizona and beyond. NAU's high-quality academic programs, general studies curriculum, and teaching excellence of our faculty fosters students' knowledge and competencies necessary for professional success, informed civic engagement, lifelong learning, and the promotion of a more just and sustainable future. NAU's areas of distinctive and emerging excellence in research continue to advance knowledge and innovation to help solve issues of regional, national, and global relevance. NAU has achieved national distinction as a leader in several areas, including environmental sustainability, allied health professional education, and Native American educational partnerships. The University is committed to student success, offering a myriad student services and academic planning tools to help students graduate in four years.

NAU is a fully accredited, four-year degree-granting institution of higher learning (Carnegie Classification: Doctoral, Public, High Research), offering more than 150 combined undergraduate and graduate degree programs, all distinguished by an ongoing commitment to close student-faculty relationships. The University's fiscal year 2022 fall semester (Fall 2021) total enrollment was 28,718 students. Enrollment was comprised of 24,168 undergraduate and 4,550 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 1,001 full-time faculty educate a diverse student population. Over 63% of the student body population identified themselves as female, and 45% of the student population represent ethnically diverse groups.

The University is classified as a state instrumentality per Internal Revenue Code Section 115. Fiscal responsibility for the University remains with the State of Arizona. The University is considered a part of the reporting entity for the State's financial reporting purposes and is included in the State's ACFR. The accompanying financial statements present all funds belonging to the University and its component units. The component units include the Northern Arizona University Foundation and Northern Arizona Capital Facilities Finance Corporation, LLC (NACFFC). The component units are non-profit, tax-exempt organizations. The Foundation is a discretely presented component unit. More information relating to the Foundation can be found in Notes 2 and 12 to the financial statements. NACFFC is a blended component unit, based on the nature and significance of its relationship to the University.

ABOR is comprised of 12 members including appointed, ex-officio, and student regents. The Governor appoints and the Arizona Senate confirms the 8 appointed regents to staggered eight-year terms as voting members of ABOR. The Governor and Superintendent of Public Instruction serve as ex-officio voting members while they hold office.

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

### **Economic Outlook**

On March 23, 2022, the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) reported the 2021 population of Arizona was 7,276,316, continuing to rank 14th nationally. In 2021, Arizona ranked 3rd nationally in net migration by state with a growth rate of 1.4%, and an increase of 98,330 residents. The Arizona Commerce Authority projects Arizona's annual population growth rate to average 1.4% throughout the decade, leading to a population of 8.3 million by the year 2030. In 2021, Arizona real Gross Domestic Product (GDP) ranked 20th in the United States. In the first quarter of 2022, real gross domestic product (GDP) decreased in 46 states. Arizona real GDP decreased at a seasonally adjusted annual rate of 2.5%, as real GDP for the nation decreased at an annual rate of 1.6% (BEA).

Arizona's economic recovery from the pandemic remains positive. The Arizona Office of Economic Opportunity published the Arizona seasonally adjusted unemployment rate in July 2022 at 3.3%, just below the national rate of 3.5%, and down 1.6% year over year. As of July 2022, Arizona has replaced 126% of jobs lost between February and April of 2020. While Arizona jobs regained pre-pandemic peak levels, and achieved this prior to the majority of the nation, job levels remain below where they likely would have been had the pandemic not occurred.

Arizona and national labor markets remain turbulent as recruiting employers are met by workers with extensive, geographically disbursed career opportunities. Job openings continued to increase in Q2 of 2022, while voluntary separations remain historically elevated, and the layoff rate is hovering near record lows. The labor market has been tilted in workers favor since early 2021. This trend may reverse as the Federal Reserve raises interest rates to ease inflation and the U.S. economy slows. Inflation gathered momentum in 2021 resulting in an average annual price increase of 4.7%. In June of 2022, the average annual inflation rate of 9.1% set a new 40-year high.

Per the Eller College of Management's Economic and Business Research Center, Arizona's economic performance depends in part on national and global economic events. Overall, Arizona jobs and population are forecast to grow at a consistent pace in the near term, while income and sales growth decelerate with the end of federal income support. Arizona added 105,200 jobs in 2021 for 3.7% growth. Baseline projections call for job growth to decelerate slightly to 3.6% in 2022 and then to 3.0% in 2023. Inflation is projected to remain very high this year before steeply decelerating to 3.3% in 2023, as commodity and oil prices fall, supply-chain issues ease, and the unemployment rate rises. Downside risks to the near-term growth forecast have increased in recent months. Large supply-side shocks and rapidly rising interest rates have joined slowing retail sales, declining housing affordability, and diminishing federal income support to slow income, sales, and job growth.

Challenges brought forth by the pandemic impacted revenue from operations in fiscal year 2021. As campus operations resumed in fiscal year 2022, revenues rebounded to pre-pandemic levels in several areas, including previously impacted auxiliary revenue streams. Growing pressures from inflation are likely to translate into higher operating costs for the University for the next few years. Inflationary pressures are reflected in higher operating costs, including supplies, utilities, and labor, and are coupled with reduced spending power. NAU has been able to manage these increases through continued, proactive management of discretionary expenses and ongoing reduction of operational expenses. NAU will maintain vigorous scrutiny of expenses to preserve budgetary flexibility.

NAU will continue to effectively utilize our physical, technological, and financial resources in support of our vision and mission. NAU's commitment to the responsible use of environmental resources, innovative use of technology, and mission-driven financial investments and philanthropic activity are keys to NAU's ongoing stable financial performance. NAU is subject to similar potentially challenging economic variables affecting other financial entities and institutions, but we approach the coming year with optimism and resolve. With expectations for moderate near-term statewide growth, easing inflationary pressures and the largest incoming full-time first year class of Lumberjacks ever, we anticipate the University's financial operations will continue trending favorably.

## **Progress and Major Initiatives**

The University continues to emphasize serving all Arizona residents. Strategic focus on the enrollment of first-generation, low-income, and other underrepresented students, upholds the institutional promise to ensure higher education is equitable and accessible to all Arizona residents. The class of 2026 is comprised of nearly 5,300 first-year students selected from over 42,800 applicants. Two-thirds of all NAU students are from the state of Arizona; a state that likewise is seeing an increase in the diversity of state demographics. NAU is projected to have the largest number of first-year Arizona resident students ever in Fall 2022, as well as the highest number of new Arizona resident first-year students of color ever.

NAU's mission is to transform lives and enrich communities through high-quality academics and impactful scholarship, creative endeavors, and public service. Our commitment is to educate, support, and empower students from all backgrounds, identities, and lived experiences to reach their full potential and contribute to a more just equitable, inclusive, prosperous, and sustainable future are outlined in *NAU 2025 – Elevating Excellence*.

We are working hard on multiple fronts to secure sustainable financial resources to power our mission, which include:

- advocating for additional state and federal investments that will expand access and attainment;
- advancing our proposal to recalibrate our tuition and fee policies;
- soliciting philanthropic support from foundations and individuals;
- exploring ways to further improve and streamline our academic and administrative services to yield higher levels of productivity;
- seeking new revenue sources through grants, contracts, and innovative services; and,
- identifying ways we can responsibly increase enrollment levels through more robust and effective recruitment and retention efforts, expanded pathways with community colleges, and a corresponding portfolio of impactful academic programs, among many other initiatives.

NAU secured \$81 million in new investments and obtained approval for the implementation of new admissions requirements. Arizona Board of Regents (ABOR) approved NAU's amended three-year \$51 million funding proposal for access to public monies made available through the Technology and Research Initiative Fund (TRIF). ABOR approved a special one-time \$20 million TRIF allocation to support NAU's access and attainment goals. The NAU Foundation (NAUF) approved NAU's request for \$10 million in matching funds to bolster ABOR's \$20 million one-time TRIF investment. Additionally, NAUF achieved the highest annual fundraising milestone in our 123-year history! In total, NAUF raised more than \$21.5 million in public and private philanthropic donations in fiscal year 2022, a 34 percent increase over the \$16.1 million raised in fiscal year 2021. This is a testament to the enthusiasm of our donors, alumni, employees, parents, students, and community partners who are inspired by the vision and mission of the plans outlined in *NAU 2025 – Elevating Excellence*.

NAU remains positioned to meet the goals set before the University in the future because of the significant progress demonstrated not only this past year, but in the advances NAU has made throughout its history. The University will continue to adapt operations, revisit program offerings where appropriate, and further increase data driven focuses. It is clear NAU is well-positioned to seize the moment and tackle the many challenges facing institutions of higher education across the nation.

### **Awards and Acknowledgments**

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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the ninth consecutive year that NAU has achieved this prestigious award. To be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

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

Respectfully Submitted,

Bjorn Flugstad

Chief Financial Officer

Senior Vice President- University Business Operations



Government Finance Officers Association

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Northern Arizona University**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

# ARIZONA BOARD OF REGENTS

**JUNE 30, 2022**

## **Ex-Officio Members**

### **Honorable Doug Ducey**

Governor of Arizona

### **Honorable Kathy Hoffman**

Superintendent of Public Instruction

## **Appointed Members**

**Lynde Manson**, Chair

**Fred DuVal**, Chair Elect

**Larry Penley**, Treasurer

**Cecilia Mata**, Secretary

**Robert Herbold**, Regent

**Jessica Pacheco**, Regent

**Doug Goodyear**, Regent

**Gregg Brewster**, Regent

**Rachel Kanyur**, Student Regent, Assistant Treasurer

**Katelyn Rees**, Student Regent

# EXECUTIVE ADMINISTRATION

**June 30, 2022**

### **José Luis Cruz Rivera**

President

### **Brian Register**

Chief of Staff

### **Bjorn Flugstad**

Senior Vice President, University Business Operations

### **Karen Pugliesi**

Interim Executive Vice President and University Provost

### **Christy Farley**

Senior Vice President for Engagement & Public Affairs

### **Laurie Dickson**

Vice President for University Strategy

### **Margot Saltonstall**

Vice President for Student Affairs

### **Ann Marie Chischilly**

Vice President for Native American Initiatives

### **Mike Marlow**

Vice President for Intercollegiate Athletics

### **Anika Olsen**

Vice President of Enrollment Management

### **Jason Wilder**

Vice President for Research

### **Julie Mueller**

Chief Economic Advisor to the President

### **Harlan Teller**

Chief Marketing Officer

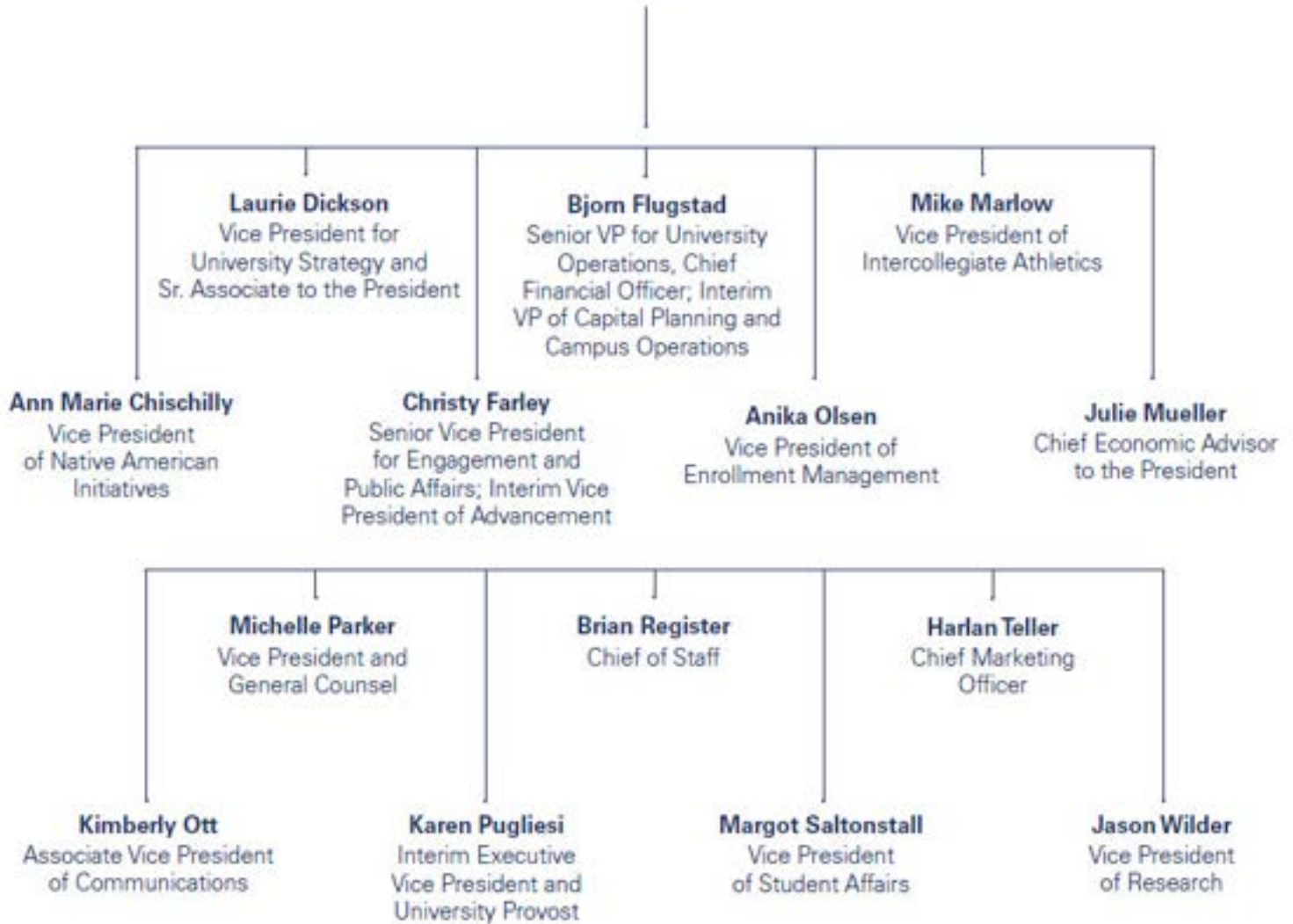
### **Kimberly Ott**

Associate Vice President of Communications

### **Michelle Parker**

Vice President and General Counsel

**José Luis Cruz Rivera**  
President



# FINANCIAL SECTION





**LINDSEY A. PERRY**  
AUDITOR GENERAL

**ARIZONA**  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

## Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

### Report on the audit of the financial statements

#### *Opinions*

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, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2022, 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.

We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report.

#### *Basis for opinions*

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 U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

#### *Emphasis of matters*

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2022, 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.

### ***Management's responsibilities for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required supplementary information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 16 through 25, schedule of the University's proportionate share of the net pension liability on page 62, schedule of University pension contributions on page 62, and schedule of changes in the total OPEB liability on page 63 be presented to supplement the basic financial statements. Such information is management's responsibility and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on the other information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other reporting required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

November 15, 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Northern Arizona University for the fiscal year ended June 30, 2022, with comparative information for the fiscal year ended June 30, 2021. Management has prepared the discussion and analysis to be read in conjunction with the transmittal letter, the financial statements and accompanying notes to the financial statements. The financial statements encompass the University and its discretely presented component unit. The MD&A focuses only on the University. Information relating to the discretely presented component unit can be found in its separately issued financial statements.

The University's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The University's financial report includes the following financial statements: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements are presented on a consolidated basis to focus on the University as a whole.

For the fiscal year ended June 30, 2022, the University implemented the provisions of GASB Statement No. 87, *Leases*. This standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A summary of the restatement of net position due to the implementation of GASB Statement No. 87 can be found in Note 1 of the accompanying notes to the financial statements.

## Financial Statement Overview

### Statement of Net Position

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

### Condensed Statement of Net Position (dollars in thousands)

The following Condensed Statement of Net Position includes a comparison of the University's assets and deferred outflow of resources, liabilities and deferred inflow of resources, categorized into current and noncurrent components. The following table summarizes the University's Statement of Net Position (in thousands of dollars) on June 30, 2022, and on June 30, 2021\*.

Condensed Statement of Net Position	FY 2022	FY 2021 Restated*	% Change
<b>Assets:</b>			
Current assets	\$ 311,392	\$ 280,003	11.2%
Capital assets, net	1,030,254	1,041,463	(1.1%)
Other non-current assets	93,857	125,042	(24.9%)
<b>Total Assets</b>	<b>\$ 1,435,503</b>	<b>\$ 1,446,508</b>	<b>(0.8%)</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 52,885</b>	<b>\$ 54,351</b>	<b>(2.7%)</b>
<b>Liabilities:</b>			
Current liabilities	\$ 86,056	\$ 92,359	(6.8%)
Non-current liabilities	935,096	1,030,894	(9.3%)
<b>Total Liabilities</b>	<b>\$ 1,021,152</b>	<b>\$ 1,123,253</b>	<b>(9.1%)</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 117,227</b>	<b>\$ 74,225</b>	<b>57.9%</b>
<b>Net Position:</b>			
Net investment in capital assets	\$ 234,713	\$ 257,660	(8.9%)
Restricted	88,944	85,873	3.6%
Unrestricted (deficit)	26,352	(40,153)	165.6%
<b>Total Net Position</b>	<b>\$ 350,009</b>	<b>\$ 303,380</b>	<b>15.4%</b>

\*The University implemented GASB Statement No. 87 in fiscal year 2022; this resulted in a restatement of the University's fiscal year 2021 net position, which is reflected in the comparative table shown above.



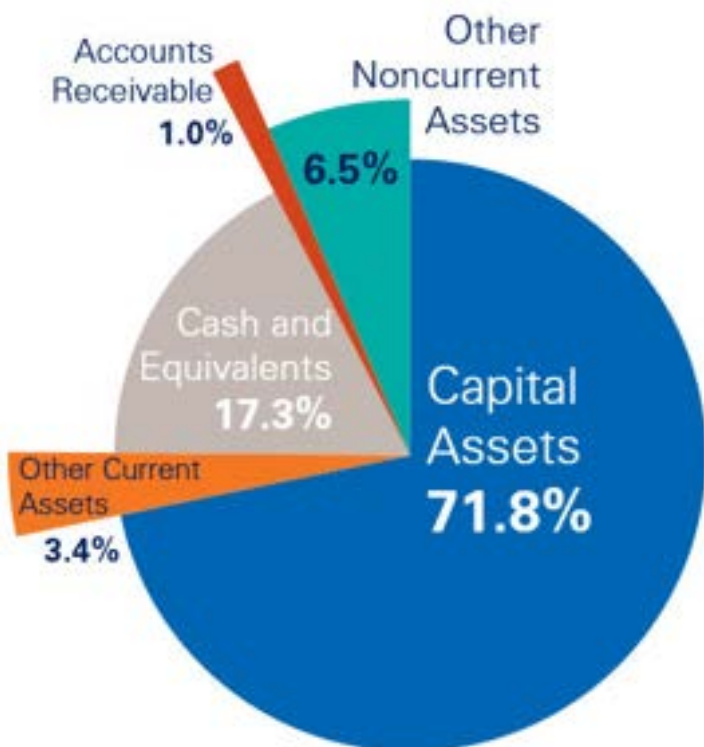
## Total Assets

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

Total assets for the University decreased by \$11.0 million compared to fiscal year 2021. The decrease is attributable to spending down bond proceeds for the completion of the Student Athlete High Performance Center reducing restricted cash for capital projects by \$19.3 million.

Cash and Cash Equivalents	\$ 247,940	17.3%
Accounts Receivable	15,144	1.0%
Other Current Assets	48,308	3.4%
Capital Assets, net	1,030,254	71.8%
Other Noncurrent Assets	93,857	6.5%
<b>Total Assets</b>	<b>\$ 1,435,503</b>	<b>100%</b>

Endowment and other investments decreased by \$9.4 million due to losses on investments resulting from market value adjustments. Accounts and grant receivable decreased by \$5.0 million. Capital assets decreased by \$11.2 million due to assets becoming fully depreciated, right-to-use asset amortization, and the timing of completion of construction projects on campus.



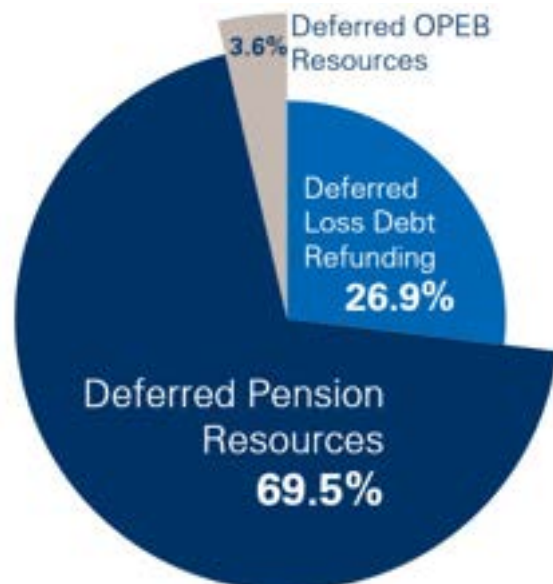
These decreases were partially offset by an increase in cash and investments of \$34.4 million resulting from a one-time \$20 million TRIF award to support NAU's access and attainment goals as outlined in NAU's Strategic Roadmap and additional Higher Education Emergency Relief Funds (HEERF) of \$11.6 million for lost revenue from the pandemic.

## Total Deferred Outflows of Resources

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

Debt refunding deferred loss	\$ 14,220	26.9%
Deferred Pension Resources	36,736	69.5%
Deferred OPEB Resources	1,929	3.6%
<b>Total Deferred Outflows</b>	<b>\$ 52,885</b>	<b>100%</b>

Deferred outflows of resources decreased by \$1.5 million. The decrease is attributed to a \$1.1 million decrease in deferred amounts related to debt refunding and a \$0.4 million decrease in deferred outflows related to pensions and other post-employment benefits pensions (OPEB). This is due to actuarial adjustments provided by the Arizona State Retirement System (ASRS), Arizona Department of Administration (ADOA), and Public Safety Personnel Retirement System (PSPRS). See Notes 10 and 11 for detailed information on deferred inflows and outflows related to pensions and OPEB.

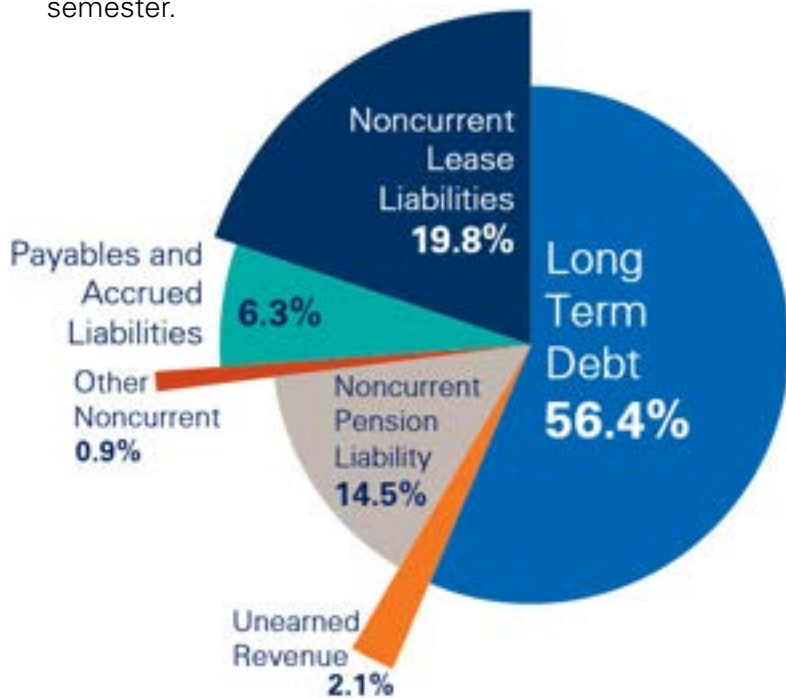


## Total Liabilities

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

Unearned Revenue	\$	21,185	2.1%
Payables and Accrued Liabilities		64,871	6.3%
Noncurrent Pension Liability		148,500	14.5%
Noncurrent Long Term Debt		576,004	56.4%
Noncurrent Lease Liabilities		201,909	19.8%
Other Noncurrent Liabilities		8,683	0.9%
<b>Total Liabilities</b>	<b>\$</b>	<b>1,021,152</b>	<b>100%</b>

Total liabilities for the University decreased \$102.1 million from fiscal year 2021. Decreases were recorded across the board, with the exception of an increase in Accounts Payable of \$3.4 million driven by the return to normal operations post COVID-19 and overall higher operating costs. Accrued payroll and employee benefits decreased by \$7.5 million due to payroll timing between the fiscal years. Unearned revenue decreased by \$4.1 million due to a reduction in tuition collected in advance of the fall semester.



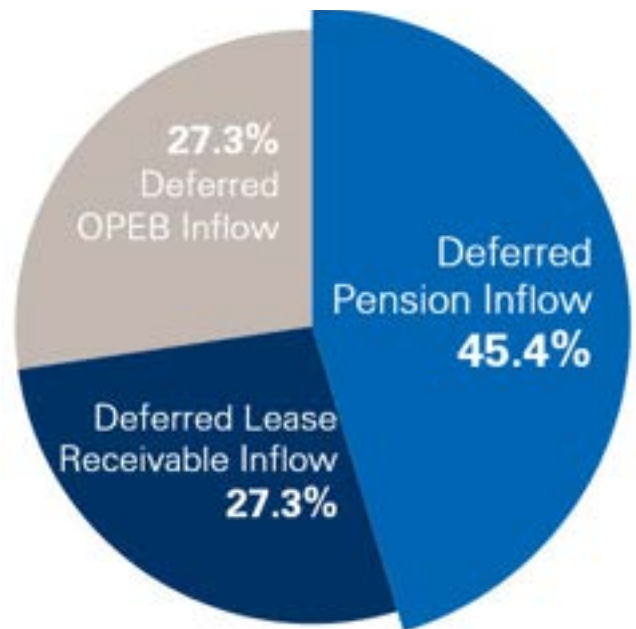
Long term debt decreased \$26.5 million and lease liabilities decreased by \$3.4 million due to annual principal payments for debt and leased assets. Net pension liability decreased by \$56.5 million due to actuarial adjustments provided by ASRS and PSPRS. Other postemployment benefit (OPEB) obligations decreased by \$5.4 million due to actuarial adjustments provided by the Arizona Department of Administration (ADOA) and ASRS for post-employment benefit plans.

## Total Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net assets by the University that is applicable to future reporting periods. The following table and chart illustrate total deferred inflow of resources, in thousands of dollars:

Deferred Pension Inflows	\$	53,177	45.4%
Deferred OPEB Inflows		32,030	27.3%
Deferred Lease Receivable Inflows		32,020	27.3%
<b>Total Deferred Inflows</b>	<b>\$</b>	<b>117,227</b>	<b>100%</b>

Deferred inflows of resources increased \$44 million due to actuarial adjustments provided by the ASRS, ADOA, and PSPRS regarding deferred pension inflows and deferred OPEB inflows. See notes 10 and 11 for detailed information on deferred inflows and outflows related to pensions and OPEB.

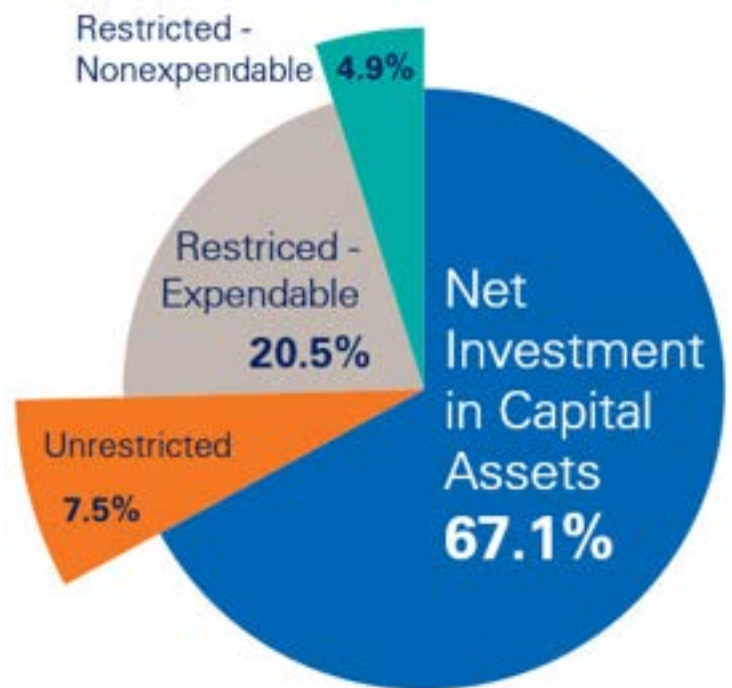


## Total Net Position

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

Net Investment in Capital Assets	\$ 234,713	67.1%
Restricted- Nonexpendable	17,039	4.9%
Restricted- Expendable	71,905	20.5%
Unrestricted	26,352	7.5%
<b>Total Net Position</b>	<b>\$ 350,009</b>	<b>100%</b>

Net position represents the value of the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position was \$350 million on June 30, 2022, an increase in position of \$46.6 million over the prior year.





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

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's revenues earned and expenses incurred during fiscal year 2022, regardless of when cash was received or paid. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation and amortization on capital assets.

Certain revenue sources that the University relies on for operations, including state appropriations, non-capital grants and gifts, and net investment income are required by GASB Statement No. 35 to be classified as nonoperating revenues. Capital financing costs incurred are reported as non-operating expenses. The results for fiscal year 2021 have been restated to reflect the implementation of GASB Statement No.87, *Leases*.

## Condensed Statement 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, 2022, and for the year ended June 30, 2021, is as follows:

	FY 2022	FY 2021 Restated*	% Change
<b>Operating revenues:</b>			
Student tuition and fees, net	\$ 200,933	\$ 218,452	(8.0%)
Grants and contracts	46,778	46,268	1.1%
Auxiliary enterprises, net	69,087	53,358	29.5%
Other	18,516	15,043	23.1%
<b>Total operating revenues</b>	<b>\$ 335,315</b>	<b>\$ 333,121</b>	<b>0.7%</b>
<b>Operating expenses:</b>			
Educational and general	\$ 515,741	\$ 460,603	12.0%
Auxiliary enterprises	42,734	38,827	10.1%
Depreciation and Amortization	51,353	50,059	2.6%
<b>Total operating expenses</b>	<b>\$ 609,828</b>	<b>\$ 549,490</b>	<b>11.0%</b>
<b>Operating loss</b>	<b>\$ (274,513)</b>	<b>\$ (216,368)</b>	<b>26.9%</b>
<b>Nonoperating revenues (expenses):</b>			
State appropriations	\$ 138,737	\$ 107,396	29.2%
Share of state sales tax revenues	39,777	17,079	132.9%
Grants and gifts	160,689	132,881	20.9%
Net investment income/ (loss)	(9,416)	15,765	(159.7%)
Interest expense on debt	(24,705)	(26,426)	(6.5%)
Other non-operating revenues and expenses	8,693	8,361	4.0%
<b>Net non-operating revenues</b>	<b>\$ 313,775</b>	<b>\$ 255,056</b>	<b>23.0%</b>
<b>Income (loss) before capital and endowment additions</b>	<b>\$ 39,262</b>	<b>\$ 38,688</b>	<b>1.5%</b>
Capital appropriations	5,040	4,879	3.3%
Other capital and endowment additions	2,326	8,917	(73.9%)
<b>Increase/(decrease) in net position</b>	<b>\$ 46,628</b>	<b>\$ 52,483</b>	<b>(11.2%)</b>
<b>Net position, beginning of year, as restated</b>	<b>303,381</b>	<b>250,898</b>	<b>20.9%</b>
<b>Net position, end of year</b>	<b>\$ 350,009</b>	<b>\$ 303,381</b>	<b>15.4%</b>

\*The University implemented GASB Statement No.87 in fiscal year 2022; this resulted in a restatement of the University's net position from fiscal year 2021, which is reflected in the comparative table shown above.

## Operating Revenues

The operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees reported net of the scholarship allowance decreased by 8% due to decreased enrollment resulting from COVID-19 impacts on new enrollment combined with larger numbers of students graduating compared to prior years. Revenues from operating grants and contracts increased 1.1% over the prior year, primarily due to increased grant activity. The funding comes from contracts and grants awarded by federal and state agencies, foundations, non-profit organizations, corporations, and associations. Revenues vary from year to year for many reasons, including the availability of funding from sponsors and the commencement or closure of large projects.

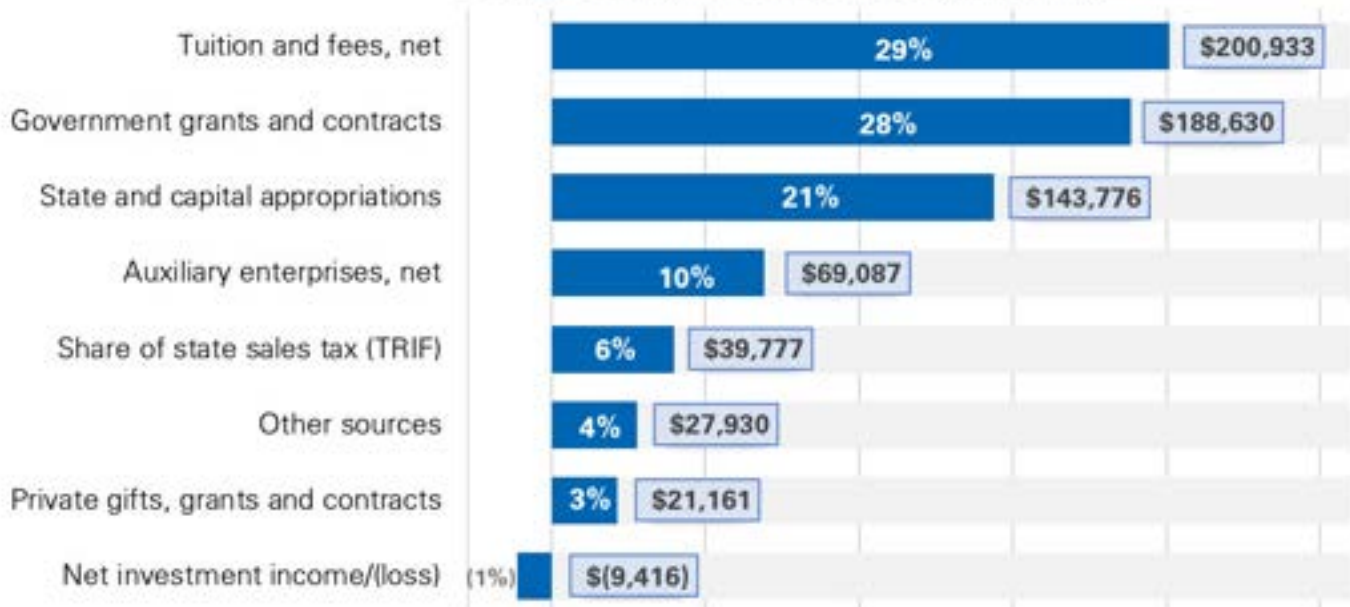
Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary and other revenues increased 29.5% and 23.1% respectively over the prior fiscal year, mainly due to campus returning to normal operations post COVID-19 resulting in increased occupancy on campus and the reinstatement of student programs.

## Non-operating Revenues

State appropriations, non-capital gifts and grants, and investment income are considered non-operating because they were not generated by the University's principal, ongoing operations. State and capital appropriations were not generated by the University but were provided to help fund operating expenses. State and capital appropriations revenue totaled \$143.8 million for fiscal year 2022, an increase of 28.1% from the \$112.3 million received during fiscal year 2021.

Grants and gifts increased \$27.8 million or 20.5% and include expendable gifts. Grants and gifts include government Higher Education Emergency Relief Funds (HEERF) totaling \$37.4 million in the current fiscal year. HEERF increased \$11.6 million from the \$25.8 million received the prior fiscal year. Net investment income decreased \$25.2 million due to unrealized and realized losses due to unfavorable market changes.

**Total Revenue, for fiscal year 2022 (in thousands)**



## Operating Expenses

Operating expenses are reported by programmatic (functional) classification in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification in Note 9.

The University's operating expenses were \$609.8 million for the fiscal year ended June 30, 2022. Overall, operating expenses increased 11% from the prior year. The overall increase in operating expenses is attributed to the return to regular campus operations post pandemic in addition to the impact of inflation driven cost increases for supplies, labor, and utilities.

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

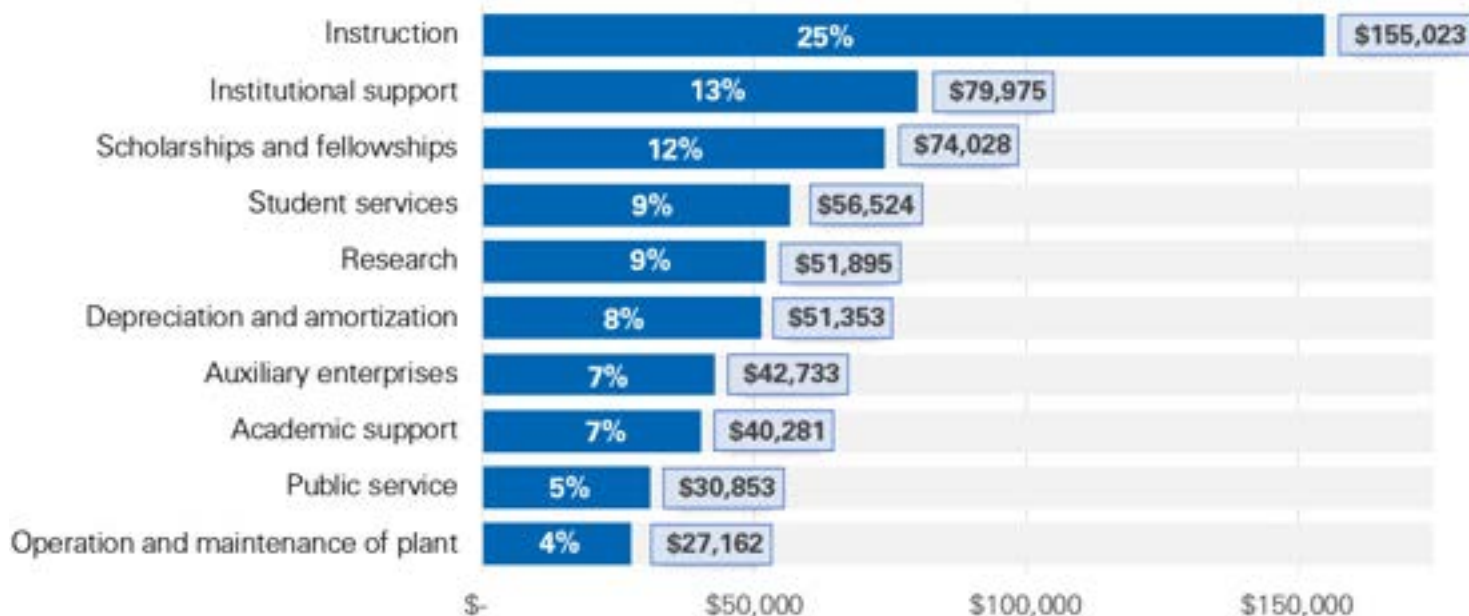
	FY 2022	FY 2021 Restated*	% Change
Operating:			
Personal services and benefits	\$ 339,287	\$ 335,779	1.0%
Operations	145,159	110,005	32.0%
Scholarships	74,028	53,646	38.0%
Depreciation and amortization	51,353	50,059	2.6%
<b>Total operating expenses</b>	<b>\$ 609,827</b>	<b>\$ 549,489</b>	<b>11.0%</b>

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

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

	FY 2022	FY 2021 Restated*	% Change
Operating:			
Instruction	\$ 155,023	\$ 146,350	5.9%
Research	51,895	51,635	0.5%
Public service	30,853	24,623	25.3%
Academic support	40,281	38,880	3.6%
Student services	56,524	56,163	0.6%
Institutional support	79,975	71,831	11.3%
Operation and maintenance of plant	27,162	22,044	23.2%
Scholarships and fellowships	74,028	53,646	38.0%
Auxiliary enterprises	42,733	34,258	24.7%
Depreciation and amortization	51,353	50,059	2.6%
<b>Total operating expenses</b>	<b>\$ 609,827</b>	<b>\$ 549,489</b>	<b>11.0%</b>

## Operating Expense by Functional Classification (in thousands)





## Combined Sources and Uses (dollars in millions)

	FY 2022		FY 2021 Restated*		% Change
<b>Sources</b>					
Tuition and fees, net	\$ 200.9	29.5%	\$ 218.4	34.7%	(8.0%)
State and capital appropriations	143.8	21.1%	112.3	17.9%	28.0%
Grants and contracts	188.6	27.7%	160.3	25.5%	17.7%
Auxiliary enterprises, net	69.1	10.1%	53.3	8.5%	29.6%
Other sources	27.9	4.1%	24.2	3.8%	15.3%
Private gifts, grants and contracts	21.2	3.1%	27.8	4.4%	(23.7%)
Share of state sales tax (TRIF)	39.8	5.8%	17.1	2.7%	132.7%
Net investment income	(9.4)	-1.4%	15.8	2.5%	(159.5%)
<b>Total sources</b>	<b>\$ 681.9</b>	<b>100.0%</b>	<b>\$ 629.2</b>	<b>100.0%</b>	<b>8.4%</b>
<b>Uses</b>					
Instruction and academic support	\$ 195.3	30.7%	\$ 185.2	32.1%	5.5%
Student services and institutional support	136.5	21.5%	128.0	22.2%	6.6%
Research and public service	82.7	13.0%	76.3	13.2%	8.4%
Auxiliary enterprises	42.7	6.7%	34.3	6.0%	24.5%
Depreciation and amortization	51.4	8.1%	50.1	8.7%	2.6%
Scholarships and fellowships	74.0	11.7%	53.6	9.3%	38.1%
Other uses	25.4	4.0%	27.2	4.7%	(6.6%)
Operation and maintenance of plant	27.2	4.3%	22.0	3.8%	23.6%
<b>Total uses</b>	<b>\$ 635.2</b>	<b>100.0%</b>	<b>\$ 576.7</b>	<b>100.0%</b>	<b>10.1%</b>

## Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprise revenues. Operating expenses include employee salaries and benefits and vendor payments for supplies. Net cash flows from non-capital financing activities are a major funding source for operating expenses and includes cash from state appropriations, financial aid grants, and private gifts. Cash flows from capital financing activities include all capital assets and related long-term debt activities, including proceeds from the issuance of debt, capital asset purchases, and principal and interest paid on long-term debt. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and income earned on those investments. The following summarizes cash flows for fiscal years 2022 and 2021:

Cash Provided By (Used For), (dollars in thousands)	FY2022	FY2021
Operating activities	\$ (244,386)	\$ (174,717)
Non-capital financing activities	339,325	244,756
Capital financing activities	(80,026)	(64,804)
Investing activities	(13,190)	(34)
<b>Net increase in cash and cash equivalents</b>	<b>\$ 1,723</b>	<b>\$ 5,201</b>
Cash and cash equivalents, beginning of year	257,276	252,075
<b>Cash and cash equivalents, end of year</b>	<b>\$ 258,999</b>	<b>\$ 257,276</b>

## Capital and Debt Analysis

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

During fiscal year 2022, the University made significant progress on the Student Athlete High-Performance Center, which was substantially complete and open for operations in February 2022. The state-of-the-art high-altitude training and learning center allows for continued NAU athletic accomplishments and opportunities for high altitude research.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs) and Certificates of Participation (COPs). The amount of debt the University is able to issue is limited by a debt ratio of 8.0 percent as defined by State law Arizona Revised Statutes §15-1683, and ABOR policy 3-411. 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, 2022, the University's debt ratio was 3.46 percent. The University's credit ratings on its outstanding system revenue bonds are A1 by Moody's and A+ by Standard and Poor's.

In accordance with Arizona Revised Statutes §15-1670, NAU received \$5 million in state appropriations for financed purchases for research infrastructure projects.

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

## Economic Outlook

Although the University continues recovering from the impacts of COVID-19, the near-term outlook for higher education is stable as students have returned to campus. Fall 2022 enrollment as of the 21-day census indicates a 2.2% decrease from 28,718 total students enrolled Fall 2021 to 28,090 total students enrolled Fall 2022. The University's state and capital appropriations budget for fiscal year 2023 is \$164.2 million, a 14.2% increase of \$20.4 million from the prior year of \$143.8 million. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the fiscal periods to come. The University continuously evaluates strategic plans to identify programmatic and institutional adjustments necessary to serve as an engine of opportunity and driver of equitable postsecondary value in Arizona and beyond. The Arizona Board of Regents and the three State universities are actively evaluating creative solutions to generate new revenues and contain costs in order to continue providing quality and affordable education.

Students' return to campus has increased student housing occupancy resulting in a strong rebound in revenue from auxiliary activities such as housing, dining, parking, and athletics after sharp declines in fiscal year 2020 and fiscal year 2021. Respectively, housing revenue increased 32.7%, dining revenue increased 57%, parking revenue increased 26.4% and athletics revenue increased 108.3% from fiscal year 2021. Auxiliary revenue levels have recovered to levels seen in fiscal year 2019 prior to the COVID-19 pandemic. Very favorable financial market performance was seen in fiscal year 2021 leading to strong giving in 2022. However, market conditions declined in fiscal year 2022 resulting in a net investment loss. Federal government relief funds continued to provide direct aid to the University, offsetting pandemic related revenue losses and expense increases.

Moody's Investors Service published its Sector In-Depth report on Higher Education – US in June 2022. The 2022 outlook for US higher education is stable as students' return to campus. Although there are some continuing effects from the pandemic, the return to campus underpins growth in tuition and auxiliary revenue. Higher inflation and labor shortages, however, will drive spending higher, squeezing institutional margins. While the near-term outlook for higher education is positive, the outlook indicates revenue growth must remain above inflationary levels with tuition and auxiliary revenues recovering at a faster pace. Additionally, expense growth attributed to inflationary pressures must be contained at lower levels.

The University faces significant pressure on its ability to manage expenses while maintaining the competitive salaries and benefits needed to attract top faculty. Inflationary pressures, including the rising cost of labor and elevated commodity prices, will likely push operating costs higher. NAU has been able to manage these increases through continued, proactive management of discretionary expenses and ongoing reduction of operational expenses. NAU will maintain vigorous scrutiny of expenses to preserve budgetary flexibility.

Since the University is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. Continued effective leadership and commitment to financial health will fortify the University as it continues to thrive. While it is not possible to predict future results, management believes that the University's financial position will remain stable. The University will continue working diligently to provide quality instruction, research, and public service to the State of Arizona.



# Statement of Net Position

June 30, 2022

## Assets

Current assets:

Cash and cash equivalents (Note 3)	\$	247,939,768
Short term investments (Note 3)		19,309,980
Receivables (net of allowance for uncollectibles):		
Accounts receivable		15,144,310
Accrued interest		953,492
Endowment		5,651
Government grants and contracts		23,594,815
Student loans, current portion		1,918,845
Other assets		2,011,111
Inventories		513,775
<b>Total Current Assets</b>	<b>\$</b>	<b>311,391,747</b>

Noncurrent assets:

Restricted cash and cash equivalents held by trustee for capital projects (Note 3)	\$	11,058,837
Long term investments (Note 3)		12,064,220
Student loans receivable, net of allowance		569,231
Endowment investments (Note 3)		37,958,039
Leases receivable		32,206,460
Capital assets, not being depreciated and amortized (Note 4)		43,891,568
Depreciable capital assets, net of depreciation and amortization (Note 4)		986,362,334
<b>Total Noncurrent Assets</b>	<b>\$</b>	<b>1,124,110,689</b>

**Total Assets** **\$ 1,435,502,436**

## Deferred Outflows of Resources

Deferred charge on debt refunding	\$	14,220,230
Deferred outflows related to pensions (Note 10)		36,736,341
Deferred outflows related to OPEB (Note 11)		1,928,797
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b>52,885,368</b>

# Statement of Net Position (continued)

## Liabilities

### Current liabilities:

Accounts payable	\$	13,856,838
Accrued payroll and employee benefits		7,751,103
Interest payable		4,370,402
Unearned revenues (Note 7)		21,184,776
Accrued compensated absences, current portion (Note 8)		864,454
Pension liability, current portion (Note 10)		1,131,509
Deposits held in custody for others		3,511,951
Current portion of lease liability (Note 5)		3,542,707
Current portion of long-term debt funded by:		
University operating revenues (Note 5)		20,539,755
State appropriations and other State monies (Note 5)		9,302,275
<b>Total Current Liabilities</b>	<b>\$</b>	<b>86,055,770</b>

### Noncurrent liabilities:

Accrued compensated absences (Note 8)	\$	6,668,644
Deposits held in custody for others		1,500,326
OPEB liability (Note 11)		514,293
Pension liability (Note 10)		148,500,395
Lease liability (Note 5)		201,908,728
Long-term debt funded by:		
University operating revenues (Note 5)		452,370,780
State appropriations and other State monies (Note 5)		123,633,260
<b>Total Noncurrent Liabilities</b>	<b>\$</b>	<b>935,096,426</b>

### Total Liabilities

**\$ 1,021,152,196**

## Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	\$	53,177,449
Deferred inflows related to OPEB (Note 11)		32,029,649
Deferred inflows related to leases		32,019,660
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>117,226,758</b>

## Net Position

Net investment in capital assets	\$	234,712,610
Restricted:		
Nonexpendable:		
Scholarships and fellowships		16,190,403
Student loans		849,003
Expendable:		
Scholarships and fellowships		19,971,704
Academic department uses		51,933,576
Unrestricted		26,351,554
<b>Total Net Position</b>	<b>\$</b>	<b>350,008,850</b>

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

For the Year Ended June 30, 2022

## Operating Revenues

Tuition and fees (net of scholarship allowances of \$166,825,666)	\$	200,933,417
Government grants and contracts		42,236,700
Private grants and contracts		4,541,187
Auxiliary enterprises		
Residence life (net of scholarship allowances of \$9,444,010)		38,533,049
Other auxiliaries		30,553,671
Other		18,516,499
<b>Total operating revenues</b>	<b>\$</b>	<b>335,314,523</b>

## Operating Expenses

Operating expenses (Note 9)		
Educational and general:		
Instruction	\$	155,022,730
Research		51,894,868
Public service		30,852,668
Academic support		40,280,935
Student services		56,524,518
Institutional support		79,974,832
Operation and maintenance of plant		27,162,235
Scholarships and fellowships		74,028,093
Auxiliary enterprises		42,733,467
Depreciation and amortization (Note 4)		51,353,078
<b>Total operating expenses</b>	<b>\$</b>	<b>609,827,424</b>
<b>Operating loss</b>	<b>\$</b>	<b>(274,512,901)</b>



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

(Continued)

## Nonoperating Revenues (Expenses)

State appropriations	\$	138,736,643
Share of State sales tax- technology and research initiative funding		39,777,256
Government grants		146,392,935
Private grants and gifts		14,294,157
Net investment income (loss)		(9,416,193)
Interest expense on capital asset related debt		(24,704,717)
Net loss on disposal of capital assets		(718,901)
Other nonoperating revenues and expenses		9,413,375
<b>Total nonoperating revenues and expenses</b>	<b>\$</b>	<b>313,774,555</b>
<b>Gain before capital and endowment additions</b>	<b>\$</b>	<b>39,261,654</b>

Capital appropriations	\$	5,039,800
Capital grants and gifts		1,420,402
Additions to permanent endowments		905,647
<b>Total other revenues</b>	<b>\$</b>	<b>7,365,849</b>
<b>Increase in net position</b>	<b>\$</b>	<b>46,627,503</b>

## Net Position

Total net position, beginning of year, as restated	\$	303,381,347
Total net position, end of year	\$	350,008,850

See Notes to Financial Statements



# Statement of Cash Flows

For the Year Ended June 30, 2022

## Cash Flows from Operating Activities:

Tuition and fees	\$ 192,848,444
Grants and contracts	47,315,128
Payments to vendors and suppliers	(141,807,428)
Payments for employee wages and benefits	(358,717,205)
Payments for scholarships and fellowships	(74,028,093)
Loans issued to students	(1,010,837)
Collection on loans to students	156,132
Auxiliary enterprise receipts	68,920,310
Other receipts	22,101,680
Custodial receipts and disbursements:	
Private student loans and scholarships received	24,089,903
Private student loans and scholarships disbursed	(24,227,634)
Other custodial receipts	2,973,115
Other custodial disbursements	(2,999,545)
<b>Net cash used for operating activities</b>	<b>\$ (244,386,030)</b>

## Cash Flows from Noncapital Financing Activities:

State appropriations	\$ 138,736,643
Share of state sales tax receipts	38,254,663
Gifts and grants for other than capital purposes	161,596,775
Federal direct student lending received	124,502,928
Federal direct student lending disbursed	(124,671,192)
Financial aid trust funds	905,647
<b>Net cash provided by non-capital financing activities</b>	<b>\$ 339,325,464</b>

## Cash Flows from Capital Financing Activities:

Capital appropriations	\$ 5,039,800
Capital commitment- State lottery revenue	8,044,258
Capital grants and gifts received	1,322,402
Purchases of capital assets	(40,764,719)
Principal paid on capital debt and leases	(26,324,974)
Interest paid on capital debt and leases	(27,342,894)
<b>Net cash used for capital financing activities</b>	<b>\$ (80,026,127)</b>



## Statement of Cash Flows (continued)

### Cash Flows from Investing Activities:

Proceeds from sales and maturities of investments	\$ 5,864,068
Interest on investments	1,903,571
Purchase of investments	(20,957,966)
<b>Net cash used for investing activities</b>	<b>\$ (13,190,327)</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 1,722,980</b>

### Cash and Cash Equivalents

Cash and cash equivalents- July 1, 2021	257,275,625
Cash and cash equivalents- June 30, 2022	<u>\$ 258,998,605</u>

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

Operating loss	\$ (274,512,901)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation and amortization	51,353,078
Other nonoperating revenue/expense	1,369,117
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables:	
Accounts receivable	2,532,539
Leases receivable	721,258
Government grants and contracts	2,524,352
Student loans	(854,705)
Inventories	(78,041)
Other assets	552,089
Accounts payable	3,429,334
Deposits held for others	(1,675,112)
Accrued payroll and employee benefits	(7,469,686)
Net pension and other post-employment benefits liability	(61,885,379)
Deferred outflows of resources related to pensions and other post-employment benefits	409,427
Deferred inflows of resources related to pensions and other post-employment benefits	44,022,510
Deferred inflows of resources related to leases	(1,020,464)
Unearned revenues	(3,583,791)
Accrued compensated absences	(219,655)
<b>Net cash used for operating activities</b>	<b>\$ (244,386,030)</b>

### Significant Noncash Transactions

Change in fair value of endowment investments	\$ (10,831,404)
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See Notes to Financial Statements

# Statement of Financial Position - Component Unit

Northern Arizona University Foundation, Inc.

June 30, 2022

## Assets

Cash and cash equivalents	\$	4,564,093
Promises to give, net		14,812,599
Bequests receivable		290,677
Interest and other receivables		74,129
Investments		221,703,445
Cash surrender value of life insurance		7,721,608
Assets held under split-interest agreements		3,611,071
Beneficial interest in perpetual trusts		3,264,769
Other assets		246,441
<b>Total assets</b>	<b>\$</b>	<b>256,288,832</b>

## Liabilities

Accounts payable and accrued liabilities	\$	170,111
Assets held in custody for others		39,225,363
Due to Northern Arizona University		4,920
Deferred revenue		796,498
Liabilities under split-interest agreements		2,538,246
<b>Total liabilities</b>	<b>\$</b>	<b>42,735,138</b>

## Net Assets

Without donor restrictions		
Board designated endowment	\$	12,608,183
Undesignated		1,129,342
With donor restrictions		
Purpose restricted		199,816,169
<b>Total net assets</b>	<b>\$</b>	<b>213,553,694</b>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>256,288,832</b>
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See Notes to Financial Statements

## Statement of Activities - Component Unit

Northern Arizona University Foundation, Inc.

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Public contributions	\$ 44,866	\$ 21,054,182	\$ 21,099,048
EBS revenue	1,495,673	-	1,495,673
Gain on sale of EBS licenses	4,302,377	-	4,302,377
Change in cash surrender value of life insurance	-	112,006	112,006
Other income and support	9,143	561,355	570,498
Reclassification of donor intent	300,392	(300,392)	-
Net assets released from restrictions	18,405,978	(18,405,978)	-
<b>Total revenue, support, and gains</b>	<u>\$ 24,558,429</u>	<u>\$ 3,021,173</u>	<u>\$ 27,579,602</u>
<b>Expenses and Losses</b>			
Program expenses	\$ 10,867,789	-	\$ 10,867,789
Supporting services expense			
Management and general	2,008,004	-	2,008,004
Fundraising and development	5,313,725	-	5,313,725
Total supporting services expenses	<u>\$ 7,321,729</u>	<u>\$ -</u>	<u>\$ 7,321,729</u>
Net investment return	\$ 2,912,227	\$ 29,854,091	\$ 32,766,318
Change in beneficial interest in perpetual trusts	-	558,053	558,053
Change in value of split-interest agreements	680,381	-	680,381
Total Losses	<u>\$ 3,592,608</u>	<u>\$ 30,412,144</u>	<u>\$ 34,004,752</u>
<b>Total expenses and losses</b>	<u>\$ 21,782,126</u>	<u>\$ 30,412,144</u>	<u>\$ 52,194,270</u>
<b>Change in net assets</b>	\$ 2,776,303	\$ (27,390,971)	\$ (24,614,668)
<b>Net assets, Beginning of year</b>	<u>\$ 10,961,222</u>	<u>\$ 227,207,140</u>	<u>\$ 238,168,362</u>
<b>Net assets, End of year</b>	<u>\$ 13,737,525</u>	<u>\$ 199,816,169</u>	<u>\$ 213,553,694</u>

See Notes to Financial Statements

# Notes to the Financial Statements

## Note 1 – Summary of Significant Accounting Policies

### Financial Reporting Entity

As required by generally accepted accounting principles (GAAP), the financial reporting entity includes both the primary government and all its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Northern Arizona University is an integral part of the State of Arizona's Tri-University system, which is an enterprise fund in the State of Arizona's Annual Financial Report.

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

The accompanying financial statements present all funds belonging to the University and its component units. The component units are either blended or discretely presented in the University's financial statements. The blended component unit, although legally separate, is in substance part of the University's operations. Therefore, it is reported as if it were part of the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component unit as described in Notes 2 and 12.

For the year ended June 30, 2022, the University implemented the provisions of GASB Statement No. 87, *Leases*. GASB Statement No. 87, *Leases* establishes criteria for lease accounting to more effectively meet the information needs of users by improving and standardizing the reporting of leases by government agencies. The standard establishes a single model based on the foundational principle that leases are financings of the right to use an underlining asset. Lessee arrangements with a lease term greater than 12 months require recognition of a lease liability and a corresponding intangible right-of-use (ROU) leased asset. Lessor arrangements require recognition of a lease receivable and deferred inflow of resources. As a result, the financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract terms. Additional detail on the impact of this standard can be found in Note 4 – Capital Assets and Note 5 – Long-Term Debt and Lease Obligations.

### Basis of Presentation

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

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

- The Statement of Net Position provides information about the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Current liabilities are obligations that will be paid within one year of the statement date and current assets are those resources available to satisfy current liabilities. Net position is classified according to external donor restrictions or availability of assets to satisfy the University's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding liabilities incurred to acquire or construct the assets. Nonexpendable restricted net position includes gifts that have been received for endowment purposes the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.
- The Statement of Revenues, Expenses, and Changes in Net Position provides information about the University's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and housing charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as state appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating

revenues as defined by GASB Statement No. 35. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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

### Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred, regardless of when the related cash flows take place.

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

### Restatement of the University's Net Position

The implementation of GASB Statement No. 87, *Leases* resulted in the following restatement to the University's net position reported as of July 1, 2021:

<b>Net position as previously reported, June 30, 2021</b>	<b>\$ 307,412,372</b>
<b>Prior period adjustments</b>	
Capital assets (See Note 4)	\$ 204,527,516
Leases payable	(209,341,259)
Lease receivables	33,822,842
Deferred inflows related to leases	(33,040,124)
<b>Total prior period adjustment</b>	<b>(4,031,025)</b>
<b>Net position as restated, July 1, 2021</b>	<b>\$ 303,381,347</b>

The impact of GASB Statement No. 87, *Leases* resulted in a decrease to the University's net position.

### Cash and Investments

For the Statement of Cash Flows, cash and cash equivalents are comprised of cash on hand, demand deposits, investments in the State Treasurer's Investment Pools, cash and investments held by trustee, and only those highly liquid investments with a maturity of three months or less when purchased. All restricted cash and cash equivalents, including funds held by a bond trustee, are shown as noncurrent cash and cash equivalents. The University reports all investments at fair value. Fair value typically is the quoted market price for investments. Investment income/(loss) include realized and unrealized gains and losses.

### Revenues/Expenses

Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and housing charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Additionally, research grants and contracts are considered operating revenues. Other revenues, such as state appropriations, and non-research grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues as defined by GASB Statement No. 35. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

### Receivables

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

### Scholarship Allowances

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

## Leases

The University leases real estate and equipment and determines the classification of the lease at commencement of the contract. Leases that have a maximum possible term of 12 months or less are expensed based on the provisions of the contract. For all leases in excess of 12 months and that do not have mutual termination provisions, do not transfer the asset to the University at the term of the lease, and are an exchange or exchange-like transaction, the University recognizes an intangible right-to-use lease asset and a corresponding lease liability. The lease liability is measured at commencement of the lease based on the present value of the payments expected to be made. The intangible right-to-use lease asset is initially measured as the lease liability, less payments made before lease commencement, plus direct costs incurred to place the asset into service, less any incentives received prior to commencement. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the asset.

Key estimates and judgements include the determination of the discount rate to calculate the present value of lease payments, the lease term, and the lease payments. The University utilizes the rate implicit in the lease when it is readily determinable, otherwise the University has used professional judgement to determine the best estimate, generally derived from the incremental borrowing rate based on the University's most recent taxable debt issuance.

The University's threshold for lease accounting is for all leases where the present value of minimum lease payments is \$5,000 or more for equipment and \$100,000 or more for real estate.

For leases where the University is the lessor, the University recognizes lease receivables with an initial, individual value of \$100,000 or more. The lease receivable is initially recorded as the present value of the future payments using the stated rate or if not readily determined, then at our incremental borrowing rate utilizing professional judgement. Over the lease term, the University recognizes revenue from interest income and the amortization of the deferred inflows of resources on a straight-line basis.

During the fiscal year ended June 30, 2022, the University had \$764 thousand in current lease receivables and \$32 million in non-current lease receivables and recognized total lease-related revenues of \$1 million.

## Investment Income (Loss)

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

## Credit Card Rebates

The University earned credit card rebates of \$365,705 from JP Morgan in FY22 related to activity in FY21.

## Capital Assets and Special Collections

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value. The University maintains special collections for educational purposes and public exhibition. These special collections are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes. Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight-line method. Intangible right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset. Non-capital equipment and facility costs including routing repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

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

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

### **Deferred Outflows and Inflows of Resources**

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

### **Restricted and Unrestricted Resources**

Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, sponsored research grants and contracts and gifts, and endowment and other restricted investments. The University's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis. Restricted resources remain classified as such until spent.

### **Pension and Other Postemployment Benefits**

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

### **Compensated Absences**

Compensated absences consist of vacation leave and compensatory time earned by employees based on services already rendered. Employees may accumulate up to 320 hours of vacation depending on years of service and full-time equivalent employment status. Any vacation hours more than the maximum amount that are unused on December 31 are forfeited. Upon termination of employment, all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status, and compensatory time are paid to employees. Accordingly, vacation benefits and compensatory time are accrued as a liability in the financial statements.

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





## Note 2 – Component Units

Component units can be defined as legally separate entities for which the University is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause its financial statements to be misleading or incomplete. GASB Statement No. 14 – *The Financial Reporting Entity* and GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* have set forth criteria to be considered in determining financial accountability. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion under GASB Statement No. 14, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, GASB Statement No. 61 clarifies the way that determination should be made and the types of relationships that generally should be considered in making that determination. GASB Statement No. 39 – *Determining Whether Certain Organizations are Component Units* – an amendment of GASB Statement No. 14, provides additional criteria for determining whether certain organizations are component units.

The financial statements of the University include the operations of the Northern Arizona University Foundation, Inc. (Foundation), a discretely presented component unit. The Foundation was incorporated as a legally separate not-for-profit corporation in the State of Arizona in January 1959 and operates exclusively for the benefit of Northern Arizona University. The Foundation receives gifts and bequests, administers those resources by investing in securities and property, and disburses payments to and on behalf of the University for advancement of its mission. The University does not control the timing or amount of receipts from the Foundation. The restricted resources of the Foundation can only be used by, or for the benefit of, the University or its constituents.

Consequently, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements. In accordance with generally accepted accounting principles for public colleges and universities, only the Statement of Financial Position and the Statement of Activities of the discretely presented component unit are included in the University’s financial statements.

Northern Arizona Capital Facilities Finance Corporation, LLC (NACFFC), although legally separate, is reported as if it is part of the University. NACFFC was incorporated in October 2001 as a legally separate not-for-profit corporation under the laws of the State of Arizona for the purpose of acquiring, developing, constructing, and operating student housing and other capital facilities and equipment for the use and benefit of the University’s students. Because NACFFC’s outstanding debt is expected to be repaid entirely with resources from the University, NACFFC’s financial statements have been blended with those of the University in accordance with GASB Statement No. 61.

For financial reporting purposes, both the Foundation and NACFFC follow the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information included in the University’s financial report. Accordingly, those financial statements have been reported on separate pages following the University’s financial statements. Since NACFFC’s financial results are blended with the University’s financial results, adjustments were made to present NACFFC’s financial results in accordance with the GASB reporting model. In addition, the University eliminated all duplicate financial transactions for reporting purposes.

The Foundation and NACFFC have a June 30 year-end. Complete financial statements as originally presented for the Foundation and NACFFC can be obtained from Northern Arizona University Comptroller’s Office, P.O. Box 4069, Flagstaff, AZ 86011.

During the year ended June 30, 2022, the Foundation recognized expenses for scholarships to Northern Arizona University of \$4,020,780 and grants and assistance to Northern Arizona University of \$6,847,009.



## Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) §15-1668 requires that deposits of the University not covered by federal deposit insurance be secured by government bonds or by a safekeeping receipt of the institution accepting the deposit. A.R.S. §35-1207 requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. Further, the Arizona Board of Regents (ABOR) provides policy regarding deposits. Deposits can be made only at depository banks approved by ABOR. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the University's investments.

There is no statutory requirement that governs University investment activities. A.R.S. §15-1625 gives the ABOR jurisdiction and control over the Universities, and A.R.S. §15-1626 allows ABOR to authorize the universities to adopt regulation, policies, rules, or measures as deemed necessary. ABOR investment policies require that the University invest its operating funds only in the State Treasurer's Local Government Investment Pool, collateralized time certificates of deposit and repurchase agreements, U.S. Treasury securities, federal agency securities, and investment grade corporate bonds. In addition, ABOR has authorized the University to establish an investment committee. The investment committee establishes investment policies and makes investment decisions. ABOR policies guide the investment committee decisions. The University's deposit and investment policies mirror that of the ABOR policies.

University policy states that restricted (gift) and endowment funds will be invested according to the conditions stipulated by the donor, but if no conditions are imposed, such funds may be invested under the direction of the investment committee in such a manner as to obtain the most favorable rate of return and income stability.

The bond indentures constitute the investment policy for University monies held with bond trustees. The bond indentures authorize the bond trustees to invest in obligations of, or guaranteed by, the federal government or any agency or instrumentality thereof, municipal obligations, collateralized certificates of deposit with federally insured banks, trust companies, savings and loan associations within the State of Arizona, or repurchase agreements.

### Deposits

At June 30, 2022, the carrying amount of the University's deposits was \$7,573,801 and the bank balance was \$22,080,886. 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 the Federal Home Loan Bank.

Trust agreements between the University and the Northern Arizona University Foundation (Foundation), authorize the Foundation to invest certain University restricted (gift) and endowment monies. The Foundation Investment Pool invests in a variety of asset classes, including common stocks, fixed income, and international equity funds. The Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies and procedures. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool and is not identified with specific investments. The University's ownership interest is recorded in the Foundation's records. As of June 30, 2022, the Foundation held \$38,682,330 in custody for the University, including funds for the University's Arizona Financial Aid Trust Fund (AFAT) described below.

The AFAT was established in accordance with A.R.S. §15-1642 for the purpose of providing aid to students with verifiable financial need. The Foundation holds and manages the University's share of AFAT within its pool. The University's ownership interest is recorded in the Foundation's records. The fair value of the AFAT at June 30, 2022, was \$30,227,744.

The University measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Inputs, other than quoted market prices included within Level 1, that are observable, either directly or indirectly;
- Level 3: Significant unobservable inputs.

The University's investments at June 30, 2022, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	As of June 30, 2022	Hierarchy Fair Value		
		Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
U.S. agency securities	\$ 11,377,182		\$ 11,377,182	
Government money market mutual funds	11,058,837	\$ 4,089,187	6,969,650	
<b>Total investments by fair value level</b>	<b>\$ 22,436,019</b>	<b>\$ 4,089,187</b>	<b>\$ 18,346,832</b>	

#### Investment pools measured at fair value

State Treasurer's investment pools 3, 4, and 500	\$ 259,623,676
NAU Foundation investment pool	38,682,330
<b>Total investment pools measured at fair value</b>	<b>\$ 298,306,006</b>
<b>Total investments</b>	<b>\$ 320,742,025</b>

Investments categorized as Level 1 of the fair value hierarchy are valued using unadjusted prices quoted for identical assets in active, exchange and brokered markets for those securities. Investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters on which can be directly observed.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the University held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

#### Credit Risk

For its operating funds, University policy requires negotiable certificates of deposit; corporate bonds, debentures, and notes; banker acceptances; and State of Arizona bonds to carry a minimum rating of BBB or better from Standard and Poor's Rating Service, and Baa (Investment Grade) or better rating from Moody's Investors Service. There is no formal policy with regards to gift and endowment funds. Gift and endowment funds are held in the Foundation Investment Pool, which is not rated. At June 30, 2022, credit risk for the University's investments in debt securities was as follows:

Investment Type	Rating	Rating Agency	Amount
State Treasurer's investment pools 3, 4, and 500	Not Rated		\$ 259,623,676
Foundation investment pool	Not Rated		38,682,330
U.S. Agency Securities	AA+	Standard and Poor's	11,377,182
Government money market mutual funds	AAAm	Standard and Poor's	11,058,837
<b>Total</b>			<b>\$ 320,742,025</b>

## Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy in regards to custodial credit risk. At June 30, 2022, the University had \$11,377,182 of U.S. agency securities and \$11,058,837 in Government money market funds that were uninsured. The \$11,377,182 is not registered in the University's name and held by the counterparty, and the \$11,058,837 is not registered in the University's name and held by the counterparty trustee.

## Concentration of Credit Risk

University policy limits investments in a single issuer to 5 percent or less of the fair value of the total portfolio. However, securities issued or expressly guaranteed by the federal government are exempt from this provision. There are no investments in a single issuer currently exceeding 5 percent of total fair value.

## Interest Rate Risk

University policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The endowment fund portfolio has no such limitation. The following chart presents the interest rate risk for the University's debt investments at June 30, 2022, utilizing the segmented time distribution method:

Investment Type	Fair Value	Maturity	
		< 1 Year	1 - 5 Years
State Treasurer Investment Pool 3	\$ 10,228,825		\$ 10,228,825
State Treasurer Investment Pool 4	230,084,871		230,084,871
State Treasurer Investment Pool 500	19,309,980		19,309,980
U.S. agency securities*	11,377,182		11,377,182
Government money market mutual funds	11,058,837	\$ 11,058,837	
<b>Total</b>	<b>\$ 282,059,695</b>	<b>\$ 11,058,837</b>	<b>\$ 271,000,858</b>

\*At June 30, 2022, the University held \$11,377,182, or 4.0 percent, of investments in U.S. agency securities, including the Federal Home Loan Bank, which may be considered highly sensitive to interest rate fluctuations because borrower repayment terms may vary.

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

Cash, deposits, and investments:		Statement of Net Position	
Cash on hand	\$ 15,018	Cash and cash equivalents	\$ 247,939,768
Cash and deposits in bank	7,573,801	Short term investments	19,309,980
Total investments	320,742,025	Restricted cash and cash equivalents	
<b>Total</b>	<b>\$ 328,330,844</b>	held by trustee for capital projects	11,058,837
		Long term investments	12,064,220
		Endowment investments	37,958,039
		<b>Total</b>	<b>\$ 328,330,844</b>

## Note 4 - Capital Assets

Capital asset activity for year ended June 30, 2022, is presented as follows:

	Balance					Balance
	July 1, 2021	Additions	Retirements	Transfers	June 30, 2022	
Land	\$ 28,584,867				\$ 28,584,867	
Construction in progress:						
Real property	36,225,826	\$ 22,704,647		\$ (43,689,745)	15,240,728	
Intangible assets		65,973			65,973	
<b>Total non-depreciable capital assets</b>	<b>\$ 64,810,693</b>	<b>\$ 22,770,620</b>		<b>\$ (43,689,745)</b>	<b>\$ 43,891,568</b>	
Buildings and improvements	\$ 1,121,215,219	\$ 10,825,733		\$ 43,689,745	\$ 1,175,730,697	
Infrastructure	160,580,696	1,614,998			162,195,694	
Equipment	94,599,836	5,753,140	\$ 5,355,336		94,997,640	
Intangible assets	13,164,185				13,164,185	
Library materials	45,597,795	29,784	67,098		45,560,481	
<b>Total depreciable capital assets</b>	<b>\$ 1,435,157,731</b>	<b>\$ 18,223,655</b>	<b>\$ 5,422,434</b>	<b>\$ 43,689,745</b>	<b>\$ 1,491,648,697</b>	
Less accumulated depreciation						
Buildings and improvements	\$ 460,831,566	\$ 32,011,023			\$ 492,842,589	
Infrastructure	78,913,812	5,034,591			83,948,403	
Equipment	67,313,070	5,807,969	\$ 4,472,159		68,648,880	
Intangible assets	11,116,209	273,668			11,389,877	
Library materials	44,858,123	204,746	67,098		44,995,771	
<b>Total accumulated depreciation</b>	<b>\$ 663,032,780</b>	<b>\$ 43,331,997</b>	<b>\$ 4,539,257</b>		<b>\$ 701,825,520</b>	
<b>Depreciable capital assets, net</b>	<b>\$ 772,124,951</b>	<b>\$ (25,108,342)</b>	<b>\$ 883,177</b>	<b>\$ 43,689,745</b>	<b>\$ 789,823,177</b>	
<b>Capital assets, net</b>	<b>\$ 836,935,644</b>	<b>\$ (2,337,722)</b>	<b>\$ 883,177</b>	<b>\$ -</b>	<b>\$ 833,714,745</b>	

In addition to expenditures through June 30, 2022, it is estimated that \$56 million will be required to complete projects under construction, or planned for construction. Of that amount, \$52 million is contractually encumbered. These projects are being financed with a combination of 2020 lease revenue bonds, and University reserves.

Intangible right-to-use lease asset activity for the year ended June 30, 2022 is presented as follows:

	Balance		Balance	
	July 1, 2021 (as restated)	Additions	Deductions	June 30, 2022
Right-to-use assets				
Buildings	\$ 202,707,209			\$ 202,707,209
Equipment	1,820,307	\$ 32,722		1,853,029
<b>Total right-to-use assets</b>	<b>\$ 204,527,516</b>	<b>\$ 32,722</b>		<b>\$ 204,560,238</b>
Less accumulated amortization				
Buildings	\$	\$ 7,508,965		\$ 7,508,965
Equipment		512,116		512,116
<b>Total accumulated amortization</b>	<b>\$ -</b>	<b>\$ 8,021,081</b>		<b>\$ 8,021,081</b>
<b>Right-to-use assets, net</b>	<b>\$ 204,527,516</b>	<b>\$ (7,988,359)</b>	<b>-</b>	<b>\$ 196,539,157</b>



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

A summary of changes in the long-term debt activity for the year ended June 30, 2022, is presented as follows:

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Current Portion
Revenue Bonds Payable	\$ 371,250,000	\$ -	\$ 12,105,000	\$ 359,145,000	\$ 12,680,000
Direct Placement Revenue Bonds	163,485,000		6,335,000	157,150,000	9,065,000
Certificates of Participation	39,370,000		3,150,000	36,220,000	3,580,000
Financed Purchases	6,827,324		1,372,741	5,454,583	1,015,936
Subtotal long-term debt	\$ 580,932,324	\$ -	\$ 22,962,741	\$ 557,969,583	\$ 26,340,936
Premiums on Sale of Debt	51,377,580	-	3,501,093	47,876,487	3,501,094
Total long-term debt	\$ 632,309,904	\$ -	\$ 26,463,834	\$ 605,846,070	\$ 29,842,030

### Revenue Bonds Payable and Certificates of Participation

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

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

In prior years, the University refunded, in advance of maturity, a portion of the outstanding System Revenue Bonds 2014 by placing the bond proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of June 30, 2022, the outstanding principal balance of the refunded 2014 Bonds was \$15,070,000, which will be paid by investments held in the trust with a fair value of \$15,729,976. The term bonds have a call date of June 1, 2024. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the University's financial statements.

In prior years, the University refunded, in advance of maturity, a portion of the outstanding SPEED Revenue Bonds Series 2013 by issuing SPEED Revenue Bonds Series 2020A and placing the bond proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of June 30, 2022, the outstanding principal balance of the refunded bonds was \$32,190,000, which will be paid by investments held in the trust with a fair value of \$33,825,346. The serial and term bonds with an optional redemption date of June 1, 2023 will be called on that date. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the University's financial statements.

The University utilizes Certificates of Participation (COPS) and Lease Revenue Bonds (LRB) to acquire buildings, land, and infrastructure. COPS and LRBs are generally callable, with interest payable semiannually and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the University's Financial statements and the control of the assets would return to the trustee. COPS were used to build the Applied Research and Development building, the Science Lab Facility, and to renovate the Engineering building. LRBs purchased Pine Ridge Village, McKay Village, High Country Conference Center, the Student and Academic Services building, and the Student Athlete Health Performance Center (SAHPC). Construction on the SAHPC started during fiscal year 2020 and was completed in February 2022.

The University has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2022. 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 \$311.8 million for the prior five years. For fiscal year 2022, pledged revenues totaled \$292.4 million of which 10% (\$29.2 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.8% 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 \$569.0 million.

(in thousands)	Average Interest Rate	Final Maturity	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022
<b>Revenue Bonds:</b>						
2012 System Revenue	4.5%	6/1/2029	\$ 5,845	\$	(655)	\$ 5,190
2014 System Revenue and Refunding	5.0%	6/1/2038	39,900		(2,465)	37,435
2015 System Revenue Refunding	5.0%	6/1/2037	42,330		(2,295)	40,035
2016 System Revenue and Refunding	4.9%	6/1/2038	29,070		(480)	28,590
2020AB System Revenue Refunding	4.4%	6/1/2044	111,515		(130)	111,385
<b>Subtotal - System Revenue Bonds</b>			<b>\$ 228,660</b>	<b>\$ -</b>	<b>(6,025)</b>	<b>\$ 222,635</b>
<b>Direct Placement Revenue Bonds:</b>						
2017 System Revenue Refunding	2.9%	6/1/2034	38,380		(1,610)	36,770
2017A System Revenue	2.6%	6/1/2038	21,370		(1,015)	20,355
2021AB System Revenue Refunding	1.9%	6/1/2031	21,355		-	21,355
<b>Subtotal - Direct Placement Bonds</b>			<b>\$ 81,105</b>	<b>\$ -</b>	<b>(2,625)</b>	<b>\$ 78,480</b>
2013 SPEED Revenue	4.7%	8/1/2042	36,220		(1,880)	34,340
2020 SPEED Revenue Refunding	3.6%	8/1/2043	75,895		(3,465)	72,430
<b>Subtotal - SPEED Revenue Bonds</b>			<b>\$ 112,115</b>	<b>\$ -</b>	<b>(5,345)</b>	<b>\$ 106,770</b>
2014 Lease Revenue Student & Academic Services	5.0%	6/1/2044	30,475		(735)	29,740
<b>Subtotal - Lease Revenue Bonds</b>			<b>\$ 30,475</b>	<b>\$ -</b>	<b>(735)</b>	<b>\$ 29,740</b>
<b>Direct Placement Lease Revenue Bonds:</b>						
2016 Lease Refunding North Campus	2.6%	6/1/2036	8,475		(470)	8,005
2017 Lease Refunding Pine Ridge/ Campus Heights	2.9%	6/1/2033	28,520		(1,810)	26,710
2020 Lease Revenue Student Athlete High Performance Center	2.8%	6/1/2044	45,385		(1,430)	43,955
<b>Subtotal - Direct Lease Revenue Bonds</b>			<b>\$ 82,380</b>	<b>\$ -</b>	<b>(3,710)</b>	<b>\$ 78,670</b>
<b>Subtotal: Revenue Bonds</b>			<b>\$ 534,735</b>	<b>\$ -</b>	<b>(18,440)</b>	<b>\$ 516,295</b>
<b>Certificates of Participation (COP's):</b>						
2013 Refunding COP's	4.8%	9/1/2030	26,160		(3,150)	23,010
2015 Refunding COP's	4.9%	9/1/2030	13,210		-	13,210
<b>Subtotal: COP's</b>			<b>\$ 39,370</b>	<b>\$ -</b>	<b>(3,150)</b>	<b>\$ 36,220</b>
<b>Total Par Amount of Bonds and COP's</b>			<b>\$ 574,105</b>	<b>\$ -</b>	<b>(21,590)</b>	<b>\$ 552,515</b>
<b>Discounts/Premiums on Sale of Bonds and COP's</b>			<b>\$ 51,377</b>	<b>\$ -</b>	<b>(3,501)</b>	<b>\$ 47,876</b>
<b>Total Bonds and COP's Payable</b>			<b>\$ 625,482</b>	<b>\$ -</b>	<b>(25,091)</b>	<b>\$ 600,391</b>

The following schedule details debt service requirements to maturity for System Revenue, Speed, and Lease Bonds and Certificates of Participation payable at June 30, 2022:

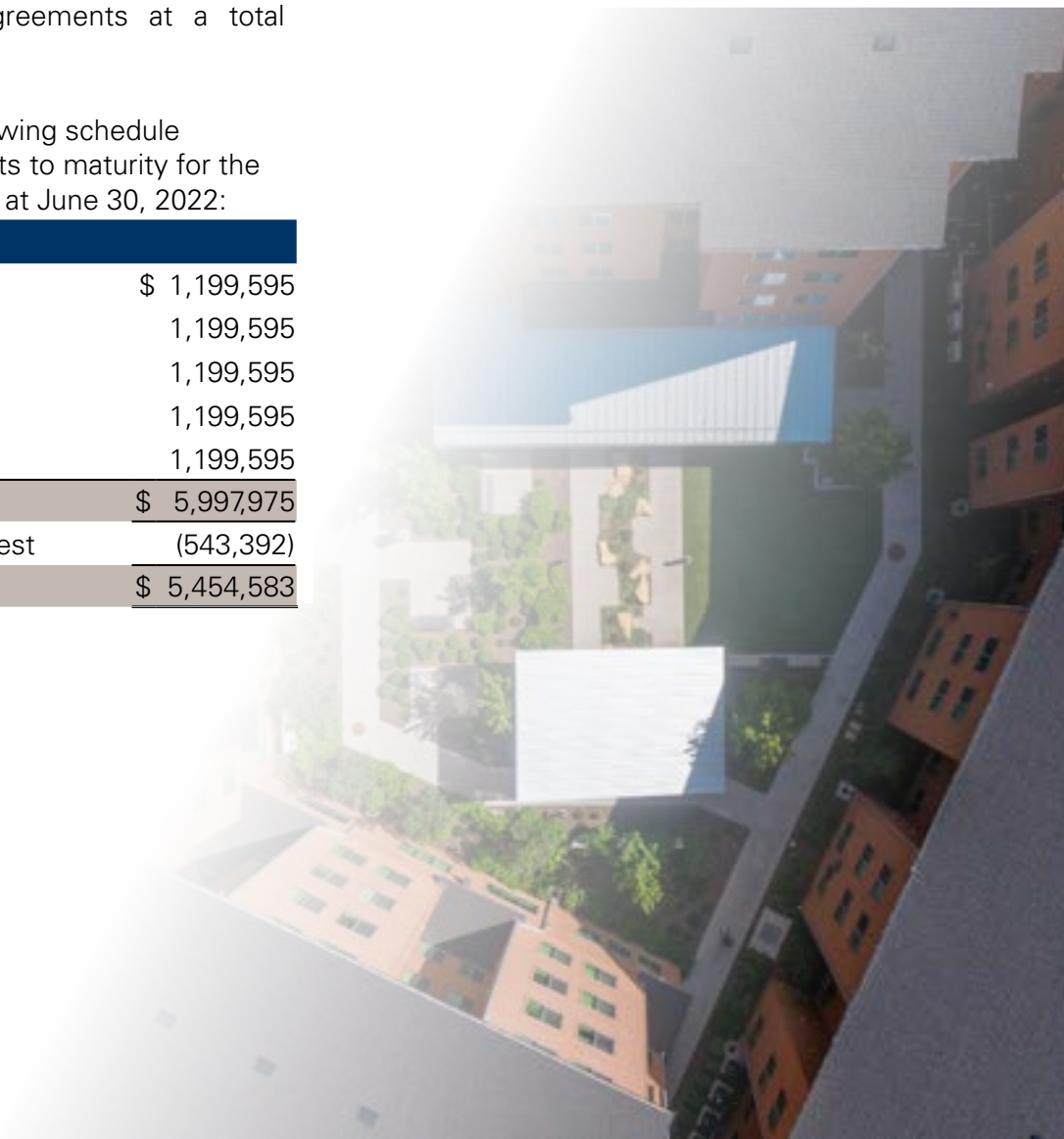
Year	System Revenue, Speed and Lease Bonds		Direct Placement System Revenue and Lease Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 12,680,000	\$ 16,279,122	\$ 9,065,000	\$ 4,229,183	\$ 3,580,000	\$ 1,721,500
2024	13,265,000	15,673,401	10,280,000	3,985,589	3,765,000	1,537,875
2025	16,700,000	15,029,363	10,580,000	3,717,154	3,530,000	1,355,500
2026	17,650,000	14,213,793	10,910,000	3,440,620	3,710,000	1,174,500
2027	18,495,000	13,349,292	11,240,000	3,155,222	3,900,000	984,250
2028-2032	102,160,000	52,434,413	56,585,000	11,215,334	17,735,000	1,828,625
2033-2037	98,745,000	29,610,421	29,985,000	4,577,062		
2038-2042	62,170,000	9,472,864	13,315,000	1,774,214		
2043-2044	17,280,000	853,949	5,190,000	218,960		
<b>Total</b>	<b>\$ 359,145,000</b>	<b>\$ 166,916,618</b>	<b>\$ 157,150,000</b>	<b>\$ 36,313,338</b>	<b>\$ 36,220,000</b>	<b>\$ 8,602,250</b>

### Financed Purchases

The University has acquired various buildings and equipment under contract agreements at a total purchase price of \$19,003,887.

**Financed Purchases -** The following schedule details debt service requirements to maturity for the University's financed purchases at June 30, 2022:

Year Ending	
2023	\$ 1,199,595
2024	1,199,595
2025	1,199,595
2026	1,199,595
2027	1,199,595
<b>Total minimum payments</b>	<b>\$ 5,997,975</b>
<b>Less amount representing interest</b>	<b>(543,392)</b>
<b>Total principal</b>	<b>\$ 5,454,583</b>





## Leases

The University has entered into leases with various entities for equipment, vehicles, classroom, office and student housing purposes. A summary of changes in lease activity for the year ended June 30, 2022, is presented as follows:

Lease Liabilities	Balance 7/1/21 (as restated)	Additions	Remeasure- ments	Deductions	Balance 6/30/22	Current Portion
Total Lease Liabilities	\$ 208,813,669	\$ 32,722		\$ (3,394,956)	\$ 205,451,435	\$ 3,542,707

## Statewide Campus Operations

The University maintains classroom and office space throughout 20+ statewide locations with various levels of operations. Many sites are located on community college campuses and other key locations that help meet the University goals of providing accessible educational opportunities statewide. Combined leased office and classroom space total approximately 94,400 square feet for significant sites. Lease terms are typically 5 years in duration, and future minimum lease payments for significant sites total approximately \$3.6 million.

The following schedule details minimum lease payments to maturity for the University's leases payable at June 30, 2022:

Year ending June 30:	Principal	Interest	Total
2023	\$ 3,542,707	\$ 3,880,504	\$ 7,423,211
2024	3,251,801	3,829,070	7,080,871
2025	1,807,913	3,780,164	5,588,077
2026	1,827,903	3,746,120	5,574,023
2027	1,814,745	3,711,740	5,526,485
2028-2057	193,206,366	71,459,463	264,665,829
<b>Total</b>	<b>\$ 205,451,435</b>	<b>\$ 90,407,061</b>	<b>\$ 295,858,496</b>

## Honors College

Located in the center of the University's main campus since 2019, the Honors College residence building houses over 700 students. The University operates the residence building under a 40-year sub lease with American Campus Communities, which constructed the building under a 40-year land lease with the University. Base lease payments increase 3% annually over the 40-year term and future minimum lease payments total approximately \$290M through June 2057.

## Arizona Access Technology Program (AzTAP)

Created in 1994, Arizona's Assistive Technology Act Program, or AzTAP, works to improve the availability of assistive technology to individuals with disabilities and their families. The University's Institute for Human Development serves as the lead agency in the program, which operates in central Phoenix in leased space of approximately 5,700 square feet. Future minimum lease payments through January 2030 total approximately \$900,000.

## AZ K-12 Center

The Arizona K-12 Center improves teaching and learning through high-quality professional development. The University is a leader in the center's operations, which occupies approximately 7,300 square feet of leased space in central Phoenix. Future minimum lease payments through June 2024 total approximately \$265,000.

## Note 6 – Self-Insurance Program

The University is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Arizona Revised Statutes §41-621 et seq. the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Division. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations, and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. §41-621. Loss risks not covered by the Risk Management Program and for which the University has no insurance coverage are losses resulting from contractual breaches and losses that arise out of and are directly attributable to an act of omission determined by a court to be a felony. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University.

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

## Note 7 – Unearned Revenue and Deposits

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

Unearned revenue and deposits as of June 30, 2022, consist of the following:

<b>Current Unearned Revenue and Deposits</b>	
Tuition and Fees	\$ 11,852,502
Unexpended cash advances received for sponsored projects	7,782,396
Auxiliary sales and services	1,307,656
Deposits held for others	217,824
Endowment	24,398
<b>Total Unearned Revenue and Deposits \$</b>	<b>21,184,776</b>

## Note 8 - Accrued Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 320 accrued vacation hours depending on classification and years of service. Upon termination, compensatory time as well as accrued vacation hours up to 176 will be paid. At fiscal year-end, the University accrued all compensated absence balances accumulated to date as a liability in the financial statements.

Accrued compensated vacation for the year ended June 30, 2022, was as follows:

<b>Accrued Compensation</b>	
Beginning balance	\$ 7,752,754
Additions	9,910,510
Reductions	(10,130,166)
Ending balance	\$ 7,533,098
<b>Current portion</b>	<b>\$ 864,454</b>

## Note 9 - Operating Expense by Natural Classification

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

### For the Year Ended June 30, 2022

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	\$ 137,307,718	\$ 17,715,012			\$ 155,022,730
Research	35,728,720	16,166,148			51,894,868
Public service	14,980,326	15,872,342			30,852,668
Academic support	32,689,447	7,591,488			40,280,935
Student services	32,083,841	24,440,677			56,524,518
Institutional support	49,240,265	30,734,567			79,974,832
Operation and maintenance of plant	2,632,796	24,529,439			27,162,235
Scholarships			\$ 74,028,093		74,028,093
Auxiliary enterprises	34,624,419	8,109,048			42,733,467
Depreciation				\$ 51,353,078	51,353,078
<b>Total</b>	<b>\$ 339,287,532</b>	<b>\$ 145,158,721</b>	<b>\$ 74,028,093</b>	<b>\$ 51,353,078</b>	<b>\$ 609,827,424</b>



## Note 10 – Pension Plans

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are administered by independent insurance and annuity companies approved by ABOR. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered multiple-employer defined benefit pension plan. Although the defined contribution plans and PSPRS net liabilities have been recorded at June 30, 2022, the defined contribution plans and PSPRS have not been further disclosed due to their relative insignificance to the University's financial statements. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

The University's net pension liability at June 30, 2022, was comprised of the following:

ASRS	\$ 139,551,282
PSPRS	7,212,500
Defined Contribution Pension Plans	2,868,122
<b>Total net pension liability</b>	<b>\$ 149,631,904</b>

Changes in the University's net pension liability during the fiscal year ended June 30, 2022, were as follows:

Beginning balance	\$ 206,113,182
Increases	34,073,242
Decreases	(90,554,520)
<b>Ending balance</b>	<b>\$ 149,631,904</b>
<b>Current portion</b>	<b>\$ 1,131,509</b>

### Defined Benefit Plan

#### Plan Description

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

#### Benefits Provided

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

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

\*With actuarially reduced benefits

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

## Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent for retirement of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 12.01 percent for retirement of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 10.13 percent for retirement of annual covered payroll of retired members who worked for the University in positions that an employee who contributes to the ASRS would typically fill. The University's contributions to the pension plan for the year ended June 30, 2022, were \$15,276,308.

## Pension Liability

At June 30, 2022, the University reported a liability of \$139,551,282 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021.

The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

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, 2021. The University's proportion measured as of June 30, 2021, was 1.06 percent and the change from its proportion measured as of June 30, 2020, was (.06).

## Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2022, the University recognized pension expense for ASRS of \$7,065,927. At June 30, 2022, 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	\$ 2,127,331	
Changes of assumptions or other inputs	18,163,715	
Net difference between projected and actual earnings on pension plan investments		\$ 44,214,755
Changes in proportion and differences between University contributions and proportionate share of contributions		8,340,178
University contributions subsequent to the measurement date	15,276,308	
<b>Total</b>	<b>\$ 35,567,354</b>	<b>\$ 52,554,933</b>

The \$15,276,308 reported as deferred outflows of resources related to ASRS pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense
2023	\$ (4,865,565)
2024	(2,414,497)
2025	(9,747,088)
2026	(15,236,737)

### Actuarial Assumptions

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed Income- Credit	20%	5.20%
Fixed Income- Interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
<b>Total</b>	<b>100%</b>	

### Discount Rate

At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

University's proportionate share of the net pension liability	
1% decrease (6.0%)	\$ 219,502,479
Current discount rate (7.0%)	139,551,282
1% increase (8.0%)	72,894,106

### 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 \$572,005 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2022.

## Note 11 - Other Post-Employment Benefits (OPEB)

Other post-employment benefits (OPEB) provided as part of University employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit post-employment plan, the PSPRS state administered multiple-employer defined benefit post-employment plan, as well as the ASRS sponsored cost-sharing plans for the Long-Term Disability (LTD) Fund and the Health Benefit Supplement (HBS) Fund. Although an ASRS and PSPRS OPEB liability has been recorded at June 30, 2022, these plans have not been further disclosed due to the relative insignificance to the University's financial statements.

Changes in the University's OPEB liability during the fiscal year ended June 30, 2022, were as follows:

Beginning balance	\$	5,918,394
Increases		37,740,447
Decreases		(43,144,548)
Ending balance	\$	514,293

### Single-Employer Plan

The ADOA administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired state employees, including University employees and their dependents. Management of the OPEB plan is governed by the University for the Blue Cross Blue Shield (BCBS) of Arizona option and the ADOA for State plan options. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the ADOA Plan to the Arizona State Legislature. The University pays the medical costs incurred by retired employees, net of related premiums, which are paid entirely by the retiree or on behalf of the retiree. The University subsidizes the premium rates paid by retirees by allowing them to participate in the University's health care plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of the blended plan participants. The University does not cover any explicit subsidies. Any Arizona State Retirement System premium supplements are included in that system's pension valuation.

Employees may be retained on the University's health insurance provided they make the required contributions and comply with all other provisions of the Plan. To be eligible, an employee must retire from the University with five years of service as a benefit eligible employee and apply for and receive retirement. Dependent coverage is available subject to the limitations outlined in the University's health insurance policy. Dependents cannot continue in the insurance program when the retiree is no longer eligible. If a covered retiree terminates coverage for any reason, coverage cannot be reinstated. ADOA does not issue a separate, publicly available financial report.

At June 30, 2021, plan membership consisted of the following:

Retired employees currently receiving health benefits*	270
Active employees	2,666
<b>Total</b>	<b>2,936</b>

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

### Benefits Provided

The University provides medical and accident benefits to retired University employees and their dependents. Dental and vision benefits are also available, but are not valued as there is no implicit subsidization in the retiree rates.

### Funding Policy

The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the OPEB liability.

### OPEB Liability

At June 30, 2022, the University reported an OPEB liability of \$5,650,954. The total OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability as of June 30, 2021, reflects no plan changes since the prior valuation.

Arizona Department of Administration	Total OPEB Liability
Balance at 6/30/2021	\$ 5,894,330
Service cost	584,700
Interest	153,744
Change of benefit terms	-
Differences between expected and actual experience	(471,514)
Changes of assumptions	(102,775)
Expected benefit payments	(407,531)
Net change in total OPEB liability	\$ (243,376)
Balance at 6/30/2022	\$ 5,650,954

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

For the year ended June 30, 2022, the University recognized negative OPEB expense of \$7,093,077. The following chart reflects the deferred outflows and inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 653,155	\$ 22,957,803
Difference between expected and actual experience in the Total OPEB Liability		4,491,756
University contributions subsequent to the measurement date	351,231	
Total	\$ 1,004,386	\$ 27,449,559

The \$351,231 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2023	(7,831,521)
2024	(7,831,521)
2025	(7,831,521)
2026	(2,630,921)
2027	(526,538)
Thereafter	(144,382)

### Sensitivity Analysis

The following table presents the impact of the OPEB liability calculated using the discount rate of 1.92 percent, as well as what the University's liability would be if the discount rate is 1 percentage point less than and 1 percentage point greater than the current rate:

	Total OPEB Liability
1% decrease (0.92%)	\$ 6,029,417
Current discount rate (1.92%)	5,650,954
1% increase (2.92%)	5,289,411

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

	Total OPEB Liability
1% decrease in trend rates	\$ 5,059,097
Current trend rates	5,650,954
1% increase in trend rates	6,353,111



## Actuarial Methods and Assumptions

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The University's actuarial methods and significant assumptions for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation are as follows:

### Actuarial Assumptions

Actuarial valuation date	June 30, 2021
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Salary increases	0.00% to 5.50%, not including wage inflation of 2.90%
Discount rate	1.92% as of June 30, 2021
Healthcare cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 14 years
Participation rates	35% of employees not currently waiving medical coverage eligible to retire and receive subsidized postretirement welfare coverage were assumed to elect medical coverage. Active members currently declining coverage were assumed to decline coverage at retirement.  30% of retirees are assumed to also have a spouse that elects coverage. 89% of participants are assumed to elect coverage under the NAU PPO plan and 11% are assumed to elect coverage on the State plan.
Mortality	<p><i>Healthy Employees</i></p> <p>Pub-2010 General Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2017.</p> <p><i>Healthy Retirees and Spouses</i></p> <p>2017 State Retirees of Arizona (SRA) Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales (through 2020) and are projected from the year 2017.</p> <p><i>Disabled Retirees</i></p> <p>Pub-2010 Disabled Retiree Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2017.</p>

The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2021 and a measurement date of June 30, 2021.

### Discount Rate

For plans that do not have a formal trust that meets GASB's requirements, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 1.92% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index").

## Note 12 – Discretely Presented Component Unit Disclosures

### A. Principal Activity and Significant Accounting Policies

#### Cash and Cash Equivalents

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

#### Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022, the allowance was \$1,393,195.

#### Receivables and Credit Policy

Accounts receivable consist primarily of interest receivable and educational broadband services (EBS) license receivables. Allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. There was no allowance at June 30, 2022.

#### Cash Surrender Value of Life Insurance

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

### Educational Broadband Services License and Deferred Revenue

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

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

#### Investments

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

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

#### Net Assets

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

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

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

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

### **Revenue and Revenue Recognition**

Revenue from EBS leases, investment activities, management fees, other fees and charges, and non-contribution related revenue is recognized when earned. Revenue received in advance is recorded as deferred revenue in the accompanying consolidated statements of financial position. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No such contributions were received during the year ended June 30, 2022.

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

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

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

## **B. Endowments**

The Foundation's endowment (the Endowment) consists of approximately 931 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions designated for quasi-endowment by the board of directors, and quasi-endowments set up by donors that are working to the level of required investment to qualify as an Endowment under the Foundation's donor guidelines. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's board of directors has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment) and (b) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment	\$ 12,608,183		\$ 12,608,183
Donor-restricted quasi-endowment		\$ 5,088,979	5,088,979
Donor-restricted for permanent endowment			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor		105,582,888	105,582,888
Accumulated investment gains		30,939,984	30,939,984
Total	\$ 12,608,183	\$ 141,611,851	\$ 154,220,034

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, deficiencies of \$953,343 are reported in net assets with donor restrictions.

### C. Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

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

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

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

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

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

	Amount	Fair Value Measurements at Report Date Using		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Operating investments				
Mutual Fund				
Municipal Bond Mutual Fund	\$ 39,145,032	\$ 39,145,032		
Exchange Traded Funds	894,142	894,142		
Equity Mutual Funds	90,807,255	90,807,255		
International Bond Mutual Funds	11,428,654	11,428,654		
International Equity Mutual Funds	73,942,926	73,942,926		
Common Stock	4,324,369	4,324,369		
Certificates of Deposit	491,292		\$ 491,292	
Corporate Bonds	271,922		271,922	
Cash and Cash Equivalents	397,853			
Total	\$ 221,703,445	\$ 220,542,378	\$ 763,214	
Assets held under split-interest agreements				
Mutual Fund				
Corporate Bond Mutual Fund	\$ 1,629,032		\$ 1,629,032	
Equity Mutual Funds	1,833,081	\$ 1,833,081		
Alternative Investment Mutual Funds	42,873	42,873		
Money Market Funds	106,085	106,085		
Total	\$ 3,611,071	\$ 1,982,039	\$ 1,629,032	
Beneficial interests in				
Perpetual trusts	\$ 3,264,769		\$ 3,264,769	

	Fair Value Measurements at Report Date Using			
	Amount	Level 1	Level 2	Level 3
<b>Liabilities</b>				
Assets held in custody for others	\$ 39,225,363		\$ 39,225,363	
Liabilities under split-interest agreements	\$ 2,538,246		\$ 2,538,246	

#### D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022:

Within one year	\$ 4,492,608
In one to five years	7,649,417
Over five years	4,199,000
	<u>\$ 16,341,025</u>
Less discount to present value at 1.12%	(135,231)
Less allowance for uncollectible promises to give	(1,393,195)
	<u>\$ 14,812,599</u>

At June 30, 2022, two donors accounted for approximately 32% of gross promises to give.

#### E. Assets Held in Custody for Others

The Foundation maintains certain assets on behalf of others. The balances of assets held in custody for others consist of the following at June 30, 2022:

Cash	\$ 2,319,685
Pledges receivable	1,550
Investments	36,224,613
Beneficial interest in perpetual trust	679,515
	<u>\$ 39,225,363</u>
Assets held on behalf of:	
Northern Arizona University	\$ 38,962,412
NAU Parents' Association	262,951
	<u>\$ 39,225,363</u>

#### F. Related Party Transactions

Members of the Foundation's board of directors have made contributions and pledges to the Foundation in the current and prior years. At June 30, 2022, gross unconditional pledges receivable from these members totaled \$164,622. During the year ended June 30, 2022, the Foundation recognized contribution revenue from these donors of \$138,915.

During the year ended June 30, 2022, the Foundation recognized expenses for scholarships to Northern Arizona University of \$4,020,780 and grants and assistance to Northern Arizona University of \$6,847,009.



# Required Supplementary Information

## Schedule of University's Proportionate Share of Net Pension Liability - Arizona State Retirement System - June 30, 2022

Year Ended June 30, Reporting Fiscal Year (Measurement Date)	University's proportion of the net pension liability	University's proportionate share of the net pension liability	University's covered payroll (Measurement Date)	University's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022 / (2021)	1.06%	\$ 139,551,282	\$ 120,281,108	116%	78.58%
2021 / (2020)	1.12%	194,502,316	123,967,911	162%	69.33%
2020 / (2019)	1.17%	170,081,275	123,597,111	138%	73.24%
2019 / (2018)	1.17%	163,184,982	116,750,466	140%	73.40%
2018 / (2017)	1.14%	177,603,799	111,651,187	159%	69.92%
2017 / (2016)	1.14%	183,823,445	106,912,713	172%	67.06%
2016 / (2015)	1.13%	175,686,559	104,361,657	168%	68.35%
2015 / (2014)	1.06%	156,806,397	96,736,181	162%	69.49%
2014 through 2013		Information not available			

## Schedule of University's Pension Contributions - Arizona State Retirement System - June 30, 2022

Fiscal Year Ended	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	\$ 15,276,308	\$ 15,276,308	\$	127,672,080	11.97%
2021	13,972,217	13,972,217		120,281,108	11.62%
2020	14,158,925	14,158,925		123,967,911	11.42%
2019	13,793,782	13,793,782		123,597,111	11.16%
2018	12,679,186	12,679,186		116,750,466	10.86%
2017	11,988,535	11,988,535		111,651,187	10.74%
2016	11,554,333	11,554,333		106,912,713	10.81%
2015	11,318,482	11,318,482		104,361,657	10.85%
2014	10,291,080	10,291,080		96,736,181	10.64%
2013	9,007,925	9,007,925		88,480,987	10.18%



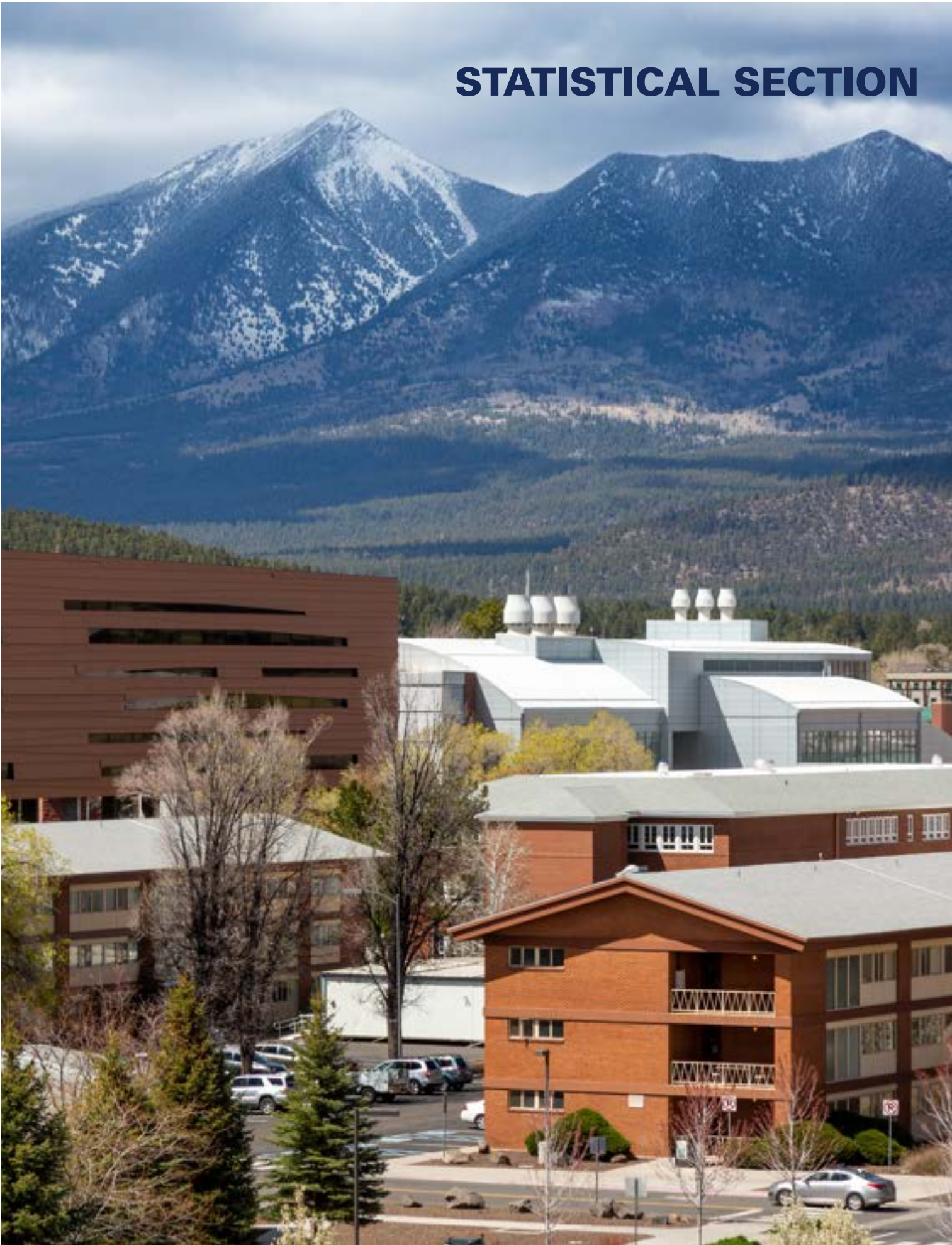
## Schedule of Changes in Total OPEB Liability - June 30, 2022

Arizona Department of Administration Other Postemployment Benefits	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Service cost	\$ 584,700	\$ 605,741	\$ 474,116	\$ 880,795	\$ 5,002,684	Information Not Available
Interest	153,744	176,592	341,069	315,381	1,798,612	
Change of benefit terms					(185,220)	
Differences between expected and actual experience	(471,514)		(4,350,723)		(3,326,316)	
Changes of assumptions	(102,775)	270,566	736,476	(179,990)	(57,396,230)	
Expected benefit payments	(407,531)	(389,490)	(618,107)	(593,683)	(1,554,279)	
Net change in total OPEB liability	\$ (243,376)	\$ 663,409	\$ (3,417,169)	\$ 422,503	\$ (55,660,749)	
Total OPEB liability- beginning	5,894,330	5,230,921	8,648,090	8,225,587	63,886,336	
Total OPEB liability- ending	\$ 5,650,954	\$ 5,894,330	\$ 5,230,921	\$ 8,648,090	\$ 8,225,587	
Covered employee payroll*	\$ 201,283,755	\$ 201,087,393	\$ 195,800,772	\$ 189,497,552	\$ 184,515,630	
Plan total OPEB liability as a percentage of covered employee payroll	2.81%	2.93%	2.67%	4.56%	4.46%	

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



# STATISTICAL SECTION



# Narrative to the Statistical Section

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

- Faculty and Staff
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## Net Position by Component

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated
(Dollars in thousands)										
Net Investment in Capital Assets	\$234,713	\$262,474	\$248,641	\$245,903	\$232,568	\$269,240	\$265,882	\$268,007	\$234,187	\$215,847
Restricted, Non-expendable	17,039	17,969	19,142	26,258	25,107	24,625	23,593	22,540	21,770	20,430
Restricted, Expendable	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658
Unrestricted	26,352	(40,935)	(70,943)	(60,756)	(59,530)	(45,408)	(39,221)	(32,051)	154,120	172,284
<b>Total Net Position</b>	<b>\$350,009</b>	<b>\$307,413</b>	<b>\$250,898</b>	<b>\$259,551</b>	<b>\$242,739</b>	<b>\$287,650</b>	<b>\$282,438</b>	<b>\$291,094</b>	<b>\$439,539</b>	<b>\$435,219</b>
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	67.1	85.4	99.2	94.8	95.8	93.6	94.1	92.1	53.3	49.6
Restricted, Non-expendable	4.9	5.8	7.6	10.1	10.3	8.6	8.4	7.7	4.9	4.7
Restricted, Expendable	20.5	22.1	21.5	18.5	18.4	13.6	11.4	11.2	6.7	6.1
Unrestricted	7.5	(13.3)	(28.3)	(23.4)	(24.5)	(15.8)	(13.9)	(11.0)	35.1	39.6
<b>Total Net Position</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
% increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	(10.6)	5.6	1.1	5.7	(13.6)	1.3	(0.8)	14.4	8.5	(1.3)
Restricted, Non-expendable	(5.2)	(6.1)	(27.1)	4.6	2.0	4.4	4.7	3.5	6.6	4.7
Restricted, Expendable	5.9	25.6	12.3	8.0	13.8	21.8	(1.3)	10.6	10.5	51.7
Unrestricted	164.4	42.3	(16.8)	(2.1)	(31.1)	(15.8)	(22.4)	(120.8)	(10.5)	(3.5)
<b>Total Net Position</b>	<b>13.9</b>	<b>22.5</b>	<b>(3.3)</b>	<b>6.9</b>	<b>(15.6)</b>	<b>1.8</b>	<b>(3.0)</b>	<b>(33.8)</b>	<b>1.0</b>	<b>0.2</b>

Note: The University implemented GASB 65 in FY 2014, balances prior to FY 2014 have not been adjusted in the statistical section

The University implemented GASB 68 and GASB 71 in FY 2015, historical data has not been restated in the statistical section.

The University implemented GASB 75 in FY 2018, historical data has not been restated in the statistical section.

The University implemented GASB 87 in FY 2022, historical data has not been restated in the statistical section.

## Operating Expenses by Natural Classification

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated
(Dollars in thousands)										
Personal Services	\$267,141	\$251,970	\$267,900	\$260,390	\$254,688	\$243,537	\$233,543	\$233,110	\$222,481	\$205,196
Benefits	89,006	87,732	92,137	89,195	86,550	82,172	78,687	77,386	71,173	63,691
Pensions and OPEB (1)	(16,860)	(3,923)	(2,487)	(15,094)	(2,521)	11,741	10,926	3,149		
Personal Services and Benefits	339,287	335,779	357,550	334,491	338,717	337,450	323,156	313,645	293,654	268,887
Operations	145,159	117,181	142,004	140,987	136,563	130,446	119,182	113,048	109,185	109,435
Scholarships	74,028	53,646	46,946	39,857	38,658	35,290	31,485	29,068	25,412	24,211
Depreciation	51,353	42,055	45,239	42,822	42,830	41,538	37,964	35,123	33,256	31,388
<b>Total Operating Expenses by Natural Classification</b>	<b>\$609,827</b>	<b>\$548,661</b>	<b>\$591,739</b>	<b>\$558,157</b>	<b>\$556,768</b>	<b>\$544,724</b>	<b>\$511,787</b>	<b>\$490,884</b>	<b>\$461,507</b>	<b>\$433,921</b>
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services	43.8	45.9	45.3	46.6	45.7	44.7	45.6	47.5	48.2	47.3
Benefits	14.6	16.0	15.6	16.0	15.5	15.1	15.4	15.8	15.4	14.7
Pensions and OPEB (1)	(2.8)	(0.7)	(0.4)	(2.7)	(0.5)	2.2	2.1	0.6		
Personal Services and Benefits	55.6	61.2	60.5	59.9	60.8	61.9	63.1	63.9	63.6	62.0
Supplies and Services	23.8	21.4	24.0	25.3	24.5	23.9	23.3	23.0	23.7	25.2
Student Aid	12.1	9.8	7.9	7.1	6.9	6.5	6.2	5.9	5.5	5.6
Depreciation	8.5	7.6	7.6	7.7	7.7	7.6	7.4	7.2	7.2	7.2
<b>Total Operating Expenses by Natural Classification</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
% increase (decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services	6.0	(5.9)	2.9	2.2	4.6	4.3	0.2	4.8	8.4	7.7
Benefits	1.5	(4.8)	3.3	3.1	5.3	4.4	1.7	8.7	11.7	(0.3)
Pensions and OPEB (1)	329.8	57.7	(83.5)	498.7	(121.5)	7.5	247.0			
Personal Services and Benefits	1.0	(6.1)	6.9	(1.2)	0.4	4.4	3.0	6.8	9.2	5.7
Supplies and Services	23.9	(17.5)	0.7	3.2	4.7	9.5	5.4	3.5	(0.2)	14.3
Student Aid	38.0	14.3	17.8	3.1	9.5	12.1	8.3	14.4	5.0	(5.3)
Depreciation	22.1	(7.0)	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0	15.1
<b>Total Operating Expenses by Natural Classification</b>	<b>11.1</b>	<b>(7.3)</b>	<b>6.0</b>	<b>0.2</b>	<b>2.2</b>	<b>6.4</b>	<b>4.3</b>	<b>6.4</b>	<b>6.4</b>	<b>7.7</b>

(1) Implementation of GASB 45/75 (OPEB) and GASB 68 (Pensions) resulted in recognition of benefit-related operating expenses/revenue each year. The impact of the implementation has been presented separately for comparability purposes.

## Change in Net Position

Fiscal Year Ended June 30, (Dollars in thousands)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated
<b>Revenues</b>										
Operating Revenues										
Student tuition and fees, net	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565
Governmental grants and contracts	42,237	40,695	38,514	35,287	29,818	25,802	22,772	22,288	19,594	19,521
Private grants and contracts	4,541	5,573	4,866	4,618	4,127	4,372	3,438	2,793	2,865	3,518
Residence Life	38,533	28,753	33,189	35,729	32,437	32,791	32,141	31,602	29,870	30,541
Other auxiliaries	30,554	24,605	24,917	29,850	34,042	27,656	24,745	23,443	21,424	20,096
Other revenues	18,516	14,913	19,438	24,931	22,362	23,110	21,577	23,215	20,246	17,410
<b>Total Operating Revenues</b>	<b>\$335,314</b>	<b>\$332,991</b>	<b>\$354,835</b>	<b>\$368,020</b>	<b>\$359,576</b>	<b>\$351,661</b>	<b>\$321,720</b>	<b>\$308,891</b>	<b>\$282,815</b>	<b>\$263,651</b>
<b>Expenses</b>										
Operating Expenses										
Instruction	\$155,023	\$148,212	\$171,180	\$168,338	\$174,245	\$176,334	\$169,385	\$167,080	\$156,021	\$142,282
Research	51,895	51,635	55,608	46,113	40,655	36,068	30,142	25,461	23,584	19,886
Public service	30,853	24,735	28,945	30,924	31,665	28,866	28,163	27,009	25,699	26,935
Academic support	40,281	38,880	36,939	38,445	39,482	41,074	40,506	36,182	33,877	32,164
Student services	56,525	56,192	69,409	57,210	55,138	54,246	53,834	50,335	50,504	42,145
Institutional support	79,975	71,831	70,740	62,202	64,158	59,238	52,447	57,141	53,702	47,265
Operation and maintenance of plant	27,162	22,648	23,368	27,456	29,031	31,003	29,790	25,779	26,693	23,259
Scholarship and fellowship	74,028	53,646	46,946	39,857	38,659	35,290	31,485	29,068	25,412	24,211
Auxiliary enterprises	42,733	38,827	43,365	44,790	40,905	41,067	38,071	37,706	32,759	44,386
Depreciation	51,353	42,055	45,239	42,822	42,830	41,538	37,964	35,123	33,256	31,388
<b>Total Operating Expenses</b>	<b>\$609,828</b>	<b>\$548,661</b>	<b>\$591,739</b>	<b>\$558,157</b>	<b>\$556,768</b>	<b>\$544,724</b>	<b>\$511,787</b>	<b>\$490,884</b>	<b>\$461,507</b>	<b>\$433,921</b>
<b>Operating loss</b>	<b>\$(274,514)</b>	<b>\$(215,670)</b>	<b>\$(236,904)</b>	<b>\$(190,137)</b>	<b>\$(197,192)</b>	<b>\$(193,063)</b>	<b>\$(190,067)</b>	<b>\$(181,993)</b>	<b>\$(178,692)</b>	<b>\$(170,270)</b>
<b>Nonoperating Revenues (Expenses)</b>										
State operating appropriations	\$138,737	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	-
Share of state tax- TRIF	39,777	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492
Government grants	146,393	119,622	86,950	73,183	71,612	68,533	66,142	59,658	56,413	57,569
Private gifts and grants	14,294	13,259	14,550	14,175	14,460	14,050	13,093	13,032	10,920	9,925
Investment income/ (loss)	(9,416)	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174
Interest on debt	(24,705)	(22,441)	(23,990)	(28,084)	(28,061)	(28,144)	(27,187)	(22,723)	(23,696)	(23,456)
Other nonoperating revenues, net	8,695	8,361	5,957	14,330	16,126	15,488	10,578	8,271	8,987	5,703
<b>Net Nonoperating Revenues</b>	<b>\$313,775</b>	<b>\$258,388</b>	<b>\$218,529</b>	<b>\$198,903</b>	<b>\$192,490</b>	<b>\$187,648</b>	<b>\$172,045</b>	<b>\$185,302</b>	<b>\$176,223</b>	<b>\$165,876</b>
<b>Income/(loss) before other revenues, expenses, gains, or losses</b>	<b>\$39,261</b>	<b>\$42,718</b>	<b>\$(18,375)</b>	<b>\$8,766</b>	<b>\$(4,702)</b>	<b>\$(5,415)</b>	<b>\$(18,022)</b>	<b>\$3,309</b>	<b>\$(2,469)</b>	<b>\$(4,394)</b>
Capital appropriations	\$5,040	\$4,879	\$5,900	\$5,896	\$5,897	\$4,247	\$5,493	\$5,827	\$5,900	\$5,900
Capital grants and gifts	1,420	7,974	2,870	1,164	3,321	5,474	3,010	60	63	63
Additions to permanent endowments	906	943	952	986	922	906	863	858	826	882
<b>Increase/(Decrease) in Net Position</b>	<b>\$46,627</b>	<b>\$56,514</b>	<b>\$(8,653)</b>	<b>\$16,812</b>	<b>\$5,438</b>	<b>\$5,212</b>	<b>\$(8,656)</b>	<b>\$10,054</b>	<b>\$4,320</b>	<b>\$2,451</b>
Total Revenues	\$681,879	\$627,616	\$607,076	\$603,053	\$590,267	\$578,080	\$530,318	\$523,661	\$489,523	\$459,828
Total Expenses	635,251	571,102	615,729	586,241	584,829	572,868	538,974	513,607	485,203	457,377
<b>Increase/(Decrease) in Net Position</b>	<b>\$46,628</b>	<b>\$56,514</b>	<b>\$(8,653)</b>	<b>\$16,812</b>	<b>\$5,438</b>	<b>\$5,212</b>	<b>\$(8,656)</b>	<b>\$10,054</b>	<b>\$4,320</b>	<b>\$2,451</b>

## Change in Net Position (Continued)

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

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 Restated
	%	%	%	%	%	%	%	%	%	%
<b>Operating Revenues</b>										
Student tuition and fees, net	29.5	34.8	38.5	39.4	40.1	41.2	40.9	39.3	38.6	37.5
Governmental grants and contracts	6.2	6.5	6.3	5.9	5.1	4.5	4.3	4.3	4.0	4.2
Private grants and contracts	0.7	0.9	0.8	0.8	0.7	0.8	0.6	0.5	0.6	0.8
Residence life	5.6	4.6	5.5	5.9	5.5	5.7	6.1	6.0	6.1	6.6
Other auxiliaries	4.5	3.9	4.1	4.9	5.8	4.8	4.7	4.5	4.4	4.4
Other revenues (1)	2.7	2.4	3.2	4.1	3.8	4.0	4.1	4.4	4.1	3.8
<b>Total Operating Revenues</b>	<b>49.2</b>	<b>53.1</b>	<b>58.4</b>	<b>61.0</b>	<b>61.0</b>	<b>61.0</b>	<b>60.7</b>	<b>59.0</b>	<b>57.8</b>	<b>57.3</b>
<b>Expenses</b>										
<b>Operating Expenses</b>										
Instruction	24.4	25.9	27.8	28.7	29.8	30.8	31.4	32.5	32.2	31.1
Research	8.2	9.0	9.0	7.9	7.0	6.3	5.6	5.0	4.9	4.3
Public service	4.9	4.3	4.7	5.3	5.4	5.0	5.2	5.3	5.3	5.9
Academic support	6.3	6.8	6.0	6.6	6.8	7.2	7.5	7.0	7.0	7.0
Student services	8.9	9.8	11.3	9.8	9.4	9.5	10.0	9.8	10.4	9.2
Institutional support	12.6	12.6	11.5	10.6	11.0	10.3	9.7	11.1	11.1	10.3
Operation and maintenance of plant	4.3	4.0	3.8	4.7	5.0	5.4	5.5	5.0	5.5	5.1
Scholarships and fellowships	11.7	9.4	7.6	6.8	6.6	6.2	5.8	5.7	5.2	5.3
Auxiliary enterprises	6.7	6.8	7.0	7.6	7.0	7.2	7.1	7.3	6.8	9.7
Depreciation	8.1	7.4	7.3	7.3	7.3	7.3	7.0	6.8	6.9	6.9
<b>Total Operating Expenses</b>	<b>96.1</b>	<b>96.0</b>	<b>96.0</b>	<b>95.3</b>	<b>95.3</b>	<b>95.2</b>	<b>94.9</b>	<b>95.5</b>	<b>95.3</b>	<b>94.8</b>
<b>Operating loss</b>	<b>(40.3)</b>	<b>(34.3)</b>	<b>(39.0)</b>	<b>(31.5)</b>	<b>(33.4)</b>	<b>(33.4)</b>	<b>(35.8)</b>	<b>(34.8)</b>	<b>(36.5)</b>	<b>(37.0)</b>
<b>Nonoperating Revenues (Expenses)</b>										
State operating appropriations	20.3	17.1	18.7	17.1	16.9	17.3	17.8	21.4	21.6	22.1
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of state tax-TRIF	5.8	2.7	2.8	2.6	2.4	2.4	2.6	2.5	2.5	2.5
Government grants	21.5	19.0	14.3	12.1	12.1	11.9	12.5	11.4	11.5	12.5
Private gifts	2.1	2.1	2.4	2.4	2.4	2.4	2.5	2.5	2.2	2.2
Investment income	(1.4)	2.4	0.8	1.0	0.7	0.7	0.2	0.3	1.2	0.7
Interest on debt	(3.9)	(3.9)	(3.9)	(4.8)	(4.8)	(4.9)	(5.0)	(4.4)	(4.9)	(5.1)
Other nonoperating revenues, net	1.3	1.3	1.0	2.4	2.7	2.7	2.0	1.6	1.8	1.2
<b>Net Nonoperating Revenues</b>	<b>45.8</b>	<b>40.7</b>	<b>36.1</b>	<b>32.8</b>	<b>32.6</b>	<b>32.5</b>	<b>32.5</b>	<b>35.3</b>	<b>35.9</b>	<b>36.1</b>
<b>Income/(loss) before other revenues, expenses, gains, or losses</b>	<b>5.5</b>	<b>6.4</b>	<b>(2.9)</b>	<b>1.3</b>	<b>(0.8)</b>	<b>(0.9)</b>	<b>(3.3)</b>	<b>0.5</b>	<b>(0.6)</b>	<b>(0.9)</b>
Capital appropriations	0.7	0.8	1.0	1.0	1.0	0.7	1.0	1.1	1.2	1.3
Capital grants	0.2	1.3	0.5	0.2	0.6	0.9	0.6	0.0	0.0	0.0
Additions to permanent endowments	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Increase/(Decrease) in Net Position</b>	<b>6.8</b>	<b>9.0</b>	<b>(1.4)</b>	<b>2.8</b>	<b>0.9</b>	<b>0.9</b>	<b>(1.5)</b>	<b>1.8</b>	<b>0.8</b>	<b>0.6</b>

## Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	%	%	%	%	%	%	%	%	%	%
<b>Revenues</b>										
Operating Revenues										
Student tuition and fees, net	(8.0)	(6.6)	(1.6)	0.3	(0.5)	9.6	5.6	8.9	9.4	9.3
Governmental grants and contracts	3.8	5.7	9.1	18.3	15.6	13.3	2.2	13.7	0.4	5.7
Private grants and contracts	(18.5)	14.5	5.4	11.9	(5.6)	27.2	23.1	(2.5)	(18.6)	66.0
Residence life	34.0	(13.4)	(7.1)	10.1	(1.1)	2.0	1.7	5.8	(2.2)	3.4
Other auxiliaries	24.2	(1.3)	(16.5)	(12.3)	23.1	11.8	5.6	9.4	6.6	23.5
Other revenues	24.2	(23.3)	(22.0)	11.5	(3.2)	7.1	(7.1)	14.7	16.3	1.3
<b>Total Operating Revenues</b>	<b>0.7</b>	<b>(6.2)</b>	<b>(3.6)</b>	<b>2.3</b>	<b>2.3</b>	<b>9.3</b>	<b>4.2</b>	<b>9.2</b>	<b>7.3</b>	<b>9.2</b>
<b>Expenses</b>										
Operating Expenses										
Instruction	4.6	(13.4)	1.7	(3.4)	(1.2)	4.1	1.4	7.1	9.7	6.0
Research	0.5	(7.1)	20.6	13.4	12.7	19.7	18.4	8.0	18.6	(8.6)
Public service	24.7	(14.5)	(6.4)	(2.3)	9.7	2.5	4.3	5.1	(4.6)	(5.0)
Academic support	3.6	5.3	(3.9)	(2.6)	(3.9)	1.4	12.0	6.8	5.3	11.5
Student services	0.6	(19.0)	21.3	3.8	1.6	0.8	7.0	(0.3)	19.8	16.2
Institutional support	11.3	1.5	13.7	(3.0)	8.3	12.9	(8.2)	6.4	13.6	13.1
Operation and maintenance of plant	19.9	(3.1)	(14.9)	(5.4)	(6.4)	4.1	15.6	(3.4)	14.8	6.8
Scholarships and fellowships	38.0	14.3	17.8	3.1	9.5	12.1	8.3	14.4	5.0	(5.3)
Auxiliary enterprises	10.1	(10.5)	(3.2)	9.5	(0.4)	7.9	1.0	15.1	(26.2)	19.8
Depreciation	22.1	(7.0)	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0	15.1
<b>Total Operating Expenses</b>	<b>11.1</b>	<b>(7.3)</b>	<b>6.0</b>	<b>0.2</b>	<b>2.2</b>	<b>6.4</b>	<b>4.3</b>	<b>6.4</b>	<b>6.4</b>	<b>7.7</b>
<b>Operating loss</b>	<b>27.3</b>	<b>(9.0)</b>	<b>24.6</b>	<b>(3.6)</b>	<b>2.1</b>	<b>1.6</b>	<b>4.4</b>	<b>1.8</b>	<b>4.9</b>	<b>5.4</b>
<b>Nonoperating Revenues (Expenses)</b>										
State operating appropriations	29.2	(5.4)	10.0	3.5	(0.4)	5.8	(15.5)	6.1	4.1	(2.1)
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of state tax-TRIF	132.9	0.8	6.9	10.5	4.3	(0.5)	4.2	7.8	7.1	3.0
Government grants & contracts	22.4	37.6	18.8	2.2	4.5	3.6	10.9	5.8	(2.0)	(4.4)
Private gifts	7.8	(8.9)	2.6	(2.0)	2.9	7.3	0.5	19.3	10.0	(4.3)
Investment income	(162.3)	228.8	(26.5)	45.5	11.3	302.8	(45.8)	(68.9)	79.7	18.5
Interest on debt	10.1	(6.5)	(14.6)	0.1	(0.3)	3.5	19.6	(4.1)	1.0	2.6
Other nonoperating revenues, net	4.0	40.4	(58.4)	(11.1)	4.1	46.4	27.9	(8.0)	57.6	34.9
<b>Net Nonoperating Revenues</b>	<b>21.4</b>	<b>18.2</b>	<b>9.9</b>	<b>3.3</b>	<b>2.6</b>	<b>9.1</b>	<b>(7.2)</b>	<b>5.2</b>	<b>6.2</b>	<b>(2.1)</b>
<b>Income/(loss) before other revenues, expenses, gains, or losses</b>	<b>8.1</b>	<b>332.5</b>	<b>309.6</b>	<b>286.4</b>	<b>13.2</b>	<b>70.0</b>	<b>(644.6)</b>	<b>234.0</b>	<b>43.8</b>	<b>(155.4)</b>
Capital appropriations	3.3	(17.3)	0.1	(0.0)	38.9	(22.7)	(5.7)	(1.2)	0.0	0.0
Capital grants	(82.2)	177.8	146.6	(65.0)	(39.3)	81.9	4,916.7	(4.8)	0.0	(86.2)
Additions to permanent endowments	(3.9)	(0.9)	(3.4)	6.9	1.8	5.0	0.6	3.9	(6.3)	3.5
<b>Increase/(Decrease) in Net Position</b>	<b>17.5</b>	<b>753.1</b>	<b>(151.5)</b>	<b>209.2</b>	<b>4.3</b>	<b>160.2</b>	<b>(186.1)</b>	<b>132.7</b>	<b>76.3</b>	<b>(83.8)</b>





## Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>PLEDGE* Resident Undergraduate</b>										
Northern Arizona University	\$11,896	\$11,896	\$11,896	\$11,564	\$11,059	\$10,764	\$10,358	\$9,989	\$9,745	\$9,271
Percent increase from prior year	0.0%	0.0%	2.9%	4.6%	2.7%	3.9%	3.7%	2.5%	5.1%	5.1%
ABOR Peers	\$11,663	\$11,515	\$13,057	\$12,994	\$13,103	\$12,228	\$12,670	\$12,122	\$12,197	\$11,506
Percent increase (decrease) from prior year	1.3%	(11.8%)	0.5%	(0.8%)	7.2%	(3.5%)	4.5%	(0.6%)	6.0%	4.4%
<b>PLEDGE* Non-Resident Undergraduate</b>										
Northern Arizona University	\$26,642	\$26,642	\$26,516	\$25,828	\$24,841	\$24,144	\$23,348	\$22,509	\$22,099	\$21,626
Percent increase from prior year	0.0%	0.5%	2.7%	4.0%	2.9%	3.4%	3.7%	1.9%	2.2%	2.1%
ABOR Peers	\$24,231	\$23,275	\$22,918	\$22,269	\$22,682	\$23,785	\$23,816	\$23,060	\$23,044	\$22,079
Percent increase (decrease) from prior year	4.1%	1.6%	2.9%	(1.8%)	(4.6%)	(0.1%)	3.3%	0.1%	4.4%	4.6%
* PLEDGE tuition rate means new freshman and transfer students will pay the same tuition rate for four years. The PLEDGE rate began in fall 2008-2009.										
<b>Resident Graduate</b>										
Northern Arizona University	\$12,250	\$11,726	\$11,726	\$10,970	\$10,261	\$9,990	\$9,606	\$9,165	\$8,806	\$8,378
Percent increase from prior year	4.5%	0.0%	6.9%	6.9%	2.7%	4.0%	4.8%	4.1%	5.1%	4.6%
<b>Non-Resident Graduate</b>										
Northern Arizona University	\$28,240	\$26,954	\$25,730	\$24,056	\$22,609	\$21,976	\$21,244	\$20,249	\$19,900	\$19,472
Percent increase from prior year	4.8%	4.8%	7.0%	6.4%	2.9%	3.4%	4.9%	1.8%	2.2%	3.0%

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

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

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



## Principal Revenue Sources

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
<b>Tuition and Fees, net of scholarship allowance</b>	<b>\$200,933</b>	<b>\$218,452</b>	<b>\$233,911</b>	<b>\$237,605</b>	<b>\$236,790</b>	<b>\$237,930</b>	<b>\$217,047</b>	<b>\$205,550</b>	<b>\$188,816</b>	<b>\$172,565</b>
Percent of total revenue	29%	35%	39%	39%	40%	41%	41%	39%	39%	38%
Percent increase/(decrease) from prior year	(8%)	(7%)	(2%)	0%	0%	10%	6%	9%	9%	9%
<b>State of Arizona Government</b>										
State appropriations	\$138,737	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469
Technology and research initiatives funding	39,777	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492
Capital appropriations	5,040	4,879	5,900	5,896	5,897	4,247	5,493	5,827	5,900	5,900
State grants and contracts	8,451	32,548	8,037	7,685	6,062	6,675	3,591	3,464	3,469	5,649
<b>Arizona State Government</b>	<b>\$192,005</b>	<b>\$161,902</b>	<b>\$144,403</b>	<b>\$132,625</b>	<b>\$126,014</b>	<b>\$124,780</b>	<b>\$117,544</b>	<b>\$134,584</b>	<b>\$127,265</b>	<b>\$124,510</b>
Percent of total revenue	28%	26%	24%	22%	21%	22%	22%	26%	26%	27%
Percent increase (decrease) from prior year	19%	12%	9%	5%	1%	6%	(13%)	6%	2%	0%
<b>Federal Government</b>										
Federal grants and contracts	\$133,500	\$64,515	\$66,836	\$49,050	\$45,199	\$41,508	\$39,773	\$35,669	\$52,981	\$53,838
Financial aid grants	40,929	42,625	45,530	46,908	46,062	42,881	41,587	39,533	36,535	36,091
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	-
<b>Federal Government</b>	<b>\$174,429</b>	<b>\$107,140</b>	<b>\$112,366</b>	<b>\$95,958</b>	<b>\$91,261</b>	<b>\$84,389</b>	<b>\$81,360</b>	<b>\$75,202</b>	<b>\$89,516</b>	<b>\$89,929</b>
Percent of total revenue	26%	17%	19%	16%	15%	15%	15%	14%	18%	20%
Percent increase/(decrease) from prior year	63%	(5%)	17%	5%	8%	4%	8%	(16%)	(0%)	(3%)
<b>Total from principal revenue payers</b>	<b>\$567,367</b>	<b>\$487,494</b>	<b>\$490,680</b>	<b>\$466,188</b>	<b>\$454,065</b>	<b>\$447,099</b>	<b>\$415,951</b>	<b>\$415,336</b>	<b>\$405,597</b>	<b>\$387,004</b>
Percent of total revenue	83%	78%	81%	77%	77%	77%	78%	79%	83%	84%
Percent increase/(decrease) from prior year	16%	(1%)	5%	3%	2%	7%	0%	2%	5%	3%



## Long-Term Debt

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
System Revenue Bonds	\$516,295	\$534,735	\$531,805	\$520,925	\$537,980	\$526,925	\$536,420	\$533,630	\$510,695	\$467,425
Unamortized Premium	43,779	46,807	49,836	26,213	27,435	28,658	30,748	25,906	16,550	9,305
Deferred amount on Refundings	-	-	-	-	-	-	-	-	-	(1,200)
<b>Net System Revenue Bonds</b>	<b>\$560,074</b>	<b>\$581,542</b>	<b>\$581,641</b>	<b>\$547,138</b>	<b>\$565,415</b>	<b>\$555,583</b>	<b>\$567,168</b>	<b>\$559,536</b>	<b>\$527,245</b>	<b>\$475,530</b>
Certificates of Participation (COPs)	\$36,220	\$39,370	\$42,210	\$45,940	\$49,550	\$53,040	\$54,985	\$58,285	\$62,850	\$65,630
Unamortized Premium	4,097	4,570	5,043	5,516	5,989	6,462	6,935	7,408	5,574	5,911
Deferred amount on Refundings*	-	-	-	-	-	-	-	-	-	(3,502)
<b>Net Certificates of Participation</b>	<b>\$40,317</b>	<b>\$43,940</b>	<b>\$47,253</b>	<b>\$51,456</b>	<b>\$55,539</b>	<b>\$59,502</b>	<b>\$61,920</b>	<b>\$65,693</b>	<b>\$68,424</b>	<b>\$68,039</b>
Net System Revenue Bonds Payable	\$560,074	\$581,542	\$581,641	\$547,138	\$565,415	\$555,583	\$567,168	\$559,536	\$527,245	\$475,530
Net COPs Payable	40,317	43,940	47,253	51,456	55,539	59,502	61,920	65,693	68,424	68,039
Financed Purchases	5,455	6,827	25,720	27,767	15,138	14,729	15,773	16,778	17,746	17,936
<b>Total</b>	<b>\$605,846</b>	<b>\$632,309</b>	<b>\$654,614</b>	<b>\$626,361</b>	<b>\$636,092</b>	<b>\$629,814</b>	<b>\$644,861</b>	<b>\$642,007</b>	<b>\$613,415</b>	<b>\$561,505</b>

### Long Term Debt (whole dollars)

per Student FTE	\$22,337	\$22,520	\$22,437	\$21,316	\$21,545	\$21,937	\$23,557	\$24,755	\$24,719	\$23,195
per Dollar of State Appropriations and State Aid	\$4.2	\$5.6	\$5.5	\$5.7	\$6.0	\$6.0	\$6.4	\$5.4	\$5.5	\$5.2
per Dollar of Total Grants and Contracts	\$2.2	\$3.4	\$4.3	\$5.1	\$5.4	\$5.7	\$6.1	\$6.7	\$6.9	\$6.2

### Data Used in Above Calculations

Total Student FTE	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208
State Appropriations and State Capital Appropriations	\$143,777	\$112,276	\$119,423	\$109,096	\$105,613	\$104,353	\$100,126	\$117,853	\$111,488	\$107,369
Grants and Contracts	\$279,893	\$184,137	\$153,786	\$122,233	\$116,811	\$110,041	\$105,915	\$95,327	\$89,516	\$89,929

\* There will no longer be deferred amounts on refunding reported as liabilities due to the implementation of GASB Statement No. 65 Beginning in FY 2014.

## Summary of Ratios

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Summary of Composite Financial Index Ratios</b>										
<b>+ Primary Reserve Ratio</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>	<b>0.5</b>
/ Strength Factor	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
= Ratio / Strength Factor	2.0	1.3	0.8	1.0	1.0	1.0	0.7	0.9	3.8	4.1
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.7	0.4	0.3	0.3	0.3	0.3	0.2	0.3	1.3	1.4
= Ratio 10.00 Cap Subtotal	0.7	0.4	0.3	0.3	0.3	0.3	0.2	0.3	1.3	1.4
<b>+ Return on Net Assets Ratio</b>	<b>4.1%</b>	<b>22.4%</b>	<b>1.3%</b>	<b>5.8%</b>	<b>5.4%</b>	<b>7.4%</b>	<b>(1.5%)</b>	<b>3.9%</b>	<b>4.8%</b>	<b>3.1%</b>
/ Strength Factor	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
= Ratio / Strength Factor	2.1	10.0	0.7	2.9	2.7	3.7	(0.8)	2.0	2.4	1.6
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.4	2.0	0.1	0.6	0.5	0.7	(0.2)	0.4	0.5	0.3
= Ratio 10.00 Cap Subtotal	0.4	2.0	0.1	0.6	0.5	0.7	(0.2)	0.4	0.5	0.3
<b>+ Net Operating Revenues Ratio</b>	<b>6.1%</b>	<b>7.3%</b>	<b>(3.1%)</b>	<b>1.3%</b>	<b>(1.1%)</b>	<b>(0.9%)</b>	<b>(3.6%)</b>	<b>0.4%</b>	<b>0.3%</b>	<b>(0.3%)</b>
/ Strength Factor	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
= Ratio / Strength Factor	4.7	5.6	(2.4)	1.0	(0.8)	(0.7)	(2.8)	0.3	0.2	(0.2)
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.5	0.6	(0.2)	0.1	(0.1)	(0.1)	(0.3)	0.0	0.0	(0.0)
= Ratio 10.00 Cap Subtotal	0.5	0.6	(0.2)	0.1	(0.1)	(0.1)	(0.3)	0.0	0.0	(0.0)
<b>+ Viability Ratio</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>
/ Strength Factor	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
= Ratio / Strength Factor	0.7	0.4	0.2	0.2	0.2	0.2	0.2	0.2	1.0	1.2
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4
= Ratio 10.00 Cap Subtotal	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4
<b>Composite Financial Index</b>	<b>1.8</b>	<b>3.1</b>	<b>0.2</b>	<b>1.1</b>	<b>0.9</b>	<b>1.1</b>	<b>(0.1)</b>	<b>0.8</b>	<b>2.2</b>	<b>2.1</b>
<b>Composite Financial Index w/10.00 Cap</b>	<b>1.8</b>	<b>3.1</b>	<b>0.2</b>	<b>1.1</b>	<b>0.9</b>	<b>1.1</b>	<b>(0.1)</b>	<b>0.8</b>	<b>2.2</b>	<b>2.1</b>

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 the ratio.

## Summary of Ratios - (Continued)

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
<b>PRIMARY RESERVE RATIO</b>										
Unrestricted Net Position	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284
Unrestricted Net Assets- Component Units	13,738	10,961	7,251	7,760	8,814	10,403	10,055	10,842	12,286	32,282
Expendable Restricted Net Position	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658
Temp. Restricted Net Assets- Component Units	58,204	63,705	71,546	85,038	81,573	69,074	49,179	51,942	52,378	23,511
<b>Expendable Net Position/Assets</b>	<b>\$170,199</b>	<b>\$101,636</b>	<b>\$61,912</b>	<b>\$80,188</b>	<b>\$75,451</b>	<b>\$73,262</b>	<b>\$52,197</b>	<b>\$63,331</b>	<b>\$248,246</b>	<b>\$254,735</b>
Operating Expenses	\$609,827	\$548,661	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921
Nonoperating Expenses	24,705	22,441	23,990	28,084	28,061	28,144	27,187	22,723	23,696	23,456
Component Unit Total Expenses	18,190	25,096	16,523	15,079	14,220	13,085	13,186	13,214	11,944	10,822
<b>Total Expenses</b>	<b>\$652,722</b>	<b>\$596,198</b>	<b>\$632,252</b>	<b>\$601,320</b>	<b>\$599,049</b>	<b>\$585,953</b>	<b>\$552,160</b>	<b>\$526,821</b>	<b>\$497,147</b>	<b>\$468,199</b>
Expendable Net Position	\$170,199	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735
Total Expenses	\$652,722	\$596,198	\$632,252	\$601,320	\$599,049	\$585,953	\$552,160	\$526,821	\$497,147	\$468,199
<b>Ratio</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>	<b>0.5</b>
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.										
<b>RETURN ON NET ASSETS RATIO</b>										
Change in Total Net Position	\$22,014	\$99,722	\$5,696	\$24,016	\$21,337	\$30,862	\$(6,331)	\$15,628	\$25,910	\$15,925
Total Net Position (Beginning of Year)	\$541,549	\$445,858	\$440,162	\$416,146	\$394,809	\$414,296	\$420,627	\$404,999	\$537,588	\$521,663
<b>Ratio</b>	<b>4.1%</b>	<b>22.4%</b>	<b>1.3%</b>	<b>5.8%</b>	<b>5.4%</b>	<b>7.4%</b>	<b>(1.5%)</b>	<b>3.9%</b>	<b>4.8%</b>	<b>3.1%</b>
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.										
<b>NET OPERATING REVENUES RATIO</b>										
Income/(Loss) Before Capital and Endowment Additions	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	2,776	3,710	(509)	(1,054)	(1,589)	348	(787)	(1,443)	3,834	2,812
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	\$42,038	\$46,428	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365	\$(1,582)

## Summary of Ratios - (Continued)

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
Total Operating Revenues	\$335,315	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651
State Appropriation and State related revenues	178,514	124,475	130,466	119,044	114,055	113,858	108,460	125,293	117,896	112,961
Non-capital Gifts and Grants, net	160,687	132,881	101,500	87,358	86,072	82,583	79,235	72,690	67,333	67,494
Investment Income (Loss), net	(9,416)	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174
Component Units Total Unrestricted Revenue	24,558	28,806	16,013	14,025	12,631	13,433	12,399	11,771	15,778	13,634
<b>Adjusted Net Operating Revenues</b>	<b>\$689,658</b>	<b>\$634,265</b>	<b>\$607,410</b>	<b>\$594,702</b>	<b>\$576,632</b>	<b>\$565,398</b>	<b>\$522,773</b>	<b>\$520,416</b>	<b>\$489,525</b>	<b>\$460,914</b>

Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items	\$42,038	\$46,428	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365	\$(1,582)
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Adjusted Net Operating Revenues	\$689,658	\$634,265	\$607,410	\$594,702	\$576,632	\$565,398	\$522,773	\$520,416	\$489,525	\$460,914
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<b>Ratio</b>	<b>6.1%</b>	<b>7.3%</b>	<b>(3.1%)</b>	<b>1.3%</b>	<b>(1.1%)</b>	<b>(0.9%)</b>	<b>(3.6%)</b>	<b>0.4%</b>	<b>0.3%</b>	<b>(0.3%)</b>
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Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

### VIABILITY RATIO

Unrestricted Net Position	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284
Unrestricted Net Assets- Component Units	13,738	10,961	7,251	7,760	8,814	10,403	10,055	10,842	12,286	32,282
Expendable Restricted Net Position/ Assets	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658
Temporarily Restricted Net Assets- Component Units	58,204	63,705	71,546	85,038	81,573	69,074	49,179	51,942	52,378	23,511

<b>Expendable Net Position</b>	<b>\$170,199</b>	<b>\$101,636</b>	<b>\$61,912</b>	<b>\$80,188</b>	<b>\$75,451</b>	<b>\$73,262</b>	<b>\$52,197</b>	<b>\$63,331</b>	<b>\$248,246</b>	<b>\$254,735</b>
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University LT Debt, net financed purchases with CUs	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505
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Component Units Long Term Debt	-	-	-	-	-	-	-	-	-	-
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<b>Total Adjusted University Debt</b>	<b>\$605,846</b>	<b>\$632,311</b>	<b>\$654,614</b>	<b>\$626,361</b>	<b>\$636,092</b>	<b>\$629,813</b>	<b>\$644,861</b>	<b>\$642,007</b>	<b>\$613,415</b>	<b>\$561,505</b>
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Expendable Net Position	\$170,199	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246	\$254,735
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Total Adjusted University Debt	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415	\$561,505
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<b>Ratio</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>
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Measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength.

## Summary of Ratios - Other Ratios

Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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(Dollars in thousands)

### OPERATING MARGIN EXCLUDING GIFTS

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses

	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)
<b>Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>\$39,262</b>	<b>\$42,718</b>	<b>\$(18,375)</b>	<b>\$8,766</b>	<b>\$(4,702)</b>	<b>\$(5,415)</b>	<b>\$(18,022)</b>	<b>\$3,309</b>	<b>\$(2,469)</b>	<b>\$(4,394)</b>

Total Operating Revenues

State appropriation and share of sales tax

Federal fiscal stabilization funds

Investment Income/(Loss), net

	\$335,315	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815	\$263,651
	178,514	124,475	130,466	119,044	114,055	113,858	108,460	125,293	117,896	112,961
	(9,416)	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703	3,174
<b>Adjusted Net Operating Revenues less Non-capital Gifts and Grants</b>	<b>\$504,413</b>	<b>\$472,578</b>	<b>\$489,897</b>	<b>\$493,319</b>	<b>\$477,929</b>	<b>\$469,382</b>	<b>\$431,139</b>	<b>\$435,955</b>	<b>\$406,414</b>	<b>\$379,786</b>

Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses

Adjusted Net Operating Revenues less Non-capital Gifts and Grants

	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)	\$(4,394)
	\$504,413	\$472,578	\$489,897	\$493,319	\$477,929	\$469,382	\$431,139	\$435,955	\$406,414	\$379,786

**Ratio** **7.8%** **9.0%** **(3.8%)** **1.8%** **(1.0%)** **(1.2%)** **(4.2%)** **0.8%** **(0.6%)** **(1.2%)**

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

### RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

Operating Expenses

Scholarships and Fellowships

Interest on Debt

**Total Adjusted Operating Expenses**

Research Expenses

Total Adjusted Operating Expenses

	\$609,827	\$548,660	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921
	(74,028)	(53,646)	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)
	24,705	22,441	23,990	28,084	28,061	28,144	27,187	22,723	23,696	23,456
	\$560,504	\$517,455	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791	\$433,166
	\$51,895	\$51,635	\$55,608	\$46,113	\$40,655	\$36,068	\$30,142	\$25,461	\$23,584	\$19,886
	\$560,504	\$517,455	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791	\$433,166

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



## Summary of Ratios - Other Ratios (Continued)

Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
<b>NET TUITION PER STUDENT</b>										
Student Tuition and Fees, net	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565
Financial Aid Grants	40,929	42,625	45,530	46,908	46,062	42,881	41,587	39,533	36,535	36,091
Scholarships and Fellowships	(74,028)	(53,646)	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)
<b>Net Tuition and Fees</b>	<b>\$167,834</b>	<b>\$207,431</b>	<b>\$232,495</b>	<b>\$244,656</b>	<b>\$244,193</b>	<b>\$245,521</b>	<b>\$227,149</b>	<b>\$216,015</b>	<b>\$199,939</b>	<b>\$184,445</b>
Student FTE	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208
<b>Net Tuition per Student (whole dollars)</b>	<b>\$6,188</b>	<b>\$7,388</b>	<b>\$7,969</b>	<b>\$8,326</b>	<b>\$8,271</b>	<b>\$8,552</b>	<b>\$8,298</b>	<b>\$8,329</b>	<b>\$8,057</b>	<b>\$7,619</b>

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

### STATE APPROPRIATIONS PER STUDENT

State Appropriations	\$138,737	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588	\$101,469
Capital State Appropriations	5,040	4,880	5,900	5,896	5,897	4,247	5,493	5,827	5,900	5,900
<b>Adjusted State Appropriations</b>	<b>\$143,777</b>	<b>\$112,276</b>	<b>\$119,423</b>	<b>\$109,096</b>	<b>\$105,613</b>	<b>\$104,353</b>	<b>\$100,126</b>	<b>\$117,853</b>	<b>\$111,488</b>	<b>\$107,369</b>
Student FTE	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208
<b>Adjusted State Appropriation per Student (whole dollars)</b>	<b>\$5,301</b>	<b>\$3,999</b>	<b>\$4,093</b>	<b>\$3,713</b>	<b>\$3,577</b>	<b>\$3,635</b>	<b>\$3,658</b>	<b>\$4,544</b>	<b>\$4,493</b>	<b>\$4,435</b>

Measures the institution's dependency on state appropriations.



## Summary of Ratios - Debt Related Ratios

Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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(Dollars in thousands)

### EXPENDABLE RESOURCES TO DEBT

Unrestricted Net Position	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284
Expendable Restricted Net Position	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658
<b>Expendable Net Position</b>	<b>\$98,257</b>	<b>\$26,970</b>	<b>\$(16,885)</b>	<b>\$(12,610)</b>	<b>\$(14,936)</b>	<b>\$(6,215)</b>	<b>\$(7,037)</b>	<b>\$547</b>	<b>\$183,582</b>	<b>\$198,942</b>
Total Bonds, COPS, and Financed Purchases	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505
<b>Ratio</b>	<b>-0.2</b>	<b>-0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.4</b>

Measures the ability of the institution to cover its debt using expendable resources as of the statement of net position date.

### TOTAL FINANCIAL RESOURCES TO DIRECT DEBT

Unrestricted Net Position	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120	\$172,284
Expendable Restricted Net Position	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462	26,658
Non-expendable Restricted Net Position	17,039	17,969	19,142	26,258	25,107	24,625	23,593	22,540	21,770	20,430
<b>Total Financial Resources</b>	<b>\$115,296</b>	<b>\$44,939</b>	<b>\$2,257</b>	<b>\$13,648</b>	<b>\$10,171</b>	<b>\$18,410</b>	<b>\$16,556</b>	<b>\$23,087</b>	<b>\$205,352</b>	<b>\$219,372</b>
Total Bonds, COPS, and Financed Purchases	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505
<b>Ratio</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.4</b>

A broader measure of the ability of the institution to cover its debt as of the statement of net position date.

### DIRECT DEBT TO ADJUSTED CASH FLOW

Net Cash Used by Operating Activities	\$(244,386)	\$(174,717)	\$(184,852)	\$(163,438)	\$(147,009)	\$(135,026)	\$(150,773)	\$(133,504)	\$(144,325)	\$(143,659)
State Appropriations and Federal Stabilization Funds	138,737	107,396	113,523	103,200	99,716	100,106	94,633	112,026	105,588	101,469
Share of State Sales Tax- TRIF	38,255	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308	11,492
Non-capital Grants and Contracts, Gifts, Other	161,597	119,011	101,500	87,358	86,072	82,583	79,235	72,690	67,333	67,494
<b>Adjusted Cash Flow from Operations</b>	<b>\$94,203</b>	<b>\$68,769</b>	<b>\$47,114</b>	<b>\$42,964</b>	<b>\$53,118</b>	<b>\$61,415</b>	<b>\$36,922</b>	<b>\$64,479</b>	<b>\$40,904</b>	<b>\$36,796</b>
Total Bonds, COPS, and Financed Purchases	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415	\$561,505
Adjusted Cash Flow from	94,203	68,769	47,114	42,964	53,118	61,415	36,922	64,479	40,904	36,796
<b>Ratio</b>	<b>6.4</b>	<b>9.2</b>	<b>13.9</b>	<b>14.6</b>	<b>12.0</b>	<b>10.3</b>	<b>17.5</b>	<b>10.0</b>	<b>15.0</b>	<b>15.3</b>

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,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
<b>DEBT SERVICE TO OPERATIONS</b>										
Interest and Fees Paid on Debt	\$24,705	\$22,441	\$23,990	\$28,084	\$28,061	\$28,144	\$27,187	\$22,723	\$23,696	\$23,456
Principal Paid on Debt	22,963	40,158	24,212	24,051	18,193	88,795	46,400	81,103	26,959	51,997
Principal Paid from Refinancing Activities (1)	-	-	(206,340)	-	-	(73,005)	(33,680)	(68,095)	(16,315)	(37,245)
<b>Debt Service</b>	<b>\$47,668</b>	<b>\$62,599</b>	<b>\$(158,138)</b>	<b>\$52,135</b>	<b>\$46,254</b>	<b>\$43,934</b>	<b>\$39,907</b>	<b>\$35,731</b>	<b>\$34,340</b>	<b>\$38,208</b>
Operating Expenses	\$609,828	\$548,660	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507	\$433,921
<b>Ratio</b>	<b>7.8%</b>	<b>11.4%</b>	<b>(26.7%)</b>	<b>9.3%</b>	<b>8.3%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>8.8%</b>

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

(1) Obtained amount from refunding bonds official statements.



## Debt Service Coverage for Senior Lien System Revenue Bonds

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816	\$172,565
Receipts from Other Major Revenue Sources (Facilities Revenues)	91,538	75,343	86,040	92,508	85,874	75,144	68,525	67,452	63,383	61,277
<b>Net Revenues Available for Debt Service</b>	<b>\$292,471</b>	<b>\$293,795</b>	<b>\$319,951</b>	<b>\$330,113</b>	<b>\$322,664</b>	<b>\$313,074</b>	<b>\$285,572</b>	<b>\$273,002</b>	<b>\$252,199</b>	<b>\$233,842</b>
<b>Senior Lien Bonds Debt Service</b>										
Interest on Debt	\$11,436	\$11,403	\$12,573	\$15,569	\$15,599	\$15,738	\$15,926	\$15,824	\$14,990	\$15,248
Principal Paid on Debt	8,650	8,320	10,290	9,305	7,140	8,445	6,500	8,015	6,615	6,610
Direct Payment- Build America Bonds	-	-	(1,418)	(2,162)	(2,204)	(2,245)	(2,247)	(2,235)	(2,237)	(2,306)
<b>Senior Lien Bonds Debt Service Requirements</b>	<b>\$20,086</b>	<b>\$19,723</b>	<b>\$21,445</b>	<b>\$22,712</b>	<b>\$20,535</b>	<b>\$21,938</b>	<b>\$20,179</b>	<b>\$21,604</b>	<b>\$19,368</b>	<b>\$19,552</b>
<b>Coverage</b>	<b>14.6</b>	<b>14.9</b>	<b>14.9</b>	<b>14.5</b>	<b>15.7</b>	<b>14.3</b>	<b>14.2</b>	<b>12.6</b>	<b>13.0</b>	<b>12.0</b>
Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year.										
<b>Subordinate Lien Bonds Debt Service</b>										
Interest on Debt	\$3,704	\$3,704	\$5,239	\$6,627	\$6,871	\$7,093	\$7,223	\$7,224	\$7,315	\$3,859
Principal Paid on Debt	5,345	5,840	5,395	5,205	5,035	3,345				
Direct Payment- Build America Bonds	-	(123)	(1,077)	(1,137)	(1,186)	(1,235)	(1,255)	(1,253)	(1,243)	(1,351)
Direct Payment- State Lottery Revenue	(8,044)	(8,047)	(8,128)	(8,858)	(8,866)	(7,590)	(4,900)	(5,241)	(2,489)	(2,007)
<b>Subordinate Lien Bonds Debt Service Requirements</b>	<b>\$1,005</b>	<b>\$1,374</b>	<b>\$1,429</b>	<b>\$1,837</b>	<b>\$1,854</b>	<b>\$1,613</b>	<b>\$1,068</b>	<b>\$730</b>	<b>\$3,583</b>	<b>\$501</b>
<b>Combined Senior/Subordinate Lien Debt Service</b>	<b>\$21,091</b>	<b>\$21,097</b>	<b>\$22,874</b>	<b>\$24,549</b>	<b>\$22,389</b>	<b>\$23,551</b>	<b>\$21,247</b>	<b>\$22,334</b>	<b>\$22,951</b>	<b>\$20,053</b>
<b>Coverage</b>	<b>13.9</b>	<b>13.9</b>	<b>14.0</b>	<b>13.4</b>	<b>14.4</b>	<b>13.3</b>	<b>13.4</b>	<b>12.2</b>	<b>11.0</b>	<b>11.7</b>
Debt Service assurance and SPEED Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 100% of the annual debt service due on all outstanding parity bonds and subordinate obligations.										

# Admissions, Enrollment, and Degrees Earned

Fall Enrollment of Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>ADMISSIONS - FRESHMEN</b>										
Applications	42,872	37,386	36,855	36,831	36,875	36,511	29,583	27,780	33,435	29,108
Accepted	33,592	30,523	31,313	30,428	29,812	28,495	22,739	25,159	30,561	26,010
Enrolled	5,297	5,217	5,455	5,869	5,900	5,607	5,218	4,890	4,772	4,254
Accepted as Percentage of Application	78%	82%	85%	83%	81%	78%	77%	91%	91%	89%
Enrolled as Percentage of Accepted	16%	17%	17%	19%	20%	20%	23%	19%	16%	16%
Average SAT scores- Total	1165	1137	1136	1138	1124	1045	1050	1050	1053	1059
Verbal/Evidence-Based Reading & Writing	591	572	572	574	568	523	520	524	525	526
Math	574	566	563	563	557	522	520	520	528	529
<b>ENROLLMENT</b>										
Student FTE	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816	24,208
Student Headcount	28,718	29,569	30,736	31,073	31,057	30,368	29,031	27,715	26,606	26,002
Men (Headcount)	10,414	10,717	11,537	11,814	12,064	12,016	11,622	11,393	10,802	10,534
Percentage of Total	36.3%	36.2%	37.5%	38.0%	38.8%	39.6%	40.0%	41.1%	40.6%	40.5%
Women (Headcount)	18,304	18,852	19,199	19,259	18,993	18,352	17,409	16,322	15,804	15,468
Percentage of Total	63.7%	63.8%	62.5%	62.0%	61.2%	60.4%	60.0%	58.9%	59.4%	59.5%
African American (Headcount)	900	985	1,019	1,070	1,067	1,007	946	888	839	831
Percentage of Total	3.1%	3.3%	3.3%	3.4%	3.4%	3.3%	3.3%	3.2%	3.2%	3.2%
Hispanic/Latino (Headcount)	7,047	7,378	7,395	7,236	7,118	6,635	6,036	5,369	4,899	4,575
Percentage of Total	24.5%	25.0%	24.1%	23.3%	22.9%	21.8%	20.8%	19.4%	18.4%	17.6%
White (Headcount)	15,955	16,262	16,942	17,452	17,957	17,982	17,645	17,289	17,023	16,917
Percentage of Total	55.6%	55.0%	55.1%	56.2%	57.8%	59.2%	60.8%	62.4%	64.0%	65.1%
Other (Headcount)	4,816	4,944	5,380	5,315	4,915	4,744	4,404	4,169	3,845	3,679
Percentage of Total	16.8%	16.7%	17.5%	17.1%	15.8%	15.6%	15.2%	15.0%	14.5%	14.1%
<b>DEGREES EARNED</b>										
Bachelor's	5,865	6,155	6,253	6,117	6,040	5,824	5,105	5,063	5,009	4,478
Master's	1,369	1,324	1,266	1,249	1,194	1,201	1,267	1,234	1,348	1,423
Doctoral	228	208	213	194	174	123	132	127	116	99
<b>Total Degrees Earned</b>	<b>7,462</b>	<b>7,687</b>	<b>7,732</b>	<b>7,560</b>	<b>7,408</b>	<b>7,148</b>	<b>6,504</b>	<b>6,424</b>	<b>6,473</b>	<b>6,000</b>

Source: Northern Arizona University- Institutional Research and Analysis

## Demographic Data

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Arizona Population	7,276,316	7,421,401	7,278,717	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255
Arizona Personal Income (in millions)	\$403,739	\$363,274	\$336,514	\$313,042	\$292,108	\$278,925	\$266,756	\$255,089	\$244,011	\$235,781
Arizona Per Capita Personal Income	\$55,487	\$48,950	\$46,233	\$43,650	\$41,633	\$40,243	\$39,060	\$37,895	\$36,823	\$35,979
Arizona Unemployment Rate	3.5%	7.9%	4.5%	4.9%	4.9%	5.4%	6.0%	6.8%	7.7%	8.3%

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

## Principal Arizona Employers

Employer	Calendar Year Ended December 31, 2021			Calendar Year Ended December 31, 2016		
	Total Arizona Employment	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Banner Health	41,435	1	1.2%	35,406	2	0.9%
Amazon.com, Inc.	40,000	2	1.1%			
State of Arizona	39,172	3	1.1%	50,816	1	1.6%
Wal-Mart Stores, Inc.	36,995	4	1.0%	32,373	3	1.0%
Arizona State University	34,421	5	1.0%	12,676	8	0.4%
Fry's Food Stores	21,012	6	0.6%	17,286	4	
University of Arizona	19,823	7	0.6%	11,442	10	
Dignity Health Arizona	16,525	8	0.5%	12,100	9	
City of Phoenix	15,645	9	0.4%	14,585	5	0.5%
Wells Fargo	15,500	10	0.4%	14,480	6	0.4%
Maricopa County				13,567	7	0.4%
<b>Total</b>	<b>280,528</b>		<b>7.9%</b>	<b>214,731</b>		<b>5.2%</b>

Sources: Phoenix Business Journal, Book of Lists 2021 and Arizona Department of Transportation ACFR 2016 for employers: Arizona Commerce Authority website, <https://www.azcommerce.com/oeo/labor-market/unemployment/>.

## Faculty and Staff

Fall employment of fiscal year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>FACULTY</b>										
Full-time	1001	998	1,175	1,180	1,151	1,094	1,068	1,055	973	900
Part-time	541	481	607	625	593	569	553	589	616	639
<b>Total Faculty</b>	<b>1,542</b>	<b>1,479</b>	<b>1,782</b>	<b>1,805</b>	<b>1,744</b>	<b>1,663</b>	<b>1,621</b>	<b>1,644</b>	<b>1,589</b>	<b>1,539</b>
Percentage Tenured	49%	53%	46%	47%	47%	49%	49%	50%	53%	52%
<b>STAFF</b>										
Full-time	1,911	1,936	2,009	2,034	1,987	1,952	1,883	1,892	1,842	1,779
Part-time*	943	684	775	772	751	737	753	756	715	651
<b>Total Staff</b>	<b>2,854</b>	<b>2,620</b>	<b>2,784</b>	<b>2,806</b>	<b>2,738</b>	<b>2,689</b>	<b>2,636</b>	<b>2,648</b>	<b>2,557</b>	<b>2,430</b>
<b>Total Faculty and Staff</b>	<b>4,396</b>	<b>4,099</b>	<b>4,566</b>	<b>4,611</b>	<b>4,482</b>	<b>4,352</b>	<b>4,257</b>	<b>4,292</b>	<b>4,146</b>	<b>3,969</b>

\*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Institutional Research and Analysis

Percentage Tenured includes tenured and tenure track faculty.

## Capital Assets

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Academic/Support Facilities	97	97	97	96	87	88	87	85	84	83
Auxiliary Facilities	79	79	71	71	39	38	38	36	33	31
<b>Total</b>	<b>176</b>	<b>176</b>	<b>168</b>	<b>167</b>	<b>126</b>	<b>126</b>	<b>125</b>	<b>121</b>	<b>117</b>	<b>114</b>

Does not include leased facilities.

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

**Credits  
Content**

**Wendy Swartz**

Associate Vice President/Comptroller

**Anton Ciochetti**

Associate Comptroller

**Brad Miner**

Associate Comptroller

**Kristi Markey**

Manager, Accounting

**Anthea Vadasz**

Financial Planning and Reporting Analyst, Senior

**Francine Dalgai**

Accountant, Principal

**Michael Franchi**

Accountant, Senior

**Additional Contributions by**

Financial Accounting Services staff

Financial Compliance, Analysis and Reporting staff

Contracts, Purchasing and Risk Management staff

Student and Departmental Account Services staff

Institutional Research and Analysis staff

Budget Office staff

University Marketing staff

President’s Office

Facility Services staff

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

Northern Arizona University

PO Box 4069

Flagstaff, AZ 86011

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



Associate Vice President and Comptroller’s Office





**NORTHERN ARIZONA UNIVERSITY**

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