

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007 AND 2006**

Bruce J. Nordstrom, CPA  
Godfrey C. Loper Jr., CPA  
Marjorie T. McClanahan, CPA  
Timothy D. Hansen, CPA



MEMBERS  
American Institute of  
Certified Public Accountants  
Arizona Society of Certified  
Public Accountants

## Independent Auditors' Report

The Board of Directors  
Northern Arizona University Foundation, Inc.

We have audited the accompanying statements of financial position of Northern Arizona University Foundation, Inc. as of June 30, 2007 and 2006 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Arizona University Foundation, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Nordstrom & Associates, P.C.*

Flagstaff, Arizona  
October 18, 2007

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

Statements of Financial Position

June 30, 2007 and 2006

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	\$ 3,346,324	\$ 2,725,702
Investments	58,762,401	49,535,758
Unconditional promises to give	11,847,286	3,013,384
Interest receivable	245,537	224,094
Other receivables	57,500	105,986
Furniture & Equipment, net of accumulated depreciation of \$12,822 and \$12,036 for the years ended June 30, 2007 and 2006, respectively.	87,665	1,244
Donated assets held for sale	718,674	427,839
Cash surrender value of life insurance	40,925	38,741
Beneficial interest in perpetual trusts	<u>3,720,941</u>	<u>3,267,071</u>
Total Assets	<u>\$ 78,827,253</u>	<u>\$ 59,339,819</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 188,066	\$ 41,746
Assets held in custody for others	6,015,467	5,440,520
Life annuity payable	201,418	203,298
Remainder trust liabilities	<u>1,067,378</u>	<u>419,599</u>
Total Liabilities	<u>7,472,329</u>	<u>6,105,163</u>
Net assets:		
Unrestricted	12,136,908	8,992,915
Temporarily restricted	25,025,064	15,668,375
Permanently restricted	34,192,952	28,573,366
Total Net Assets	<u>71,354,924</u>	<u>53,234,656</u>
Total Liabilities and Net Assets	<u>\$ 78,827,253</u>	<u>\$ 59,339,819</u>

See accompanying notes to financial statements

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

Statement of Activities

Year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Other Revenue</b>				
Public contributions	\$ 138,765	11,231,431	4,627,130	15,997,326
Revenue	361,103	-	-	361,103
Investment earnings	1,651,007	1,221,567	162,514	3,035,088
Unrealized gains on investments	2,179,960	1,612,935	214,580	4,007,475
Gain on sale of assets	-	-	4,195	4,195
Other income	718,930	-	-	718,930
Change in value of perpetual trusts	-	-	396,774	396,774
Change in value of split-interest agreements	-	28,006	64,217	92,223
Donor restrictions changed		(150,176)	150,176	-
Net assets released from restrictions	4,587,074	(4,587,074)		-
<b>Total Support and Other Revenue</b>	<u>9,636,839</u>	<u>9,356,689</u>	<u>5,619,586</u>	<u>24,613,114</u>
<b>Expenses and Losses:</b>				
Program expenses:				
Scholarships	1,343,045	-	-	1,343,045
Facilities	390,092	-	-	390,092
Grants and research	382,919	-	-	382,919
Disbursements for Educational Purposes	1,401,604	-	-	1,401,604
Other University Programs	815,664	-	-	815,664
<b>Total program expenses</b>	<u>4,333,324</u>	<u>-</u>	<u>-</u>	<u>4,333,324</u>
Supporting services:				
Fundraising	1,856,483	-	-	1,856,483
Management and General	303,039	-	-	303,039
<b>Total supporting services</b>	<u>2,159,522</u>	<u>-</u>	<u>-</u>	<u>2,159,522</u>
<b>Total Expenses</b>	<u>6,492,846</u>	<u>-</u>	<u>-</u>	<u>6,492,846</u>
<b>Increase in net assets</b>	3,143,993	9,356,689	5,619,586	18,120,268
<b>Net assets, beginning of year</b>	<u>8,992,915</u>	<u>15,668,375</u>	<u>28,573,366</u>	<u>53,234,656</u>
<b>Net assets, end of year</b>	\$ <u>12,136,908</u>	<u>25,025,064</u>	<u>34,192,952</u>	<u>71,354,924</u>

See accompanying notes to financial statements

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

Statement of Activities

Year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Other Revenue</b>				
Public contributions	\$ 133,892	4,379,267	2,065,073	6,578,232
Revenue	349,192	-	-	349,192
Investment earnings	679,309	1,255,950	20,752	1,956,011
Unrealized gains on investments	324,810	558,870	9,922	893,602
Other income	1,312,884	-	-	1,312,884
Change in value of perpetual trusts	-	-	124,534	124,534
Change in value of split-interest agreements	-	12,035	-	12,035
Donor restrictions changed		(11,050)	11,050	-
Net assets released from restrictions	5,059,286	(5,059,286)	-	-
	<u>7,859,373</u>	<u>1,135,786</u>	<u>2,231,331</u>	<u>11,226,490</u>
<b>Total Support and Other Revenue</b>				
	7,859,373	1,135,786	2,231,331	11,226,490
<b>Expenses and Losses:</b>				
<b>Program expenses:</b>				
Scholarships	955,470	-	-	955,470
Facilities	795,669	-	-	795,669
Grants and research	492,723	-	-	492,723
Disbursements for Educational Purposes	1,024,916	-	-	1,024,916
Other University Programs	1,116,959	-	-	1,116,959
Total program expenses	<u>4,385,737</u>	<u>-</u>	<u>-</u>	<u>4,385,737</u>
<b>Supporting services:</b>				
Fundraising	1,311,063	-	-	1,311,063
Management and General	269,785	-	-	269,785
Total supporting services	<u>1,580,848</u>	<u>-</u>	<u>-</u>	<u>1,580,848</u>
<b>Total Expenses</b>	<u>5,966,585</u>	<u>-</u>	<u>-</u>	<u>5,966,585</u>
<b>Increase in net assets</b>	<u>1,892,788</u>	<u>1,135,786</u>	<u>2,231,331</u>	<u>5,259,905</u>
<b>Net assets, beginning of year, as originally reported</b>	7,081,177	14,532,589	24,552,033	46,165,799
Restatement of net assets (Note 3)	18,950	-	1,790,002	1,808,952
<b>Net assets, beginning of year, as restated</b>	<u>7,100,127</u>	<u>14,532,589</u>	<u>26,342,035</u>	<u>47,974,751</u>
<b>Net assets, end of year</b>	\$ <u>8,992,915</u>	<u>15,668,375</u>	<u>28,573,366</u>	<u>53,234,656</u>

See accompanying notes to financial statements

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

Statements of Cash Flows

Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flow from operating activities:		
Increase in net assets	\$ 18,120,268	\$ 5,259,905
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(4,365,258)	(1,038,275)
Realized gains on investments	(1,452,181)	(563,030)
Donated securities	(331,437)	(77,897)
Donated assets held for sale	(290,835)	-
Change in value of perpetual trusts	(453,870)	(113,433)
Change in value of split-interest agreements	(92,223)	(12,035)
Gain on sale of assets	-	-
Depreciation	785	785
Contributions and net investment income restricted for long-term investment	(4,789,644)	(1,840,747)
Contributions restricted for capital acquisition and construction	(402,452)	(968,397)
Increase (decrease) in cash resulting from changes in:		
Unconditional promises to give	(8,833,902)	(675,275)
Interest receivable	(21,443)	29,978
Other receivable	48,486	(77,280)
Cash surrender value of life insurance	(2,184)	(2,897)
Accrued liabilities	146,320	16,804
Assets held in custody for others	574,947	120,218
Net cash (used in) provided by operating activities	<u>(2,144,623)</u>	<u>58,424</u>
Cash flows from investing activities:		
Purchases of software	(87,206)	-
Proceeds from sales of investments	15,773	-
Purchases of investments	<u>(3,093,540)</u>	<u>(1,570,804)</u>
Net cash used in investing activities	<u>(3,164,973)</u>	<u>(1,570,804)</u>
Cash flows from financing activities:		
Change in life annuities and remainder trusts	738,122	25,529
Proceeds from contributions and investment income restricted for long-term investment	4,789,644	1,840,747
Proceeds from contributions restricted for capital acquisition and construction	402,452	968,397
Net cash provided by financing activities	<u>5,930,218</u>	<u>2,834,673</u>
Increase in cash and cash equivalents	<u>620,622</u>	<u>1,322,293</u>
Cash and cash equivalents, beginning of year	<u>2,725,702</u>	<u>1,403,409</u>
Cash and cash equivalents, end of year	<u>\$ 3,346,324</u>	<u>\$ 2,725,702</u>

Supplemental Schedule of Non-Cash Investing and Financing Activities:

Donated securities	\$ <u>331,437</u>	\$ <u>77,897</u>
Donated assets held for sale	\$ <u>290,835</u>	\$ <u>-</u>

See accompanying notes to financial statements

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

**(1) Organization**

The Northern Arizona University Foundation, Inc. (the Foundation) was incorporated as a not-for-profit organization in the state of Arizona in January 1959 and operates exclusively for the benefit of Northern Arizona University (the University). The Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University for the advancement of its mission.

**(2) Summary of Significant Accounting Principles**

**(a) Basis of Presentation**

The Foundation maintains its accounts on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions of net assets, i.e. the donor-stipulated purpose has been filled and/or the stipulated time period has lapsed, are reported as reclassifications between the applicable net asset classes.

**(b) Use of Estimates**

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

**(c) Cash and Cash Equivalents**

Highly liquid investments with an original maturity of three months or less are classified as cash equivalents and are stated at fair value. Cash balances totaling \$1,024,991 at June 30, 2007 and \$1,519,992 at June 30, 2006 contain donor imposed restrictions limiting the use of the cash to specific purposes.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

**(d) Investments**

Investments, consisting primarily of equity securities, US government securities, and corporate bonds, with readily determinable market values are measured at fair value as of year-end in the financial statements. Donated investments are recorded at their fair values, as determined on the date of donation. Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses on investments are recognized in the statements of activities.

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

**(e) Contributions**

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

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

**(f) Furniture and Equipment**

Furniture and equipment are stated at cost or fair value at the date of donation and are depreciated using the straight-line method over the assets useful lives, which range from 5-10 years. Depreciation expense totaled \$785 for each the years ended June 30, 2007 and 2006. Included in the furniture and equipment balance at June 30, 2007 is \$87,206 of capitalized software costs.

**(g) Donated Assets Held for Sale**

Certain assets are received from donors and are held for resale. Such assets are recorded at their approximate fair market values at the date of donation.

**(h) Split-Interest Agreements**

The Foundation's split-interest agreements with donors consist of charitable gift annuities and irrevocable charitable remainder trusts for which the Foundation serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. Such contributions totaled \$920,701 in fiscal year 2007 and \$25,788 in 2006.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

**(h) Split-Interest Agreements, Continued**

The present value of payments to beneficiaries of charitable gift annuities and charitable remainder trusts are calculated based on the beneficiaries' life expectancy and using discount rates which represent the risk-free rates in existence at the date of the gift (rates range from 5.4% to 11%). Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increase or decreases in the respective net asset class in the statement of activities.

Assets relating to split-interest agreements are reported at fair market value, which totaled \$2,512,565 and \$1,137,576 at June 30, 2007 and 2006, respectively, and are included in the investments balance on the statements of financial position.

**(i) Beneficial Interest in Perpetual Trusts**

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

**(j) Income Taxes**

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

**(3) Restatement of Net Assets**

During fiscal year 2007, management of the Foundation determined that there was a beneficial interest in a perpetual trust that had not been recorded as an asset of the Foundation. The correction of this error resulted in a restatement of \$1,790,002 of the permanently restricted net assets as of July 1, 2005, which is reflected in the 2006 statement of activities. In addition, the Foundation determined that the recording of revenue received from the EBS licenses lease agreements was being recorded on a cash basis rather than an accrual basis. The Foundation has restated unrestricted net assets as of July 1, 2005 on the 2006 financial statements by \$18,950 to correct this error. The following fiscal year 2006 financial statement line items were affected by these corrections:

	As Previously Reported	Restated
<i>Statement of Financial Position as of June 30, 2006:</i>		
Other receivables	\$ 8,356	\$ 105,986
Beneficial interest in perpetual trusts	1,359,601	3,267,071
Unrestricted net assets	8,895,285	8,992,915
Permanently restricted net assets	26,665,896	28,573,366

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2007 and 2006

**(3) Restatement of Net Assets, Continued**

	As Previously Reported	Restated
<i>Statement of Activities for the year ended June 30, 2006:</i>		
Public contributions, temporarily restricted	\$ 4,466,396	\$ 4,379,267
Investment earnings, temporarily restricted	1,168,821	1,255,950
Other income	1,234,204	1,312,884
Change in value of perpetual trusts	7,066	124,534
Increase in net assets, unrestricted	1,814,108	1,892,788
Increase in net assets, permanently restricted	2,113,863	2,231,331
Increase in net assets, total	5,063,757	5,259,905

**(4) Investments**

The cost and market value of the Foundation's investments at June 30, 2007 and 2006 are as follows:

<u>June 30, 2007</u>	Market Value	Cost
U.S. Government/agency bonds	\$ 15,104,212	\$ 15,845,051
Corporate bonds	5,205,510	5,295,710
Common stock	31,268,917	23,896,125
International equity funds	6,839,698	5,516,176
Real estate investment trust	344,064	350,177
	\$ 58,762,401	50,903,239
<u>June 30, 2006</u>	Market Value	Cost
U.S. Government/agency bonds	\$ 12,732,014	\$ 13,498,364
Corporate bonds	5,522,686	5,652,450
Common stock	25,418,048	21,689,970
Certificate of deposit	105,950	100,000
International equity funds	5,338,254	4,327,964
Real estate investment trust	418,806	368,935
	\$ 49,535,758	\$ 45,637,683

Investments include funds held for the custody of others of \$5,166,184 and \$4,672,151 at June 30, 2007 and 2006, respectively.

The realized and unrealized gains on investments were \$1,452,181 and \$4,007,475 for the year ended June 30, 2007. The realized and unrealized gains on investments were \$563,030 and \$893,602 for the year ended June 30, 2006. Investment expenses of \$109,946 and \$129,154 for the years ended June 30, 2007 and 2006, respectively, have been netted against investment earnings in the statement of activities.

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2007 and 2006

**(5) Endowment Payout**

The Foundation's policy governing the amount of investment earnings allocated to endowment funds is designed to protect the real value of endowment principal for future generations and offset the inflationary erosion of the principal. The objective of the earnings allocation policy is to provide the University endowed scholarships and programs with spendable income that is reasonably stable and predictable from year to year. The allocation rate, set annually by the Board of Directors, is based on a three-year rolling average. For both of the years ended June 30, 2007 and 2006, the Board approved a 4.0% allocation of investment earnings.

**(6) Unconditional Promises to Give**

Promises to give, net of discount to present value (at rates ranging from 1.0% to 6.2%) and allowance for doubtful accounts, are due to be collected as follows:

	2007	2006
Gross amounts due in:		
Less than one year	\$ 5,095,316	\$ 1,785,474
One to five years	6,024,059	1,422,433
More than five years	3,003,200	-
	14,122,575	3,207,907
Less discount to present value	(2,173,605)	(90,494)
	11,948,970	3,117,413
Less allowance for doubtful accounts	(101,684)	(104,029)
Total	\$ 11,847,286	\$ 3,013,384

**(7) Conditional Promises to Give**

As of June 30, 2007 and 2006, the Foundation has a restricted grant totaling \$200,000 and \$400,000, respectively, which contained donor conditions (primarily matching fund requirements). Since the grant represents a conditional promise to give, it will not be recorded as contribution revenue until the donor conditions are met. During fiscal year 2007, some of the conditions on the grant were met and the Foundation received \$200,000 of the grant.

**(8) Assets Held in Custody for Others**

The Foundation maintains certain asset balances on behalf of others, which consists of the following at June 30, 2007 and 2006:

	2007	2006
Cash	\$ 229,653	\$ 195,399
Unconditional promises to give	1,120	290
Investments	5,166,184	4,672,151
Beneficial interest in perpetual trusts	629,777	572,680
	6,026,734	5,440,520
Less: accrued expenses	(11,267)	-
	\$ 6,015,467	\$ 5,440,520

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

**(8) Assets Held in Custody for Others, Continued**

	<u>2007</u>	<u>2006</u>
Assets held on behalf of:		
Northern Arizona University	\$ 5,681,969	\$ 5,136,062
Parents' Association	202,534	192,908
Alumni Association	130,964	111,550
	<u>\$ 6,015,467</u>	<u>\$ 5,440,520</u>

**(9) Leases**

Office Space

The Foundation has entered into a lease with the Arizona Board of Regents for and on behalf of the University for office space, utilities, office furniture and equipment, custodial service and other such facilities for \$20.00 per square foot per year. The Foundation is currently using 378 square feet and pays this lease annually. The lease is renewable annually and cancelable with 30 days notice by either party without penalties or other contingent rental payments. Lease expense was \$7,560 for each of the years ended June 30, 2007 and 2006.

Educational Broadcast System Licenses

The Foundation has been granted several educational broadcast system licenses from the Federal Communications Commission (FCC). The Foundation then leases the licenses to various companies. The licenses are granted for ten-year terms, which are due to expire through May 2015. The terms of the related lease agreements correspond with the terms of the licenses. Most leases have automatic renewal clauses, which provide for total lease terms of 30 years.

The FCC has certain educational programming requirements. As part of the lease agreements, the lessees' are responsible for ensuring that the educational requirements are met. After the educational requirements are met, there is excess frequency capacity that can be used. The Foundation receives monthly lease payments for the use of the excess capacity. For two of the leases, the monthly lease payments are 0.5% of the system gross receipts once the spectrum is being used. Prior to the spectrum being used, these leases specify a minimum monthly lease payment, which is adjusted by 2% at each anniversary date of the agreement. The remaining leases require a monthly lease payment which may be adjusted on a periodic basis as defined in the agreements. In addition to the monthly payment terms, several leases required the lessee to pay an initial fee. For the year ended June 30, 2007 and 2006, these initial fees totaled \$45,000 and \$820,000, respectively, and were included in other income on the statements of activities. Total revenue received from these agreements was \$718,674 and \$1,311,865 for the years ended June 30, 2007 and 2006, respectively.

Subsequent to June 30, 2007, the Foundation entered into another lease agreement for one of its EBS licenses. Similar to the other leases, the term of the lease corresponds with the expiration date of the related license and has automatic renewals for a total lease term of 30 years. For this lease agreement, the Foundation will be responsible for satisfying the educational requirements pursuant to the FCC rules.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2007 and 2006

**(9) Leases, Continued**

The future minimum lease payments to be received under these agreements, including the agreement signed subsequent to June 30<sup>th</sup>, are as follows:

Fiscal years ended June 30:	
2008	\$ 743,541
2009	760,951
2010	746,757
2011	758,322
2012	772,929
Thereafter	<u>329,808</u>
	\$ <u>4,112,308</u>

**(10) Restricted Net Assets**

Temporarily restricted net assets are primarily available for scholarships and discretionary spending. Discretionary spending net assets are gifts that were designated by the donor to be spent by a specific area or school for general needs. Additionally, for the years ended June 30, 2007 and 2006, approximately \$1,534,595 and \$1,457,505, respectively, of the temporarily restricted net asset balance is restricted for the various building projects that are occurring on the NAU campus.

Permanently restricted net assets are restricted to investment in perpetuity, with the investment income restricted primarily for scholarship awards, faculty support, and other programmatic uses.

**(11) Retirement Plan**

The Foundation employees participate in the retirement plans sponsored by the University. Two of the Foundation employees participate in the Arizona State Retirement System and contributed 8.619% and 7.00% of their salary to the plan for the years ended June 30, 2007 and 2006, respectively. The other Foundation employees participate in a defined contribution plan and contribute 7% of their salary. Participation in a retirement plan is required of all employees who are scheduled to work 20 hours or more per week. The Foundation matches the employees' contributions to the plans. For the years ended June 30, 2007 and 2006, the Foundation's contribution expense was \$8,419 and \$10,140 respectively.

**(13) Concentrations of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of \$100,000.

A concentration of credit risk also exists with the unconditional promises to give at June 30, 2007, as approximately 85% of the gross receivable is due from one donor.

**NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

**(14) Related Party Transactions**

The Foundation rents office space and equipment from the University. See additional discussion of agreement in note 9.

The Foundation utilizes a publishing company owned by a board member to produce the Pine magazine. The total amount paid to this company during the years ended June 30, 2007 and 2006 was \$378,061 and \$256,603, respectively. In addition, the Foundation had amounts payable to this company of \$34,984 at June 30, 2006. There were no amounts payable to this company at June 30, 2007.

**(15) Subsequent Event**

Subsequent to year-end, the Foundation entered into a contractual agreement whereby the Foundation will be provided funding up to \$15,000,000 to purchase Educational Broadcast System licenses from other educational institutions (see discussion of these licenses in footnote 9).