



ANNUAL COMPREHENSIVE **FINANCIAL REPORT**

Year Ended | June 30, 2023

Included as an Enterprise Fund of the State of Arizona

Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

Flagstaff, Arizona

Prepared by the Comptroller's Office

Included as an Enterprise Fund of the State of Arizona



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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 \$2.1 billion to Arizona's economy each year, and supporting more than 24,000 jobs throughout Arizona (NAU Economic Policy Institute). In addition to its residential Flagstaff Mountain Campus, more than 2,200 students were enrolled at 20 NAU community campuses across the state, and the university's online and personalized learning programs enrolled approximately 5,600 students (NAU Strategic Planning, Institutional Research, and Analysis).

The university enrolls nearly 29,000 students and is truly an Arizona-serving institution, with nearly two-thirds being Arizona residents. Further, many of NAU's students are the first in their family to go to college and the diversity of backgrounds, socioeconomic status, and lived experience of our student body truly reflects the diversity of Arizona's population who we seek to serve. As we enter the 2023-24 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 our strategic plan- *NAU 2025 – Elevating Excellence* represent a distillation of NAU's bold aspirations for the future, arrived on thanks to extensive engagement with the university community and valuable input from public, private, and philanthropic partners. The strategic priorities and corresponding components we have landed on 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.

This fall, NAU proudly welcomes its first class of Access2Excellence scholars. This innovative program is powering college-going aspirations and postsecondary attainment for the people of Arizona—an essential measure to sustain the vitality of Arizona's economy and the health of its communities. With Access2Excellence, every undergraduate Arizona resident student—both new first-year and transfer students—with a household income of \$65,000 or below will receive full tuition coverage. In addition, in recognition of NAU's longstanding commitment to Indigenous Peoples, this program also encompasses all members of Arizona's 22 federally-recognized tribal nations. Importantly, NAU's tuition, scholarship, and financial aid strategies ensure the university remains the lowest cost of attendance institution of higher education in the state for all Arizonans, regardless of household income level.

In recognition of the importance of strengthening Arizona's overall attainment ecosystem across all 15 counties in the state and providing access to affordable, high-quality, and workforce aligned pathways to a college degree, NAU has launched the Arizona Attainment Alliance (A++), a 280,000-plus student network that includes NAU, the state's ten community college districts, and the Arizona Commerce Authority. In less than a year, A++ has piloted bold initiatives to increase college access and attainment, including a universal admissions program that ensures no student is denied an opportunity to pursue a postsecondary credential, and has secured significant philanthropic support that is powering other impactful efforts. As A++ prepares to begin its second year of work, NAU looks forward to coordinating this alliance of critical statewide partners to ensure that the talent of every Arizonan, no matter where they live, is met with opportunity to join in the state's prosperity and bring vitality to their home communities through careers of consequence powered by an NAU degree.

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 am 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 *NAU 2025 – 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, reading "José Luis Cruz Rivera".

José Luis Cruz Rivera
President

NORTHERN ARIZONA UNIVERSITY

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, 2023. 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, 2023. This letter of transmittal is designed to complement the MD&A.



LETTER OF TRANSMITTAL October 31, 2023

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 480.5-acre site in Flagstaff, Arizona. NAU statewide sites are located throughout the state and online. Approximately 70% attend classes at Flagstaff campus; the remainder participate in NAU distance learning initiatives at statewide and worldwide campuses, which offers a mix of certificate and degree courses through nontraditional media.

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 75,900 residents. 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's educational and economic impacts in the region and across the state are profound. NAU's Flagstaff Mountain Campus thrives year-round and is the largest employer in the Flagstaff area. 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 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 of student services and academic planning tools to help students graduate in four years.

The Lumberjacks athletics success resulted in seven conference championships out of the eight NAU women's sports programs last year. This propelled NAU to its third consecutive and eleventh all-time Big Sky Women's All-Sport Trophy. Of special note, the women's Swim and Dive team won the conference championship for the tenth consecutive year resulting in a "Decade of Dominance" in women's Swimming and Diving. For the first time in NAU program history, the women's Soccer team claimed both the regular season championship and the Big Sky tournament trophy. Additionally, the Lumberjacks repeated as NCAA Men's Division I Cross Country National Champions for a third consecutive title and, the sixth title in the last seven 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 2023 fall semester (Fall 2022) total enrollment was 28,090 students. Enrollment was comprised of 23,207 undergraduate and 4,883 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 1,054 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 11 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

In December 2022, the U.S. Census Bureau reported the 2022 population of Arizona was 7,359,197, continuing to rank 14th nationally. In 2022, Arizona experienced a population growth rate of 1.3%, and an increase of 94,320 residents. Arizona ranked 8th nationally in net migration by state, down from 3rd nationally in 2021. Population growth decelerated from 2021 reflecting reduced net migration, which is expected to soften as the one-time boost from the pandemic dissipates and as housing affordability decreased due to significantly higher interest rates. The Arizona Commerce Authority projects Arizona's annual population growth rate to average 1.2% throughout the decade, leading to a population of 8.3 million by the year 2030.

The Arizona economy experienced solid gains during the second half of 2022 and first half of 2023. While at a slower pace than during the pandemic recovery, jobs, wages, and sales all increased. The unemployment rate remained very low and Arizona jobs were essentially back to their pre-pandemic trend. The Arizona Office of Economic Opportunity published the Arizona seasonally adjusted unemployment rate in June 2023 at 3.5%, just below the national rate of 3.6%, up 0.3% year over year. As of June 2023, Arizona has replaced 167% of jobs lost between February and April of 2020 due to the pandemic.

Arizona and national labor markets remain competitive. Job openings continued to increase in the first half of 2023. The labor market has been tilted in workers' favor since early 2021. This trend may reverse as interest rates hit 20-year highs and the U.S. economy slows. As of July 2023, inflation has fallen to 4.4% down from 40-year highs of 9.1% experienced in 2021. The Federal Reserve's actions to influence inflation through monetary policy appear to be working. Per the Eller College of Management's Economic and Business Research Center, the near-term outlook calls for the U.S. economy to achieve a "soft landing" and avoid recession this year and next. Downside risks to the near-term growth forecast include high interest rates coupled with slowing retail sales, declining housing affordability, and diminishing federal income support resulting in slowed income, sales, and job growth.

Arizona's economic prospects in the long-term are bright. Economic growth is expected to slow compared to the pace of the prior 30 years, however, the state is forecast to outpace the nation across major macroeconomic indicators including jobs, population, and income. Arizona's growth is significantly dependent on innovation (productivity growth), capital investment, and potential resource constraints (primarily water). Innovation, a key driver of long-run economic growth, is significantly influenced by human capital development, including education and health. State economies with higher rates of educational attainment generate stronger economic performance. Investments in educational attainment translate to investments in the state's workforce and are critical to fostering continued economic growth in the long-term. NAU's impact on the Arizona economy is profound and is estimated to generate \$2.06 billion for the Arizona economy annually. More than 24,000 jobs throughout Arizona are supported by NAU.

In 2023, the University saw increases in revenue as challenges brought forth by the pandemic have been overcome. Operating costs for the University will continue to increase with current inflation and a growing student body. Inflationary pressures are reflected in higher operating costs, including supplies, utilities, and labor, and result in reduced spending power. Management has been able to manage inflationary pressures through continued, proactive cost containment measures and a high level of scrutiny on expenses to preserve budgetary flexibility.

The University outlook for 2024 is very positive with continued growth in revenue including strong growth in auxiliary revenues. NAU is housing a record number of students on campus for the fall 2023 semester. An additional 300 beds were added compared to last year. Nearly 50% of Flagstaff students – over 10,000 – live in on-campus housing, ranking NAU in the top 1 percent of universities in the nation for number of students housed on campus. The University prioritizes on-campus housing resources to promote students' immersion in campus life and foster a strong and mutually beneficial relationship with NAU's home community in Flagstaff.

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 stable near-term statewide growth, easing inflationary pressures and the largest number of first-year Arizona resident students 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. NAU's mission is to transform lives and enrich communities through high-quality academics and impactful scholarship, creative endeavors, and public service. As outlined in *NAU 2025 – Elevating Excellence*, 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.

NAU's incoming class of undergraduate and graduate students numbers more than 9,250. Full highlights of NAU's entering class are included below:

All new undergraduate students:

- Arizona resident enrollment up 3 percent (all locations)
 - Flagstaff Mountain Campus – AZ resident enrollment up 7 percent
 - Statewide sites – AZ resident enrollment up 7 percent

New first-year students:

- Largest number of Arizona resident students ever
- Largest number of Native American students ever
- Largest percentage of Hispanic students ever

New graduate students:

- International up 30 percent
- Flagstaff up 6 percent
- Personalized Learning up 39 percent

Top majors for new undergraduate students include health-related fields, including nursing and dental hygiene; education and teacher preparation programs; and degrees in high demand fields aligned with Arizona's economic growth, such as computer science, engineering, and business.

The Northern Arizona University Foundation set a new fundraising record, receiving more than \$53 million in financial support during fiscal year 2023. This is the second year in a row that the NAU Foundation has surpassed fundraising goals, achieving record-setting results propelling the university's strategic priorities. The success of this fiscal year's fund-raising cycle is a result of the collective impacts of nearly 11,000 donors. 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. The fiscal year ended June 30, 2022, ACFR has been submitted. We should soon receive notification from GFOA on its status and we will be submitting the June 30, 2023, ACFR. We believe our previous fiscal year and current fiscal year ACFRs continue to meet the Certificate of Achievement in Excellence in Financial Reporting Program's requirements.

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 EXECUTIVE ADMINISTRATION

JUNE 30, 2023

Ex-Officio Members

Honorable Katie Hobbs

Governor of Arizona

Honorable Tom Horne

Superintendent of Public Instruction

Appointed Members

Fred DuVal

Chair, Phoenix

Cecilia Mata

Chair Elect, Sierra Vista

Lyndel Manson

Treasurer, Flagstaff

Robert Herbold

Secretary, Phoenix

Larry Penley

Regent, Phoenix

Gregg Brewster

Regent, Paradise Valley

Jessica Pacheco

Regent, Phoenix

Doug Goodyear

Regent, Scottsdale

Rachel Kanyur

Student Regent, Northern Arizona University

David Zaragoza

Student Regent, Arizona State University

June 30, 2023

José Luis Cruz Rivera

President

Brian Register

Chief of Staff

Bjorn Flugstad

Senior Vice President, University Business Operations

Karen Pugliesi

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

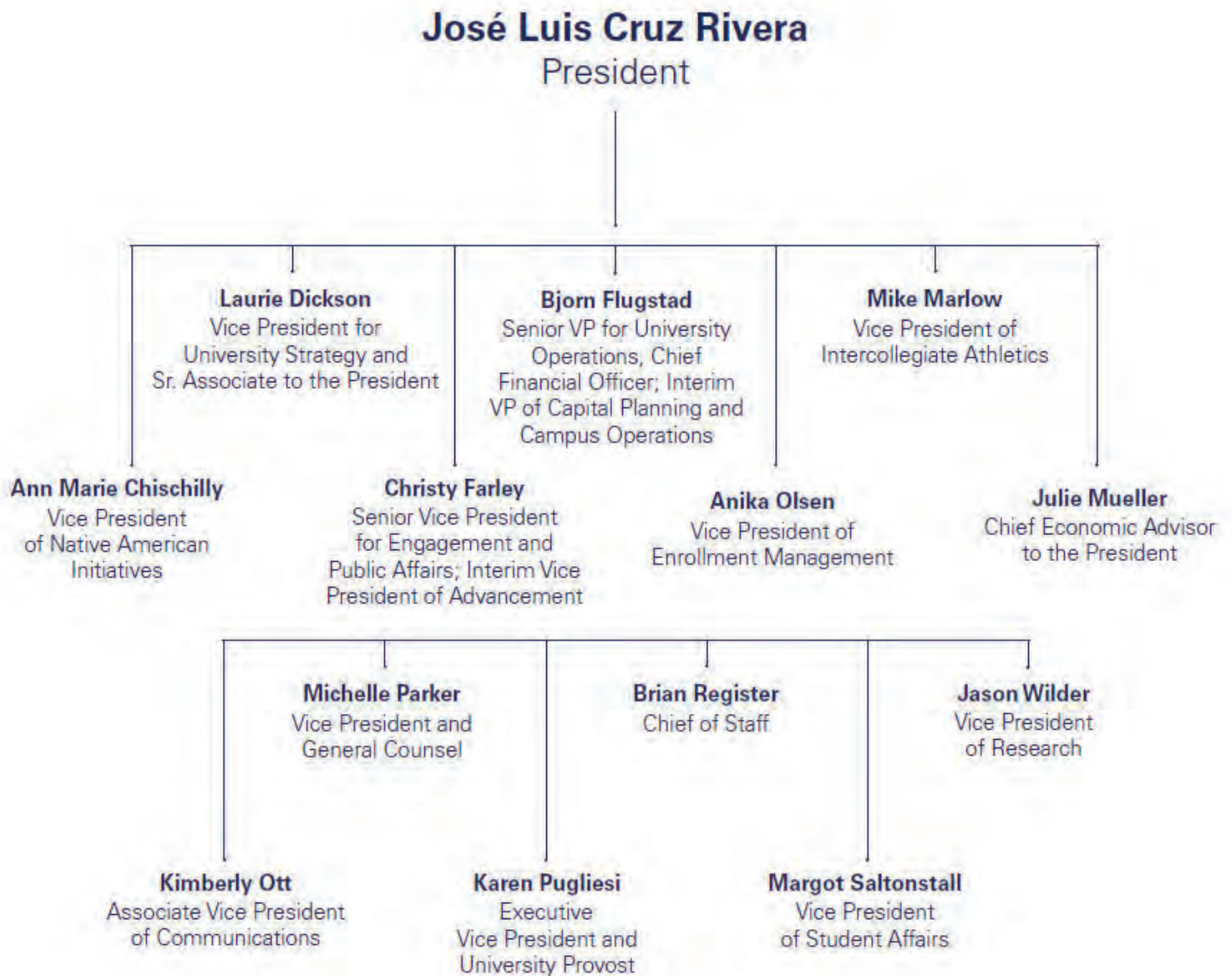
Kimberly Ott

Associate Vice President of Communications

Michelle Parker

Vice President and General Counsel

ORGANIZATION CHART



FINANCIAL SECTION





LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the 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, 2023, 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, 2023, 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, 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, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 – Arizona State Retirement System on page 59, and schedule of University's pension contributions – Arizona State Retirement System on page 59 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

October 31, 2023

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, 2023, with comparative information for the fiscal year ended June 30, 2022. 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, 2023, the University has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software.

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, 2023, and on June 30, 2022.

Condensed Statement of Net Position	FY 2023	FY 2022	% Change
Assets:			
Current assets	\$ 281,579	\$ 311,392	(9.6%)
Capital assets, net	1,042,651	1,030,254	1.2%
Other non-current assets	131,343	93,857	39.9%
Total Assets	\$ 1,455,573	\$ 1,435,503	1.4%
Deferred Outflows of Resources	\$ 43,542	\$ 52,885	(17.7%)
Liabilities:			
Current liabilities	\$ 95,746	\$ 86,056	11.3%
Non-current liabilities	936,449	935,096	0.1%
Total Liabilities	\$ 1,032,195	\$ 1,021,152	1.1%
Deferred Inflows of Resources	\$ 62,312	\$ 117,227	(46.8%)
Net Position:			
Net investment in capital assets	\$ 269,975	\$ 234,713	15.0%
Restricted	95,827	88,944	7.7%
Unrestricted (deficit)	38,806	26,352	47.3%
Total Net Position	\$ 404,608	\$ 350,009	15.6%



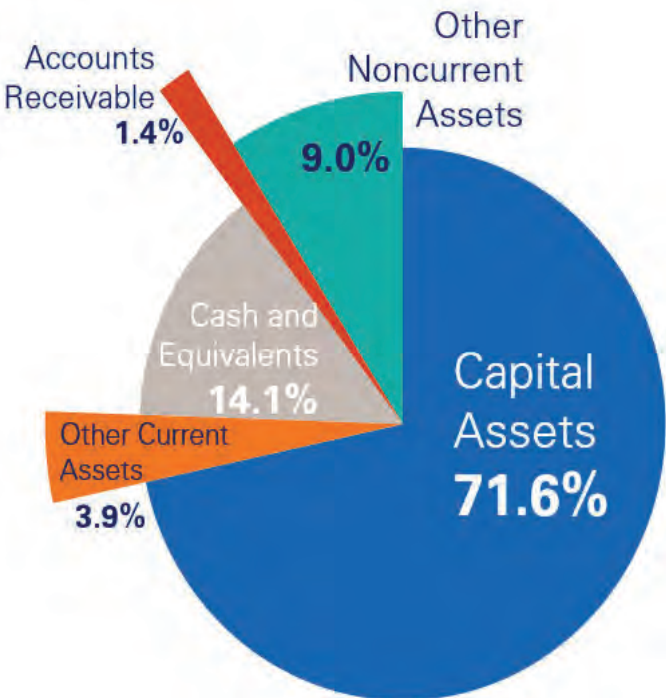
Total Assets

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 accumulated depreciation. The following table and chart present total assets, in thousands of dollars and percentages.

Total assets for the University increased by \$20.0 million compared to fiscal year 2022. The increase is attributable to monies converted to long-term investments, the recognition of intangible assets, including a capital donation, and increased government grants and contracts activity.

Cash and Cash Equivalents	\$	204,538	14.1%
Accounts Receivable		20,204	1.4%
Other Current Assets		56,837	3.9%
Capital Assets, net		1,042,651	71.6%
Other Noncurrent Assets		131,343	9.0%
Total Assets	\$	1,455,573	100%

Cash and cash equivalents decreased by \$43.4 million. This is primarily attributable to \$34.6 million in cash contributed towards investments in noncurrent U.S. Agency securities. Endowment investments increased \$3.6 million due to gains and market value adjustments. Accounts receivable primarily increased due to the timing of bank balance transactions. Grants and contracts receivables increased due to increases in receivables from grantors resulting from greater grant activity. Right-to-Use assets increased by \$4.8 million due to recognition of additional lease arrangements.



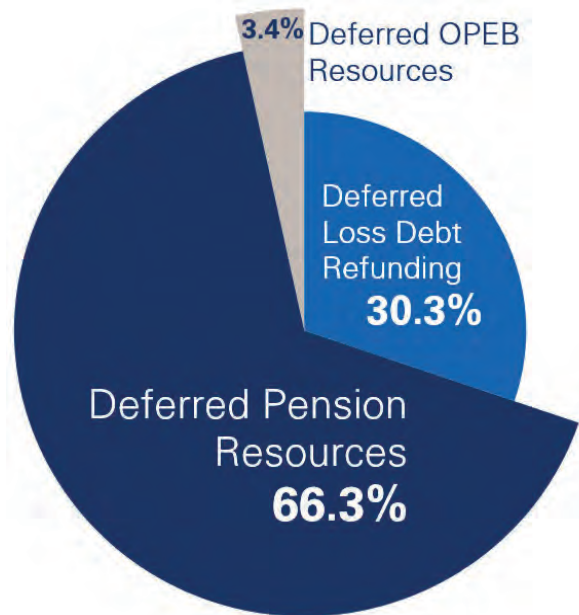
Non-depreciable capital assets increased by \$28.3 million primarily due to a capital donation of art from the NAU Foundation. Depreciable capital assets decreased by \$20.7 million primarily from assets becoming fully depreciated. Intangible right-to-use assets increased because of new leases and the implementation of GASB Statement No. 96 to account for subscriptions of information technology.

Total Deferred Outflows of Resources

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

Deferred loss debt refunding	\$	13,164	30.3%
Deferred Pension Resources		28,898	66.3%
Deferred OPEB Resources		1,480	3.4%
Total Deferred Outflows	\$	43,542	100%

Deferred outflows of resources decreased by \$9.3 million primarily due to changes in contributions for pension plans.

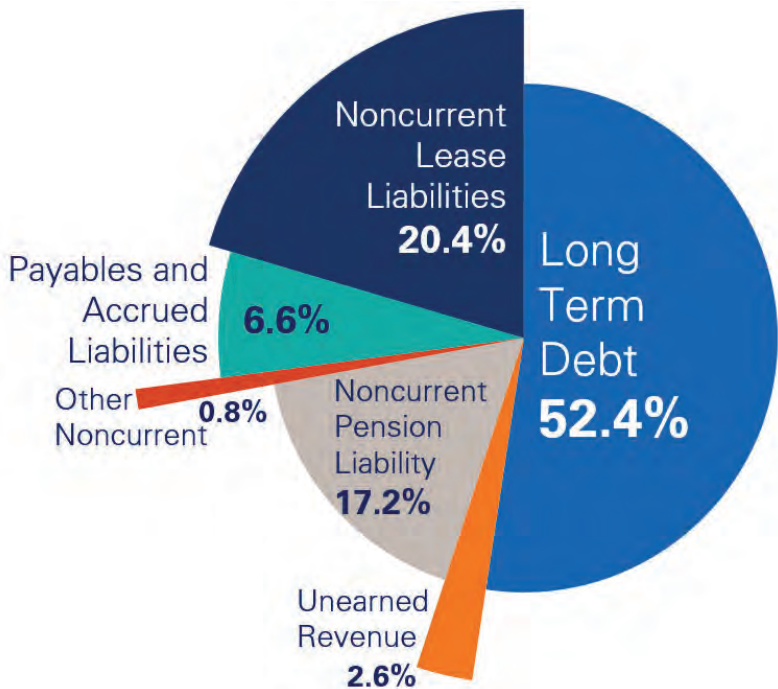


Total Liabilities

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	\$	27,199	2.6%
Payables and Accrued Liabilities		68,547	6.6%
Noncurrent Pension Liability		176,090	17.2%
Noncurrent Long-Term Debt		540,754	52.4%
Noncurrent Lease Liabilities		210,954	20.4%
Other Noncurrent Liabilities		8,651	0.8%
Total Liabilities	\$	1,032,195	100%

Total liabilities for the University increased \$11.0 million from fiscal year 2022. Increases were recorded across the board with the exception of Noncurrent Long-Term Debt, which decreased \$35.3 million. This includes reductions in principal due to annual debt service payments and the payoff of \$5.5 million in debt for financed purchase agreements. Net pension liability saw an increase of \$27.6 million due to actuarial adjustments for the ASRS plan and contributions to reduce the PSPRS plan liability. Lease and subscription liability increased \$9.8 million due to the recognition of lease and subscription liabilities. Accrued payroll and employee benefits increased by \$2.3 million due to payroll timing between the fiscal years.

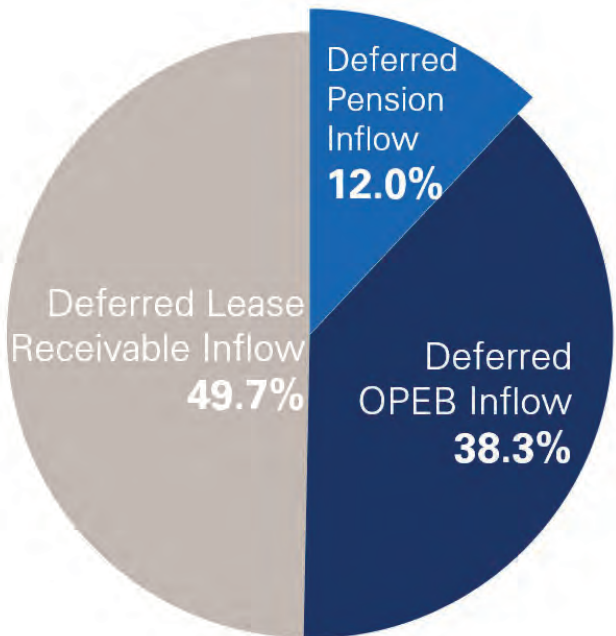


Total Deferred Inflows of Resources

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

Deferred Pension Inflows	\$	7,493	12.0%
Deferred OPEB Inflows		23,865	38.3%
Deferred Lease Receivable Inflows		30,954	49.7%
Total Deferred Inflows	\$	62,312	100%

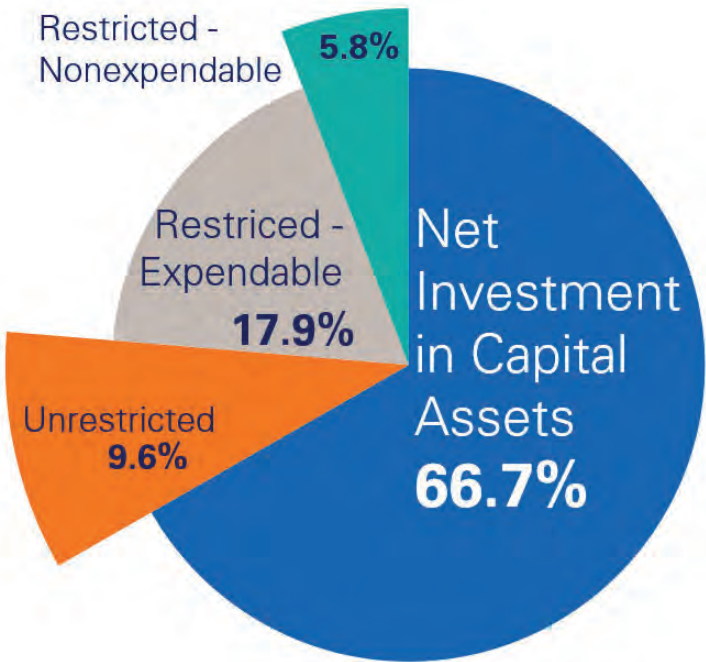
Deferred inflows of resources decreased \$54.9 million due to actuarial adjustments provided by the ASRS and PSPRS regarding deferred pension inflows and deferred OPEB inflows. See note 10 for detailed information on deferred inflows related to pensions.



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 primarily represents the University’s permanent endowment funds received from donors for the purpose of creating permanent funding streams for specific programs or activities, including student loans. These funds are held in perpetuity and are not available for expenditure by the University. The earnings on these funds support the programs and activities as determined by donors. 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 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 \$404.6 million on June 30, 2023, an increase of net assets of \$54.6 million over the prior year.



Net Investment in Capital Assets	\$	269,975	66.7%
Restricted- Nonexpendable		23,481	5.8%
Restricted- Expendable		72,346	17.9%
Unrestricted		38,806	9.6%
Total Net Position	\$	404,608	100%





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 2023, 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.

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, 2023, and for the year ended June 30, 2022, is as follows:

	FY 2023		FY 2022		% Change
Operating revenues:					
Student tuition and fees, net	\$	195,450	\$	200,933	(2.7%)
Grants and contracts		55,634		46,778	18.9%
Auxiliary enterprises, net		77,873		69,087	12.7%
Other		23,221		18,516	25.4%
Total operating revenues	\$	352,178	\$	335,314	5.0%
Operating expenses:					
Educational and general	\$	521,825	\$	515,741	1.2%
Auxiliary enterprises		50,317		42,734	17.7%
Depreciation and Amortization		53,568		51,353	4.3%
Total operating expenses	\$	625,710	\$	609,828	2.6%
Operating loss	\$	(273,532)	\$	(274,513)	(0.4%)
Nonoperating revenues (expenses):					
State appropriations	\$	165,322	\$	138,737	19.2%
Share of state sales tax revenues		19,560		39,777	(50.8%)
Grants and gifts		111,566		160,689	(30.6%)
Net investment income/(loss)		13,044		(9,416)	(238.5%)
Interest expense on debt		(24,006)		(24,705)	(2.8%)
Other non-operating revenues and expenses		7,352		8,693	(15.4%)
Net non-operating revenues	\$	292,838	\$	313,775	(6.7%)
Income before capital and endowment additions	\$	19,306	\$	39,262	(50.8%)
Capital appropriations		5,302		5,040	5.2%
Other capital and endowment additions		29,991		2,326	1189.4%
Increase in net position	\$	54,599	\$	46,628	17.1%
Net position, beginning of year, as restated		350,009		303,381	15.4%
Net position, end of year	\$	404,608	\$	350,009	15.6%

Operating Revenues

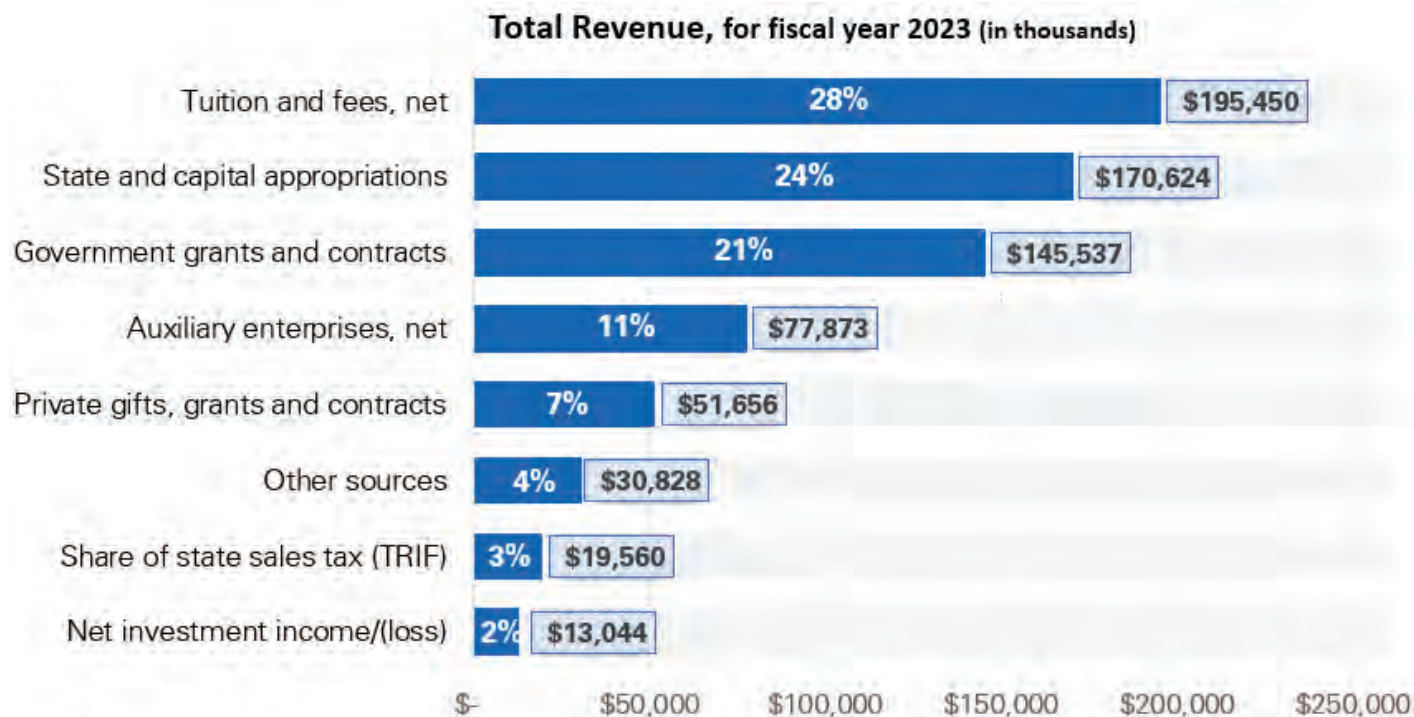
The operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees reported net of the scholarship allowance decreased by 2.7% due to greater financial aid and scholarship allowances. Revenues from operating grants and contracts increased 18.9% 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 12.7% and 25.4% respectively over the prior fiscal year, mainly due to the reinstatement of student programs, increased occupancy on campus, and dining services operating at full capacity.

Non-operating Revenues

State appropriations, non-capital grants and gifts, 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 and are provided to aid in funding operating expenses. State and capital appropriations revenue totaled \$170.6 million for fiscal year 2023, an increase of 18.5% from the \$143.8 million received during fiscal year 2022. The increase was mainly due to a one-time state appropriation in the amount of \$26 million, with an additional \$2.4 million recurring to provide increased scholarship support. Share of state sales tax revenue decreased \$20.2 million due to a one-time Technology Resource Infrastructure Fund (TRIF) received in the prior fiscal year.

Grants and gifts, including expendable gifts, decreased \$49 million from the prior fiscal year. Grants and gifts include Higher Education Emergency Relief Funds (HEERF) totaling \$10.2 million in the current fiscal year. HEERF decreased \$67.7 million from the prior fiscal year. The HEERF student aid portion disbursed in the prior fiscal year totaled \$56.1 million. No student aid disbursements were made this fiscal year. Net investment income increased \$22.5 million due to increased interest earnings, unrealized market gains, and endowment market appreciation. Total other revenues increased by \$27.9 million primarily due to a capital donation of art from the NAU Foundation in the amount of \$24.6 million.



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 \$625.7 million for the fiscal year ended June 30, 2023. Overall, operating expenses increased 2.6% from the prior year. The overall increase in operating expenses is attributed to the continued 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)

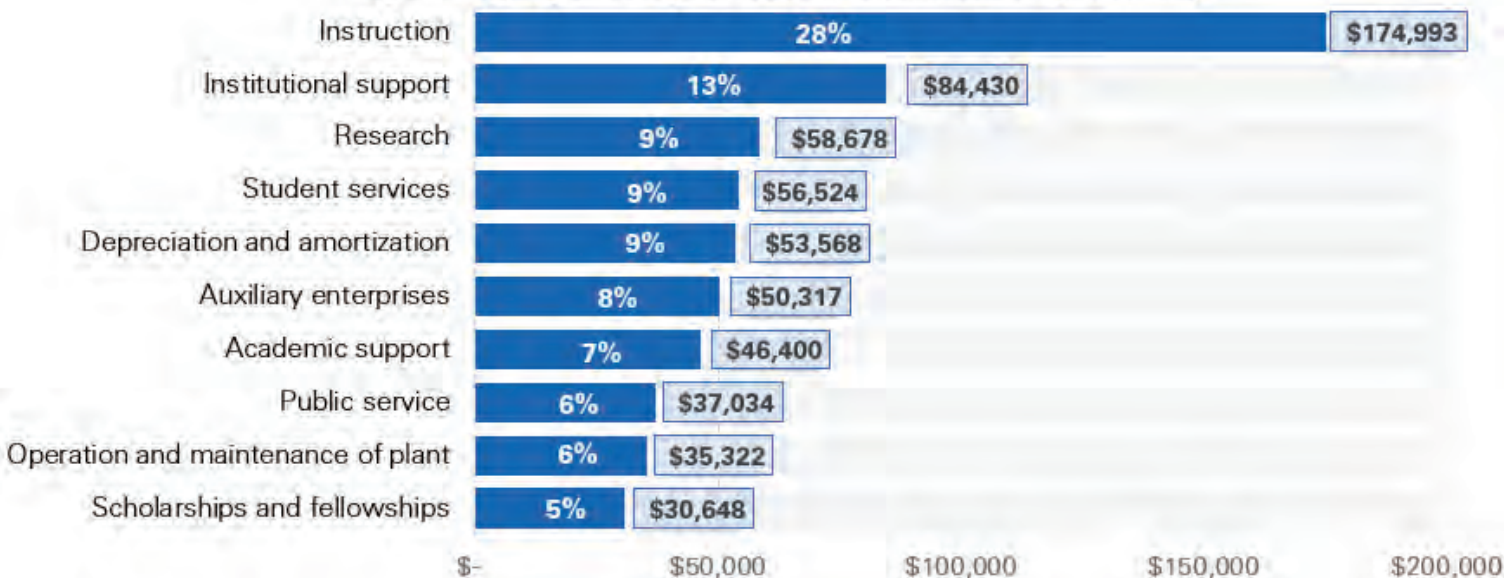
	FY 2023	FY 2022	% Change
Operating:			
Personal services and benefits	\$ 377,308	\$ 339,287	11.2%
Operations	164,186	145,159	13.1%
Scholarships	30,648	74,028	(58.6%)
Depreciation and amortization	53,568	51,353	4.3%
Total operating expenses	\$ 625,710	\$ 609,827	2.6%

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 2023	FY 2022	% Change
Operating:			
Instruction	\$ 174,993	\$ 155,023	12.9%
Research	58,678	51,895	13.1%
Public service	37,034	30,853	20.0%
Academic support	46,400	40,281	15.2%
Student services	54,320	56,524	(3.9%)
Institutional support	84,430	79,975	5.6%
Operation and maintenance of plant	35,322	27,162	30.0%
Scholarships and fellowships	30,648	74,028	(58.6%)
Auxiliary enterprises	50,317	42,733	17.7%
Depreciation and amortization	53,568	51,353	4.3%
Total operating expenses	\$ 625,710	\$ 609,827	2.6%

Operating Expense by Functional Classification (in thousands)



Combined Sources and Uses (dollars in millions)

	FY 2023			FY 2022		% Change
Sources						
Tuition and fees, net	\$	195.5	27.7%	\$	200.9	29.5% (2.7%)
State and capital appropriations		170.6	24.2%		143.8	21.1% 18.6%
Grants and contracts		145.5	20.6%		188.6	27.7% (22.9%)
Auxiliary enterprises, net		77.9	11.1%		69.1	10.1% 12.7%
Other sources		30.8	4.4%		27.9	4.1% 10.4%
Private gifts, grants and contracts		51.7	7.3%		21.2	3.1% 143.9%
Share of state sales tax (TRIF)		19.6	2.8%		39.8	5.8% (50.8%)
Net investment income		13.0	1.9%		(9.4)	-1.4% (238.3%)
Total sources	\$	704.6	100.0%	\$	681.9	100.0% 3.3%
Uses						
Instruction and academic support	\$	221.4	34.1%	\$	195.3	30.7% 13.4%
Student services and institutional support		138.8	21.4%		136.5	21.5% 1.7%
Research and public service		95.7	14.7%		82.7	13.0% 15.7%
Auxiliary enterprises		50.3	7.7%		42.7	6.7% 17.8%
Depreciation and amortization		53.6	8.2%		51.4	8.1% 4.3%
Scholarships and fellowships		30.6	4.8%		74.0	11.7% (58.6%)
Other uses		24.3	3.7%		25.4	4.0% (4.3%)
Operation and maintenance of plant		35.3	5.4%		27.2	4.3% 29.8%
Total uses	\$	650.0	100.0%	\$	635.2	100.0% 2.3%

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 2023 and 2022:

Cash Provided By (Used For), (dollars in thousands)	FY2023	FY2022
Operating activities	\$ (241,002)	\$ (244,386)
Non-capital financing activities	293,641	339,325
Capital financing activities	(71,341)	(80,026)
Investing activities	(25,283)	(13,190)
Net increase in cash and cash equivalents	\$ (43,985)	\$ 1,723
Cash and cash equivalents, beginning of year	258,999	257,276
Cash and cash equivalents, end of year	\$ 215,014	\$ 258,999

Capital and Debt Analysis

The University is required by Arizona Revised Statutes §41-793 and Arizona Board of Regents (ABOR) policy 7-102 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. There were no significant capital projects or debt issuances during the current fiscal year.

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, 2023, the University's debt ratio was 4.29% 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 \$5.3 million in state appropriations for capital financing for research infrastructure projects. For more detailed information on capital asset activity and long-term debt activity please review the relevant disclosures in the notes to the financial statements (Note 4 and Note 5).

Economic Outlook

NAU's enterprise profile is very strong, characterized by increasing first-year student applications and improved graduation rates in Fall 2022, offset by modest enrollment declines. Fall 2023 enrollment as of the 21-day census indicates a 0.4% increase from 28,090 total students enrolled Fall 2022 to 28,194 total students enrolled Fall 2023. The University's state and capital appropriations budget for fiscal year 2024 is \$138.2 million, a 19.0% decrease of \$32.4 million from the \$170.6 million received during fiscal year 2023. The decrease is due to a one-time state appropriation in the amount of \$26 million received in fiscal year 2023. 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 11.1%, dining revenue increased 16%, parking revenue increased 3.9% and athletics revenue increased 8.1% from fiscal year 2022 to fiscal year 2023. 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 2023 leading to strong giving and large investment gains. Federal government relief funds continued to provide direct aid to the University, offsetting pandemic related revenue losses and expense increases.

Moody's Investors Services published its Sector In-Depth report on Higher Education US in December 2022. The 2023 outlook for US higher education has been revised to negative from stable as operating revenue growth is expected to remain constrained and expenses are expected to increase with high inflation. Higher inflation and labor shortages are expected to drive spending higher, squeezing institutional margins. The outlook indicates revenue growth, specifically tuition and auxiliary revenues, must remain above inflationary growth. Expense growth attributed to inflationary pressures must be contained at lower levels. Continued normalizing of operations and extraordinary investment returns from prior years are expected to boost revenue above inflation.

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, are 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, 2023

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$	204,537,864
Short term investments (Note 3)		19,937,034
Receivables (net of allowance for uncollectibles):		
Accounts receivable		20,204,500
Accrued interest		480,306
Endowment		21,672
Government grants and contracts		32,112,829
Student loans, current portion		1,360,729
Other assets		2,402,200
Inventories		522,486
Total Current Assets	\$	281,579,620

Noncurrent assets:

Restricted cash and cash equivalents held by trustee for capital projects (Note 3)	\$	10,475,760
Long term investments (Note 3)		46,635,564
Student loans receivable, net of allowance		750,189
Endowment investments (Note 3)		41,543,277
Other postemployment benefit asset		499,906
Leases receivable		31,437,938
Capital assets, not being depreciated and amortized (Note 4)		72,212,176
Depreciable capital assets, net of depreciation and amortization (Note 4)		970,438,988
Total Noncurrent Assets	\$	1,173,993,798

Total Assets	\$	1,455,573,418
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Deferred Outflows of Resources

Deferred charge on debt refunding	\$	13,164,515
Deferred outflows related to pensions (Note 10)		28,897,818
Deferred outflows related to OPEB		1,479,739
Total Deferred Outflows of Resources	\$	43,542,072

Statement of Net Position (continued)

Liabilities

Current liabilities:

Accounts payable	\$ 11,077,799
Accrued payroll and employee benefits	10,042,843
Interest payable	4,249,063
Unearned revenues (Note 7)	27,198,589
Accrued compensated absences, current portion (Note 8)	880,098
Pension liability, current portion (Note 10)	1,135,925
Deposits held in custody for others	6,042,051
Current portion of lease and subscription liability (Note 5)	4,308,688
Current portion of long-term debt funded by:	
University operating revenues (Note 5)	21,107,819
State appropriations and other State monies (Note 5)	9,703,275

Total Current Liabilities

\$ 95,746,150

Noncurrent liabilities:

Accrued compensated absences (Note 8)	\$ 7,854,325
Deposits held in custody for others	796,258
Pension liability (Note 10)	176,090,437
Lease and subscription liability (Note 5)	210,953,761
Long-term debt funded by:	
University operating revenues (Note 5)	426,824,314
State appropriations and other State monies (Note 5)	113,929,985

Total Noncurrent Liabilities

\$ 936,449,080

Total Liabilities

\$ 1,032,195,230

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	\$ 7,493,400
Deferred inflows related to OPEB	23,864,850
Deferred inflows related to leases	30,953,820

Total Deferred Inflows of Resources

\$ 62,312,070

Net Position

Net investment in capital assets	\$ 269,975,092
Restricted:	
Nonexpendable:	
Scholarships and fellowships	22,708,671
Student loans	771,941
Expendable:	
Scholarships and fellowships	17,928,657
Academic department uses	54,417,963
Unrestricted	38,805,866
Total Net Position	\$ 404,608,190

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2023

Operating Revenues

Tuition and fees (net of scholarship allowances of \$179,385,622)	\$	195,450,270
Government grants and contracts		49,313,142
Private grants and contracts		6,321,042
Auxiliary enterprises		
Residence life (net of scholarship allowances of \$8,523,659)		43,796,653
Other auxiliaries		34,076,096
Other		23,220,512
Total operating revenues	\$	352,177,715

Operating Expenses

Operating expenses (Note 9)		
Educational and general:		
Instruction	\$	174,993,355
Research		58,677,927
Public service		37,033,632
Academic support		46,399,856
Student services		54,319,898
Institutional support		84,430,457
Operation and maintenance of plant		35,321,634
Scholarships and fellowships		30,648,572
Auxiliary enterprises		50,317,350
Depreciation and amortization (Note 4)		53,567,583
Total operating expenses	\$	625,710,264
Operating loss	\$	(273,532,549)



Statement of Revenues, Expenses, and Changes in Net Position

(Continued)

Nonoperating Revenues (Expenses)

State appropriations	\$ 165,321,971
Share of State sales tax- technology and research initiative funding	19,559,861
Government grants	96,223,600
Private grants and gifts	15,342,857
Net investment income (loss)	13,043,517
Interest expense on capital asset related debt	(24,006,106)
Net loss on disposal of capital assets	(254,483)
Other nonoperating revenues and expenses	7,607,365
Total nonoperating revenues and expenses	\$ 292,838,582
Gain before capital and endowment additions	\$ 19,306,033

Capital appropriations	\$ 5,301,500
Capital grants and gifts	29,075,196
Additions to permanent endowments	916,611
Total other revenues	\$ 35,293,307

Increase in net position	\$ 54,599,340
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Net Position

Total net position, beginning of year	\$ 350,008,850
Total net position, end of year	\$ 404,608,190

See Notes to Financial Statements



Statement of Cash Flows

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:

Tuition and fees	\$ 190,416,263
Grants and contracts	56,332,713
Payments to vendors and suppliers	(166,973,497)
Payments for employee wages and benefits	(387,098,742)
Payments for scholarships and fellowships	(30,648,572)
Loans issued to students	(5,104)
Collection on loans to students	382,259
Auxiliary enterprise receipts	77,531,271
Other receipts	18,873,261
Custodial receipts and disbursements:	
Private student loans and scholarships received	28,332,752
Private student loans and scholarships disbursed	(28,264,720)
Other custodial receipts	3,195,858
Other custodial disbursements	(3,076,026)
Net cash used for operating activities	\$ (241,002,284)

Cash Flows from Noncapital Financing Activities:

State appropriations	\$ 165,321,971
Share of state sales tax receipts	18,138,292
Gifts and grants for other than capital purposes	109,006,007
Federal direct student lending received	128,403,557
Federal direct student lending disbursed	(128,145,435)
Financial aid trust funds	916,611
Net cash provided by non-capital financing activities	\$ 293,641,003

Cash Flows from Capital Financing Activities:

Capital appropriations	\$ 5,301,500
Capital commitment- State lottery revenue	8,043,276
Capital grants and gifts received	4,468,770
Purchases of capital assets	(41,612,901)
Principal paid on capital debt and obligations	(20,968,569)
Interest paid on capital debt and obligations	(26,572,824)
Net cash used for capital financing activities	\$ (71,340,748)

Statement of Cash Flows (continued)

Cash Flows from Investing Activities:

Proceeds from sales and maturities of investments	\$ 30,655,029
Interest on investments	9,656,693
Purchase of investments	(65,594,674)
Net cash used for investing activities	\$ (25,282,952)
Net decrease in cash and cash equivalents	\$ (43,984,981)

Cash and Cash Equivalents

Cash and cash equivalents- July 1, 2022	258,998,605
Cash and cash equivalents- June 30, 2023	<u>\$ 215,013,624</u>

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

Operating loss	\$ (273,532,549)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation and amortization	53,567,583
Other nonoperating revenue/expense	(435,911)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Receivables:	
Accounts receivable	(5,101,128)
Leases receivable	768,522
Government grants and contracts	(1,582,517)
Student loans	418,093
Inventories	(8,711)
Other assets	(391,089)
Accounts payable	(2,779,039)
Deposits held for others	1,567,911
Accrued payroll and employee benefits	2,291,740
Net pension and other post-employment benefits liability	26,580,259
Deferred outflows of resources related to pensions and other post-employment benefits	8,287,580
Deferred inflows of resources related to pensions and other post-employment benefits	(53,848,848)
Deferred inflows of resources related to leases	(1,065,840)
Unearned revenues	3,060,334
Accrued compensated absences	1,201,326
Net cash used for operating activities	\$ (241,002,284)

Significant Noncash Transactions

Direct pension contribution from State	\$ 7,725,600
Art collection gift	24,596,427

See Notes to Financial Statements

Statement of Financial Position - Component Unit

Northern Arizona University Foundation, Inc.

June 30, 2023

Assets

Cash and cash equivalents	\$	2,405,735
Promises to give, net		15,430,236
Bequests receivable		288,531
Interest and other receivables		79,453
Investments		251,978,434
Cash surrender value of life insurance		7,843,085
Assets held under split-interest agreements		3,617,972
Beneficial interest in perpetual trusts		3,426,362
Other assets and prepaids		319,816
Total assets	\$	285,389,624

Liabilities

Accounts payable and accrued liabilities	\$	607,169
Assets held in custody for others		42,861,776
Due to Northern Arizona University		10,635
Deferred revenue		830,795
Liabilities under split-interest agreements		2,411,677
Total liabilities	\$	46,722,052

Net Assets

Without donor restrictions		
Board designated endowment	\$	14,977,125
Undesignated		(994,601)
With donor restrictions		
Purpose restricted		224,685,048
Total net assets	\$	238,667,572

Total Liabilities and Net Assets	\$	285,389,624
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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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Public contributions	\$ 192,185	\$ 20,308,574	\$ 20,500,759
EBS revenue	1,191,795	-	1,191,795
Change in cash surrender value of life insurance	-	121,477	121,477
Other income and support	26,395	610,967	637,362
Reclassification of donor intent	414,104	(414,104)	-
Net investment return	1,263,044	22,699,449	23,962,493
Change in beneficial interests in perpetual trusts	-	108,877	108,877
Change in value of split-interest agreements	124,247		124,247
Net assets released from restrictions	18,566,361	(18,566,361)	-
Total revenue, support, and gains	\$ 21,778,131	\$ 24,868,879	\$ 46,647,010
Expenses and Losses			
Program expenses	\$ 14,723,110	-	\$ 14,723,110
Supporting services expense			
Management and general	1,347,348	-	1,347,348
Fundraising and development	5,462,674	-	5,462,674
Total supporting services expenses	\$ 6,810,022	\$ -	\$ 6,810,022
Total expenses and losses	\$ 21,533,132	\$ -	\$ 21,533,132
Change in net assets	\$ 244,999	\$ 24,868,879	\$ 25,113,878
Net assets, Beginning of year	\$ 13,737,525	\$ 199,816,169	\$ 213,553,694
Net assets, End of year	\$ 13,982,524	\$ 224,685,048	\$ 238,667,572

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 11. As a result, the financial statements have been modified to reflect the recognition of certain agreements.

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.

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 3, 4, and 5, 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) includes 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.

Subscription-Based Information Technology Arrangements (SBITA)

For the year ended June 30, 2023, the University implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement provides guidance on the accounting and financial reporting for SBITAs. This Statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of a SBITA), and requires note disclosures regarding a SBITA.

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, plus 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 unless the lease contains a purchase option that the University has determined is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying 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. 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 using the compound interest method.

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 \$686,382 from JP Morgan in FY23 related to activity in FY22.

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. Additionally, the University maintains Art and Historical Collections which are not depreciated. These collections include the David Muench photography collection. 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. Non-capital equipment and facility costs including 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
Intangible right-to-use subscription assets:		
Subscription software	\$1 million	N/A
Library books	All	10
Art and Historical Collections	\$1 million	N/A

*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, 2023, the Foundation recognized expenses for scholarships to Northern Arizona University of \$3,974,477 and grants and assistance to Northern Arizona University of \$10,748,541.

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, 2023, the carrying amount of the University's deposits was (\$376,841) and the bank balance was \$5,875,365. 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, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

Trust agreements between the University and the Northern Arizona University Foundation (Foundation), authorize the Foundation to invest certain University restricted (gift) and endowment monies. The Foundation Investment Pool invests in a variety of asset classes, including common stocks, fixed income, and international equity funds. The Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies and procedures. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool and is not identified with specific investments. The University's ownership interest is recorded in the Foundation's records. As of June 30, 2023, the Foundation held \$42,565,925 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, 2023, was \$33,260,682.

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, 2023, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	As of June 30, 2023		Hierarchy Fair Value		
			Level 1	Level 2	Level 3
Investments by fair value level					
U.S. agency securities	\$	45,885,401		\$ 45,885,401	
Government money market mutual funds		10,475,760	\$ 10,475,760		
Total investments by fair value level	\$	56,361,161	\$ 10,475,760	\$ 45,885,401	

Investment pools measured at fair value

State Treasurer's investment pools 3, 4, 5 & 500	\$ 224,564,236
NAU Foundation investment pool	42,565,925
Total investment pools measured at fair value	\$ 267,130,161
Total investments	\$ 323,491,322

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, 2023, 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		\$ 153,150,817
State Treasurer's investment pool 5	AAAf/S1+	Standard and Poor's	71,413,419
Foundation investment pool	Not Rated		42,565,925
U.S. Agency Securities	AA+	Standard and Poor's	45,885,401
Government money market mutual funds	AAAm	Standard and Poor's	10,475,760
Total			\$ 323,491,322

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, 2023, the University had \$45,885,401 of U.S. agency securities and \$10,475,760 in Government money market funds that were uninsured. The \$45,885,401 is not registered in the University's name and held by the counterparty and the \$10,475,760 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. The University had investments at June 30, 2023, of 5 percent or more in Federal Home Loan Bank securities. These investments were 6.5% of the University's total investments.

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, 2023, utilizing the segmented time distribution method:

Investment Type	Fair Value	Maturity	
		< 1 Year	1 - 5 Years
State Treasurer Investment Pool 3	\$ 97,863,802		\$ 97,863,802
State Treasurer Investment Pool 4	35,349,981		35,349,981
State Treasurer Investment Pool 5	71,413,419	\$ 71,413,419	
State Treasurer Investment Pool 500	19,937,034		19,937,034
U.S. agency securities*	45,885,401		45,885,401
Government money market mutual funds	10,475,760	10,475,760	
Total	\$ 280,925,397	\$ 81,889,179	\$ 199,036,218

*At June 30, 2023, the University held \$45,885,401, or 14 percent of investments, in U.S. agency securities, including the Federal Farm Credit Bank and Federal Home Loan Bank, which may be considered highly sensitive to interest rate fluctuations because borrower repayment terms may vary. Although the majority of the University's investments in U.S. agency securities have a maturity date greater than one year, they are reported as having a maturity date of less than one year if they are expected to be called within one year.

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

Cash, deposits, and investments:		Statement of Net Position	
Cash on hand	\$ 15,018	Cash and cash equivalents	\$ 204,537,864
Cash and deposits in bank	(376,841)	Short term investments	19,937,034
Total investments	323,491,322	Restricted cash and cash equivalents	
Total	\$ 323,129,499	held by trustee for capital projects	10,475,760
		Long term investments	46,635,564
		Endowment investments	41,543,277
		Total	\$ 323,129,499

Note 4 - Capital Assets

Capital asset activity for year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022		Additions		Retirements	Balance June 30, 2023	
Land	\$	28,584,867				\$	28,584,867
Construction in progress:							
Real property		15,240,728	\$	2,849,181	\$	2,186	18,087,723
Intangible assets		65,973		877,186			943,159
Art and historical collection				24,596,427			24,596,427
Total non-depreciable capital assets	\$	43,891,568	\$	28,322,794	\$	2,186	\$ 72,212,176
Buildings and improvements	\$	1,175,730,697	\$	12,216,104		\$	1,187,946,801
Infrastructure		162,195,694		5,227,404			167,423,098
Equipment		94,997,640		6,187,443	\$	2,260,622	98,924,461
Intangible assets, other than right-to-use		13,164,185					13,164,185
Library materials		45,560,481		57,778		116,373	45,501,886
Total depreciable capital assets	\$	1,491,648,697	\$	23,688,729	\$	2,376,995	\$ 1,512,960,431
Less accumulated depreciation							
Buildings and improvements	\$	492,842,589	\$	32,544,945		\$	525,387,534
Infrastructure		83,948,403		5,293,926			89,242,329
Equipment		68,648,880		5,877,102	\$	1,995,787	72,530,195
Intangible assets		11,389,877		273,666			11,663,543
Library materials		44,995,771		181,277		116,374	45,060,674
Total accumulated depreciation	\$	701,825,520	\$	44,170,916	\$	2,112,161	\$ 743,884,275
Depreciable capital assets, net	\$	789,823,177	\$	(20,482,187)	\$	264,834	\$ 769,076,156
Right-to-use assets							
Leased buildings	\$	202,707,209	\$	10,501,824	\$	173,515	\$ 213,035,518
Leased equipment		1,853,029		1,410,451		20,184	3,243,296
Subscription assets				2,493,263			2,493,263
Total right-to-use assets	\$	204,560,238	\$	14,405,538	\$	193,699	\$ 218,772,077
Less accumulated amortization							
Leased buildings	\$	7,508,965	\$	7,454,858	\$	8,503	\$ 14,955,320
Leased equipment		512,116		906,510			1,418,626
Subscription assets				1,035,299			1,035,299
Total accumulated amortization	\$	8,021,081	\$	9,396,667	\$	8,503	\$ 17,409,245
Intangible right-to-use assets, net	\$	196,539,157	\$	5,008,871	\$	185,196	\$ 201,362,832
Capital assets, net	\$	1,030,253,902	\$	12,849,478	\$	452,216	\$ 1,042,651,164

In addition to expenditures through June 30, 2023, it is estimated that \$81 million will be required to complete projects under construction, or planned for construction. Of that amount, \$49 million is contractually encumbered. These projects are being financed with a combination of 2020 lease revenue bonds, and University reserves.



Note 5 - Long-Term Debt, Lease Obligations, and Subscription-Based Information Technology Arrangements (SBITAs)

A summary of changes in the long-term debt activity for the year ended June 30, 2023, is presented as follows:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Current Portion
Revenue Bonds Payable	\$ 359,145,000	\$ -	\$ 12,680,000	\$ 346,465,000	\$ 13,265,000
Direct Placement Revenue Bonds	157,150,000		9,065,000	148,085,000	10,280,000
Certificates of Participation	36,220,000		3,580,000	32,640,000	3,765,000
Financed Purchases	5,454,583		5,454,583		
Subtotal long-term debt	\$ 557,969,583	\$ -	\$ 30,779,583	\$ 527,190,000	\$ 27,310,000
Premiums on Sale of Debt	47,876,487	-	3,501,094	44,375,393	3,501,094
Total long-term debt	\$ 605,846,070	\$ -	\$ 34,280,677	\$ 571,565,393	\$ 30,811,094

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, 2023, 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 \$15,141,950. 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, 2023, the outstanding principal balance of the 2013 refunded bonds was \$32,190,000, which will be paid by investments held in the trust with a fair value of \$32,739,194. The serial and term bonds with an optional redemption date of June 1, 2023, were called on that date and subsequently settled in August 2023. 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 High Performance Center (SAHPC).

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, 2023. 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 \$308.3 million for the prior five years. For fiscal year 2023, pledged revenues totaled \$305.1 million of which approximately 10% (\$31.7 million) was required to cover current year debt service.

Future annual principal and interest payments on the bonds are expected to require approximately 8.35% 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 \$535 million.

(in thousands)	Average Interest Rate	Final Maturity	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023
Revenue Bonds:						
2012 System Revenue	4.5%	6/1/2029	\$ 5,190	\$	(675)	\$ 4,515
2014 System Revenue and Refunding	5.0%	6/1/2038	37,435		(2,595)	34,840
2015 System Revenue Refunding	5.0%	6/1/2037	40,035		(2,410)	37,625
2016 System Revenue and Refunding	4.9%	6/1/2038	28,590		(495)	28,095
2020AB System Revenue Refunding	4.4%	6/1/2044	111,385		(130)	111,255
Subtotal - System Revenue Bonds			\$ 222,635	\$ -	(6,305)	\$ 216,330
Direct Placement Revenue Bonds:						
2017 System Revenue Refunding	2.9%	6/1/2034	36,770		(2,605)	34,165
2017A System Revenue	2.6%	6/1/2038	20,355		(1,045)	19,310
2021AB System Revenue Refunding	1.9%	6/1/2031	21,355		(1,570)	19,785
Subtotal - Direct Placement Bonds			\$ 78,480	\$ -	(5,220)	\$ 73,260
2013 SPEED Revenue	4.7%	8/1/2042	34,340		(1,980)	32,360
2020 SPEED Revenue Refunding	3.6%	8/1/2043	72,430		(3,620)	68,810
Subtotal - SPEED Revenue Bonds			\$ 106,770	\$ -	(5,600)	\$ 101,170
2014 Lease Revenue Student & Academic Services	5.0%	6/1/2044	29,740		(775)	28,965
Subtotal - Lease Revenue Bonds			\$ 29,740	\$ -	(775)	\$ 28,965
Direct Placement Lease Revenue Bonds:						
2016 Lease Refunding North Campus	2.6%	6/1/2036	8,005		(480)	7,525
2017 Lease Refunding Pine Ridge/ Campus Heights	2.9%	6/1/2033	26,710		(1,895)	24,815
2020 Lease Revenue Student Athlete High Performance Center	2.8%	6/1/2044	43,955		(1,470)	42,485
Subtotal - Direct Lease Revenue Bonds			\$ 78,670	\$ -	(3,845)	\$ 74,825
Subtotal: Revenue Bonds			\$ 516,295	\$ -	(21,745)	\$ 494,550
Certificates of Participation (COP's):						
2013 Refunding COP's	4.8%	9/1/2030	23,010		(3,580)	19,430
2015 Refunding COP's	4.9%	9/1/2030	13,210		-	13,210
Subtotal: COP's			\$ 36,220	\$ -	(3,580)	\$ 32,640
Total Par Amount of Bonds and COP's			\$ 552,515	\$ -	(25,325)	\$ 527,190
Discounts/Premiums on Sale of Bonds and COP's			\$ 47,876	\$ -	(3,501)	\$ 44,375
Total Bonds and COP's Payable			\$ 600,391	\$ -	(28,826)	\$ 571,565

The following schedule details debt service requirements to maturity for System Revenue, Speed, and Lease Bonds and Certificates of Participation payable at June 30, 2023:

Year	System Revenue, Speed and Lease Bonds		Direct Placement System Revenue and Lease Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
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	19,375,000	12,441,695	11,565,000	2,860,872	4,110,000	784,000
2029-2033	102,075,000	47,676,296	55,400,000	9,699,028	13,625,000	1,044,625
2034-2038	97,905,000	25,140,585	23,365,000	3,747,270		
2039-2043	52,190,000	6,851,293	12,115,000	1,404,760		
2044	8,810,000	261,778	2,630,000	73,640		
Total	\$ 346,465,000	\$ 150,637,496	\$ 148,085,000	\$ 32,084,155	\$ 32,640,000	\$ 6,880,750

Financed Purchases

The University has acquired various buildings and equipment under contract agreements at a total purchase price of \$19,003,887. The related outstanding debt obligation as of June 30, 2022, of \$5,454,583 was fully satisfied in fiscal year 2023. Settlement of the remaining financed purchase obligation results in interest expense savings of \$359,733 to be realized by the University over the next 4 fiscal years.



Leases and Subscription-based information technology arrangements (SBITAs)

The University has entered into leases with various entities for equipment, vehicles, classroom, office and student housing purposes, and has entered into subscription-based information technology arrangements with other entities for software subscriptions. A summary of changes in lease and subscription activity for the year ended June 30, 2023, is presented as follows:

	Balance 7/1/22	Additions	Remeasure- ments	Deductions	Balance 6/30/23	Current Portion
Lease Liabilities	\$ 205,451,435	\$ 1,550,701	\$ 10,175,987	\$ (3,448,036)	\$ 213,730,087	\$ 3,396,291
Subscription Liabilities		2,493,263		(960,901)	1,532,362	912,397
Total	\$ 205,451,435	\$ 4,043,964	\$ 10,175,987	\$ (4,408,937)	\$ 215,262,449	\$ 4,308,688

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 95,300 square feet for significant sites. Lease terms are typically 5 years in duration, and future minimum lease payments for larger sites total approximately \$15.2 million. In November 2022, NAU extended its lease agreement for the NAU North Valley location an additional 9 years through January 2033 as part of planned expansion of health-related programs.

The following schedule details minimum lease payments to maturity for the University's leases payable at June 30, 2023:

Year ending June 30:	Principal	Interest	Total
2024	\$ 3,396,291	\$ 4,325,331	\$ 7,721,622
2025	2,800,893	4,236,505	7,037,398
2026	3,174,107	4,157,188	7,331,295
2027	3,078,354	4,072,657	7,151,011
2028	3,017,497	4,001,499	7,018,996
2029-2057	198,262,945	68,580,764	266,843,709
Total	\$ 213,730,087	\$ 89,373,944	\$ 303,104,031

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 \$285 million 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 \$784,000.

AZ K-12 Center

The Arizona K12 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 \$134,300.

Subscription Software

The University has obtained the right to use software applications under the provisions of various subscription-based information technology arrangements (SBITAs). These include systems that manage student relations, information technology and administrative service delivery, and data and system processes. Based on the end date of the current contractual obligations, future minimum software subscription payments through June 2026 total approximately \$1.6M.

The following schedule details minimum subscription payments to maturity for the University's subscription liabilities at June 30, 2023:

Year ending June 30:	Principal	Interest	Total
2024	\$ 912,397	\$ 19,759	\$ 932,156
2025	405,435	6,826	412,261
2026	214,530	19	214,549
Total	\$ 1,532,362	\$ 26,604	\$ 1,558,966

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, 2023, consist of the following:

Current Unearned Revenue and Deposits	
Tuition and Fees	\$ 12,277,500
Unexpended cash advances received for sponsored projects	13,018,033
Auxiliary sales and services	1,615,100
Deposits held for others	266,727
Endowment	21,229
Total Unearned Revenue and Deposits \$	27,198,589

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, 2023, was as follows:

Accrued Compensation	
Beginning balance	\$ 7,533,098
Additions	10,864,260
Reductions	(9,662,935)
Ending balance	\$ 8,734,423
Current portion	\$ 880,098

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, 2023

	Personal Services and Benefits	Operations	Scholarships	Depreciation and Amortization	Total
Functional Classification:					
Educational and general					
Instruction	\$ 151,459,835	\$ 23,533,520			\$ 174,993,355
Research	39,981,305	18,696,622			58,677,927
Public service	18,811,384	18,222,248			37,033,632
Academic support	36,793,367	9,606,489			46,399,856
Student services	34,162,313	20,157,585			54,319,898
Institutional support	53,453,489	30,976,968			84,430,457
Operation and maintenance of plant	2,770,045	32,551,589			35,321,634
Scholarships			\$ 30,648,572		30,648,572
Auxiliary enterprises	39,876,623	10,440,727			50,317,350
Depreciation				\$ 53,567,583	53,567,583
Total	\$ 377,308,361	\$ 164,185,748	\$ 30,648,572	\$ 53,567,583	\$ 625,710,264



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 pension liabilities have been recorded at June 30, 2023, the defined contribution plans and PSPRS have not been further disclosed due to their relative insignificance to the University's financial statements. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

The University's net pension liability at June 30, 2023, was comprised of the following:

ASRS	\$ 173,789,215
PSPRS	780,276
Defined Contribution Pension Plans	2,656,871
Total net pension liability	\$ 177,226,362

Changes in the University's net pension liability during the fiscal year ended June 30, 2023, were as follows:

Beginning balance	\$ 149,631,904
Increases	81,010,461
Decreases	(53,416,003)
Ending balance	\$ 177,226,362
Current portion	\$ 1,135,925

Defined Benefit Plan

Plan Description

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

Benefits Provided

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

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

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment 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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03 percent for retirement of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 11.92 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 9.62 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, 2023, were \$16,836,281.

Pension Liability

At June 30, 2023, the University reported a liability of \$173,789,215 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

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, 2022. The University's proportion measured as of June 30, 2022, was 1.06 percent, which did not change from June 30, 2021.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the University recognized pension expense for ASRS of \$14,327,354. At June 30, 2023, 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	\$ 1,480,788	
Changes of assumptions or other inputs	8,625,495	
Net difference between projected and actual earnings on pension plan investments		\$ 4,577,776
Changes in proportion and differences between University contributions and proportionate share of contributions	256,101	2,915,624
University contributions subsequent to the measurement date	16,836,281	
Total	\$ 27,198,665	\$ 7,493,400

The \$16,836,281 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, 2024.

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
2024	\$ 5,451,115
2025	(1,960,982)
2026	(7,948,095)
2027	7,326,946

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
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, 2021, 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. 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%	3.90%
Fixed Income- Credit	20%	5.30%
Fixed Income- Interest rate sensitive	10%	-0.20%
Real estate	20%	6.00%
Total	100%	

Discount Rate

At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.0 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%)	\$	256,420,821
Current discount rate (7.0%)		173,789,215
1% increase (8.0%)		104,887,366

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 \$664,829 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2023.



Note 11 – Discretely Presented Component Unit Disclosures

A. Principal Activity and Significant Accounting Policies

Cash and Cash Equivalents

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

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2023, the allowance was \$485,005.

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 return/(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.

Receivables and Credit Policy

Allowance for uncollectable 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 uncollectable. There was no allowance at June 30, 2023.

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 educational broadband services (EBS) licenses from the Federal Communications Commission (FCC), which have been fully amortized since the date of donation. Additionally, the Foundation has entered into an agreement to purchase EBS licenses with initial funding of \$15,000,000 from an outside corporation. Under the agreement, the Foundation purchases EBS licenses and then subsequently leases the licenses to the outside corporation. The Foundation recognizes revenue at the time of purchase of an EBS license and recognizes rent revenue for the duration of the lease agreement. Any unspent proceeds from the initial funding are reflected as deferred revenue in the accompanying consolidated statement of financial position. The balance of deferred revenue related to EBS licenses was \$796,498 at July 1, 2022.

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.

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 statement of financial position. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2023, contributions of approximately \$5,488,000 for which no amounts have been received in advance have not been recognized in the accompanying consolidated statement of activities.

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. There were no amounts in excess of insured limits at June 30, 2023. 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 940 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, 2023, 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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment	\$ 14,977,125	\$	14,977,125
Donor-restricted quasi-endowment		\$ 6,332,660	6,332,660
Donor-restricted for permanent endowment			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor		110,610,561	110,610,561
Accumulated investment gains		44,693,549	44,693,549
Total	\$ 14,977,125	\$ 161,636,770	\$ 176,613,895

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, 2023, funds with original gift values of approximately \$6,231,500, fair values of approximately \$5,837,700, and deficiencies of approximately \$393,800 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, 2023:

		Fair Value Measurements at Report Date Using		
	Amount	Level 1	Level 2	Level 3
Assets				
Operating investments				
Mutual Fund				
Municipal Bond Mutual Fund	\$ 40,339,081	\$ 40,339,081		
Exchange Traded Funds	910,857	910,857		
Equity Mutual Funds	107,265,409	107,265,409		
International Bond Mutual Funds	11,856,080	11,856,080		
International Equity Mutual Funds	85,408,469	85,408,469		
Common Stock	5,132,085	5,132,085		
Certificates of Deposit	498,936		\$ 498,936	
Corporate Bonds	212,342		212,342	
Cash and Cash Equivalents	355,175			
Total	\$ 251,978,434	\$ 250,911,981	\$ 711,278	
Assets held under split-interest agreements				
Mutual Fund				
Corporate Bond Mutual Fund	\$ 1,805,879	\$ 1,805,879		
Equity Mutual Funds	1,691,024	1,691,024		
Alternative Investment Mutual Funds	90,239	90,239		
Money Market Funds	30,830	30,830		
Total	\$ 3,617,972	\$ 3,617,972		
Beneficial interests in				
Perpetual trusts	\$ 3,426,362			\$ 3,426,362

		Fair Value Measurements at Report Date Using		
	Amount	Level 1	Level 2	Level 3
Liabilities				
Assets held in custody for others	\$ 42,861,776		\$ 42,861,776	
Liabilities under split-interest agreements	\$ 2,411,677			\$ 2,411,677

D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023:

Within one year	\$ 6,776,456
In one to five years	6,474,727
Over five years	3,215,856
	<u>\$ 16,467,039</u>
Less discount to present value at rates ranging from 0.1% to 3.81%	(551,798)
Less allowance for uncollectible promises to give	(485,005)
	<u>\$ 15,430,236</u>

At June 30, 2023, two donors accounted for approximately 45% 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, 2023:

Cash	\$ 2,503,596
Pledges receivable	995
Investments	39,624,954
Beneficial interest in perpetual trust	732,231
	<u>\$ 42,861,776</u>
Assets held on behalf of:	
Northern Arizona University	\$ 42,558,531
NAU Parents' Association	303,245
	<u>\$ 42,861,776</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, 2023, gross unconditional pledges receivable from these members totaled \$677,000. During the year ended June 30, 2023, the Foundation recognized contribution revenue from these donors of \$275,231.

During the year ended June 30, 2023, the Foundation recognized expenses for scholarships to Northern Arizona University of \$3,974,477 and grants and assistance to Northern Arizona University of \$10,748,541.

Required Supplementary Information

Schedule of University's Proportionate Share of Net Pension Liability - Arizona State Retirement System - June 30, 2023

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
2023 / (2022)	1.06%	\$ 173,789,215	\$ 127,672,080	136%	74.26%
2022 / (2021)	1.06%	139,551,282	120,281,108	116%	78.58%
2021 / (2020)	1.12%	194,502,316	123,967,911	157%	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, 2023

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
2023	\$ 16,836,281	\$ 16,836,281	\$	141,916,618	11.86%
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%

STATISTICAL SECTION



Narrative to the Statistical Section

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Net Position by Component

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net Investment in Capital Assets	\$269,975	\$234,713	\$262,474	\$248,641	\$245,903	\$232,568	\$269,240	\$265,882	\$268,007	\$234,187
Restricted, Non-expendable	23,480	17,039	17,969	19,142	26,258	25,107	24,625	23,593	22,540	21,770
Restricted, Expendable	72,347	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462
Unrestricted	38,806	26,352	(40,935)	(70,943)	(60,756)	(59,530)	(45,408)	(39,221)	(32,051)	154,120
Total Net Position	\$404,608	\$350,009	\$307,413	\$250,898	\$259,551	\$242,739	\$287,650	\$282,438	\$291,094	\$439,539
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	66.7	67.1	85.4	99.2	94.8	95.8	93.6	94.1	92.1	53.3
Restricted, Non-expendable	5.8	4.9	5.8	7.6	10.1	10.3	8.6	8.4	7.7	4.9
Restricted, Expendable	17.9	20.5	22.1	21.5	18.5	18.4	13.6	11.4	11.2	6.7
Unrestricted	9.6	7.5	(13.3)	(28.3)	(23.4)	(24.5)	(15.8)	(13.9)	(11.0)	35.1
Total Net Position	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	15.0	(10.6)	5.6	1.1	5.7	(13.6)	1.3	(0.8)	14.4	8.5
Restricted, Non-expendable	37.8	(5.2)	(6.1)	(27.1)	4.6	2.0	4.4	4.7	3.5	6.6
Restricted, Expendable	0.6	5.9	25.6	12.3	8.0	13.8	21.8	(1.3)	10.6	10.5
Unrestricted	47.3	164.4	42.3	(16.8)	(2.1)	(31.1)	(15.8)	(22.4)	(120.8)	(10.5)
Total Net Position	15.6	13.9	22.5	(3.3)	6.9	(15.6)	1.8	(3.0)	(33.8)	1.0

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.

The University implemented GASB 96 in FY 2023, historical data has not been restated in the statistical section.

Operating Expenses by Natural Classification

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Personal Services	\$293,953	\$267,141	\$251,970	\$267,900	\$260,390	\$254,688	\$243,537	\$233,543	\$233,110	\$222,481
Benefits	94,556	89,006	87,732	92,137	89,195	86,550	82,172	78,687	77,386	71,173
Pensions and OPEB (1)	(11,201)	(16,860)	(3,923)	(2,487)	(15,094)	(2,521)	11,741	10,926	3,149	
Personal Services and Benefits	377,308	339,287	335,779	357,550	334,491	338,717	337,450	323,156	313,645	293,654
Operations	164,186	145,159	117,181	142,004	140,987	136,563	130,446	119,182	113,048	109,185
Scholarships	30,648	74,028	53,646	46,946	39,857	38,658	35,290	31,485	29,068	25,412
Depreciation	53,568	51,353	42,055	45,239	42,822	42,830	41,538	37,964	35,123	33,256
Total Operating Expenses by Natural Classification	\$625,710	\$609,827	\$548,661	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services	47.0	43.8	45.9	45.3	46.6	45.7	44.7	45.6	47.5	48.2
Benefits	15.1	14.6	16.0	15.6	16.0	15.6	15.1	15.4	15.8	15.4
Pensions and OPEB (1)	(1.8)	(2.8)	(0.7)	(0.4)	(2.7)	(0.4)	2.2	2.1	0.6	
Personal Services and Benefits	60.3	55.6	61.2	60.5	59.9	60.9	62.0	63.1	63.9	63.6
Supplies and Services	26.2	23.8	21.4	24.0	25.3	24.5	23.9	23.3	23.0	23.7
Student Aid	4.9	12.1	9.8	7.9	7.1	6.9	6.5	6.2	5.9	5.5
Depreciation	8.6	8.5	7.6	7.6	7.7	7.7	7.6	7.4	7.2	7.2
Total Operating Expenses by Natural Classification	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% increase (decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services	10.0	6.0	(5.9)	2.9	2.2	4.6	4.3	0.2	4.8	8.4
Benefits	6.2	1.5	(4.8)	3.3	3.1	5.3	4.4	1.7	8.7	11.7
Pensions and OPEB (1)	(33.6)	329.8	57.7	(83.5)	498.7	(121.5)	7.5	247.0		
Personal Services and Benefits	11.2	1.0	(6.1)	6.9	(1.2)	0.4	4.4	3.0	6.8	9.2
Supplies and Services	13.1	23.9	(17.5)	0.7	3.2	4.7	9.5	5.4	3.5	(0.2)
Student Aid	(58.6)	38.0	14.3	17.8	3.1	9.5	12.1	8.3	14.4	5.0
Depreciation	4.3	22.1	(7.0)	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0
Total Operating Expenses by Natural Classification	2.6	11.1	(7.3)	6.0	0.2	2.2	6.4	4.3	6.4	6.4

(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)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Operating Revenues										
Student tuition and fees, net	\$195,450	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816
Governmental grants and contracts	49,313	42,237	40,695	38,514	35,287	29,818	25,802	22,772	22,288	19,594
Private grants and contracts	6,321	4,541	5,573	4,866	4,618	4,127	4,372	3,438	2,793	2,865
Residence Life	43,797	38,533	28,753	33,189	35,729	32,437	32,791	32,141	31,602	29,870
Other auxiliaries	34,076	30,554	24,605	24,917	29,850	34,042	27,656	24,745	23,443	21,424
Other revenues	23,220	18,516	14,913	19,438	24,931	22,362	23,110	21,577	23,215	20,246
Total Operating Revenues	\$352,177	\$335,314	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815
Expenses										
Operating Expenses										
Instruction	\$174,993	\$155,023	\$148,212	\$171,180	\$168,338	\$174,245	\$176,334	\$169,385	\$167,080	\$156,021
Research	58,678	51,895	51,635	55,608	46,113	40,655	36,068	30,142	25,461	23,584
Public service	37,034	30,853	24,735	28,945	30,924	31,665	28,866	28,163	27,009	25,699
Academic support	46,400	40,281	38,880	36,939	38,445	39,482	41,074	40,506	36,182	33,877
Student services	54,320	56,525	56,192	69,409	57,210	55,138	54,246	53,834	50,335	50,504
Institutional support	84,430	79,975	71,831	70,740	62,202	64,158	59,238	52,447	57,141	53,702
Operation and maintenance of plant	35,322	27,162	22,648	23,368	27,456	29,031	31,003	29,790	25,779	26,693
Scholarship and fellowship	30,648	74,028	53,646	46,946	39,857	38,659	35,290	31,485	29,068	25,412
Auxiliary enterprises	50,317	42,733	38,827	43,365	44,790	40,905	41,067	38,071	37,706	32,759
Depreciation	53,568	51,353	42,055	45,239	42,822	42,830	41,538	37,964	35,123	33,256
Total Operating Expenses	\$625,710	\$609,828	\$548,661	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507
Operating loss	\$(273,533)	\$(274,514)	\$(215,670)	\$(236,904)	\$(190,137)	\$(197,192)	\$(193,063)	\$(190,067)	\$(181,993)	\$(178,692)
Nonoperating Revenues (Expenses)										
State operating appropriations	\$165,322	\$138,737	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588
Share of state tax-TRIF	19,560	39,777	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308
Government grants	96,224	146,393	119,622	86,950	73,183	71,612	68,533	66,142	59,658	56,413
Private gifts and grants	15,343	14,294	13,259	14,550	14,175	14,460	14,050	13,093	13,032	10,920
Investment income/ (loss)	13,044	(9,416)	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703
Interest on debt	(24,006)	(24,705)	(22,441)	(23,990)	(28,084)	(28,061)	(28,144)	(27,187)	(22,723)	(23,696)
Other nonoperating revenues, net	7,352	8,695	8,361	5,957	14,330	16,126	15,488	10,578	8,271	8,987
Net Nonoperating Revenues	\$292,839	\$313,775	\$258,388	\$218,529	\$198,903	\$192,490	\$187,648	\$172,045	\$185,302	\$176,223
Income/(loss) before other revenues, expenses, gains, or losses	\$19,306	\$39,261	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)
Capital appropriations	\$5,301	\$5,040	\$4,879	\$5,900	\$5,896	\$5,897	\$4,247	\$5,493	\$5,827	\$5,900
Capital grants and gifts	29,075	1,420	7,974	2,870	1,164	3,321	5,474	3,010	60	63
Additions to permanent endowments	917	906	943	952	986	922	906	863	858	826
Increase/(Decrease) in Net Position	\$54,599	\$46,627	\$56,514	\$(8,653)	\$16,812	\$5,438	\$5,212	\$(8,656)	\$10,054	\$4,320
Total Revenues	\$704,570	\$681,879	\$627,616	\$607,076	\$603,053	\$590,267	\$578,080	\$530,318	\$523,661	\$489,523
Total Expenses	649,971	635,252	571,102	615,729	586,241	584,829	572,868	538,974	513,607	485,203
Increase/(Decrease) in Net Position	\$54,599	\$46,627	\$56,514	\$(8,653)	\$16,812	\$5,438	\$5,212	\$(8,656)	\$10,054	\$4,320

Change in Net Position (Continued)

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

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net	27.8	29.5	34.8	38.5	39.4	40.1	41.2	40.9	39.3	38.6
Governmental grants and contracts	7.0	6.2	6.5	6.3	5.9	5.1	4.5	4.3	4.3	4.0
Private grants and contracts	0.9	0.7	0.9	0.8	0.8	0.7	0.8	0.6	0.5	0.6
Residence life	6.2	5.6	4.6	5.5	5.9	5.5	5.7	6.1	6.0	6.1
Other auxiliaries	4.8	4.5	3.9	4.1	4.9	5.8	4.8	4.7	4.5	4.4
Other revenues (1)	3.3	2.7	2.4	3.2	4.1	3.8	4.0	4.1	4.4	4.1
Total Operating Revenues	50.0	49.2	53.1	58.4	61.0	61.0	61.0	60.7	59.0	57.8
Expenses										
Operating Expenses										
Instruction	26.9	24.4	25.9	27.8	28.7	29.8	30.8	31.4	32.5	32.2
Research	9.0	8.2	9.0	9.0	7.9	7.0	6.3	5.6	5.0	4.9
Public service	5.7	4.9	4.3	4.7	5.3	5.4	5.0	5.2	5.3	5.3
Academic support	7.1	6.3	6.8	6.0	6.6	6.8	7.2	7.5	7.0	7.0
Student services	8.4	8.9	9.8	11.3	9.8	9.4	9.5	10.0	9.8	10.4
Institutional support	13.0	12.6	12.6	11.5	10.6	11.0	10.3	9.7	11.1	11.1
Operation and maintenance of plant	5.4	4.3	4.0	3.8	4.7	5.0	5.4	5.5	5.0	5.5
Scholarships and fellowships	4.7	11.7	9.4	7.6	6.8	6.6	6.2	5.8	5.7	5.2
Auxiliary enterprises	7.7	6.7	6.8	7.0	7.6	7.0	7.2	7.1	7.3	6.8
Depreciation	8.2	8.1	7.4	7.3	7.3	7.3	7.3	7.0	6.8	6.9
Total Operating Expenses	96.1	96.1	96.0	96.0	95.3	95.3	95.2	94.8	95.5	95.3
Operating loss	(38.8)	(40.3)	(34.3)	(39.0)	(31.5)	(33.4)	(33.4)	(35.8)	(34.8)	(36.5)
Nonoperating Revenues (Expenses)										
State operating appropriations	23.5	20.3	17.1	18.7	17.1	16.9	17.3	17.8	21.4	21.6
Share of state tax-TRIF	2.8	5.8	2.7	2.8	2.6	2.4	2.4	2.6	2.5	2.5
Government grants	13.7	21.5	19.0	14.3	12.1	12.1	11.9	12.5	11.4	11.5
Private gifts	2.2	2.1	2.1	2.4	2.4	2.4	2.4	2.5	2.5	2.2
Investment income	1.9	(1.4)	2.4	0.8	1.0	0.7	0.7	0.2	0.3	1.2
Interest on debt	(3.7)	(3.9)	(3.9)	(3.9)	(4.8)	(4.8)	(4.9)	(5.0)	(4.4)	(4.9)
Other nonoperating revenues, net	1.0	1.3	1.3	1.0	2.4	2.7	2.7	2.0	1.6	1.8
Net Nonoperating Revenues	41.4	45.7	40.7	36.1	32.8	32.4	32.5	32.6	35.3	35.9
Income/(loss) before other revenues, expenses, gains, or losses	2.6	5.4	6.4	(2.9)	1.3	(1.0)	(0.9)	(3.3)	0.5	(0.6)
Capital appropriations	0.8	0.7	0.8	1.0	1.0	1.0	0.7	1.0	1.1	1.2
Capital grants	4.1	0.2	1.3	0.5	0.2	0.6	0.9	0.6	0.0	0.0
Additions to permanent endowments	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Increase/(Decrease) in Net Position	7.6	6.8	9.0	(1.4)	2.8	0.9	0.9	(1.5)	1.8	0.8

Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net	(2.7)	(8.0)	(6.6)	(1.6)	0.3	(0.5)	9.6	5.6	8.9	9.4
Governmental grants and contracts	16.8	3.8	5.7	9.1	18.3	15.6	13.3	2.2	13.7	0.4
Private grants and contracts	39.2	(18.5)	14.5	5.4	11.9	(5.6)	27.2	23.1	(2.5)	(18.6)
Residence life	13.7	34.0	(13.4)	(7.1)	10.1	(1.1)	2.0	1.7	5.8	(2.2)
Other auxiliaries	11.5	24.2	(1.3)	(16.5)	(12.3)	23.1	11.8	5.6	9.4	6.6
Other revenues	25.4	24.2	(23.3)	(22.0)	11.5	(3.2)	7.1	(7.1)	14.7	16.3
Total Operating Revenues	5.0	0.7	(6.2)	(3.6)	2.3	2.3	9.3	4.2	9.2	7.3
Expenses										
Operating Expenses										
Instruction	12.9	4.6	(13.4)	1.7	(3.4)	(1.2)	4.1	1.4	7.1	9.7
Research	13.1	0.5	(7.1)	20.6	13.4	12.7	19.7	18.4	8.0	18.6
Public service	20.0	24.7	(14.5)	(6.4)	(2.3)	9.7	2.5	4.3	5.1	(4.6)
Academic support	15.2	3.6	5.3	(3.9)	(2.6)	(3.9)	1.4	12.0	6.8	5.3
Student services	(3.9)	0.6	(19.0)	21.3	3.8	1.6	0.8	7.0	(0.3)	19.8
Institutional support	5.6	11.3	1.5	13.7	(3.0)	8.3	12.9	(8.2)	6.4	13.6
Operation and maintenance of plant	30.0	19.9	(3.1)	(14.9)	(5.4)	(6.4)	4.1	15.6	(3.4)	14.8
Scholarships and fellowships	(58.6)	38.0	14.3	17.8	3.1	9.5	12.1	8.3	14.4	5.0
Auxiliary enterprises	17.7	10.1	(10.5)	(3.2)	9.5	(0.4)	7.9	1.0	15.1	(26.2)
Depreciation	4.3	22.1	(7.0)	5.6	(0.0)	3.1	9.4	8.1	5.6	6.0
Total Operating Expenses	2.6	11.1	(7.3)	6.0	0.2	2.2	6.4	4.3	6.4	6.4
Operating loss	(0.4)	27.3	(9.0)	24.6	(3.6)	2.1	1.6	4.4	1.8	4.9
Nonoperating Revenues (Expenses)										
State operating appropriations	19.2	29.2	(5.4)	10.0	3.5	(0.4)	5.8	(15.5)	6.1	4.1
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	(50.8)	132.9	0.8	6.9	10.5	4.3	(0.5)	4.2	7.8	7.1
Government grants & contracts	(34.3)	22.4	37.6	18.8	2.2	4.5	3.6	10.9	5.8	(2.0)
Private gifts	7.3	7.8	(8.9)	2.6	(2.0)	2.9	7.3	0.5	19.3	10.0
Investment income	(238.5)	(162.3)	228.8	(26.5)	45.5	11.3	302.8	(45.8)	(68.9)	79.7
Interest on debt	(2.8)	10.1	(6.5)	(14.6)	0.1	(0.3)	3.5	19.6	(4.1)	1.0
Other nonoperating revenues, net	(15.4)	4.0	40.4	(58.4)	(11.1)	4.1	46.4	27.9	(8.0)	57.6
Net Nonoperating Revenues	(6.7)	21.4	18.2	9.9	3.3	2.6	9.1	(7.2)	5.2	6.2
Income/(loss) before other revenues, expenses, gains, or losses	50.8	8.1	332.5	309.6	286.4	13.2	70.0	(644.6)	234.0	43.8
Capital appropriations	5.2	3.3	(17.3)	0.1	(0.0)	38.9	(22.7)	(5.7)	(1.2)	0.0
Capital grants	1,947.5	(82.2)	177.8	146.6	(65.0)	(39.3)	81.9	4,916.7	(4.8)	0.0
Additions to permanent endowments	1.2	(3.9)	(0.9)	(3.4)	6.9	1.8	5.0	0.6	3.9	(6.3)
Increase/(Decrease) in Net Position	16.5	(17.5)	753.1	(151.5)	209.2	4.3	160.2	(186.1)	132.7	76.3



Academic Year Tuition and Required Fees

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PLEDGE* Resident Undergraduate										
Northern Arizona University	\$12,273	\$11,896	\$11,896	\$11,896	\$11,564	\$11,059	\$10,764	\$10,358	\$9,989	\$9,745
Percent increase from prior year	3.2%	0.0%	0.0%	2.9%	4.6%	2.7%	3.9%	3.7%	2.5%	5.1%
ABOR Peers	\$11,260	\$11,663	\$11,515	\$13,057	\$12,994	\$13,103	\$12,228	\$12,670	\$12,122	\$12,197
Percent increase (decrease) from prior year	(3.5%)	1.3%	(11.8%)	0.5%	(0.8%)	7.2%	(3.5%)	4.5%	(0.6%)	6.0%
PLEDGE* Non-Resident Undergraduate										
Northern Arizona University	\$27,535	\$26,642	\$26,642	\$26,516	\$25,828	\$24,841	\$24,144	\$23,348	\$22,509	\$22,099
Percent increase from prior year	3.4%	0.0%	0.5%	2.7%	4.0%	2.9%	3.4%	3.7%	1.9%	2.2%
ABOR Peers	\$24,619	\$24,231	\$23,275	\$22,918	\$22,269	\$22,682	\$23,785	\$23,816	\$23,060	\$23,044
Percent increase (decrease) from prior year	1.6%	4.1%	1.6%	2.9%	(1.8%)	(4.6%)	(0.1%)	3.3%	0.1%	4.4%
* PLEDGE tuition rate means new freshman and transfer students will pay the same tuition rate for four years. The PLEDGE rate began in fall 2008-2009.										
Resident Graduate										
Northern Arizona University	\$12,639	\$12,250	\$11,726	\$11,726	\$10,970	\$10,261	\$9,990	\$9,606	\$9,165	\$8,806
Percent increase from prior year	3.2%	4.5%	0.0%	6.9%	6.9%	2.7%	4.0%	4.8%	4.1%	5.1%
Non-Resident Graduate										
Northern Arizona University	\$29,189	\$28,240	\$26,954	\$25,730	\$24,056	\$22,609	\$21,976	\$21,244	\$20,249	\$19,900
Percent increase from prior year	3.4%	4.8%	4.8%	7.0%	6.4%	2.9%	3.4%	4.9%	1.8%	2.2%

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, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tuition and Fees, net of scholarship allowance	\$195,450	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816
Percent of total revenue	28%	29%	35%	39%	39%	40%	41%	41%	39%	39%
Percent increase/(decrease) from prior year	(3%)	(8%)	(7%)	(2%)	0%	0%	10%	6%	9%	9%
State of Arizona Government										
State appropriations	\$165,322	\$138,737	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588
Technology and research initiatives funding	19,560	39,777	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308
Capital appropriations	5,302	5,040	4,879	5,900	5,896	5,897	4,247	5,493	5,827	5,900
State grants and contracts	25,943	8,451	32,548	8,037	7,685	6,062	6,675	3,591	3,464	3,469
Arizona State Government	\$216,127	\$192,005	\$161,902	\$144,403	\$132,625	\$126,014	\$124,780	\$117,544	\$134,584	\$127,265
Percent of total revenue	31%	28%	26%	24%	22%	21%	22%	22%	26%	26%
Percent increase (decrease) from prior year	13%	19%	12%	9%	5%	1%	6%	(13%)	6%	2%
Federal Government										
Federal grants and contracts	\$73,255	\$133,500	\$64,515	\$66,836	\$49,050	\$45,199	\$41,508	\$39,773	\$35,669	\$52,981
Financial aid grants	39,241	40,929	42,625	45,530	46,908	46,062	42,881	41,587	39,533	36,535
Federal Government	\$112,496	\$174,429	\$107,140	\$112,366	\$95,958	\$91,261	\$84,389	\$81,360	\$75,202	\$89,516
Percent of total revenue	16%	26%	17%	19%	16%	15%	15%	15%	14%	18%
Percent increase/(decrease) from prior year	(36%)	63%	(5%)	17%	5%	8%	4%	8%	(16%)	(0%)
Total from principal revenue payers	\$524,073	\$567,367	\$487,494	\$490,680	\$466,188	\$454,065	\$447,099	\$415,951	\$415,336	\$405,597
Percent of total revenue	74%	83%	78%	81%	77%	77%	77%	78%	79%	83%
Percent increase/(decrease) from prior year	(8%)	16%	(1%)	5%	3%	2%	7%	0%	2%	5%



Long-Term Debt

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
(Dollars in thousands)										
System Revenue Bonds	\$494,550	\$516,295	\$534,735	\$531,805	\$520,925	\$537,980	\$526,925	\$536,420	\$533,630	\$510,695
Unamortized Premium	40,751	43,779	46,807	49,836	26,213	27,435	28,658	30,748	25,906	16,550
Deferred amount on Refundings	-	-	-	-	-	-	-	-	-	-
Net System Revenue Bonds	\$535,301	\$560,074	\$581,542	\$581,641	\$547,138	\$565,415	\$555,583	\$567,168	\$559,536	\$527,245
Certificates of Participation (COPs)	\$32,640	\$36,220	\$39,370	\$42,210	\$45,940	\$49,550	\$53,040	\$54,985	\$58,285	\$62,850
Unamortized Premium	3,625	4,097	4,570	5,043	5,516	5,989	6,462	6,935	7,408	5,574
Deferred amount on Refundings*	-	-	-	-	-	-	-	-	-	-
Net Certificates of Participation	\$36,265	\$40,317	\$43,940	\$47,253	\$51,456	\$55,539	\$59,502	\$61,920	\$65,693	\$68,424
Net System Revenue Bonds Payable	\$535,301	\$560,074	\$581,542	\$581,641	\$547,138	\$565,415	\$555,583	\$567,168	\$559,536	\$527,245
Net COPs Payable	36,265	40,317	43,940	47,253	51,456	55,539	59,502	61,920	65,693	68,424
Financed Purchases	-	5,455	6,827	25,720	27,767	15,138	14,729	15,773	16,778	17,746
Total	\$571,566	\$605,846	\$632,309	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415
Long Term Debt (whole dollars)										
per Student FTE	\$21,234	\$22,337	\$22,520	\$22,437	\$21,316	\$21,545	\$21,937	\$23,557	\$24,755	\$24,719
per Dollar of State Appropriations and State Aid	\$3.35	\$4.21	\$5.63	\$5.48	\$5.74	\$6.02	\$6.04	\$6.44	\$5.45	\$5.50
per Dollar of Total Grants and Contracts	\$3.37	\$2.16	\$3.43	\$4.26	\$5.12	\$5.45	\$5.72	\$6.09	\$6.73	\$6.85
Data Used in Above Calculations										
Total Student FTE	26,918	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816
State Appropriations and State Capital Appropriations	\$170,623	\$143,777	\$112,276	\$119,423	\$109,096	\$105,613	\$104,353	\$100,126	\$117,853	\$111,488
Grants and Contracts	\$169,479	\$279,893	\$184,137	\$153,786	\$122,233	\$116,811	\$110,041	\$105,915	\$95,327	\$89,516

* 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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Summary of Composite Financial Index Ratios										
+ Primary Reserve Ratio	0.28	0.26	0.17	0.10	0.13	0.13	0.13	0.09	0.12	0.50
/ Strength Factor	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
= Ratio / Strength Factor	2.11	1.95	1.28	0.75	0.98	0.98	0.98	0.68	0.90	3.76
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.74	0.68	0.45	0.26	0.34	0.34	0.34	0.24	0.32	1.32
= Ratio 10.00 Cap Subtotal	0.74	0.68	0.45	0.26	0.34	0.34	0.34	0.24	0.32	1.32
+ Return on Net Assets Ratio	14.1%	4.1%	22.4%	1.3%	5.8%	5.4%	7.4%	(1.5%)	3.9%	4.8%
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	7.05	2.05	10.00	0.65	2.90	2.70	3.70	(0.75)	1.95	2.40
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	1.41	0.41	2.00	0.13	0.58	0.54	0.74	(0.15)	0.39	0.48
= Ratio 10.00 Cap Subtotal	1.41	0.41	2.00	0.13	0.58	0.54	0.74	(0.15)	0.39	0.48
+ Net Operating Revenues Ratio	2.9%	6.1%	7.3%	(3.1%)	1.3%	(1.1%)	(0.9%)	(3.6%)	0.4%	0.3%
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	2.23	4.69	5.62	(2.38)	1.00	(0.85)	(0.69)	(2.77)	0.31	0.23
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.22	0.47	0.56	(0.24)	0.10	(0.08)	(0.07)	(0.28)	0.03	0.02
= Ratio 10.00 Cap Subtotal	0.22	0.47	0.56	(0.24)	0.10	(0.08)	(0.07)	(0.28)	0.03	0.02
+ Viability Ratio	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.4
/ Strength Factor	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
= Ratio / Strength Factor	0.79	0.67	0.39	0.24	0.24	0.24	0.24	0.24	0.24	0.96
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.28	0.24	0.13	0.08	0.08	0.08	0.08	0.08	0.08	0.34
= Ratio 10.00 Cap Subtotal	0.28	0.24	0.13	0.08	0.08	0.08	0.08	0.08	0.08	0.34
Composite Financial Index	2.6	1.8	3.1	0.2	1.1	0.9	1.1	(0.1)	0.8	2.2
Composite Financial Index w/10.00 Cap	2.6	1.8	3.1	0.2	1.1	0.9	1.1	(0.1)	0.8	2.2

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators. Ratio/Strength are capped at a maximum of 10 before the weighting factors are applied so that a higher CFI does not unduly mask a weakness in the ratio.

Summary of Ratios - (Continued)

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PRIMARY RESERVE RATIO										
Unrestricted Net Position	\$38,806	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120
Unrestricted Net Assets- Component Units	13,983	13,738	10,961	7,251	7,760	8,814	10,403	10,055	10,842	12,286
Expendable Restricted Net Position	72,347	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462
Temp. Restricted Net Assets- Component Units	63,049	58,204	63,705	71,546	85,038	81,573	69,074	49,179	51,942	52,378
Expendable Net Position/Assets	\$188,185	\$170,199	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246
Operating Expenses	\$625,710	\$609,827	\$548,661	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507
Nonoperating Expenses	24,006	24,705	22,441	23,990	28,084	28,061	28,144	27,187	22,723	23,696
Component Unit Total Expenses	21,533	18,190	25,096	16,523	15,079	14,220	13,085	13,186	13,214	11,944
Total Expenses	\$671,249	\$652,722	\$596,198	\$632,252	\$601,320	\$599,049	\$585,953	\$552,160	\$526,821	\$497,147
Expendable Net Position	\$188,185	\$170,199	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246
Total Expenses	\$671,249	\$652,722	\$596,198	\$632,252	\$601,320	\$599,049	\$585,953	\$552,160	\$526,821	\$497,147
Ratio	0.28	0.26	0.17	0.10	0.13	0.13	0.13	0.09	0.12	0.50
Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increase in amount over time denotes strength.										
RETURN ON NET ASSETS RATIO										
Change in Total Net Position	\$79,459	\$22,014	\$99,722	\$5,696	\$24,016	\$21,337	\$30,862	\$(6,331)	\$15,628	\$25,910
Total Net Position (Beginning of Year)	\$563,563	\$541,549	\$445,858	\$440,162	\$416,146	\$394,809	\$414,296	\$420,627	\$404,999	\$537,588
Ratio	14.1%	4.1%	22.4%	1.3%	5.8%	5.4%	7.4%	(1.5%)	3.9%	4.8%
Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.										
NET OPERATING REVENUES RATIO										
Income/(Loss) Before Capital and Endowment Additions	\$19,306	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	245	2,776	3,710	(509)	(1,054)	(1,589)	348	(787)	(1,443)	3,834
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	\$19,551	\$42,038	\$46,428	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365

Summary of Ratios - (Continued)

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Operating Revenues	\$352,178	\$335,315	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815
State Appropriation and State related revenues	184,882	178,514	124,475	130,466	119,044	114,055	113,858	108,460	125,293	117,896
Non-capital Gifts and Grants, net	111,566	160,687	132,881	101,500	87,358	86,072	82,583	79,235	72,690	67,333
Investment Income (Loss), net	13,044	(9,416)	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703
Component Units Total Unrestricted Revenue	21,777	24,558	28,806	16,013	14,025	12,631	13,433	12,399	11,771	15,778
Adjusted Net Operating Revenues	\$683,447	\$689,658	\$634,265	\$607,410	\$594,702	\$576,632	\$565,398	\$522,773	\$520,416	\$489,525
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items	\$19,551	\$42,038	\$46,428	\$(18,884)	\$7,712	\$(6,291)	\$(5,067)	\$(18,809)	\$1,866	\$1,365
Adjusted Net Operating Revenues	\$683,447	\$689,658	\$634,265	\$607,410	\$594,702	\$576,632	\$565,398	\$522,773	\$520,416	\$489,525
Ratio	2.9%	6.1%	7.3%	(3.1%)	1.3%	(1.1%)	(0.9%)	(3.6%)	0.36%	0.28%

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	\$38,806	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120
Unrestricted Net Assets- Component Units	13,983	13,738	10,961	7,251	7,760	8,814	10,403	10,055	10,842	12,286
Expendable Restricted Net Position/ Assets	72,347	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462
Temporarily Restricted Net Assets- Component Units	63,049	58,204	63,705	71,546	85,038	81,573	69,074	49,179	51,942	52,378
Expendable Net Position	\$188,185	\$170,199	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246
University LT Debt, net financed purchases with CUs	\$571,565	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415
Component Units Long Term Debt	-	-	-	-	-	-	-	-	-	-
Total Adjusted University Debt	\$571,565	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415
Expendable Net Position	\$188,185	\$170,199	\$101,636	\$61,912	\$80,188	\$75,451	\$73,262	\$52,197	\$63,331	\$248,246
Total Adjusted University Debt	\$571,565	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,813	\$644,861	\$642,007	\$613,415
Ratio	0.33	0.28	0.16	0.09	0.13	0.12	0.12	0.08	0.10	0.40

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

Summary of Ratios - Other Ratios

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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OPERATING MARGIN EXCLUDING GIFTS

Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$19,306	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)
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Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$19,306	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)
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Total Operating Revenues	\$352,178	\$335,315	\$332,991	\$354,835	\$368,020	\$359,576	\$351,661	\$321,720	\$308,891	\$282,815
State appropriation and share of sales tax	184,882	178,514	124,475	130,466	119,044	114,055	113,858	108,460	125,293	117,896
Investment Income/(Loss), net	13,044	(9,416)	15,112	4,596	6,255	4,298	3,863	959	1,771	5,703

Adjusted Net Operating Revenues less Non-capital Gifts and Grants	\$550,104	\$504,413	\$472,578	\$489,897	\$493,319	\$477,929	\$469,382	\$431,139	\$435,955	\$406,414
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Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$19,306	\$39,262	\$42,718	\$(18,375)	\$8,766	\$(4,702)	\$(5,415)	\$(18,022)	\$3,309	\$(2,469)
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Adjusted Net Operating Revenues less Non-capital Gifts and Grants	\$550,104	\$504,413	\$472,578	\$489,897	\$493,319	\$477,929	\$469,382	\$431,139	\$435,955	\$406,414
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Ratio	3.5%	7.8%	9.0%	(3.8%)	1.8%	(1.0%)	(1.2%)	(4.2%)	0.8%	(0.6%)
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A more restrictive measure of whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

Operating Expenses	\$625,710	\$609,827	\$548,660	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507
Scholarships and Fellowships	(30,649)	(74,028)	(53,646)	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)
Interest on Debt	24,006	24,705	22,441	23,990	28,084	28,061	28,144	27,187	22,723	23,696

Total Adjusted Operating Expenses	\$619,067	\$560,504	\$517,455	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791
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Research Expenses	\$58,678	\$51,895	\$51,635	\$55,608	\$46,113	\$40,655	\$36,068	\$30,142	\$25,461	\$23,584
Total Adjusted Operating Expenses	\$619,067	\$560,504	\$517,455	\$568,783	\$546,384	\$546,170	\$537,578	\$507,489	\$484,539	\$459,791

Ratio	9.5%	9.3%	10.0%	9.8%	8.4%	7.4%	6.7%	5.9%	5.3%	5.1%
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Measures the institution's research expense to the total operating expenses.

Summary of Ratios - Other Ratios (Continued)

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
NET TUITION PER STUDENT										
Student Tuition and Fees, net	\$195,450	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816
Financial Aid Grants	39,241	40,929	42,625	45,530	46,908	46,062	42,881	41,587	39,533	36,535
Scholarships and Fellowships	(30,649)	(74,028)	(53,646)	(46,946)	(39,857)	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)
Net Tuition and Fees	\$204,042	\$167,834	\$207,431	\$232,495	\$244,656	\$244,193	\$245,521	\$227,149	\$216,015	\$199,939
Student FTE	26,918	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816
Net Tuition per Student (whole dollars)	\$7,580	\$6,188	\$7,388	\$7,969	\$8,326	\$8,271	\$8,552	\$8,298	\$8,329	\$8,057

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

STATE APPROPRIATIONS PER STUDENT

State Appropriations	\$165,322	\$138,737	\$107,396	\$113,523	\$103,200	\$99,716	\$100,106	\$94,633	\$112,026	\$105,588
Capital State Appropriations	5,302	5,040	4,880	5,900	5,896	5,897	4,247	5,493	5,827	5,900
Adjusted State Appropriations	\$170,624	\$143,777	\$112,276	\$119,423	\$109,096	\$105,613	\$104,353	\$100,126	\$117,853	\$111,488
Student FTE	26,918	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816
Adjusted State Appropriation per Student (whole dollars)	\$6,339	\$5,301	\$3,999	\$4,093	\$3,713	\$3,577	\$3,635	\$3,658	\$4,544	\$4,493

Measures the institution’s dependency on state appropriations.



Summary of Ratios - Debt Related Ratios

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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EXPENDABLE RESOURCES TO DEBT

Unrestricted Net Position	\$38,806	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120
Expendable Restricted Net Position	72,347	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462
Expendable Net Position	\$111,153	\$98,257	\$26,970	\$(16,885)	\$(12,610)	\$(14,936)	\$(6,215)	\$(7,037)	\$547	\$183,582
Total Bonds, COPS, and Financed Purchases	\$571,565	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415
Ratio	-0.2	-0.2	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3

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	\$38,806	\$26,352	\$(40,935)	\$(70,943)	\$(60,756)	\$(59,530)	\$(45,408)	\$(39,221)	\$(32,051)	\$154,120
Expendable Restricted Net Position	72,347	71,905	67,905	54,058	48,146	44,594	39,193	32,184	32,598	29,462
Non-expendable Restricted Net Position	23,481	17,039	17,969	19,142	26,258	25,107	24,625	23,593	22,540	21,770
Total Financial Resources	\$134,634	\$115,296	\$44,939	\$2,257	\$13,648	\$10,171	\$18,410	\$16,556	\$23,087	\$205,352
Total Bonds, COPS, and Financed Purchases	\$571,565	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415
Ratio	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.3

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	\$(241,002)	\$(244,386)	\$(174,717)	\$(184,852)	\$(163,438)	\$(147,009)	\$(135,026)	\$(150,773)	\$(133,504)	\$(144,325)
State Appropriations	165,322	138,737	107,396	113,523	103,200	99,716	100,106	94,633	112,026	105,588
Share of State Sales Tax- TRIF	18,138	38,255	17,079	16,943	15,844	14,339	13,752	13,827	13,267	12,308
Non-capital Grants and Contracts, Gifts, Other	109,006	161,597	119,011	101,500	87,358	86,072	82,583	79,235	72,690	67,333
Adjusted Cash Flow from Operations	\$51,464	\$94,203	\$68,769	\$47,114	\$42,964	\$53,118	\$61,415	\$36,922	\$64,479	\$40,904
Total Bonds, COPS, and Financed Purchases	\$571,565	\$605,846	\$632,311	\$654,614	\$626,361	\$636,092	\$629,814	\$644,861	\$642,007	\$613,415
Adjusted Cash Flow from Operations	51,464	94,203	68,769	47,114	42,964	53,118	61,415	36,922	64,479	40,904
Ratio	11.1	6.4	9.2	13.9	14.6	12.0	10.3	17.5	10.0	15.0

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)

Fiscal Year Ended June 30, (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt	\$24,006	\$24,705	\$22,441	\$23,990	\$28,084	\$28,061	\$28,144	\$27,187	\$22,723	\$23,696
Principal Paid on Debt	\$30,780	22,963	40,158	24,212	24,051	18,193	88,795	46,400	81,103	26,959
Principal Paid from Refinancing Activities (1)	-	-	-	(206,340)	-	-	(73,005)	(33,680)	(68,095)	(16,315)
Debt Service	\$54,786	\$47,668	\$62,599	\$(158,138)	\$52,135	\$46,254	\$43,934	\$39,907	\$35,731	\$34,340
Operating Expenses	\$625,710	\$609,828	\$548,660	\$591,739	\$558,157	\$556,768	\$544,724	\$511,787	\$490,884	\$461,507
Ratio	8.8%	7.8%	11.4%	(26.7%)	9.3%	8.3%	8.1%	7.8%	7.3%	7.4%

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tuition and Fees, net of scholarship allowance	\$195,450	\$200,933	\$218,452	\$233,911	\$237,605	\$236,790	\$237,930	\$217,047	\$205,550	\$188,816
Receipts from Other Major Revenue Sources (Facilities Revenues)	109,616	91,538	75,343	86,040	92,508	85,874	75,144	68,525	67,452	63,383
Net Revenues Available for Debt Service	\$305,066	\$292,471	\$293,795	\$319,951	\$330,113	\$322,664	\$313,074	\$285,572	\$273,002	\$252,199
Senior Lien Bonds Debt Service										
Interest on Debt	\$12,487	\$11,436	\$11,403	\$12,573	\$15,569	\$15,599	\$15,738	\$15,926	\$15,824	\$14,990
Principal Paid on Debt	11,525	8,650	8,320	10,290	9,305	7,140	8,445	6,500	8,015	6,615
Direct Payment- Build America Bonds	-	-	-	(1,418)	(2,162)	(2,204)	(2,245)	(2,247)	(2,235)	(2,237)
Senior Lien Bonds Debt Service Requirements	\$24,012	\$20,086	\$19,723	\$21,445	\$22,712	\$20,535	\$21,938	\$20,179	\$21,604	\$19,368
Coverage	12.70	14.56	14.90	14.92	14.53	15.71	14.27	14.15	12.64	13.02
Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year.										
Subordinate Lien Bonds Debt Service										
Interest on Debt	\$4,320	\$3,704	\$3,704	\$5,239	\$6,627	\$6,871	\$7,093	\$7,223	\$7,224	\$7,315
Principal Paid on Debt	5,600	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)
Direct Payment- State Lottery Revenue	(8,043)	(8,044)	(8,047)	(8,128)	(8,858)	(8,866)	(7,590)	(4,900)	(5,241)	(2,489)
Subordinate Lien Bonds Debt Service Requirements	\$1,877	\$1,005	\$1,374	\$1,429	\$1,837	\$1,854	\$1,613	\$1,068	\$730	\$3,583
Combined Senior/Subordinate Lien Debt Service	\$25,889	\$21,091	\$21,097	\$22,874	\$24,549	\$22,389	\$23,551	\$21,247	\$22,334	\$22,951
Coverage	11.78	13.87	13.93	13.99	13.45	14.41	13.29	13.44	12.22	10.99
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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ADMISSIONS - FRESHMEN										
Applications	44,855	42,872	37,386	36,855	36,831	36,875	36,511	29,583	27,780	33,435
Accepted	35,881	33,592	30,523	31,313	30,428	29,812	28,495	22,739	25,159	30,561
Enrolled	5,757	5,297	5,217	5,455	5,869	5,900	5,607	5,218	4,890	4,772
Accepted as Percentage of Application	80%	78%	82%	85%	83%	81%	78%	77%	91%	91%
Enrolled as Percentage of Accepted	16%	16%	17%	17%	19%	20%	20%	23%	19%	16%
Average SAT scores- Total	1170	1165	1137	1136	1138	1124	1045	1050	1050	1053
Verbal/Evidence-Based Reading & Writing	590	591	572	572	574	568	523	520	524	525
Math	570	574	566	563	563	557	522	520	520	528
ENROLLMENT										
Student FTE	26,918	27,123	28,078	29,175	29,384	29,524	28,710	27,375	25,934	24,816
Student Headcount	28,090	28,718	29,569	30,736	31,073	31,057	30,368	29,031	27,715	26,606
Men (Headcount)	10,276	10,414	10,717	11,537	11,814	12,064	12,016	11,622	11,393	10,802
Percentage of Total	36.6%	36.3%	36.2%	37.5%	38.0%	38.8%	39.6%	40.0%	41.1%	40.6%
Women (Headcount)	17,814	18,304	18,852	19,199	19,259	18,993	18,352	17,409	16,322	15,804
Percentage of Total	63.4%	63.7%	63.8%	62.5%	62.0%	61.2%	60.4%	60.0%	58.9%	59.4%
African American (Headcount)	841	900	985	1,019	1,070	1,067	1,007	946	888	839
Percentage of Total	3.0%	3.1%	3.3%	3.3%	3.4%	3.4%	3.3%	3.3%	3.2%	3.2%
Hispanic/Latino (Headcount)	6,960	7,047	7,378	7,395	7,236	7,118	6,635	6,036	5,369	4,899
Percentage of Total	24.8%	24.5%	25.0%	24.1%	23.3%	22.9%	21.8%	20.8%	19.4%	18.4%
White (Headcount)	15,351	15,955	16,262	16,942	17,452	17,957	17,982	17,645	17,289	17,023
Percentage of Total	54.6%	55.6%	55.0%	55.1%	56.2%	57.8%	59.2%	60.8%	62.4%	64.0%
Other (Headcount)	4,938	4,816	4,944	5,380	5,315	4,915	4,744	4,404	4,169	3,845
Percentage of Total	17.6%	16.8%	16.7%	17.5%	17.1%	15.8%	15.6%	15.2%	15.0%	14.5%
DEGREES EARNED										
Bachelor's	5,222	5,865	6,155	6,253	6,117	6,040	5,824	5,105	5,063	5,009
Master's	1,621	1,369	1,324	1,266	1,249	1,194	1,201	1,267	1,234	1,348
Doctoral	244	228	208	213	194	174	123	132	127	116
Total Degrees Earned	7,087	7,462	7,687	7,732	7,560	7,408	7,148	6,504	6,424	6,473

Source: Northern Arizona University- Institutional Research and Analysis

Demographic Data

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Arizona Population	7,359,197	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
Arizona Personal Income (in millions)	\$417,021	\$403,739	\$363,274	\$336,514	\$313,042	\$292,108	\$278,925	\$266,756	\$255,089	\$244,011
Arizona Per Capita Personal Income	\$56,667	\$55,487	\$48,950	\$46,233	\$43,650	\$41,633	\$40,243	\$39,060	\$37,895	\$36,823
Arizona Unemployment Rate	3.50%	3.50%	7.90%	4.50%	4.90%	4.90%	5.40%	6.00%	6.80%	7.70%

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

Principal Arizona Employers

Employer	Calendar Year Ended December 31, 2022			Calendar Year Ended December 31, 2017		
	Total Arizona Employment	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Banner Health	43,440	1	1.2%	34,776	2	1.1%
State of Arizona	41,564	2	1.2%	36,310	1	1.1%
Wal-Mart Stores, Inc.	36,931	3	1.0%	34,090	3	1.0%
Arizona State University	35,719	4	1.0%	12,715	7	0.4%
Amazon.com, Inc.	33,000	5	0.9%			
University of Arizona	22,089	6	0.6%			
Fry's Food Stores	20,000	7	0.6%			
Maricopa County	15,550	8	0.4%	12,939	6	0.4%
City of Phoenix	14,500	9	0.4%	13,776	5	0.4%
Wells Fargo	14,315	10	0.4%	14,818	4	0.5%
Total	277,108		7.7%	159,424		4.9%

Sources: Phoenix Business Journal, Book of Lists 2022

Arizona Commerce Authority website, <https://www.azcommerce.com/oeo/labor-market/unemployment/>.

Faculty and Staff

Fall employment of fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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FACULTY

Full-time	1,054	1,001	998	1,175	1,180	1,151	1,094	1,068	1,055	973
Part-time	554	541	481	607	625	593	569	553	589	616

Total Faculty	1,608	1,542	1,479	1,782	1,805	1,744	1,663	1,621	1,644	1,589
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Percentage Tenured	47%	49%	53%	46%	47%	47%	49%	49%	50%	53%
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STAFF

Full-time	1,987	1,911	1,936	2,009	2,034	1,987	1,952	1,883	1,892	1,842
Part-time*	1,029	943	684	775	772	751	737	753	756	715

Total Staff	3,016	2,854	2,620	2,784	2,806	2,738	2,689	2,636	2,648	2,557
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Total Faculty and Staff	4,624	4,396	4,099	4,566	4,611	4,482	4,352	4,257	4,292	4,146
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*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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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Academic/Support Facilities	98	97	97	97	96	87	88	87	85	84
Auxiliary Facilities	79	79	79	71	71	39	38	38	36	33

Total	177	176	176	168	167	126	126	125	121	117
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Does not include leased facilities.

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

Credits

Content

Brad Miner

Associate Vice President & University Comptroller

Anton Ciochetti

Associate Comptroller

Kristi Markey

Manager, Accounting

Brooks Degomez

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 Brad Miner – Associate Vice President for Financial Services & University Comptroller.

Northern Arizona University

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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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