



STATE OF ARIZONA
CORPORATION COMMISSION
CORPORATION ANNUAL REPORT
& CERTIFICATE OF DISCLOSURE



DUE ON OR BEFORE 10/27/1997

FILING FEE \$10.00

The following information is required by A.R.S. §10-1622 & §10-2501 for all corporations organized pursuant to Arizona Revised Statutes, Title 10. The Commission's authority to prescribe this form is A.R.S. §10-121.A. & §10-2545.A. YOUR REPORT MUST BE SUBMITTED ON THIS ORIGINAL FORM. Make changes or corrections where necessary.
REFER TO THE INSTRUCTIONS ON PAGE 4.

RECEIVED

OCT 08 1997

ARIZONA CORP. COMMISSION
CORPORATIONS DIVISION

1. THE NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NAU OLD MAIN BLDG #307
PO BOX 4094
FLAGSTAFF, AZ 86011

Business Phone: (520) 523-3984
State of Domicile: ARIZONA

Corporation File Number:
(Business phone is optional.)
Type of Corporation: NON-PROFIT

-0052672-1

2. Arizona Statutory Agent: A DEAN PICKETT
Street Address: 222 E BIRCH
(NOT P.O. BOX)
City, State, Zip: FLAGSTAFF AZ 86002-

ACC USE ONLY

Fee \$
Penalty \$
Reinstate \$
Expedite \$
Total \$ 10
FY97-98

If appointing a new statutory agent, the new agent MUST consent to that appointment by signing below.

I, (individual) or We, (corporation or limited liability company) having been designated the new Statutory Agent, do hereby consent to this appointment until my removal or resignation pursuant to law.

Signature

3. Secondary Address:
(Foreign Corporations are
REQUIRED to complete
this section.)

4. Check the one category below which best describes the CHARACTER OF BUSINESS of your corporation.

BUSINESS CORPORATIONS

- | | |
|---|--|
| <input type="checkbox"/> 1. Accounting | <input type="checkbox"/> 20. Manufacturing |
| <input type="checkbox"/> 2. Advertising | <input type="checkbox"/> 21. Mining |
| <input type="checkbox"/> 3. Aerospace | <input type="checkbox"/> 22. News Media |
| <input type="checkbox"/> 4. Agriculture | <input type="checkbox"/> 23. Pharmaceutical |
| <input type="checkbox"/> 5. Architecture | <input type="checkbox"/> 24. Publishing/Printing |
| <input type="checkbox"/> 6. Banking/Finance | <input type="checkbox"/> 25. Ranching/Livestock |
| <input type="checkbox"/> 7. Barbers/Cosmetology | <input type="checkbox"/> 26. Real Estate |
| <input type="checkbox"/> 8. Construction | <input type="checkbox"/> 27. Restaurant/Bar |
| <input type="checkbox"/> 9. Contractor | <input type="checkbox"/> 28. Retail Sales |
| <input type="checkbox"/> 10. Credit/Collection | <input type="checkbox"/> 29. Science/Research |
| <input type="checkbox"/> 11. Education | <input type="checkbox"/> 30. Sports/Sporting Events |
| <input type="checkbox"/> 12. Engineering | <input type="checkbox"/> 31. Technology(Computers) |
| <input type="checkbox"/> 13. Entertainment | <input type="checkbox"/> 32. Technology(General) |
| <input type="checkbox"/> 14. General Consulting | <input type="checkbox"/> 33. Television/Radio |
| <input type="checkbox"/> 15. Health Care | <input type="checkbox"/> 34. Tourism/Convention Services |
| <input type="checkbox"/> 16. Hotel/Motel | <input type="checkbox"/> 35. Transportation |
| <input type="checkbox"/> 17. Import/Export | <input type="checkbox"/> 36. Utilities |
| <input type="checkbox"/> 18. Insurance | <input type="checkbox"/> 37. Veterinary Medicine/Animal Care |
| <input type="checkbox"/> 19. Legal Services | <input type="checkbox"/> 38. Other |

NON-PROFIT CORPORATIONS

- | |
|--|
| <input type="checkbox"/> 1. Charitable |
| <input type="checkbox"/> 2. Benevolent |
| <input checked="" type="checkbox"/> 3. Educational |
| <input type="checkbox"/> 4. Civic |
| <input type="checkbox"/> 5. Political |
| <input type="checkbox"/> 6. Religious |
| <input type="checkbox"/> 7. Social |
| <input type="checkbox"/> 8. Literary |
| <input type="checkbox"/> 9. Cultural |
| <input type="checkbox"/> 10. Athletic |
| <input type="checkbox"/> 11. Science/Research |
| <input type="checkbox"/> 12. Hospital/Health Care |
| <input type="checkbox"/> 13. Agricultural |
| <input type="checkbox"/> 14. Animal Husbandry |
| <input type="checkbox"/> 15. Homeowner's Association |
| <input type="checkbox"/> 16. Professional, commercial
industrial or trade association |
| <input type="checkbox"/> 17. Other |

5. **CAPITALIZATION:** (Business Corporations and Business Trusts are **REQUIRED** to complete this section.)
Business trusts must indicate the number of transferable certificates held by trustees evidencing their beneficial interest in the trust estate.

Number of Shares/Certificates Authorized Class Series Within Class (if any)

none

Number of Shares/Certificates Issued Class Series Within Class (if any)

none

6. **SHAREHOLDERS:** (Business Corporations and Business Trusts are **REQUIRED** to complete this section.)
List shareholders holding more than 20% of any class of shares issued by the corporation, or having more than a 20% beneficial interest in the corporation.

Name: _____ Name: _____

NONE ☒

Name: _____ Name: _____

7. **OFFICERS** (Attach additional sheets if necessary.)

Name: Marion Elliott Name: Theresa Dres

Title: President of the Board Title: Treasurer-

Address: PO Box 4094 Address: PO Box 4094
Flagstaff, AZ 86011 Flagstaff, AZ 86011

Date taking office: Sept 27, 1997 Date taking office: Sept 27, 1997

Name: E. James Topp Name: A. Bruce Crozier

Title: First Vice President-Board Title: Secretary

Address: PO Box 4094 Address: PO Box 4094
Flagstaff, AZ 86011 Flagstaff, AZ 86011

Date taking office: Sept 27, 1997 Date taking office: Sept 27, 1997

8. **DIRECTORS** Must List a Minimum of 3 Directors.

Name: Larry Schnebly Name: Michael Riordan

Address: PO Box 4094 Address: PO Box 4094
Flagstaff, AZ 86011 Flagstaff, AZ 86011

Date taking office: Sept 1995 Date taking office: Sept 1995

Name: Beverly Miller Name: Maury Herman

Address: PO Box 4094 Address: PO Box 4094
Flagstaff, AZ 86011 Flagstaff, AZ 86011

Date taking office: Sept 1995 Date taking office: Sept 1995

Northern Arizona University Foundation

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Section 8. DIRECTORS (continued)

Name: Robert Kohnen
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept. 1995

Name: Theresa Drew
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept. 1995

Name: Felicia Morales
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept. 1997

Name: Arthur Carlson
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

Name: Patrick Nackard
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

Name: Peter Stilley
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

Name: Gerald Nabours
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

Name: Tony Gabaldon
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

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Section 8. DIRECTORS (continued)

Name: James Bolin
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

Name: William Shover
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1996

Name: Marion Elliott
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1997

Name: George McCullough
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1997

Name: Guy Rouse
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1997

Name: E. James Topp
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1997

Name: Joseph Worischek
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1997

Name: A. Bruce Crozier
Address: PO Box 4094
Flagstaff, AZ 86011
Date Taking Office: Sept 1997

Northern Arizona University Foundation

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Section 8. DIRECTORS (continued)

Name: Russ Jones

Address: PO Box 4094
Flagstaff, AZ 86011

Date Taking Office: Sept 1997

Name: Joe Johnson

Address: PO Box 4094
Flagstaff, AZ 86011

Date Taking Office: Sept 1997



**Guest,
Schutte
& Cospers**

Certified Public Accountants
L.L.P.

INDEPENDENT AUDITORS' REPORT

Governing Board
Northern Arizona University Foundation, Inc.
Flagstaff, AZ 86011

We have audited the accompanying statements of financial position of the Northern Arizona University Foundation, Inc. (a non-profit corporation) as of June 30, 1997 and 1996 and the related statements of activities and changes in net assets, 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Northern Arizona University Foundation, Inc. as of June 30, 1997 and 1996, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1996 the Foundation changed its method of accounting for contributions and life annuity gifts and its method of financial reporting and financial statement presentation.

Guest, Schutte & Cospers

Guest, Schutte & Cospers

July 25, 1997

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1997 AND 1996

EXHIBIT A
ASSETS

	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,936,424	\$ 495,160
Interest receivable	0	3,198
Other receivable	2,400	0
Notes receivable-current portion	5,992	5,093
Unconditional promises to give	644,038	204,699
Investments, at market	23,158,105	20,060,133
Total Current Assets	<u>26,746,959</u>	<u>20,768,283</u>
PROPERTY & EQUIPMENT	<u>580,661</u>	<u>603,950</u>
OTHER ASSETS		
Other receivable-long term	26,556	0
Notes receivable-long term	206,336	212,390
Cash surrender value of life insurance	6,357	0
Unconditional promises to give	49,517	126,373
Total Other Assets	<u>288,766</u>	<u>338,763</u>
Total Assets	<u>\$ 27,616,386</u>	<u>\$ 21,710,996</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Cash overdraft	\$ 6,629	\$ 0
Accrued liabilities	7,500	7,500
Life annuity payable	10,204	14,422
Total Current Liabilities	<u>24,333</u>	<u>21,922</u>
LONG TERM LIABILITIES		
Life annuity payable	190,987	206,478
Total Long Term Liabilities	<u>190,987</u>	<u>206,478</u>
Total Liabilities	<u>215,320</u>	<u>228,400</u>
NET ASSETS		
Unrestricted	2,391,066	1,840,479
Temporarily restricted	7,656,662	6,244,436
Permanently restricted	17,353,338	13,397,681
Total Net Assets	<u>27,401,066</u>	<u>21,482,596</u>
Total Liabilities and Net Assets	<u>\$ 27,616,386</u>	<u>\$ 21,710,996</u>

The Accompanying Notes Are An Integral Part Of This Statement.

Guest, Schutte & Cosper
Certified Public Accountants L.L.P.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1987 AND 1986
EXHIBIT B

	1987			1986		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
			Total			Total
Support and Revenue						
Public contributions						
Revenues	\$ 403,537	\$ 1,236,232	\$ 2,428,118	\$ 4,067,887	\$ 1,102,262	\$ 503,752
Investment earnings	269	1,479,183	6,893	1,486,345	525,580	19,379
Custodial income	440,768	1,197,979	0	1,638,747	638,973	2,627
Other income	0	369,533	0	369,533	2,445,680	0
Donor restrictions changed	0	156,578	0	156,578	85,400	0
Donor imposed transfers	0	0	0	0	500	0
Net assets released from restrictions	(11,400)	(189,019)	200,419	0	(127,910)	127,910
	3,453,879	(3,453,879)	0	0	(2,371,255)	0
Total Support and Revenue	4,287,053	796,607	2,635,430	7,719,090	2,299,230	653,668
Expenses						
Program services	3,444,267	0	0	3,444,267	0	0
Supporting services	201,949	0	0	201,949	0	0
Other expenses	192,307	0	0	192,307	0	0
Total Expenses	3,838,523	0	0	3,838,523	0	0
Change in Net Assets before other items	448,530	796,607	2,635,430	3,880,567	2,299,230	653,668
Loss on Sale of Donated Assets	(44,373)	0	0	(44,373)	0	0
Extraordinary Gain	0	112,072	0	112,072	0	0
Court ordered restitution	0	0	0	0	0	0
Change in Net Assets before Unrealized Gain and Loss	404,157	908,679	2,635,430	3,948,266	2,299,230	653,668
Unrealized Gain on Investments	146,430	586,663	1,320,227	2,053,320	148,916	1,244,877
Unrealized Loss on Other Receivable	0	(83,116)	0	(83,116)	0	0
Change in Net Assets	550,587	1,412,226	3,955,657	5,918,470	2,448,146	1,898,545
Net Assets, Beginning of Year	1,840,479	6,244,436	13,397,681	21,482,596	3,796,280	11,499,136
Net Assets, End of Year	\$ 2,391,066	\$ 7,656,662	\$ 17,353,338	\$ 27,401,066	\$ 6,244,436	\$ 13,397,681
						\$ 21,482,596

The Accompanying Notes Are An Integral Part Of This Statement.

Guest, Schutte & Cosper
Certified Public Accountants L.L.P.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

EXHIBIT C

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,918,470	\$ 4,851,020
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated property	(308,580)	(368,658)
Transfer of donated property	12,882	2,716
Reinvested investment earnings	(816,401)	(626,955)
Unrealized (gains) on investments	(2,053,320)	(1,518,776)
Capital (gains)	(697,214)	(285,140)
Donated securities	(666,179)	(54,711)
Loss on sale of donated assets	44,373	52,814
Depreciation expense	414	984
(Increase) Decrease:		
Interest receivable	3,198	(3,198)
Other receivable	(28,956)	0
Unconditional promises to give	(362,483)	244,598
Cash surrender value of life insurance	(6,357)	0
Increase (Decrease):		
Accrued liabilities	6,629	(1,810)
Life annuity payable	(19,709)	(14,974)
U.S. Treasury bond	0	(14,563)
Net cash provided by operating activities	1,028,767	2,263,347
Cash flows from investing activities:		
Purchase of property	0	(308,527)
Proceeds from sale of property	272,200	57,200
Investments, net	1,135,142	(2,232,715)
Principal payments on notes receivable	5,155	111,238
Net cash provided by (used in) investing activities	1,412,497	(2,372,804)
Net increase (decrease) in cash and cash equivalents	2,441,264	(109,457)
Cash and cash equivalents at beginning of year	495,160	604,617
Cash and cash equivalents at end of year	\$ <u>2,936,424</u>	\$ <u>495,160</u>

The Accompanying Notes Are An Integral Part Of This Statement.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northern Arizona University Foundation, Inc. (Foundation) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of the Organization

Northern Arizona University Foundation, Inc. is the official not-for-profit fund raising corporation for Northern Arizona University and several other units of the University system. It receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University for advancement of scientific, literary, athletic and educational purposes.

Financial Statement Presentation

In 1996, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As required by this new Statement, the Foundation has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Contributions and Life Annuity Gifts

The Foundation also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. In addition, SFAS No. 116 requires the recording of life annuity contracts as gifts.

Investments

The Foundation records investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Donated Services

The Foundation records material amounts of donated services in accordance with the requirements of SFAS No. 116. The Foundation values donated services at their fair market values at the date of donation. As of June 30, 1997 and 1996 the Foundation had no material donated services.

See Independent Auditors' Report.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Property and Equipment

The Foundation capitalizes any assets purchased or donated greater than \$750.

Property Held for Sale

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

Split-Interest Agreements

The Foundation receives contributions in the form of split interests of which a portion is paid as a life annuity to the donor. The assets received are recorded at the fair market value on the date of receipt. The liabilities are recorded at the present value of expected future payments made to the beneficiaries on the date of initial recognition. Actuarial assumptions are based on the expected lives of the donors at the time of the donation. Assets relating to split interest agreements amounted to \$336,250 and \$366,194 for 1997 and 1996, respectively.

Use of Estimates

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

Other Matters

Investments are stated at aggregate fair market value at the date of the Statement of Financial Position. Unless specific prohibitive clauses are contained in the gift instruments, funds for investments have been combined into one of four investment pools. Investment pool income and gains and losses on the sale of investments are allocated to the various net assets based on a twelve month average of each fund's balance related to the total average fund balances. Gains or losses on the sale of investments are determined based on the average cost of investments.

The costs of operating the Foundation have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets.

See Independent Auditors' Report.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 2 - TAX STATUS

The Foundation is a public foundation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 43-1201 of the Arizona Revised Statutes. Therefore, the accompanying financial statements contain no provision for income taxes.

NOTE 3 - RELATED PARTY TRANSACTIONS

Northern Arizona University has provided the Foundation certain supporting services without charge. The Foundation's Manager is the Associate Director of the University Development office. The Executive Director of the University Development office is also the Executive Director of the Foundation. There are also certain other support services such as use of computer resources.

The Foundation is not charged for these services. The value of this contributed time is not reflected in the accompanying financial statements since the donated time does not meet the criteria for recognition under SFAS No. 116.

NOTE 4 - CASH AND CASH EQUIVALENTS

The following were included in cash and cash equivalents as of June 30,

	<u>1997</u>	<u>1996</u>
Cash	\$ 75	\$ 66,115
Market interest accounts	267,309	65,085
Cash reserve account	2,669,040	247,434
Certificate of deposit	<u>0</u>	<u>116,526</u>
	<u>\$ 2,936,424</u>	<u>\$ 495,160</u>

NOTE 5 - CASH FLOW INFORMATION

The Foundation considers all short-term investments, held outside of the trusts, with an original maturity of three months or less and the certificate of deposit to be cash equivalents. Reinvested investment earnings reported on the Statement of Cash Flows are net of trust fees and represent reinvested interest and dividends within the trusts. Donated securities are received directly into the trusts at market value as of the date executed.

In 1996, the Foundation had noncash financing transactions relating to a note receivable from the sale of donated real property in the amount of \$155,000. There were no noncash transactions in 1997.

NOTE 6 - FINANCIAL INSTRUMENTS

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains cash balances in excess of FDIC insurance limits at several financial institutions located in Arizona.

See Independent Auditors' Report.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 6 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term investments, current notes receivable, current life annuity payables and promises to give due in less than one year : The carrying amounts reported in the Statements of Financial Position approximate fair values because of the short maturities of those instruments.

Promises to give due in more than one year : The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a three year average internal rate of return of approximately 15% and 11% in 1997 and 1996, respectively.

Long-term other receivable: The fair value of the other receivable is estimated based on the discounted value of the future cash flows expected to be received based on the life expectancy of the debtor and a rate that is commiserate with the risks involved.

Long-term notes receivable : The fair values of long-term notes receivable are recorded at their carrying values at the date of presentation.

Long-term debt : The fair value of long term life annuity payables are recorded at the present value of expected future payments to be made to the beneficiaries at the date of initial recognition.

NOTE 7 - OTHER RECEIVABLE

Other receivable is comprised of an amount due from an individual who was ordered by the Coconino County Superior Court to pay restitution to the NAU Men's Soccer Club Fund held in the Foundation. (Cause Number CR96-1075. See Note 15.) The amount of the receivable at June 30, 1997 is \$112,072. The estimated fair value of this receivable is \$28,956 based on the discounted value of the future cash flows expected to be received based on the life expectancy of the debtor and a 8% rate which is commiserate with the risks involved.

NOTE 8 - NOTES RECEIVABLE

	<u>1997</u>	<u>1996</u>
Note receivable, secured by a Mortgage for real property located in Phoenix, Arizona, monthly installments of \$1,130 beginning July 1, 1996, rate of interest 8% per annum. Balloon payment of \$152,097 on July 1, 1999.	\$ 154,479	\$ 155,000
15-year note receivable, secured by Deed of Trust, monthly installments of \$860, rate of interest 10% per annum.	<u>57,849</u>	<u>62,483</u>
Total	212,328	217,483
Current portion	<u>5,992</u>	<u>5,093</u>
Noncurrent portion	<u>\$ 206,336</u>	<u>\$ 212,390</u>

See Independent Auditors' Report.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 9 - INVESTMENTS

Under the terms of the trust agreements between the asset managers and the Northern Arizona University Foundation, Inc., the managers manage the investment assets of the Foundation. The managers have discretionary authority concerning purchases and sales of investments in the trust fund. Current value of marketable securities is the quoted market price on the last business day of the Foundation year. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms.

The asset managers maintain records on the cash basis, which includes the following accounting policies:

1. Income is recorded when received.
2. Security transactions are recorded on the settlement date.
3. Premiums and discounts on bonds held are not amortized.

Adjustments have been made to accrue earned income in accordance with generally accepted accounting principles.

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

ASSET MANAGER	1997		1996	
	MARKET VALUE	COST	MARKET VALUE	COST
BANK ONE:				
Cash and Cash Equivalents	\$ 776,258	\$ 776,257	\$ 992,264	\$ 992,264
U.S. Gov't/Agency Bond	2,765,011	2,732,098	2,748,890	2,592,633
Corporate Bonds	2,249,931	2,253,756	1,286,633	1,283,441
Common/Preferred Stocks	7,767,365	4,230,119	6,137,260	3,825,162
Other Equity Assets	<u>250,858</u>	<u>235,001</u>	<u>507,494</u>	<u>457,768</u>
	\$ <u>13,809,423</u>	\$ <u>10,227,231</u>	\$ <u>11,672,541</u>	\$ <u>9,151,268</u>
WELLS FARGO BANK:				
U.S. Gov't/Agency Bonds	\$ 2,461,982	\$ 2,447,103	\$ 1,560,299	\$ 1,550,332
Common Stocks	3,884,622	1,956,366	3,383,347	2,119,529
Pooled Equity funds	709,363	447,143	571,854	394,061
Cash and Cash Equivalents	95,522	95,522	130,736	130,736
Commercial bonds	<u>148,193</u>	<u>158,233</u>	<u>508,641</u>	<u>520,552</u>
	\$ <u>7,299,682</u>	\$ <u>5,104,367</u>	\$ <u>6,154,877</u>	\$ <u>4,715,210</u>
THE COMMON FUND:				
Equity Funds	\$ 0	\$ 0	\$ 1,440,846	\$ 1,447,253
Bond Funds	0	0	93,834	93,102
International Funds	0	0	140,770	139,777
Global Bond Funds	0	0	322,124	322,511
Emerging Market Funds	0	0	213,541	211,994
Real Estate Investment Trust	<u>49,000</u>	<u>49,000</u>	<u>22,000</u>	<u>22,000</u>
	\$ <u>49,000</u>	\$ <u>49,000</u>	\$ <u>2,232,715</u>	\$ <u>2,236,637</u>
OPPENHEIMER CAPITAL:				
International Equity Fund	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>	\$ <u>0</u>	\$ <u>0</u>
TOTALS	\$ <u>23,158,105</u>	\$ <u>17,380,598</u>	\$ <u>20,060,133</u>	\$ <u>16,103,115</u>

See Independent Auditors' Report.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 10 - INVESTMENT EXPENSES

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$63,316 and \$51,628 in 1997 and 1996, respectively and have been included in supporting services expense in the accompanying Statement of Activities and Changes in Net Assets.

NOTE 11 - PROPERTY AND EQUIPMENT AND OTHER ASSETS AND DEPRECIATION

Property and Equipment and Other Assets are stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	<u>YEARS</u>	
BUILDINGS AND IMPROVEMENTS	30-40	
EQUIPMENT	3-10	
	<u>1997</u>	<u>1996</u>
Property held for sale	\$ 580,143	\$ 601,954
Equipment	<u>3,909</u>	<u>6,760</u>
Property and Equipment	584,052	608,714
Accumulated Depreciation	<u>(3,391)</u>	<u>(4,764)</u>
Total Property and Equipment	\$ <u>580,661</u>	\$ <u>603,950</u>

Depreciation expense for 1997 and 1996 was \$ 414 and \$ 984, respectively.

NOTE 12 - PROMISES TO GIVE

Unconditional promises to give at June 30, consist of the following:

	<u>1997</u>	<u>1996</u>
Matching gifts	\$ 13,585	\$ 11,248
Pledges	61,103	6,575
Major gift pledges	<u>618,867</u>	<u>313,249</u>
	\$ <u>693,555</u>	\$ <u>331,072</u>
Amounts due in:		
Less than one year	\$ 644,038	\$ 204,699
One to five years	41,435	111,753
More than five years	<u>8,082</u>	<u>14,620</u>
	\$ <u>693,555</u>	\$ <u>331,072</u>

The discount rate for 1997 and 1996 was approximately 15% and 11%, respectively. No allowance for uncollectible accounts was made as all promises to give are expected to be collectible.

See Independent Auditors' Report.

NORTHERN ARIZONA UNIVERSITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 13 - LEASE WITH NORTHERN ARIZONA UNIVERSITY

Northern Arizona University Foundation, Inc. has entered into a lease with the Arizona Board of Regents for and on behalf of Northern Arizona University for office space, utilities, office furniture and equipment, custodial service and other such facilities for \$13.00 per square foot per year. The Foundation is currently using 208 square feet and pays this lease annually. The lease is renewable annually and cancelable with 30 days notice by either party without penalties or any other contingent rental payments. Lease expense was \$ 2,704 for both 1997 and 1996.

NOTE 14 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are 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.

Permanently restricted net assets are to provide a permanent endowment, with the investment income restricted primarily for scholarship awards. Also included in permanently restricted net assets are endowments, with investment income to support a chairperson and a distinguished professor.

NOTE 15 - EXTRAORDINARY GAIN

On June 6, 1997 an individual was sentenced by the Coconino County Superior Court to 5 years probation commencing June 6, 1997 and ordered to pay restitution in the amount of \$112,072 to the NAU Men's Soccer Club Fund held in the Foundation (Cause Number CR96-1075). During the fiscal year an investigation by the State of Arizona's Office of the Attorney General was conducted and resulted in an indictment of a former NAU volunteer Men's Soccer Club coach. The individual pleaded guilty to one felony count each of theft and forgery. The individual was scheduled to begin making monthly payments of not less than \$200.00 immediately. (See Note 7).

See Independent Auditors' Report.

9. FINANCIAL DISCLOSURE (A.R.S. §§10-1622.B & 10-2501.A.6)

Only corporations that meet one or more of the following criteria must attach a financial statement (balance sheet including assets, liabilities and equity). The corporation is: 1) a **public service corporation** (e.g., public utility) as defined in Article XV, Section 2, Constitution of Arizona. 2) offers its **stock for sale** in transactions that are not exempt from A.R.S. §§ 44-1841 and 44-1842 as prescribed in §44-1844.A.1 (e.g., publicly traded). 3) a **nonprofit corporation**. All other forms of corporations are exempt from filing a financial disclosure.

10. CERTIFICATE OF DISCLOSURE (A.R.S. §§10-1622.A.8 & 10-2505.A)

Has ANY person serving either by election or appointment as an officer, director, trustee, incorporator and person controlling or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation been:

1. Convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate?
2. Convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses or restraint of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding execution of this certificate?
3. Or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding execution of this certificate where such injunction, judgment, decree or permanent order involved the violation of:
 - (a) fraud or registration provisions of the securities laws of that jurisdiction, or
 - (b) the consumer fraud laws of that jurisdiction, or
 - (c) the antitrust or restraint of trade laws of that jurisdiction?

One box must be marked:YES ☐NO ☒

If "YES", the following information must be submitted as an attachment to this report for each person subject to one or more of the actions stated in Items 1. through 3. above.

- | | |
|---|---|
| 1. Full name and prior names used. | 5. Date and location of birth. |
| 2. Full birth name. | 6. Social Security Number |
| 3. Present home address. | 7. The nature and description of each conviction or judicial action; the date and location; the court and public agency involved, and the file or cause number of the case. |
| 4. Prior addresses (for immediate preceding 7 year period). | |

11. STATEMENT OF BANKRUPTCY (A.R.S. §10-202.D.2)

Has ANY person serving either by election or appointment as an officer, director, trustee, incorporator and person controlling or holding more than 20% of the issued and outstanding common shares or 20% of any other proprietary, beneficial or membership interest in the corporation served in such capacity or held a 20% interest in any other corporation during the bankruptcy, receivership, or charter revocation of the other corporation?

One box must be marked:YES ☐NO ☒

If YES, enter the following:

Chapter _____ Date Filed _____ Case Number _____

If "YES", the following information must be submitted as an attachment to this report for each person subject to the statement above. 1) The names and addresses of each corporation and the person or persons involved. 2) The state in which each corporation was a) incorporated b) transacted business. 3) The dates of corporate operation.

12. **CAUTION:** Signature requirements vary according to the type of corporation. See the instruction sheet for specific rules. Annual Reports submitted with incorrect signatures will be rejected.

I DECLARE, UNDER PENALTY OF LAW, THAT ALL CORPORATE INCOME TAX RETURNS REQUIRED BY TITLE 43 OF THE ARIZONA REVISED STATUTES HAVE BEEN FILED WITH THE ARIZONA DEPARTMENT OF REVENUE.

I further declare under penalty of law that I (we) have examined this report and the certificate, including any attachments, and to the best of my (our) knowledge and belief they are true, correct and complete.

Name MARION ELLIOTT Date 10/3/97 Name H. BRUCE CROZIER Date 10/3/97Signature Marion Elliott Signature H. Bruce CrozierTitle PRESIDENT OF BOARD Title SECRETARY

(Signator(s) must be duly authorized corporate officer(s) listed in section 7 of this report.)