Arizona State University

Comprehensive Annual Financial Report

Year Ended June 30, 2013

An Enterprise Fund of the State of Arizona

On the cover: McCord Hall is the new home of the internationally recognized W. P. Carey Graduate Programs. The oculus, a circular skylight in the roof, is lined with stainless steel panels with alternating polished and brushed matte finishes.

Arizona State University

2013 Comprehensive Annual Financial Report
Year Ended June 30, 2013

Prepared by the ASU Financial Services Office
Included as an Enterprise Fund of the State of Arizona

ARIZONA STATE UNIVERSITY

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‘Air Apparent’, a James Turrell Skyspace, Tempe campus

Photo credit: John Meredith

INTRODUCTORY SECTION

MESSAGE FROM THE PRESIDENT

ARIZONA STATE UNIVERSITY

Arizona State University is a New American University promoting excellence among its students, faculty and staff, increasing access to its educational resources, and working with communities to impact social and economic development in a positive manner.

ASU continues to draw record numbers of academically qualified students who are eager to learn and make their mark on the world. With enrollment in excess of 76,000, the fall 2013 class includes students of diverse racial, ethnic, and socioeconomic backgrounds, and an academically strong freshmen class of almost 10,000. ASU also continues to attract a growing population of international students, with a year-over-year expansion of almost 30 percent. The increase in international student enrollment is in part a reflection of the University's recognition as a top 100 university by both the Center for World University Rankings and the Academic Ranking of World Universities compiled by Shanghai Jiao Tong University.

The research that we do at ASU makes us better teachers and discoverers, which also helps us to be of greater service to our students. The University engages in research that spawns innovative applications with real-world social and economic impact. ASU possesses the capacity to advance on any challenge that confronts our nation leveraging discovery, innovation and creativity through projects including:

- A $31 million contract from the Defense Threat Reduction Agency of the U.S. Department of Defense to develop a novel diagnostic technology called immunosignaturing for rapid detection of infectious disease agents before symptoms occur.
- The Algae Testbed Public-Private Partnership ATP^3 made possible by a $15 million U.S. Department of Energy competitive grant. This funding supports open testbed and evaluation facilities that serve as a hub for research and commercialization of algae-based biofuels and other products.
- A $14 million grant from the U.S. Agency for International Development (USAID), Intel and the Vietnamese government to help modernize higher education in Vietnam and prepare a more highly-trained workforce to meet the increasing needs of global high-tech industries. The implications of this project are wide-reaching, enhancing ASU's globalization efforts.

"We are competing not only for research dollars and private investment, but also for the very best students, faculty and administrators, and above all, for the very best ideas."

Michael Crow

By establishing key partnerships, ASU offers its students more meaningful educational experiences. The ASU-Mayo Clinic partnership is one of the University's most transformative. Together we have collaborative research projects in cancer, Alzheimer's disease, vaccine development and genetics. All students in ASU's biomedical informatics department, located on the Mayo Clinic's Scottsdale campus, receive a specialized master's degree in the science of health care delivery granted by ASU, believed to be the first such program offered by a medical school. ASU also has developed research and educational partnerships in other countries. Engaging with other countries is critical to the advancement of ASU, as well as Arizona.

ASU ranks among the top universities for the number of graduates who volunteer and are accepted into the Peace Corps, and is one of the top schools nationwide for producing Fulbright Scholars. ASU also has been recognized by the *Wall Street Journal* for producing highly prepared and academically well-rounded graduates. ASU has embraced entrepreneurship as a design principle that permeates the entire university, allowing ASU students to face a changing world armed with ability, ambition and the tools to succeed. At ASU our faculty and staff invest their time, energy and resources into delivering high quality education and accessibility to our students, promoting innovation through research, and providing public service and economic development to the people of Arizona. Students are encouraged to pursue their dreams at ASU, and the University offers the infrastructure for them to accomplish their goals.

ARIZONA STATE UNIVERSITY

October 18, 2013

To President Crow, Members of the Arizona Board of Regents, and Citizens of Arizona:

We are pleased to present the Arizona State University *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2013. The report includes the financial statements for the year as well as other useful information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The University functions under a framework of internal controls that is sound and sufficient to disclose any material deficiencies, and provides reasonable assurance that assets are safeguarded from unauthorized use.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the year ended June 30, 2013, the State of Arizona Office of the Auditor General has issued an unqualified opinion on Arizona State University's financial statements. The independent auditors' report is displayed in the front of the financial section of these statements.

With solid financial results in fiscal year 2013 and an improving financial outlook, the University continues to manage and steward its resources successfully. ASU remains committed to effective budgetary planning and sound financial management as it pursues excellence in teaching, research and public endeavors. Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements, and information regarding the University's financial position and results of operations for the year ended June 30, 2013. MD&A is located immediately following the independent auditors' report and complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

Arizona State University (ASU) operates under a transformational model as a New American University combining the highest levels of academic excellence, inclusiveness for a broad demographic, and maximum societal impact. ASU is classified by the Carnegie Foundation as a Research University (very high research activity), the highest category given to research universities. Research partnerships and collaborations with local, national, and global industries, as well as medical and non-profit organizations have been crucial to ASU achieving research excellence and productivity.

The University's academic portfolio includes approximately 140 bachelor degrees, 150 master's degrees, and 85 doctoral degrees. This breadth of degree programs, including an increasing number of interdisciplinary degree programs, enriches the comprehensive nature of ASU's academic platform for its students. During fiscal year 2013, ASU went through a reaccreditation exercise with the North Central Association's Higher Learning Commission (HLC). ASU assembled for HLC definitive evidence demonstrating the University fully meets all Criteria for Accreditation established by the Commission. ASU was notified in fall 2013 its accreditation status has been continued.

Arizona State University was founded as the Territorial Normal School in 1885 by an act of the Thirteenth Territorial Legislature in response to the growing demand for teachers and leaders in the region. In 1915 agriculture was added to the curriculum in response to the completion of the Roosevelt Dam and subsequent expansion of irrigated farming in the area. In 1958, after a series of name changes, the citizens of Arizona voted in favor of a ballot proposition to change the name of the institution to Arizona State University. With an enrollment today of over 76,000 students drawn from across the United States and more than 110 countries, Arizona State University has become the largest public university under a single administration in the country. ASU is comprised of four campuses in the metropolitan Phoenix area, ASU Online, and programs in Lake Havasu City, Arizona near the Arizona/California border.

The Arizona Board of Regents (ABOR) governs Arizona State University as well as the other two public universities in the State. ABOR is comprised of twelve members that include appointed, ex-officio, and student regents. The Governor appoints and the Arizona Senate confirms the eight appointed regents to staggered eight-year terms as voting members of ABOR. The Governor and Superintendent of Public Instruction serve as ex-officio voting members while they hold office. Two student regents serve staggered two-year terms, the first year as a nonvoting board member and the second year as a voting member.

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 Comprehensive Annual Financial Report (CAFR). The financial reporting entity for ASU's financial statements is comprised of the University and eight component units. The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) reporting requirements. Separate financial statements for the eight component units are reported based upon GASB Statement No. 61. The component units include the ASU Foundation for A New American University; Arizona Capital Facilities Finance Corporation; the ASU Alumni Association; Arizona State University Research Park, Inc.; Downtown Phoenix Student Housing, LLC; Sun Angel Endowment; Sun Angel Foundation; and University Public Schools, Inc. The component units are non-profit, tax-exempt organizations and are discretely presented component units based on the nature and significance of their relationship to the University.

The University is responsible for using its resources to fulfill its educational, research and public service mission. It also is responsible for planning, developing and controlling budgets and expenses within authorized allocations in accordance with University, Arizona Board of Regents, state, and federal policies and procedures.

Arizona Economy

The following economic summary is based on the Arizona Department of Administration Employment Forecast, released on May 9, 2013.

The Office of Employment and Population Statistics within the Arizona Department of Administration is projecting that a total of approximately 98,000 nonfarm jobs will be added during 2013 and 2014, representing growth across the state of Arizona of 1.9 percent in 2013 and 2.1 percent in 2014. These gradual gains are projected as the overall employment situation in Arizona is expected to improve, although on a slower track as economic fundamentals continue to improve, but appear to be dampened by the effects of federal sequestration and increased payroll taxes.

Additional risk factors that add uncertainty to the forecast include constrained personal household budgets as U.S. consumers face employment insecurity, lower wages and higher debt, continued weakness in commercial real estate, and a slowing rate of growth in real business investment.

However, these risks are outweighed by positive factors, including continued improvement in real Gross Domestic Product (GDP), real personal income, employment, and retail sales. Household net worth continues to climb gradually and the fraction of disposable income used for household debt continues to decline. Residential real estate markets in Arizona are showing improvement with rising levels of building permits and rising home prices. With an improving domestic economy and employment growth, consumers are expected to spend more, although demand may be slightly lower in the short-run due to the impact of sequestration and payroll taxes.

Planning and Initiatives

The Arizona Board of Regents' long-term strategic plan, the Arizona Higher Education Enterprise plan (AHEE), sets out the rationale, mission and specific objectives for the Arizona University System through the year 2020. The AHEE defines goals that encompass the areas of educational excellence and access, research excellence, workforce and community, and productivity. Key measures of progress toward achieving these goals are continually reviewed and monitored by ABOR and the University, and include benchmarks for academic degree production and research productivity.

ASU's vision is to establish itself as the model for a New American University, measured not by who we exclude, but rather by who we include and how they succeed; pursuing research and discovery that benefits the public good; assuming major responsibility for the economic, social, and cultural vitality and health and well-being of the community. The University has established eight design aspirations to guide its transformation:

1) Leverage our place
2) Transform society
3) Value entrepreneurship
4) Conduct use-inspired research
5) Enable student success
6) Fuse intellectual disciplines
7) Be socially embedded
8) Engage globally

The University continues to make progress in its strategic initiative to be a model for 21st century higher education, dedicated to access, excellence and impact.

The University submits its annual budget, which includes revenue sources from state appropriations, student tuition and fees, auxiliary enterprises, grants and contracts, private gifts and other income, to the Arizona Board of Regents for approval. The University Capital Improvement Plan and Capital Development Plan, also approved by ABOR, focus on addressing Arizona's demand for higher education by providing students, faculty and staff with high-quality facilities and providing the infrastructure necessary for the University to realize its mission. This investment in the University's infrastructure is vital to the success of its students, faculty and staff. Recently completed and ongoing capital projects include:

- ASU's newest academic building, McCord Hall, opened in August 2013 and is featured on the cover of this report. This 129,000-square-foot, $57 million facility houses graduate programs for the highly-ranked W.P. Carey School of Business, providing state-of-the-art classrooms, break-out rooms, a graduate career center, and common areas designed to spur learning, communication and collaboration.
- New and expanded Sun Devil Fitness facilities opened fall 2013 on the Tempe and Downtown campuses. On the Tempe campus, the 84,500-square-foot addition to the existing Sun Devil Fitness Complex includes a large multiple-court gym, strength and cardio areas, multi-purpose space, wellness space, and a social recreation area. The new Downtown Phoenix campus Sun Devil Fitness Complex provides a large gym, a weight room, an indoor track, multi-purpose space, locker rooms and a leisure pool on the roof of the 73,800-square-foot building.
- ASU's commitment to sustainability continues with construction of pedestrian shade structures near the center of campus that double as solar power plants. By November 2013, ASU's solar energy program across all four ASU campuses and the ASU Research Park is projected to generate 23.5 megawatts of direct current, producing nearly 41 million kilowatt hours of electricity annually.
- College Avenue Commons, currently under construction and scheduled to open in summer 2014, will be a 137,000-square-foot, $54 million mixed-use facility. The five-story building will provide mediated classrooms, offices, labs and collaboration/study spaces for several areas within the Ira A. Fulton Schools of Engineering. The highly adaptable community room and 200-seat auditorium will serve as connections between the University and the community, as well as venues for prospective student orientation and presentations. The ground floor and a mezzanine level will house the Sun Devil Marketplace, ASU's college bookstore of the future, focusing on digital marketing and delivery of learning materials and other products to the campus and community.
- Preliminary plans for the construction of the Arizona Center for Law and Society on the Downtown Phoenix campus have been approved by the Board of Regents and the Phoenix City Council. The project includes construction of a new facility which will house the Sandra Day O'Connor College of Law and a range of programs dedicated to the interaction between the law and social structures, culture and policy. Moving the law school facility from Tempe to downtown Phoenix will allow the college to increase enrollment, facilitate public policy incubators, and provide its students with more interaction with Phoenix law firms, the State Bar of Arizona and the justice system. Construction is currently scheduled to begin in early 2014 with the Center opening in fall 2016.

Awards and Acknowledgements

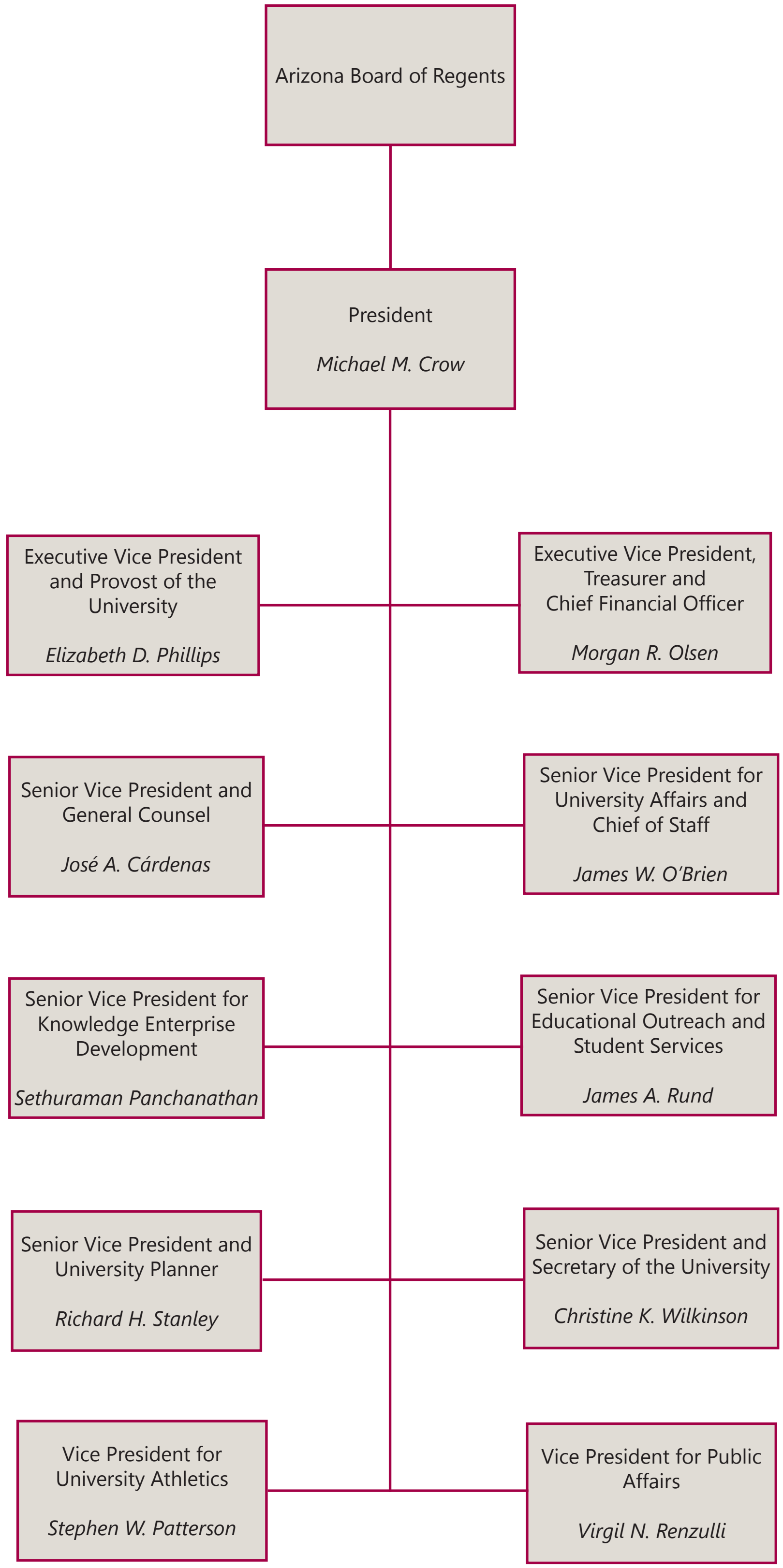
The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting. To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

This is the inaugural year the University is participating in the GFOA program by submitting this report for review and comment by GFOA, with the goal of meeting all GFOA requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts of the Financial Services Office and other University administrators, faculty and staff. In addition, the State of Arizona Office of the Auditor General provided invaluable assistance.

Morgan R. Olsen
Executive Vice President, Treasurer and Chief Financial Officer

ASU ORGANIZATIONAL CHART



EX-OFFICIO

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John Huppenthal, *Arizona Superintendent of Public Instruction*

APPOINTED

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LuAnn Leonard, *Vice Chair*
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Dennis DeConcini, *Secretary*
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Mark Killian, *Treasurer*
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Anne Mariucci
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Greg Patterson
Scottsdale

Valerie Hanna, *Student Regent*
The University of Arizona

Kaitlin Thompson, *Student Regent and Assistant Treasurer*
Arizona State University

Sun Devil Fitness Complex, West campus

FINANCIAL SECTION

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Arizona State University as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units, except for those of the University Public Schools, Inc., were not audited by the other auditors in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, based on our audit and the reports 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 aggregate discretely presented component units of Arizona State University as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note A, 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, 2013, 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory, enrollment and combined sources and uses, and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory, enrollment and combined sources and uses, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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

Debbie Davenport
Auditor General

October 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The following Management's Discussion and Analysis provides an overview of Arizona State University's financial position and activities for the year ended June 30, 2013, with comparative totals for the year ended June 30, 2012. Management has prepared this discussion and analysis to be read in conjunction with the financial statements and accompanying notes to financial statements.

The financial statements presented in this report include Arizona State University (ASU, University) and its discretely presented component units. This discussion and analysis focuses on the University, unless otherwise stated. Information on the University's component units can be found on a consolidated basis in the component units' Statement of Financial Position and Statement of Activities, as well as Note N - Component Units (Financially Related Organizations).

Arizona State University is a comprehensive public institution which has developed a model for a *New American University*, creating an institution that is committed to excellence, access and impact. With a fall 2012 enrollment of over 73,000 students, ASU encompasses four campuses across the Phoenix metropolitan area providing nationally ranked academic programs in traditional classroom settings as well as through ASU Online. In fall 2012, students began taking classes at the ASU Colleges at Lake Havasu City, ASU's newest location. ASU uses its commitment to education and service to expand opportunities for a growing global community.

ASU is an agency of the State of Arizona and also is included in the State's *Comprehensive Annual Financial Report* (CAFR).

FINANCIAL HIGHLIGHTS FOR FISCAL 2013

The University's financial position at June 30, 2013 remained solid with no significant change in any revenue or expense category relative to fiscal 2012. The University's total assets increased by 6 percent at June 30, 2013 to $2.8 billion. ASU recorded a 7 percent increase in net position over fiscal 2012, with the most significant increases occurring in net investment in capital assets and unrestricted net position. The fiscal 2013 increase in net position of $85 million represented approximately 5 percent of fiscal 2013 total revenues and included a $48 million increase in unrestricted net position. As the largest U.S. university governed by a single administration, tuition and fees are the University's primary revenue source (45 percent), supplemented by support from the State of Arizona through state appropriations (17 percent). ASU continues to increase its stature as a major research university and funding from grants and contracts (16 percent) are also a major funding source. The most significant fiscal 2013 expense categories were those directly related to instruction and academic programs ($754 million) and research and public service ($270 million). Instruction and academic programs showed the most significant increase, $49 million, with increases occurring university-wide. ASU's Online program also showed significant growth in fiscal 2013 as the University continues to expand student learning opportunities through adaptive learning.

USING THE FINANCIAL STATEMENTS

Beginning with fiscal 2013, ASU has elected to present its financial statements in a *Comprehensive Annual Financial Report* (CAFR). The University plans to submit this CAFR for the Government Finance Officers Association's *Certificate of Achievement for Excellence in Financial Reporting*. The University's financial statements included in the CAFR are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. Included in the statistical section of the CAFR are ten year trends of key financial and non-financial indicators of importance to the University.

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB establishes standards for external financial reporting for public universities. The University's activities are considered to be a single business-type activity and are reported in a single column consolidated format.

The information presented in this financial report is designed to show the reader how the University's resources were used to meet its mission and goals, including enhancing student development and learning, expanding access to University programs, and pursuing research and discovery that benefits the public good. Financial information is one indicator of the University's overall performance and should be reviewed in conjunction with relevant nonfinancial indicators such as quality of students applying for admission, recognition of academic programs, student retention and graduation rates, faculty awards and honors, and community enrichment, in order to assess the University overall.

The ASU McCain Institute hosted its inaugural debate on January 30, 2013 in Washington D.C. Distinguished guests including Arizona Senator John McCain (center), Maen Rashid Areika, ASU alumnus and Palestine Liberation Organization Ambassador to the United States (left) and New Hampshire Senator Kelly Ayotte (right), listen as experts on Syria debate the United States' role in the ongoing conflict.

STATEMENT OF NET POSITION

The statement of net position presents the financial condition of the University at the end of the fiscal year and reports all assets and liabilities of the University, as well as deferred outflows. In fiscal 2013 the University implemented several new GASB statements resulting in format changes to the financial statements. The term net position replaced net assets and the new category deferred outflow/inflow of resources was introduced. A deferred outflow of resources is a consumption of net position that is applicable to future reporting periods. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. More information about the changes due to new GASB statements is available in Note A in the notes to financial statements. The change in net position between years is one indicator of whether the overall financial condition of the University has improved or worsened during the fiscal year. A summary comparison of the University's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2013 and June 30, 2012 follows.

Condensed Summary of Net Position *(Dollars in millions)*

	2013	2012 (as adjusted)
Assets		
Current assets	$ 333.5	$ 384.2
Noncurrent assets	618.4	554.2
Noncurrent capital assets, net	1,876.3	1,729.5
Total assets	**$ 2,828.2**	**$ 2,667.9**
Deferred Outflows of Resources	**$ 14.1**	**$ 22.9**
Liabilities		
Current liabilities	$ 184.0	$ 154.9
Noncurrent liabilities	50.5	54.9
Noncurrent long-term debt	1,271.2	1,229.4
Total liabilities	**$ 1,505.7**	**$ 1,439.2**
Net Position		
Net investment in capital assets	$ 664.9	$ 643.0
Restricted:		
Nonexpendable	55.5	52.9
Expendable	104.9	92.7
Unrestricted	511.3	463.0
Total net position	**$ 1,336.6**	**$ 1,251.6**

For fiscal 2013 the University strengthened its financial foundation in part through the prudent utilization of financial resources to improve or maintain the University's capital assets. At June 30, 2013, ASU held total assets of $2.8 billion, reflecting a $160 million, or 6 percent, increase from June 30, 2012. Current assets include those that may be used to support current operations such as cash and cash equivalents, short-term investments and accounts receivables. Current assets decreased by $51 million between years primarily due to a decrease in cash and cash equivalent balances. The $76 million decrease in cash and cash equivalents was offset by a $15 million increase in short-term investments and a $148 million increase in noncurrent other investments due to the lengthening of investment maturities to improve investment yields.

Noncurrent assets increased by $64 million with the most significant increase occurring in other investments as noted above. Restricted cash and cash equivalents decreased $94 million primarily due to completion of McCord Hall, a bond financed facility housing graduate programs for the W.P. Carey School of Business on the Tempe campus which opened in August 2013. Cash from bond financings is held with the bank trustee until construction costs are incurred and is reported as restricted cash and cash equivalents on the statement of net position. There was also a $147 million increase in noncurrent capital assets, net of accumulated depreciation, primarily related to completion of the McCord Hall and student fitness facilities at the Tempe and Downtown Phoenix campuses.

Liabilities increased $75 million for the year ended June 30, 2013, to $1.5 billion. The change was primarily in the noncurrent long-term debt category due to the issuance of revenue bonds during fiscal 2013. The new bonds will fund construction of the College Avenue Commons building, which will house the Del E. Webb School of Construction and other university student programs, student fitness complexes on the Tempe and Downtown campuses and various information technology infrastructure projects.

Net position, the difference between total assets plus deferred outflows of resources and total liabilities, increased $85 million in fiscal 2013. Net position is reported as follows:

- Net investment in capital assets represents the University's investment in capital assets such as equipment, buildings, land and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- 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. 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.
- Restricted-expendable net position is the resources which the University is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or other external parties.
- Unrestricted net position is composed of all other funds available to ASU for purposes related to its mission. Unrestricted net position is typically designated for specific college or university initiatives.

Total net position at June 30, 2013 was $1.3 billion, a 7 percent increase over the prior year. The change in net position is one measure as to whether the overall financial condition of the University has improved or deteriorated during the fiscal year. The fiscal 2013 increase in net position primarily occurred in unrestricted net position and net investment in capital assets. The University's unrestricted net position is primarily under management of the academic colleges and schools.

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the University's operating, nonoperating, and capital-related financial activity for the fiscal year, in accordance with the Governmental Accounting Standards Board (GASB). Operating revenues primarily include student tuition and fees, governmental grants and contracts, and auxiliary activities. ASU, and other public universities, depend on state appropriations, gifts, and financial aid grants, which are prescribed by GASB as nonoperating revenues, to support core operations. Due to the required classification of these key funding sources as nonoperating, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Net nonoperating revenues and expenses are integral in determining the overall increase or decrease in net position.

A summary comparison of the University's activities for fiscal years 2013 and 2012 follows. A combined sources and uses schedule is presented on the next page.

Condensed Summary of Revenues, Expenses, and Changes in Net Position *(Dollars in millions)*

	2013	2012
Operating revenues		
Tuition and fees, net	$ 803.0	$ 757.2
Research grants and contracts	238.0	229.8
Auxiliary enterprises, net	122.5	105.5
Other operating revenues	64.0	62.8
Total operating revenues	$ 1,227.5	$ 1,155.3
Operating expenses	1,644.6	1,558.4
Operating loss	**$ (417.1)**	**$ (403.1)**
Net nonoperating revenues (expenses)		
State appropriations	$ 297.4	$ 307.8
Other nonoperating revenues	252.3	248.0
Nonoperating expenses	(64.3)	(56.5)
Income before other revenues, expenses, gains, or losses	$ 68.3	$ 96.2
Capital appropriations and other revenues	22.0	25.0
Special item	(5.3)	
Increase in net position	**$ 85.0**	**$ 121.2**
Net position at beginning of year	1,251.6	1,130.4
Net position at end of year	**$ 1,336.6**	**$ 1,251.6**

Revenues

ASU's total revenues increased $63 million, or 4 percent, to $1.8 billion in fiscal 2013. Operating revenues increased $72 million between years with increases occurring in all major revenue categories. The most significant increases in operating revenues occurred in net tuition and fees, $46 million, and auxiliary revenues, $17 million. Tuition and fee increases were due to increased enrollment as well as modest rate increases. Auxiliary enterprise revenue increased in fiscal 2013 in several auxiliary activities including Sun Devil Athletics (SDA) and Residential Life and related dining activities. The growth in SDA revenues was primarily due to increased PAC 12 revenue sharing. Residential life and dining revenues primarily increased due to the transfer of two housing complexes to the University that were previously reported as component unit activities.

Total nonoperating revenues were stable between years. Fiscal 2013 base state appropriations include performance and parity funding increases of $12.1 million. Performance funding is awarded to each of the three state universities based on key metrics that are critical to the growth of and diversification of the Arizona economy – number of University degrees awarded, number of student credit hours successfully completed and level of sponsored research and public service expenses. Parity funding was received by ASU to address long standing differences in state investment among the three state universities. Offsetting performance and parity funding increases is the one-time technical adjustment of $20.6 million received in fiscal 2012 and other fiscal 2013 one-time adjustments totaling $1.9 million. Net return earned on investments increased $11 million between years due to the stronger financial market performance.

Expenses

Expenses are also categorized as operating or nonoperating per GASB. The University reports operating expenses by functional category (instruction, research, etc.) on the face of the statement of revenues, expenses, and changes in net position and displays expenses by their natural classification (personal services and benefits, supplies and services, etc.) in Note I in the notes to the financial statements.

Overall, total expenses increased $99 million in fiscal 2013 with the majority of the increase occurring in ASU's mission related programs of instruction/academic support and research/public service with increases of $49 million and $12 million between years, respectively. Instruction/academic support expenses increased in multiple programs across all campuses, including ASU Online, which had significant growth in fiscal 2013. ASU Online allows students to access the educational opportunities of the University while being physically located virtually anywhere. Tuition and state appropriation revenues are the primary funding sources for instruction and academic support expenses.

Campus-wide growth in research expenses reflects continued expansion of ASU's research profile. Projects with increased expenses in fiscal 2013 include developing a diagnostic tool for the Department of Defense and its Defense Threat Reduction Agency to check the health of soldiers in the field, studying the effect of age on specific biomarkers in support of the development of a high throughput system measuring radiation exposure, and building a mineral-scouting instrument that will fly to an asteroid on a NASA 2016 mission and send back samples to Earth.

Combined Sources and Uses *(Dollars in millions)*	2013		2012		Percentage Change
SOURCES					
Tuition and fees, net	$ 803.0	45%	$ 757.2	44%	6%
State appropriations (includes capital appropriations)	311.9	17%	322.2	19%	(3%)
Grants and contracts	281.0	16%	280.7	16%	-
Financial aid grants	104.4	6%	110.2	6%	(5%)
Auxiliary enterprises, net	122.5	7%	105.5	6%	16%
Private and capital gifts	62.3	3%	62.6	4%	-
Sales and services	56.0	3%	53.9	3%	4%
Share of state sales tax (TRIF)	25.2	1%	23.8	1%	6%
Other sources	32.9	2%	20.0	1%	65%
Total sources	**$ 1,799.2**	**100%**	**$ 1,736.1**	**100%**	**4%**
USES					
Instruction and academic support	$ 753.8	44%	$ 705.0	44%	7%
Research and public service	270.4	16%	258.5	16%	5%
Scholarships and fellowships and student services	178.3	11%	173.9	11%	3%
Institutional support and operation of plant	215.6	12%	207.2	13%	4%
Auxiliary enterprises	119.5	7%	115.8	7%	3%
Depreciation	107.0	6%	98.0	6%	9%
Interest on debt and other expenses	69.6	4%	56.5	3%	23%
Total uses	**$ 1,714.2**	**100%**	**$ 1,614.9**	**100%**	**6%**

STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's cash receipts and disbursements during the year. This statement provides an assessment of the University's ability to generate net cash flows to meet its obligations as they become due. A summary comparison of the statement of cash flows follows.

Condensed Summary of Cash Flows *(Dollars in millions)*	2013	2012
Cash provided by/(used for):		
Operating activities	$ (322.9)	$ (346.5)
Noncapital financing activities	542.7	558.5
Capital and related financing activities	(225.9)	(93.9)
Investing activities	(163.4)	(199.3)
Net decrease in cash and cash equivalents	**$ (169.5)**	**$ (81.2)**
Cash and cash equivalents at beginning of year	359.6	440.8
Cash and cash equivalents at end of year	**$ 190.1**	**$ 359.6**

Overall, cash and cash equivalent balances decreased $170 million between years primarily due to the use of prior year bond proceeds to fund construction projects related to McCord Hall and student fitness facilities and to shift operating funds into longer term investments.

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 enterprises revenues. Operating expenses include employee salaries and benefits and vendor payments for supplies.

Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes cash from state appropriations, financial aid grants, and private gifts.

Cash flows from capital financing activities include all capital assets and related long-term debt activities, including proceeds from the issuance of debt, capital asset purchases, and principal and interest paid on long-term debt.

Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and income earned on those investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Major capital initiatives for fiscal 2013 included completion of McCord Hall, and student fitness complexes at the Tempe and Downtown Phoenix campuses, and commencement of construction of the College Avenue Commons. Completed in summer 2013, McCord Hall is the newest academic building at ASU. With four stories and over 129,000 square feet of high-technology classrooms, computer labs, conference rooms and study space, McCord Hall is the third building in the W.P. Carey School of Business academic complex and will house the School's internationally recognized graduate programs. Continuing ASU's commitment towards sustainability, McCord Hall uses less water and energy than similar facilities, has a solar array that returns power to the campus grid, and during construction more than 75 percent of the construction site waste was diverted from landfill.

The University has issued a combination of fixed and variable rate bonds, fixed rate certificates of participation and other lease obligations. In January 2013, the University issued $111 million in system revenue and refunding bonds to fund construction of College Avenue Commons, student fitness facilities and various information technology infrastructure projects. The University also used bond proceeds to refund various outstanding bonds of the University and one of its component units.

Additional information about the University's long-term debt is presented in Note E in the notes to financial statements.

McCord Hall

ASU'S COMPONENT UNITS (FINANCIALLY RELATED ORGANIZATIONS)

Included in this financial report are the financial statements of the University's component units discretely presented on separate pages from the financial statements of the University. The component units are reported in distinct financial statements due to their use of different financial reporting models than the University and to emphasize their separation from the University. ASU component units included in these statements are the ASU Foundation for A New American University (ASUF), Arizona Capital Facilities Finance Corporation (ACFFC), ASU Alumni Association, Arizona State University Research Park, Inc., Downtown Phoenix Student Housing, LLC, Sun Angel Endowment, Sun Angel Foundation, and University Public Schools, Inc. Even though the component units support the University, they are not subsidiaries, nor are they directly controlled by the University. For more information on these component units, please refer to Note A and Note N in the notes to financial statements.

Aggregated Statement of Financial Position for the University's Component Units *(Dollars in millions)*

	June 30	
	2013	**2012**
Assets		
Cash and investments	$ 752.4	$ 693.8
Capital assets, net	310.3	336.5
Receivables, net	140.5	123.7
Other assets	99.3	101.8
Total assets	**$ 1,302.5**	**$ 1,255.8**
Liabilities		
Long-term debt	$ 521.1	$ 546.5
Other liabilities	183.1	174.3
Total liabilities	**$ 704.2**	**$ 720.8**
Net assets		
Unrestricted	$ (51.9)	$ (62.9)
Temporarily restricted	260.1	232.3
Permanently restricted	390.1	365.6
Total net assets	**$ 598.3**	**$ 535.0**

Aggregated Statement of Activities for the University's Component Units *(Dollars in millions)*

	June 30	
	2013	**2012**
Revenues		
Contributions	$ 98.4	$ 106.4
Other revenues	148.5	91.3
Total revenues	**$ 246.9**	**$ 197.7**
Expenses		
Payments to the benefit of ASU	$ 76.0	$ 75.3
Other expenses	110.5	127.2
Total expenses	**$ 186.5**	**$ 202.5**
Transfers and losses	2.9	1.8
Increase/(Decrease) in net assets	$ 63.3	$ (3.0)
Net assets at beginning of year	535.0	538.0
Net assets at end of year	**$ 598.3**	**$ 535.0**

COMBINED ASU AND COMPONENT UNITS

ASU and its component units combined for an increase in net position/net assets of $148 million in fiscal 2013, compared to a $118 million increase in fiscal 2012. University net position increased $85 million in fiscal 2013 and $121 million in fiscal 2012, while component unit net assets increased $63 million in fiscal 2013 and decreased $3 million in fiscal 2012. The increase in net assets for the component units was primarily due to a $65 million increase in net investment return between years due to stronger financial markets. Overall, restricted net assets of the component units increased by $52 million between years, while component unit unrestricted net assets increased by $11 million. Restricted net position/net assets must be spent in compliance with donor directions, and are typically restricted for use by a specific academic department or program.

End of the Year Net Position of ASU and Net Assets of its Component Units on a Combined Basis *(Dollars in millions)*

	2013			2012		
	ASU	ASU Component Units	Combined	ASU	ASU Component Units	Combined
Net investment in capital assets	$ 664.9		$ 664.9	$ 643.0		$ 643.0
Unrestricted net position/net assets	511.3	$ (51.9)	459.4	463.0	$ (62.9)	400.1
Restricted net position/net assets:						
Nonexpendable/Permanently	55.5	390.1	445.6	52.9	365.6	418.5
Expendable/Temporarily	104.9	260.1	365.0	92.7	232.3	325.0
Net position/net assets at end of year	**$ 1,336.6**	**$ 598.3**	**$ 1,934.9**	**$ 1,251.6**	**$ 535.0**	**$ 1,786.6**

ECONOMIC OUTLOOK

Effective for fiscal 2014, the University made available funding for merit and market based salary increases for faculty and staff. This was a positive indicator that the University's revenues are stable and its economic outlook is positive. The fiscal 2014 University operating budget projects a slight increase in both revenues and expenses over fiscal 2013. Tuition and fee revenue continues to increase due to rate and enrollment increases. State appropriations and research revenues are both expected to continue to grow.

Preliminary estimates for fall 2013 indicate ASU has a record enrollment of over 76,000 undergraduate and graduate students. ASU continues to attract large numbers of students interested in studying science, technology, engineering and math fields. Included in the top majors of choice for ASU students are the biological sciences, mechanical engineering, biochemistry, biomedical engineering and health sciences.

High school students have a wealth of choices available to them when choosing an institution of higher learning. As seen by the credentials of students selecting ASU as their choice for higher learning, ASU has been successful in meeting the goal of establishing national standing in academic quality. ASU is frequently ranked among the best universities in the nation and the world, by multiple ranking organizations. Rankings also provide insight into the regard with which a university's academic programs are held. Many ASU undergraduate programs are regularly ranked among the best in the nation. Similarly, many of ASU's graduate and doctorate programs have also been highly ranked. ASU's academic and research programs are led by a faculty body that includes Nobel laureates, Pulitzer Prize winners, Guggenheim Fellows, and National Academy members from various disciplines.

Online learning has been a particular area of focus for the University as ASU continues to implement programs focused on the success of its students. The University is turning classrooms into laboratories using technologies that give faculty real-time intelligence on how well each student understands a concept. In August 2013, President Obama pointed to ASU's adaptive-learning initiatives as "starting to show that online learning can help students master the same material in less time and often at lower cost".

The University's tuition remains moderate compared to its peers, and the University continues to attract top students and to house nationally recognized programs. Through careful planning and budgeting, the University has stabilized its resource base, allowing the University to maintain and strengthen the performance of its programs. ASU is well-positioned to respond to future challenges and opportunities.

STATEMENT OF NET POSITION

June 30, 2013 *(Dollars in thousands)*

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 49,964
Short-term investments	118,330
Receivables:	
State appropriations	90,575
Accounts receivable, net	70,908
Student loans receivable, net	1,602
Other assets	2,188
Total Current Assets	$ 333,567
Noncurrent Assets:	
Restricted cash and cash equivalents	$ 140,110
Endowment investments	99,822
Other investments	360,591
Prepaid expenses	7,018
Student loans receivable, net	10,872
Capital assets, net (Note C)	1,876,261
Total Noncurrent Assets	$ 2,494,674
Total Assets	**$ 2,828,241**
DEFERRED OUTFLOWS OF RESOURCES	
Interest rate swap (Note F)	$ 14,078
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 76,697
Compensated absences (Note H)	3,057
Unearned revenues	42,645
Funds held for others	11,409
Current portion of long-term debt (Note E) - Funded by:	
University operating revenues	37,669
State appropriations and other State monies	12,537
Total Current Liabilities	$ 184,014
Noncurrent Liabilities:	
Compensated absences (Note H)	$ 23,825
Other liabilities	12,574
Derivative instrument - Interest rate swap (Note F)	14,078
Long-term debt (Note E) - Funded by:	
University operating revenues	917,810
State appropriations and other State monies	353,401
Total Noncurrent Liabilities	$ 1,321,688
Total Liabilities	**$ 1,505,702**
NET POSITION	
Net investment in capital assets	$ 664,867
Restricted (Total of $160,452):	
Nonexpendable:	
Student aid	51,572
Academic department uses	4,000
Expendable:	
Student aid	37,777
Academic department uses	66,771
Debt service	332
Unrestricted (Note G)	511,298
Total Net Position	**$ 1,336,617**

See Notes to Financial Statements.

STATEMENT OF FINANCIAL POSITION

June 30, 2013 *(Dollars in thousands)*

ASSETS		
Cash and cash equivalents	$	20,793
Pledges receivables, net		121,742
Other receivables, net		18,745
Investments in securities		685,655
Other investments		45,913
Net direct financing leases		68,970
Property and equipment, net		310,348
Other assets		30,367
Total Assets	**$**	**1,302,533**
LIABILITIES		
Accounts payable and accrued liabilities	$	31,252
Deferred revenue		17,790
ASU endowment trust liability		99,822
Other liabilities		34,260
Long-term debt		521,101
Total Liabilities	**$**	**704,225**
NET ASSETS		
Unrestricted	$	(51,915)
Temporarily restricted		260,101
Permanently restricted		390,122
Total Net Assets	**$**	**598,308**

See Notes to Financial Statements.

Artist rendering of College Avenue Commons. This mixed-use facility will be home to the Del E. Webb School of Construction as well as other student programs.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2013 *(Dollars in thousands)*

OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of $202,807	$ 802,965
Research grants and contracts, including $186,513 in federal funding and $48,836 in nongovernmental funding	238,031
Sales and services -	
Auxiliary enterprises, net of scholarship allowances of $9,112	122,453
Educational departments	56,006
Other revenues	8,018
Total Operating Revenues	$ 1,227,473
OPERATING EXPENSES (Note I)	
Educational and general -	
Instruction	$ 548,998
Research	225,453
Public service	44,860
Academic support	204,831
Student services	65,908
Institutional support	124,546
Operation and maintenance of plant	91,077
Scholarships and fellowships	112,363
Auxiliary enterprises	119,509
Depreciation	106,992
Total Operating Expenses	$ 1,644,537
Operating Loss	$ (417,064)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	$ 297,402
Share of state sales tax - technology and research initiatives fund	25,225
Financial aid grants, including $103,965 in federal grants	104,415
Grants and contracts, including $38,090 in federal funding	42,195
Private gifts	59,807
Financial aid trust funds, including $4,920 in state trust fund appropriations	11,114
Net investment return	9,494
Interest on debt	(53,331)
Other expenses	(10,995)
Net Nonoperating Revenues	$ 485,326
Income Before Other Revenues, Expenses, Gains, or Losses	$ 68,262
Capital appropriations - Research Infrastructure Capital Financing	$ 14,472
Capital commitment, including $2,170 in Arizona Lottery revenues (Note E)	4,268
Capital grants, including $761 in federal grants	761
Capital private gifts	2,503
Additions to permanent endowments	77
Special item - Loss on sale of property	(5,294)
Increase in Net Position	$ 85,049
Net Position at Beginning of Year	1,251,568
Net Position at End of Year	**$ 1,336,617**

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES

Year ended June 30, 2013 *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES				
Contributions	$ 14,968	$ 62,189	$ 21,281	$ 98,438
Rental revenues	31,468			31,468
Sales and services	32,217	97		32,314
Net investment return	17,994	37,817	2,788	58,599
Net assets released from restrictions	71,927	(72,315)	388	
Grants and aid	9,104			9,104
Other revenues	17,014	1		17,015
Total Revenues	$ 194,692	$ 27,789	$ 24,457	$ 246,938
EXPENSES				
Payments to the benefit of ASU -				
Cash donation transfers to ASU	$ 62,210			$ 62,210
Scholarship funds transfers to ASU	5,409			5,409
Vendor payments	5,355			5,355
Rent payments to ASU	2,982			2,982
Management and general	60,333			60,333
Interest expense	23,466			23,466
Depreciation/amortization	20,139			20,139
Other expenses	6,629			6,629
Total Expenses	$ 186,523			$ 186,523
Increase in Net Assets, before Transfers and Losses	8,169	27,789	24,457	60,415
Net assets and equity transfers	3,448			3,448
Loss on lease revaluation due to bond refunding	(214)			(214)
Cost of bond refunding	(386)			(386)
Increase in Net Assets, after Transfers and Losses	11,017	27,789	24,457	63,263
Net Assets at Beginning of Year	(62,932)	232,312	365,665	535,045
Net Assets at End of Year	$ (51,915)	$ 260,101	$ 390,122	$ 598,308

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS

Year ended June 30, 2013 *(Dollars in thousands)*

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 775,336
Grants and contracts (primarily federal)	241,072
Sales and services of auxiliary enterprises	117,820
Sales and services of educational activities	53,434
Payments for employees' salaries and benefits	(926,488)
Payments to vendors for supplies and services	(470,294)
Payments for scholarships and fellowships	(118,210)
Student loans issued	(1,649)
Student loans collected	2,020
Other receipts	4,101
Net cash used for operating activities	$ (322,858)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	$ 297,402
Share of state sales tax - technology and research initiatives fund	23,666
Grants and contracts (primarily financial aid)	147,653
Private gifts for other than capital purposes	59,825
Financial aid trust funds	11,147
Direct lending program receipts	466,668
Direct lending program disbursements	(466,336)
Funds held for others received	152,824
Funds held for others disbursed	(150,199)
Net cash provided by noncapital financing activities	$ 542,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations - Research Infrastructure Capital Financing	$ 14,472
Build America Bonds - federal subsidy	5,548
Capital commitments, including Arizona Lottery revenue	3,833
Capital gifts and grants	2,315
Proceeds from issuance of capital debt	89,661
Purchases of capital assets	(242,276)
Principal paid on capital debt and leases	(45,930)
Interest paid on capital debt and leases	(53,554)
Net cash used for capital and related financing activities	$ (225,931)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments, net	$ (166,742)
Interest received on investments	3,374
Net cash used for investing activities	$ (163,368)
Net decrease in cash and cash equivalents	(169,507)
Cash and cash equivalents at beginning of year	359,581
Cash and cash equivalents at end of year	$ 190,074
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (417,064)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	106,992
Other disbursements	(14,893)
Changes in assets and liabilities:	
Increases in -	
Receivables, net	(6,592)
Prepaid expenses	(284)
Unearned revenues	6,471
Compensated absences	2,670
Decreases in -	
Other assets	56
Accounts payable and accrued liabilities	(214)
Net cash used for operating activities	$ (322,858)
SIGNIFICANT NONCASH TRANSACTIONS	
Refinancing of long-term debt	$ 90,955
State appropriations receivable	90,575
Assets acquired through debt	6,765
Loss on disposal of capital assets, net	(9,282)

See Notes to Financial Statements.

June 30, 2013

Note A - Organization and Summary of Significant Accounting Policies

The accounting policies of Arizona State University (ASU, University) conform to U.S. generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

Arizona State University is the largest public research university in the United States under a single administration. Located on four campuses across metropolitan Phoenix, ASU had fall 2012 enrollment of 73,378 students. The accompanying statements of the University include the activity of the Tempe campus, West campus (located in northwest Phoenix adjacent to Glendale), Polytechnic campus (located in Mesa), the Downtown Phoenix campus, and the University's extensive online programs, as well as its discretely presented component units. Also included is activity for the ASU Colleges at Lake Havasu City. The Lake Havasu College focuses on instruction in high-demand undergraduate degrees. Infrastructure for the Lake Havasu College was provided by the University's partners within Lake Havasu.

For financial reporting purposes, the University's portion of the statements includes those funds directly controlled by the University. Control by the University is determined on the basis of financial accountability. The University is classified as a state instrumentality per Internal Revenue Code Section 115. Since 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.

Arizona State University's discretely presented component units are comprised of its two major component units, the ASU Foundation for A New American University (Foundation) and the Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units listed below. The University has determined that the Foundation and ACFFC are major component units based on an evaluation of (1) services provided by the component unit to the University are such that separate reporting as a major component unit is considered to be essential to financial statement users, (2) significant transactions with the University or (3) significant financial benefit or burden relationship with the University.

ASU's component units are nonprofit corporations controlled and governed by separate Boards of Directors whose goals are to support the University. Even though these organizations support the University, they are not subsidiaries of the University, nor are they directly or indirectly controlled by the University. The University does not have ownership of the financial and capital resources or assets of the component units and does not have the authority to mortgage, pledge, or encumber the assets of these organizations.

Component units can be defined as legally separate entities for which the University is considered to be financially accountable. 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 manner in which 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. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should also be considered component units, with discrete presentation. These criteria are (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the University, its component units, or its constituents; (2) the University or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the University, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

A description of the University's discretely presented component units and the basis for including each as a component unit in the University's financial report follows.

- <u>ASU Foundation for A New American University</u> - disburses resources at the discretion of its independent board of directors, in accordance with donor directions and Foundation policy. The majority of assets held by the Foundation are endowments restricted for donor specified programs and purposes, the principal of which may not be spent. The directors of the Foundation make all decisions regarding the Foundation's business affairs, including distributions made to the University.
- <u>ASU Alumni Association</u> - receives funds primarily through donations, dues, and affinity partners, and contributes funds to the University for support of various programs.
- <u>Sun Angel Endowment</u> - receives funds primarily through donations, with the annual earnings being used for programs in support of various athletic programs.
- <u>Sun Angel Foundation</u> - receives funds primarily through donations and contributes funds to the University for support of various athletic programs.

The four component units above meet all of the criteria for a legally separate, tax exempt organization to be reported discretely as a component unit. The economic resources held by these component units are for the direct benefit of the University and the University has the ability to access their economic resources and the economic resources of these component units are significant to the University.

- <u>Arizona Capital Facilities Finance Corporation</u> - provides facilities for use by students of the University or the University itself.
- <u>Arizona State University Research Park, Inc. (Park)</u> - manages a research park to promote and support

research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.

Per GASB Statement No. 14, as amended by GASB Statement No. 61, a fiscal dependency and financial benefit/burden exists between the University and these two component units. ACFFC and the Park do not meet the blending requirements since each component unit has a separate board of directors, services provided by the component units do not exclusively benefit the University and the total debt outstanding of the component units is not expected to be paid entirely or almost entirely with University resources.

- Downtown Phoenix Student Housing, LLC - provides housing facilities for use by students of the University.
- University Public Schools, Inc. (UPSI) - promotes the rigorous college preparation of pre-K-12 students, leading to access to and success in post-secondary education and careers.

A fiscal dependency and financial benefit/burden does not exist between the University and Downtown Phoenix Student Housing, LLC or UPSI; however it would be misleading to exclude either as component units due to the nature and significance of the financial arrangement the University has with Downtown Phoenix Student Housing, LLC and the close affiliation between the University and UPSI. Downtown Phoenix Student Housing, LLC and UPSI do not meet the blending requirements in GASB Statement No. 14, as amended by GASB Statement No. 61, since both have a separate board of directors, services provided do not exclusively benefit the University and the total debt outstanding of Downtown Phoenix Student Housing, LLC and UPSI is not expected to be paid entirely or almost entirely with University resources.

For financial reporting purposes at the University level, only the component units' statement of financial position and statement of activities are included in the University's financial statements as required by generally accepted accounting principles for public colleges and universities. In fiscal year 2013, the ASU Foundation distributed $51.4 million in cash donation transfers to the University for both restricted and unrestricted purposes.

Financial statements of these component unit organizations are audited by independent auditors. All of the component units have a fiscal year end of June 30, 2013. Because the University's component units use a nongovernmental generally accepted accounting principles (GAAP) reporting model, the University has chosen to present their aggregated financial information on pages separate from the financial statements of the University. To obtain individual audited financial statements for any of the University's component units, please contact: ASU Financial Services at (480) 965-3601.

ASU's Basis of Presentation and Accounting

The accompanying financial statements of the University include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows, each of which provide a comprehensive, entity-wide perspective of the University. A statement of net position provides information about the assets, deferred outflows of resources, liabilities, and net position of the University at the end of the fiscal year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions, or availability of assets to satisfy the University's obligations. A statement of revenues, expenses, and changes in net position provides information about the University's financial activities during the fiscal year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital additions and additions to endowments. A statement of cash flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing activities.

Beginning with fiscal 2013, the University will present its annual financial information in a Comprehensive Annual Financial Report (CAFR) format including a statistical section prepared in accordance with GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section an amendment of NCGA Statement 1*.

For the year ended June 30, 2013, the University implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,* GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 60 defines relationship criteria for a service concession arrangement and accounting treatment. GASB Statement No. 61 updates the relationship criteria for an organization to be considered a component unit and the financial statement presentation. GASB Statement No. 62 incorporates into authoritative government accounting standards, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that do not conflict with current GASB for pronouncements issued on or before November 30, 1989. The implementation of these standards has no effect on the financial statements.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net position reporting requirements. The statement specifies new presentation requirements, including renaming the statement of net assets to the statement of net position, and the statement of revenues, expenses, and changes in net assets to the statement of revenues, expenses, and changes in net position. The implementation of this standard had no effect on the amounts reported as revenues, expenses, or net position on the University's financial statements.

For financial reporting purposes under GASB, the University is considered a public institution engaged only in business-type activities. Accordingly, the University's financial statements have been presented under the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus emphasizes the long-term effects of operations on overall net resources (i.e., total assets and total liabilities). The statement of revenues, expenses, and changes in net position prepared using the economic resources measurement focus includes only transactions and events that increase or decrease net position during the year. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, or benefit has been received. All significant intrauniversity transactions have been eliminated.

Summary of Significant Accounting Policies

Cash and cash equivalents. In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, all highly liquid investments with an original maturity of three months or less, are considered to be cash and cash equivalents. Funds invested in money market funds or through the State Treasurer's Local Government Investment Pool are also considered cash equivalents. In accordance with GASB, all restricted cash and cash equivalents, including funds held by a bond trustee, are shown as noncurrent cash and cash equivalents.

Endowment Spending Rate Policy. Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds, the University administration considers long and short-term needs, total investment return and price level trends, and general economic conditions. For fiscal 2013, the spending rate utilized the constant growth spending methodology which increases spending distributions by the trailing one-year inflation rate (as measured by CPI-U) annually, as long as distributions do not exceed 4.00 percent or fall below 3.00 percent of the trailing 12 quarter average market value of each endowment fund. Donor restricted endowments that are available for expenditure are reported as restricted expendable on the statement of net position.

Investments. Short-term, endowment, and other investments are stated at fair value at June 30, 2013. Fair value typically is the quoted market price for investments. Investment returns include realized and unrealized gains and losses on investments.

Receivables. Total receivables at June 30, 2013 were $174.0 million, including $90.6 million in fiscal 2013 State of Arizona general fund appropriations. Other significant amounts included in the receivable balance are $40.2 million related to tuition and fee payments due from students and others making payments on behalf of students.

The State of Arizona deferred payment of $90.6 million in fiscal 2013 general fund rollover appropriations until fiscal 2014. The State is required to fund the rollover appropriations no later than October 1, 2013. The University received the funding on October 1, 2013. The revenue associated with these deferred appropriations was recorded as fiscal 2013 state appropriations in accordance with the authorized fiscal 2013 ASU expenditure authority funded by general fund appropriations, a portion of the University's tuition collections, and a portion of the University's TRIF allocation.

Student loans receivable. Loans receivable from students bear interest primarily at 5 percent and are generally repayable in installments to the University over a ten-year period commencing nine months from date of separation from the University. Student loans receivable is recorded net of an allowance for estimated uncollectible amounts and related collection costs.

Capital assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The University's capitalization policy includes all equipment and works of art and historical treasures with a unit cost of $5,000 or more. In addition, all equipment under a unit cost of $5,000 purchased in bulk for a newly constructed, acquired, or leased facility to become initially operational is also capitalized on a vintage concept basis and depreciated over 5 years. Equipment capitalized under the vintage concept is accounted for on the University's property system on a composite basis rather than an individual asset basis. Intangible assets with a unit price of $5,000,000 or more are capitalized. New construction, as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of structures and have a project cost of at least $100,000 are capitalized. Interest incurred during the construction phase of projects is capitalized, net of interest earned on the invested proceeds over the same period. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for non-research buildings and infrastructure, 10 to 50 years for research buildings, 10 years for library books, 7 years for intangible assets, and 5 to 12 years for equipment. The University does not depreciate works of art and historical treasures that are considered inexhaustible and are held for exhibition, education, research, and public service.

The University utilizes the componentized depreciation method for its research buildings, which is consistent with the method used for government cost-reimbursement purposes. Under the componentized depreciation method, building costs are segregated into component categories with useful lives ranging from 10 to 50 years, and depreciated on a straight line method basis. Prior to fiscal 2005, research buildings were depreciated using the same method still utilized for non-research buildings, which is to use the straight-line method over estimated useful lives of typically 40 years.

Compensated absences. Compensated absences are employee vacation leave balances and compensatory time earned but not used at fiscal year end. Vacation leave benefits and compensatory time balances are accrued as a liability on the statement of net position and reported as an expense in the statement of revenues, expenses, and changes in net position.

Unearned revenues. Unearned revenues consist primarily of student tuition and fees and athletic ticket sales related to the ensuing year. Also included are amounts received from grant and contract sponsors which have not yet been earned.

Deferred Outflows of Resources and Derivative instrument - Interest rate swap. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the University records the hedging derivative instrument on the statement of net position by presenting a liability for the fair value of the derivative instrument at fiscal year end.

Net position. The University's net position is classified based on the following three categories:

- ♦ Net investment in capital assets: includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- ♦ Restricted:
  - Nonexpendable – gifts that have been received for endowment purposes, the corpus of which cannot be expended, and the balance in the Perkins Loan program.
  - Expendable – grants, contracts, gifts, and other resources that have been externally restricted for specific purposes.
- ♦ Unrestricted: all other resources, including those designated by management for specific purposes. Substantially all unrestricted resources are designated for academic and research programs and initiatives, and capital projects.

When an expense is incurred that can be paid from either restricted or unrestricted resources, the University's policy is to allow the department incurring the expense to determine the appropriate funding source. Factors used by departments to determine which resources to use include relative priorities of the department in accordance with the University's strategic initiatives, externally imposed matching requirements of certain restricted funds, and any pertinent lapsing provisions of the available restricted or unrestricted funding resources. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

Revenues/Expenses. Revenues and expenses are classified as operating or nonoperating. Operating expenses are those incurred in conducting the primary programs and services of the University. Operating revenues generally result from exchange transactions. Accordingly, revenues such as tuition, and residential life charges are considered to be operating revenues. In addition, grants and contracts for the purposes of providing research are considered operating revenues because of the exchange aspects commonly associated with this type of activity (i.e. financial assistance is provided to acquire property or activity for the government's direct benefit). Other revenues, such as state appropriations, gifts and grants and contracts not generally generated from exchange transactions, are considered to be nonoperating revenues. Nonexchange grants and contracts include those for the purpose of student financial aid, primarily Pell financial aid grants, and those for purposes other than organized research, since the providers of these grants and contracts do not typically receive direct benefits, of equal or significant value, for those grants and contracts. Operating expenses, in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, include salaries, wages, benefits, supplies, services, and depreciation on capital assets, irrespective as to whether the revenues associated with these expenses are operating or nonoperating revenues. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

Scholarship allowances. Student tuition and fee revenues and other student related revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for services provided by the University, and the amount that is paid by the students (and/or third parties making payments on a student's behalf). To the extent that revenues from programs such as Pell grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.

Not included in scholarship allowances is $17.6 million in faculty and staff tuition waivers that are recorded as program expenses on the statement of revenues, expenses, and changes in net position and as personal services and benefits expenses, in Note I.

Technology and research initiative fund (TRIF). As the governing board of the three state universities, the Arizona Board of Regents (ABOR) administers the portion of the Education 2000 (Proposition 301) sales tax which funds the universities' TRIF initiatives. ABOR receives funding requests from each university and determines the amount and duration of awards. The Governor and the Legislature receive an annual report from ABOR which includes a detailed set of performance measures used to determine the overall effectiveness of each TRIF funded initiative.

Note B - Cash and Investments

General

At year end, the University's deposits and investments total $768.8 million and are discussed below in our analysis of deposit and investment risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.

Included in the University's deposits and investments are capital projects and bond debt service funds totaling $140.1 million, which are held in trust and invested by various trustee banks. In addition, endowment funds totaling $99.8 million managed by the ASU Foundation, make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the ASU Foundation (Foundation, ASUF) and invested in the Foundation's Endowment Pool (Pool). The University's endowment assets are maintained separately on the financial system of the Foundation, and receive a proportional share of the Foundation Pool activity.

As such, the Foundation owns the assets of the Pool; the University has an interest in the Pool, which is considered an external investment pool to the University. The Foundation Pool invests in a variety of asset classes, including common stocks, fixed-income, foreign investments, private equity and hedge funds. The Foundation's endowment pool is not registered with the Securities and Exchange Commission as an investment company. The Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool, which is marked-to-market monthly. The University also participates in the Arizona Student Financial Aid Trust, which was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees.

Statutory and Board of Regents' Policies

For nonendowment (operating) funds, Arizona Revised Statutes (Statutes) require that deposits of the University not covered by federal deposit insurance be secured by government securities or by a safekeeping receipt of the institution accepting the deposit. Further policy regarding deposits is provided by the Arizona Board of Regents (ABOR). Deposits can be made only at depository banks approved by ABOR.

The Statutes do not specifically address investment policy of the universities, rather ABOR policy governs in this area. ABOR policy requires that each university arrange for the safekeeping of securities by a bank or other financial institutions approved by ABOR. The ABOR and University investment policies applicable to University investments are consistent with the scope of the Arizona State Treasurer's authorizing statutes and investment policy. Investment of capital project funds are governed by the financing indenture agreements. With regard to endowments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university.

At Arizona State University, the investment committee is responsible for advising on the definition, development and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires that the University invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

ABOR policy addresses requirements for concentration of credit risk and interest rate risk, but neither ABOR policy nor the Statutes include any specific requirements on foreign currency risk for investments of the universities.

The State of Arizona Board of Investment provides oversight for the State of Arizona Treasurer's pools. The fair value of a participant's portion in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Deposit and Investment Risk

Custodial Credit Risk. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or ABOR, the University does not have a policy that specifically addresses custodial credit risk.

Credit Risk. With regard to credit risk, ABOR policy requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances and State of Arizona bonds carry a minimum BBB or better rating from Standard and Poor's Rating Service or Baa or better rating from Moody's Investors Service; and that commercial paper be rated by at least two nationally recognized statistical rating organizations (NRSROs) and be of the two highest rating categories for short-term obligations of at least two of the NRSROs. Capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit (minimum rating of P-1/A-1), commercial paper (minimum rating of P-1/A-1+), and money market funds rated AAAm or better invested in short-term debt securities.

The University does not have a formal policy that specifically addresses credit risk over endowment funds. The University's endowment funds are invested in an unrated external investment pool managed by the Foundation, subject to the Foundation's investment policy. For endowment funds, the investment committee that directs the investments held in the Pool manages the credit risk associated with the Pool by following the credit quality and guideline restrictions stated in the investment policy.

Credit Quality Rating for Debt Securities at June 30, 2013 *(Dollars in thousands)*

		Standard and Poor's								
Investment Description	**Fair Value**	**AAA / AAAm / AAAf**	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**A-1+**	**A-1**
Money market mutual funds	$ 178,385	$ 178,385								
Federal agency securities	238,524		$ 238,524							
Corporate note securities	120,218	2,370	11,216	$ 24,583	$ 24,720	$ 18,651	$ 11,963	$ 26,715		
Negotiable certificates of deposit	72,361				10,015	5,000			$ 32,502	$ 24,844
Municipal bonds	6,163	4,308		1,855						
Commercial paper	5,000									5,000
State of Arizona LGIP (Pool 5)	1,403	1,403								
Total	**$ 622,054**	**$186,466**	**$249,740**	**$26,438**	**$34,735**	**$23,651**	**$11,963**	**$26,715**	**$32,502**	**$29,844**

Concentration of Credit Risk. ABOR and University policies for operating funds state that no more than 5 percent of the total investment portfolio, or 5 percent of the issues outstanding, whichever is less, shall be invested directly in securities issued by a single corporation and its subsidiaries/affiliates, however, securities issued by the federal government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempted from this provision. Capital projects and bond debt service financing indentures do not limit investments with a single issuer due to the conservative nature of permitted investments. At June 30, 2013, fixed income securities issued by federally sponsored agencies and owned directly by the University in its non-endowment fund portfolios comprised a significant portion of the University's total investment portfolio. Specifically, the University had investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation with a fair value of $127.3 million and $89.4 million or 17 percent and 12 percent of the University's total investments, respectively. Except for those issuers allowed by policy, the University does not have direct investments in any single issuer that exceeds 5 percent of the overall portfolio.

NOTES TO FINANCIAL STATEMENTS

Foreign Currency Risk. Non-endowment funds may not be invested in international securities and the University has no non-endowment investments exposed to foreign currency risk. The University's endowment funds are invested in an external investment pool managed by the Foundation, which include U.S. dollar denominated foreign investments.

Interest Rate Risk. ABOR and University policies for the operating funds limit the final maturity of any fixed-rate security or of any variable-rate security to five years from the settlement date of the purchase. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

Interest Rate Risk for the University's Debt Investments at June 30, 2013 - utilizing the weighted average maturity methods *(Dollars in thousands)*

Investment Description	Fair Value	Weighted Average Maturity (Years)
Money market mutual funds	$ 178,385	0.2
Federal agency securities	238,524	2.6
Corporate note securities	120,218	2.5
Negotiable certificates of deposit	72,361	0.8
Municipal bonds	6,163	3.4
Commercial paper	5,000	0.0
State of Arizona LGIP (Pool 5)	1,403	0.1
Subtotal, before U.S. Treasury securities	$ 622,054	
U.S. Treasury securities	44,999	3.1
Total	**$ 667,053**	

Note C - Capital Assets

Capital asset activity for the year ended June 30, 2013 follows:

Capital asset activity for the year ended June 30, 2013 *(Dollars in thousands)*

	Balance 07/01/2012	Additions/ Increases	Retirements/ Decreases	Balance 06/30/2013
Non-depreciated capital assets				
Land -				
University operations	$ 70,766	$ 10,516		$ 81,282
Investment property	28,097		$ (7,240)	20,857
Construction in progress -				
Buildings	44,816	53,053	(44,816)	53,053
Software	3,949		(3,949)	
Works of art and historical treasures	19,173	587	(22)	19,738
Total	$ 166,801	$ 64,156	$ (56,027)	$ 174,930
Depreciated capital assets				
Infrastructure	$ 117,581	$ 6,690	$ (7)	$ 124,264
Buildings	1,985,365	188,087	(2,608)	2,170,844
Equipment	367,082	37,494	(18,659)	385,917
Software	19,328	5,703		25,031
Library books	256,385	11,660	(1,478)	266,567
Less accumulated depreciation				
Infrastructure	(43,644)	(2,984)	1	(46,627)
Buildings	(690,740)	(59,876)	518	(750,098)
Equipment	(237,322)	(29,889)	16,770	(250,441)
Software	(11,949)	(3,183)		(15,132)
Library books	(199,412)	(11,060)	1,478	(208,994)
Total	$ 1,562,674	$ 142,642	$ (3,985)	$ 1,701,331
Capital assets, net	**$ 1,729,475**	**$ 206,798**	**$ (60,012)**	**$ 1,876,261**

Construction in progress additions reflected above represent expenses for new projects net of capital assets placed in service. It is estimated $194.5 million in additional expenses will be required to complete projects under construction at June 30, 2013. Construction in progress encumbrances committed through purchase orders at June 30, 2013, totaled $56.6 million.

Note D - Land Investment Property

As a part of the campus master planning process, certain land holdings of the University have been designated for investment purposes through commercial (non-university) development by private developers pursuant to either long term ground leases or sale, under overall coordination by the ASU Real Estate Development Office. The University expects to realize revenue from these properties that exceeds historical book value reflected in Note C.

In February 2013, the University finalized sale of 16.6 acres in Sun City West, Arizona where the former Sundome Center for Performing Arts was located.

The University's investment property includes the following:

Rio Salado Land. The Rio Salado land consists of 24.7 acres, not needed for University facilities, which are on the Rio Salado River along the Tempe Town Lake. The property is divided with 15.2 acres west of Rural Road and 9.5 acres east of Rural Road, directly accessible from major streets. The highest and best use of this land is mixed commercial office, apartments, condominiums, and retail, not University use. In August 2013, the University entered into a long-term lease for a portion of this acreage.

ASU has a remote contingent liability for three major capital project improvements (drainage, access and utility roadwork and relocating power lines) to these sites. The cost of these projects would not be material to the University's overall financial position. If ASU became liable for any of these improvements, the intent of ASU would be to have a new developer reimburse ASU for these capital costs.

ASU at the West campus. The West campus investment property consists of approximately 64 acres on the northeast perimeter of West campus at the corner of two major streets. The highest and best use of the investment land is mixed-use, including commercial office and retail, and non-university affiliated multi-family residential. This land is presently vacant and will not be needed for University facilities for the contemplated full build out of this campus. West campus, exclusive of the approximately 64 acres for investment purposes, consists of 236 acres.

ASU at the Polytechnic campus. Per the Consent to Transfer Agreement dated December 6, 2007 between the federal government and the University, 382.2 acres located at the Polytechnic campus are effectively available for investment purposes (commercial development). The land is on the perimeter of the campus directly accessible from major streets. Exclusive of the 382.2 acres intended for future investment purposes, the Polytechnic campus consists of approximately 210.2 acres.

ASU Research Park (Park). The Park consists of 323 gross acres (233 leasable) that are ground leased to the ASU Research Park, Inc., a component unit of the University. Other than one University facility occupying less than 10 percent of the leasable Park acres, the Park land is either occupied by or presently available for occupancy by commercial firms, with approximately 84 percent of the Park's leasable acres being presently leased. The primary present purpose of the Park is to generate revenue for the University with over $2.0 million, after all costs, annually being generated for ASU.

Other Investment Property consists of:

- 9.0 acres at the intersection of Loop 101/202 freeways and the Rio Salado Parkway, a few miles from the Tempe campus.
- 22.5 acres in Tempe, known as the Community Services Building site, located about two miles from the Tempe campus. Limited university operations are temporarily housed in the Community Services Building, with the best use of the site being commercial development.
- 6.6 acres in Tempe, known as Gateway, is primarily vacant commercial land located adjacent to the Tempe campus.
- 0.6 acres in Tempe, known as the Art Annex, where the best use of the land is commercial development.

Note E - Long-Term Debt and Lease Obligations

As of June 30, 2013 the University had issued a combination of fixed and variable rate bonds, fixed rate certificates of participation (COPs), and other lease obligations, of which $1.3 billion is outstanding. The University's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds and COPs of the University have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds and COPs are not included in the University's financial statements. The principal amount of defeased bonds and COPs outstanding at June 30, 2013 totaled $23.6 million and $67.4 million, respectively.

NOTES TO FINANCIAL STATEMENTS

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2013 *(Dollars in thousands)*

	Average Interest Rate	Final Maturity	Balance 07/01/2012	Additions	Reductions	Balance 06/30/2013	Current Portion
Bonds:							
2002 System Revenue Bonds	4.95%	07/01/12	$ 2,745		$ (2,745)		
2002 System Revenue Refunding Bonds	4.21%	07/01/12	13,280		(13,280)		
2003 System Revenue Refunding Bonds	3.88%	07/01/13	7,130		(7,130)		
2004 System Revenue and Refunding Bonds	4.45%	07/01/14	25,820		(19,435)	6,385	3,115
2005 System Revenue Refunding Bonds	4.38%	07/01/27	48,010		(765)	47,245	790
2007 A/B System Revenue Bonds	4.46%	07/01/36	66,875		(2,960)	63,915	3,090
2008 A/B Variable Rate Demand System Revenue Refunding Bonds	0.06%	07/01/34	99,210		(2,405)	96,805	2,525
2008C System Revenue Bonds	5.89%	07/01/28	100,410		(1,955)	98,455	2,055
2009A System Revenue Bonds	3.76%	07/01/29	31,020		(2,885)	28,135	3,000
2010 A/B System Revenue Bonds	5.99% [1]	07/01/39	178,350			178,350	3,990
2010 A/B SPEED Revenue Bonds	5.48% [2]	08/01/30	33,820			33,820	
2010C System Revenue Bonds	4.51%	07/01/31	51,890		(1,235)	50,655	2,405
2011 SPEED Revenue Bonds	3.93%	08/01/31	30,915			30,915	
2012 A/B System Revenue and Refunding Bonds	3.64%	07/01/42	213,370			213,370	12,995
2013 A/B System Revenue and Refunding Bonds	3.47%	07/01/43		$ 110,950		110,950	
Subtotal: Par Amount of Bonds			$ 902,845	$ 110,950	$ (54,795)	$ 959,000	$ 33,965
Certificates of Participation:							
2002 Certificates of Participation	4.76%	07/01/18	$ 9,920		$ (4,375)	$ 5,545	$ 4,610
2004 Certificates of Participation	4.89%	09/01/30	70,075		(44,385)	25,690	2,360
2005A Certificates of Participation	4.36%	09/01/30	95,350		(28,515)	66,835	3,405
2006 Certificates of Participation	4.53%	06/01/31	13,520		(485)	13,035	510
2006 Refunding Certificates of Participation	4.15%	07/01/26	64,580			64,580	
2011A Mercado Refunding Certificates of Participation	4.27%	07/01/24	8,465		(545)	7,920	555
2013 Refunding Certificates of Participation	3.09%	09/01/26		$ 64,780		64,780	1,440
Subtotal: Par Amount of COPs			$ 261,910	$ 64,780	$ (78,305)	$ 248,385	$ 12,880
Capital Leases/Lease Purchases:							
Fulton Center	4.84%	06/15/34	$ 25,655		$ (695)	$ 24,960	$ 730
Flexible Display Center	5.27%	02/15/34	32,664		(828)	31,836	868
Hassayampa Academic Village	5.36%	06/10/39	12,262		(87)	12,175	102
Nursing and Health Innovation	4.84%	01/01/36	10,070			10,070	
Other Lease Purchases	2.64% - 6%	02/07/22	8,397		(2,639)	5,758	1,661
Subtotal: Capital Leases/Other Lease Purchases			$ 89,048		$ (4,249)	$ 84,799	$ 3,361
Total Par Amount of Bonds, COPs, Capital Leases and Other Lease Purchases			$ 1,253,803	$ 175,730	$ (137,349)	$ 1,292,184	$ 50,206
Premium/(Discount) on Sale of Bonds and COPs			33,981	22,989	(7,822)	49,148	
Deferred Amount on Refundings			(12,381)	(9,970)	2,436	(19,915)	
Total Bonds Payable/COPs/ Capital Leases/ Other Lease Purchases			**$1,275,403**	**$ 188,749**	**$(142,735)**	**$ 1,321,417**	**$ 50,206**

[1] The average interest rate net of the Build America bonds federal direct payment subsidy is 3.94%.
[2] The average interest rate net of the Build America bonds federal direct payment subsidy is 3.74%.

System Revenue Bonds

The University has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2013. These related revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The 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. For the year ended June 30, 2013, pledged revenues totaled $1.05 billion of which 6.9 percent ($72.7 million, net of federal direct payments) was required to cover current year debt service.

In January 2013, the University issued $110.9 million in system revenue and refunding bonds, Tax-Exempt Series 2013A and Taxable Series 2013B, with an average maturity of 15.6 years and an average interest rate of 3.47 percent. The bonds were issued to fund the construction of the Tempe campus student fitness complex expansion, the new Downtown campus student fitness complex, various information technology infrastructure projects, a new Tempe campus mixed-use facility, and to refund various outstanding bonds of the University and one of its component units, ACFFC (Adelphi Commons II Student Housing). The refunded debt is considered defeased and related liabilities are not included in the University's financial statement. The issuance of the refunding bonds, with an average maturity of 10.04 years and an average interest rate of 2.8 percent, resulted in a $6.6 million reduction in future debt service payments, with an economic gain of $5.5 million based upon the present value savings.

SPEED Revenue Bonds

In June 2008, the State of Arizona Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED) which provides Arizona universities with capital improvement funds for critical construction and deferred maintenance projects. SPEED projects are debt financed with revenue bonds, repaid primarily with Arizona Lottery revenues. Specifically, up to 80 percent of SPEED debt service is paid from Arizona Lottery revenues, with the balance being the responsibility of the University as evidenced by the subordinated pledge of University revenues.

Variable Rate Bonds

The University has outstanding two series of variable rate demand system revenue refunding bonds, Series 2008A and Series 2008B, totaling $96.8 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2013 was 0.05 percent for the Series 2008A bonds and 0.07 percent for the Series 2008B bonds. To provide credit and liquidity support for the bonds, on March 1, 2012, the University entered into an Irrevocable Transferable Direct-Pay Letter of Credit (LOC) with JPMorgan Chase Bank, N.A. (JPMorgan), under which the University has agreed to a commitment fee for the LOC of 0.38 percent per annum. Should the Series 2008A/B bond rating change, the commitment fee could increase according to the fee agreement. Assuming all of the $48.4 million Series 2008A and $48.4 million Series 2008B bonds are not resold within 365 days, the University would be responsible to make quarterly installment principal payments, with the last payment being on the 4th anniversary of JPMorgan acquiring the bonds, plus interest to be calculated as established in the LOC.

Certificates of Participation

In June 2013, the University issued $64.8 million of refunding COPs to partially refund Series 2004 COPs and 2005A COPs. The refunded debt is considered defeased and related liabilities are not included in the University's financial statements. The issuance of refunding COPs, with an average maturity of 8.89 years and an average interest rate of 3.09 percent, resulted in a $5.6 million reduction in future debt service payments, with an economic gain of $5.2 million based upon the present value savings.

Capital Leases

In October 2003, the University entered into a thirty-year lease agreement with Arizona State University Foundation, LLC, an Arizona limited liability company, of which the sole member is the ASU Foundation, an Arizona non-profit corporation and component unit of the University, to lease four floors of office space in the Fulton Center and the related parking structure.

In April 2004, the University entered into a thirty-year sublease agreement with Nanotechnology Research, LLC, an Arizona limited liability company, whose sole member is ACFFC, to lease the Flexible Display Center located at the ASU Research Park.

In July 2005, the University entered into a thirty-four-year lease with McAllister Academic Village, LLC, an Arizona limited liability company, whose sole member is ACFFC, to lease the nonresidential portion of the McAllister Academic Village (MAV), which operates under the name of Hassayampa Academic Village. ACFFC has overall responsibility for the residential portion, comprising approximately 92 percent of the facility, with the University leasing the non-residential portion of the facility.

In November 2008, the University committed to a capital lease with the City of Phoenix related to construction of the fourth and fifth floors of the Nursing and Health Innovation building at ASU's Downtown Phoenix campus. In June 2011, the City of Phoenix issued subordinated excise tax revenue bonds, a portion of which was used to fund the project. The University's lease payments are based on the City's actual borrowing cost of the bonds.

Buildings under capital lease are shown below.

Capital lease book value as of June 30, 2013 *(Dollars in thousands)*

	Book Value	Accumulated Depreciation	Net Book Value
Fulton Center	$ 29,551	$ (7,048)	$ 22,503
Flexible Display Center	37,314	(8,286)	29,028
Hassayampa Academic Village	12,451	(2,131)	10,320
Nursing and Health Innovation	11,788	(927)	10,861

NOTES TO FINANCIAL STATEMENTS

Future Payments

Future pledged revenues required to pay all remaining debt service for revenue bonds through final maturity of July 1, 2043 is $1.5 billion. In addition, the University has pledged the same revenues on a subordinated basis to secure the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds and the Series 2010 A/B and 2011 SPEED revenue bonds. Research Park bonds outstanding at June 30, 2013 were $7.8 million with annual debt service payments of approximately $1.2 million through July 1, 2021. SPEED revenue bonds outstanding at June 30, 2013, were $64.7 million with annual debt service payments of approximately $2.6 million through June 30, 2016, $5.7 million through June 30, 2031, and $2.7 million through August 1, 2031, net of federal direct payments.

The Taxable Series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the University is eligible to receive Federal Direct Payments from the United States Treasury equal to 35 percent of the interest owed on each interest payment date. The amount paid to the University by the Federal government may be reduced or limited due to such issues as failure by the University to submit the required information, offsets to reflect any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal 2013, the Federal government reduced federal direct payment claims filed between March 1, 2013 and September 30, 2013 by 8.7 percent due to the federal budget sequestration resulting in a $172,984 reduction in direct payments to the University. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

Securities and cash restricted for bonds and COPs debt service held by the trustee at June 30, 2013 totaled $51.1 million and $7.3 million, respectively. Payment commitments to investors, including interest, for bonds, COPs and other lease obligations, using the interest rate in effect at June 30, 2013 for variable rate issues, are shown below:

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2013 *(Dollars in thousands)*

	System and SPEED Revenue Bonds				Certificates of Participation		Capital Leases		Other Lease Purchases	
Fiscal Year	Principal	Interest	Net Payments on Swap Agreement	Federal Direct Payments	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 33,965	$ 41,477	$ 3,631	$ (3,977)	$ 12,880	$ 10,825	$ 1,700	$ 3,948	$ 1,661	$ 299
2015	44,770	39,844	3,529	(3,977)	11,970	10,600	2,077	3,868	1,292	222
2016	42,635	38,196	3,422	(3,977)	9,945	10,141	2,194	3,767	691	157
2017	45,780	36,483	3,309	(3,914)	11,115	9,671	2,309	3,660	654	120
2018	35,620	35,144	3,191	(3,841)	13,905	9,135	2,440	3,545	692	83
2019-2023	198,455	151,517	13,971	(17,672)	75,720	35,379	14,498	15,650	768	46
2024-2028	229,130	100,660	10,009	(13,906)	72,660	17,063	18,743	11,759		
2029-2033	148,725	57,030	4,957	(9,029)	40,190	2,360	24,315	6,603		
2034-2038	107,150	29,909	269	(4,306)			9,865	1,326		
2039-2043	68,770	6,723		(231)			900	47		
2044-2048	4,000									
Total	**$ 959,000**	**$ 536,983**	**$ 46,288**	**$ (64,830)**	**$ 248,385**	**$ 105,174**	**$ 79,041**	**$ 54,173**	**$ 5,758**	**$ 927**

Funding responsibility for the June 30, 2013 outstanding debt *(Dollars in thousands)*

	Current Portion	Noncurrent Portion	Total
From Arizona State University operating revenues	$ 37,669	$ 917,810	$ 955,479
From State of Arizona appropriations and other State monies	12,537	353,401	365,938
	$ 50,206	**$ 1,271,211**	**$ 1,321,417**

The University presently plans to issue up to $87.3 million in SPEED revenue bonds during fiscal year 2014.

Operating Leases

Brickyard. In July 2004, the ASUF Brickyard, LLC, an Arizona limited liability company of the ASU Foundation, a component unit of Arizona State University, purchased the Brickyard office building and parking facility in downtown Tempe for $34.5 million, and is master leasing the entire facility to the University pursuant to a fifteen-year lease. This lease has no purchase options for the University. The majority of the facility is being used by the University for classrooms, offices, and research areas, with the remaining portion being leased by the University to various firms for retail and restaurant operations.

SkySong. In June 2006, the University entered into a fifteen-year lease, for approximately 80,000 square feet of office space within a development known as SkySong. SkySong is being developed by the ASU Foundation and its partners as a home for activities and organizations that co-mingle and stimulate new forms of global commerce, research, technology, art, education and economic development. The University's use of the leased space focuses on supporting entrepreneurial activities and interdisciplinary research programs in engineering-related fields, and education technology.

Other. The University has entered into other operating leases with various entities for classroom, office, research and student activity space.

The future minimum operating lease payments are as follows (Dollars in thousands):

	Operating Lease Payments			
Fiscal Year	**Brickyard**	**SkySong**	**Other**	**Total**
2014	$ 2,822	$ 2,260	$ 4,144	$ 9,226
2015	2,823	2,309	3,118	8,250
2016	2,833	2,360	2,376	7,569
2017	2,827	2,413	2,015	7,255
2018	2,835	2,467	1,281	6,583
2019-2023	2,837	10,892	980	14,709
Total	**$ 16,977**	**$ 22,701**	**$ 13,914**	**$ 53,592**

Note F - Interest Rate Swap Agreement

Effective January 1, 2007, the University entered into a $103.0 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The $103.0 million notional amount is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the University pays the counterparty interest calculated at a fixed rate of 3.91 percent and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2013 was 0.06 percent. At June 30, 2013, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap:	**Terms**	**Rates (%)**
Fixed payment to counterparty	Fixed	3.91
Variable payment from the counterparty	SIFMA	(0.06)
Net interest rate swap payments		3.85
Variable rate bond coupon payments	Spread to SIFMA	0.06
Synthetic fixed interest rate on bonds		3.91

The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. If the counterparty defaults or if the swap is terminated, the University will revert to paying a variable rate. A termination of the swap agreement may also result in the University making or receiving a termination payment.

The University is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty versus the variable rate paid to bondholders. The swap exposes the University to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds.

As of June 30, 2013, the University was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Fitch, A by Standard & Poor's and A3 by Moody's Investor Services as of June 30, 2013. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the University's overall exposure exceeds predetermined levels. Collateral may be held by the University or a third party custodian.

As of June 30, 2013, the swap had a fair value of $(14.1) million, which represents the cost to the University to terminate the swap. The June 30, 2012 fair value was $(22.9) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the University's hedging derivative instrument is reported on the statement of net position as a deferred outflows of resources and a liability (derivative instrument).

Note G - Unrestricted Net Position

As discussed in the Summary of Significant Accounting Policies, the University follows accounting standards for external reporting purposes that require net position to be classified for accounting and reporting purposes into one of three net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB, is not subject to externally imposed stipulations; however, it is subject to internal designations. For example, unrestricted net position may be designated for specific purposes by actions of management or may otherwise be limited by contractual purchase obligation agreements with outside parties. As of June 30, 2013, substantially all of the University's unrestricted net position was from University generated revenues and was internally designated for academic and research programs and initiatives, and capital projects.

Note H - Compensated Absences

The University has recorded a liability for accruals of vacation leave and compensatory time earned, but not taken at fiscal year end. Changes in accrued compensated absences for the year ended June 30, 2013 consisted of the following (Dollars in thousands):

Beginning Balance	$ 24,212
Additions	36,037
Reductions	(33,367)
Ending Balance	$ 26,882
Current Portion	$ 3,057

Note I - Operating Expenses by Classification

Operating expenses by functional and natural classification for the year ended June 30, 2013, are summarized as follows (Dollars in thousands):

	Year ended June 30, 2013				
	Personal Services and Benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	$ 453,706	$ 92,651	$ 2,641		$ 548,998
Research	147,858	74,222	3,373		225,453
Public service	23,646	20,444	770		44,860
Academic support	139,506	64,805	520		204,831
Student services	47,345	18,310	253		65,908
Institutional support	73,093	50,357	1,096		124,546
Operation and maintenance of plant	21,521	69,556			91,077
Scholarships and fellowships	1,598	340	110,425		112,363
Auxiliary enterprises	39,748	73,767	5,994		119,509
Depreciation				$ 106,992	106,992
Total Operating Expenses	**$ 948,021**	**$ 464,452**	**$ 125,072**	**$ 106,992**	**$ 1,644,537**

Note J - Retirement Plans

At June 30, 2013 the University is participating in one cost-sharing multiple-employer defined benefit pension, health, and long-term disability plan and two defined contribution pension plans. The following disclosures are required by Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27).* In addition to the plans described below, certain university employees participate in two additional retirement plans with $1.3 million in total University and employee contributions for the year ended June 30, 2013.

Defined Benefit Plan

Plan Description. The Arizona State Retirement System (ASRS) administers a cost-sharing, multiple-employer defined benefit plan that covers employees of the University. Benefits are established by State statute and provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statues Title 38, Chapter 5, Article 2.

ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910, by calling (602) 240-2000 or (800) 621-3778, or visiting www.azasrs.gov.

Funding Policy. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the University was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll. The University's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows (Dollars in thousands):

Fiscal Year	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total University Contributions
2013	$ 26,276	$ 1,666	$ 617	$ 28,559
2012	24,826	1,671	603	27,100
2011	23,825	1,560	664	26,049

Defined Contribution Plans

Plan Description. In accordance with A.R.S. § 15-1628, University faculty, academic professionals, service professionals and administrative staff have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. For the year ended June 30, 2013, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity), were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. Contributions made by employees vest immediately and University contributions vest no later than after five years of full-time employment. Employee and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity company.

Funding Policy. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2013, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of an employee's compensation. Contributions to these plans for the year ended June 30, 2013, were as follows (Dollars in thousands):

	Contribution Rates (Each)	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	7.00%	$ 13,424	$ 13,424	$ 26,848
Fidelity	7.00%	8,645	8,645	17,290

Note K - ASU at the Downtown Phoenix Campus

In June 2005, the University and the City of Phoenix (City) entered into an intergovernmental agreement related to the development of an ASU campus in downtown Phoenix. The ongoing development of the campus is seen as a partnership between the University, the City, and area neighborhoods and businesses to help with the revitalization of the historic urban core of Phoenix. Per the terms of the agreement, the City has acquired land and existing buildings which have been identified by the University as being within the boundaries of the ASU at the Downtown Phoenix campus. All property, except the residential life facility, will be owned by the City, until the property is conveyed to the University. ASU is responsible for all operating costs at the campus as well as maintaining a reserve and replacement fund. The Downtown Phoenix campus is the University's fourth and newest campus and provides an academically-rigorous university experience which integrates academic, public, private, and residential development in a diverse and dynamic living/learning environment for students.

Permanent Financing. In March 2006, Phoenix resident voters approved a bond program which included approximately $188 million in permanent funding for the development of facilities for the ASU at the Downtown Phoenix campus, and approximately $35 million for other investments in the campus districts.

Purchase Option. The University may, prior to the satisfaction of the permanent financing, purchase all or a portion of the Downtown Phoenix campus property from the City for the amount of the indebtedness applicable to the property subject to full defeasance of any outstanding debt. Upon satisfaction of the permanent financing indebtedness, the properties will be transferred to the University at no additional cost, under the condition that the property will be used for the purpose of providing Arizona State University-related post-secondary education.

Mercado Property. The University will transfer property it owns in downtown Phoenix, known as the Mercado property, to the City when final payment of outstanding debt on the property has been made, which is scheduled to occur on July 1, 2024. The City has the option to purchase the Mercado property at any time after the construction of the new Downtown Phoenix campus facilities, and prior to June 15, 2024, subject to certain conditions. The University has agreed to cooperate with the City to maximize the effective use of the Mercado property in augmenting the Downtown Phoenix campus facilities.

Note L - Insurance Program

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

In the opinion of University management, any losses from the resolution of any other pending claims or litigation not covered by the Risk Management Section should not have a material effect on the University's financial statements. Also, in accordance with the disclosure requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, all estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona Comprehensive Annual Financial Report.

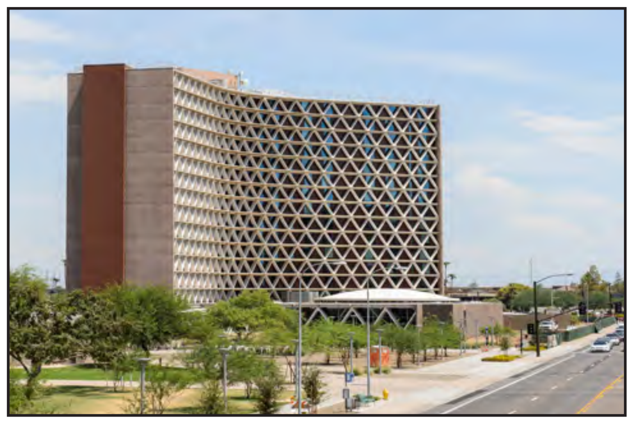
Note M - Privatized Student Housing

American Campus Communities. The University has entered into ground lease agreements with American Campus Communities (ACC) for student housing projects located on land owned by the University that is ground leased to ACC. Upon completion of the projects, ACC transfers title to the facilities to the University, subject to a leasehold interest under which ACC will maintain and operate the facilities. The ground leases are each for a period of 65 years with two 10-year options to renew. The University has no obligation to support the facilities financially or to guarantee occupancy.

- Vista del Sol, opened August 2008 on the Tempe campus, consists of approximately 1,800 apartment-style beds, with amenities such as a pool, community center, parking garage, and retail space.
- Villas at Vista del Sol, an expansion of the Vista del Sol complex, opened in August 2012 and includes 400 beds intended for upper-classmen in a mix of apartment-style housing and townhome units. Residents will have access to existing Vista del Sol amenities, such as the pool and community center.
- Barrett Honors College, opened August 2009 on the Tempe campus, provides housing and academic space for the Barrett Honors College including approximately 1,700 beds, classrooms, faculty offices, and dining.
- Casa de Oro, a new West campus housing project, was opened in August 2012 and includes 385 double occupancy suite-style beds for first-year students.
- Manzanita, the newly renovated Tempe campus facility, re-opened for the fall 2013 semester. The facility includes 816 double occupancy suite-style beds for first-year students.

Inland American Communities. ASU entered into a ground lease with Inland American Communities (IAC) for development of student housing on the Polytechnic campus. Century Hall opened in August 2012 and includes 321 double occupancy suite-style beds. During the term of the ground lease, 65 years with two ten-year options to renew, IAC is responsible for all costs and expenses of operating and maintaining the housing project. The University has no obligation to support the facility financially or to guarantee occupancy.

Casa de Oro



Manzanita Hall

Note N - Component Units (Financially Related Organizations)

Arizona State University's discretely presented component units are comprised of two major component units, the ASU Foundation for A New American University (Foundation) and Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units consisting of the ASU Alumni Association, Arizona State University Research Park, Inc., Downtown Phoenix Student Housing, LLC, Sun Angel Endowment, Sun Angel Foundation, and University Public Schools, Inc.

Summary of Significant Accounting Policies

Basis of presentation. The component unit financial statements have been prepared on the accrual basis of accounting according to generally accepted accounting principles (GAAP). Information regarding their financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income taxes. All of ASU's component units, except ACFFC, qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. ACFFC is classified as a Section 501(c)(4) organization, a tax-exempt organization but not qualified for the charitable contribution deduction.

Use of estimates. The preparation of the component units' financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

NOTES TO FINANCIAL STATEMENTS

Contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Net Assets and Equity Transfers

Collegiate Golf Foundation. During 2012, Arizona State University and Collegiate Golf Foundation agreed to terminate the existing land lease. Upon termination on September 30, 2011, Collegiate Golf Foundation transferred all property and equipment to Arizona State University. Arizona State University and Collegiate Golf Foundation entered into a licensing agreement commencing October 1, 2011 and expiring on June 30, 2012, granting Collegiate Golf Foundation access to the premises and the improvements on such premises for the purpose of operating, managing, and maintaining the Karsten Golf Course at Arizona State University. Collegiate Golf Foundation transferred all remaining assets and liabilities to Arizona State University as of July 1, 2012.

Pledges Receivable

The ASU Foundation's pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and loss allowance. Pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 1.20 percent to 10.90 percent. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges.

The Sun Angel Foundation's pledges receivable are recorded at their net realizable value using a 5.14 percent discount rate for the year ended June 30, 2013.

Pledges receivable consist of *(Dollars in thousands)*

	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Gross pledges receivable	$ 170,455	$ 4,934	$ 326	$ 175,715
Present value discount	(12,094)	(464)	(1)	(12,559)
Allowance for uncollectible pledges	(40,580)	(705)	(129)	(41,414)
Net pledges receivable	**$ 117,781**	**$ 3,765**	**$ 196**	**$ 121,742**

Members of the ASU Foundation's Board of Directors and Board of Trustees have made contributions and pledges to the Foundation in the current and prior years. At June 30, 2013 and 2012, gross unconditional pledges receivable from these members included approximately $34.5 million and $34.7 million, respectively. The Foundation had conditional pledges receivable totaling $2.1 million at June 30, 2013; none are included in pledges receivable. Conditional pledges receivable are recorded when the conditions are substantially met.

Gross pledges are receivable as follows *(Dollars in thousands)*

	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Receivable in one year	$ 41,228	$ 1,269	$ 263	$ 42,760
Receivable in two to five years	58,454	2,771	63	61,288
Receivable after five years	70,773	894		71,667
Total gross pledges to be received	**$ 170,455**	**$ 4,934**	**$ 326**	**$ 175,715**

Direct Financing Lease Agreements

ASU Foundation. ASU Foundation leases a portion of the Fulton Center building (ASU Foundation's headquarters) to the University under a direct financing lease. At the end of the lease, ASU Foundation and Affiliates will gift their portion of the building to the University and the University will receive title to the building. ASU Foundation's net investment in this direct financing lease at June 30, 2013 is $25.0 million.

Arizona Capital Facilities Finance Corporation (ACFFC). Pursuant to a sublease agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC (Nano), a wholly-owned subsidiary of ACFFC, leases its interest in the ASU Research Park to the University. The University will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and 2009B Bonds. The Sublease has successive annual renewals without action from either party through March 31, 2034. The Sublease is subject to early termination by Nano or the University upon the payment in full of the Series 2009A and 2009B Bonds. Upon termination or expiration of the Sublease, ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the University without further consideration. ACFFC's net investment in the Nanotechnology facility direct financing lease is $31.8 million at June 30, 2013.

Pursuant to a University lease agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the University which consists of the academic, tutorial, retail and food service facilities. The lease was amended effective September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 Bonds. Any right, title or interest of Hassayampa in and to the academic portions of the Hassayampa Project will pass to the University without further cost upon the payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is $12.2 million at June 30, 2013.

Contingent Agreements

In order to ensure the success of the component unit student housing facilities, the University entered into various contingent agreements which allow the University to contribute funding to the extent a funding shortfall occurs during the fiscal year. The agreements for Hassayampa Academic Village (ACFFC) and West Campus Student Housing/ Las Casas (ACFFC) allow the University to fund deficiencies for debt service and operating expense shortfalls.

On December 9, 2011 the Sun Angel Endowment executed an agreement with the Sun Angel Foundation and Arizona State University. The agreement provides for the merger of the Sun Angel Endowment into the Sun Angel Foundation upon satisfaction of certain conditions. Management of the Endowment believes that the merger may occur in fiscal 2014. The Sun Angel Endowment would cease to exist if the merger is completed.

Power Plant Agreements

Sun Devil Energy Center. In November 2004, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a co-generation power plant on the University's Tempe campus with the power plant providing to the University a portion of its energy (electrical, chilled water and steam) needs. The contract with ACFFC is for 25 years, along with the related ground lease, and calls for minimum annual energy purchase obligations on the part of the University of approximately $7.5 million to cover ACFFC's fixed management services and capital costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily natural gas.

Polytechnic Central Plant. In December 2008, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a central plant on the University's Polytechnic campus to provide chilled water and emergency power for certain buildings on that campus. The contract with ACFFC is for 20 years, along with the related ground lease, and calls for minimum annual purchase obligations by the University of approximately $2 million to cover ACFFC's fixed capital and management services costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily electricity.

Investments in Securities

The ASU Foundation reports investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair values of nonmarketable securities are based on valuations provided by external investment managers. The ASU Foundation exercises due diligence in assessing the policies, procedures and controls implemented by external investment managers. Investment income is recorded on an accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility.

The ASU Foundation spending policy for the consolidated investment pools follows the objectives of the investment policy and establishes the amount made available for spending in the endowment pools.

- The current spending policy is based on a constant growth formula, in which the amount available for spending is based on the prior year spending amount plus an inflation factor (1.7 percent for 2013), collared by a cap and floor of 4.00 percent and 3.00 percent, respectively, of a 12-quarter moving average calculated mid-year.
- In the event the current market value of the endowment is less than the historical gift value, spending will continue, unless the gift agreement does not permit spending in this circumstance.

NOTES TO FINANCIAL STATEMENTS

ASU Foundation has ownership of certain cash and cash equivalents that are not in the possession of ASU Foundation but are held, along with other marketable securities, by outside investment managers for the benefit of the ASU Foundation. Although these cash and cash equivalents are readily available to ASU Foundation, it is the intent of ASU Foundation to hold these cash and cash equivalents for investment purposes and, accordingly, these cash and cash equivalents are classified as investment assets in the accompanying combined financial statements.

Foundation Endowment and Net Asset Classification

Management of the ASU Foundation's endowment is governed by laws in the State of Arizona based on the Uniform Prudent Management of Institutional Funds Act. The ASU Foundation has interpreted the statute as requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the ASU Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets.

Investment Summary

Investments consist of *(Dollars in thousands)*

	ASU Foundation Investments	ACFFC	Other Component Units	Total
Money market funds and cash equivalents	$ 52,541	$ 15,736	$ 14,789	$ 83,066
Equities:				
Domestic	154,824			154,824
International	114,448			114,448
Total equities	269,272			269,272
Fixed Income	101,269			101,269
Mutual funds:				
Equity mutual funds			5,665	5,665
Inflation hedge	154,462			154,462
Emerging markets	35,017			35,017
Total mutual funds	189,479		5,665	195,144
Other securities	20,257		16,647	36,904
Other investments	45,138		775	45,913
Total investments	**$ 677,956**	**$ 15,736**	**$ 37,876**	**$ 731,568**

Property and Equipment

Property and equipment consist of *(Dollars in thousands)*

	ASU Foundation	ACFFC	Other Component Units	Total
Cost or donated value:				
Buildings and improvements	$ 17,397	$ 185,011	$ 114,421	$ 316,829
Furniture, fixtures, and equipment	7,820	80,586	11,626	100,032
Leasehold improvements			13,744	13,744
Total cost or donated value	25,217	265,597	139,791	430,605
Accumulated depreciation	(10,782)	(78,042)	(31,433)	(120,257)
Net property and equipment	**$ 14,435**	**$ 187,555**	**$ 108,358**	**$ 310,348**

Bonds and Obligations under Capital lease

Bonds payable consist of *(Dollars in thousands)*						
	Final Maturity	**ASU Foundation**	**ACFFC**	**Downtown Phoenix Student Housing, LLC**	**Other Component Units**	**Total**
Series 2011 Tax-Exempt Revenue Refunding Bonds (Energy Management Services)	2018		$ 15,785			$ 15,785
Series 2009 Revenue Bonds (Energy Management Services)	2024		36,795			36,795
Series 2009A Lease Revenue Refunding Bonds (Nanotechnology Research)	2034		22,955			22,955
Series 2009B Lease Revenue Refunding Bonds (Nanotechnology Research)	2022		9,165			9,165
Series 2008 Revenue Bonds (ASU Energy Center)	2028		14,620			14,620
Series 2008 Revenue Refunding Bonds (Hassayampa Academic Village)	2039		143,135			143,135
Series 2008 Variable Rate Demand Revenue Refunding Bonds (Sun Devil Energy Center)	2030		38,495			38,495
Series 2007 A&C Revenue Bonds	2042			$ 118,570		118,570
Series 2007 D Tax-Exempt Revenue Bonds	2042			22,700		22,700
Series 2006 Development Refunding Bonds (ASU Research Park)	2021				$ 7,845	7,845
Series 2005 Tax-Exempt Refunding Bonds (West Campus Housing)	2035		15,735			15,735
Series 2004A Variable Rate Revenue Bonds (Brickyard)	2034	$ 22,420				22,420
Series 2004B Variable Rate Revenue Bonds (Brickyard)	2022	8,120				8,120
Series 2003 Lease Revenue Bonds (Fulton)	2034	43,395				43,395
Capital Lease	2015				173	173
Deferred Cost of Refunding			(374)			(374)
Unamortized bond premium (discount)			2,666	(1,099)		1,567
		$ 73,935	**$ 298,977**	**$ 140,171**	**$ 8,018**	**$ 521,101**

The following schedule reflects future principal payment commitments to investors:

Future principal commitments consist of *(Dollars in thousands)*					
Year Ending June 30	**ASU Foundation**	**ACFFC**	**Downtown Phoenix Student Housing, LLC**	**Other Component Units**	**Total**
2014	$ 1,835	$ 8,660	$ 430	$ 942	$ 11,867
2015	1,940	9,300	610	956	12,806
2016	2,035	9,865	810	920	13,630
2017	2,140	10,555	1,025	955	14,675
2018	2,245	11,275	1,245	995	15,760
Thereafter	63,740	249,322	136,051	3,250	452,363
	$ 73,935	**$ 298,977**	**$ 140,171**	**$ 8,018**	**$ 521,101**

NOTES TO FINANCIAL STATEMENTS

Financial Statement Information

The following represents summary financial information for ASU's two major component units (ASU Foundation and ACFFC) and all other component units combined:

Component Units
Statement of Financial Position
June 30, 2013
(Dollars in thousands)

	ASU Foundation	ACFFC	Other Component Units	Total
Assets				
Investments	$ 677,956	$ 15,736	$ 37,876	$ 731,568
Property and equipment, net	14,435	187,555	108,358	310,348
Other assets	173,629	52,248	34,740	260,617
Total assets	$ 866,020	$ 255,539	$ 180,974	$ 1,302,533
Liabilities				
ASU endowment trust liability	$ 99,822			$ 99,822
Long-term debt	73,935	$ 298,977	$ 148,189	521,101
Other liabilities	36,449	8,972	37,881	83,302
Total liabilities	$ 210,206	$ 307,949	$ 186,070	$ 704,225
Net Assets				
Unrestricted	$ 13,843	$ (52,410)	$ (13,348)	$ (51,915)
Temporarily restricted	253,691		6,410	260,101
Permanently restricted	388,280		1,842	390,122
Total net assets (deficit)	**$ 655,814**	**$ (52,410)**	**$ (5,096)**	**$ 598,308**

Component Units
Statement of Activities
Year ended June 30, 2013
(Dollars in thousands)

	ASU Foundation	ACFFC	Other Component Units	Total
Revenues				
Contributions	$ 82,238		$ 16,200	$ 98,438
Rental revenues	1,009	$ 15,781	14,678	31,468
Sales and services	20,281	8,967	3,066	32,314
Net investment return	56,737	29	1,833	58,599
Other revenues	4,061	9,277	12,781	26,119
Total revenues	$ 164,326	$ 34,054	$ 48,558	$ 246,938
Expenses				
Payments to the benefit of ASU	$ 62,166	$ 918	$ 12,872	$ 75,956
Management and general	26,227	9,388	24,718	60,333
Depreciation/amortization and interest expense	3,642	26,593	13,370	43,605
Other expenses	4,700	70	1,859	6,629
Total expenses	$ 96,735	$ 36,969	$ 52,819	$ 186,523
Increase/(Decrease) in net assets, before transfers and losses	67,591	(2,915)	(4,261)	60,415
Transfers and losses		2,620	228	2,848
Increase/(Decrease) in net assets, after transfers and losses	67,591	(295)	(4,033)	63,263
Net assets (deficit), beginning of year	588,223	(52,115)	(1,063)	535,045
Net assets (deficit), end of year	**$ 655,814**	**$ (52,410)**	**$ (5,096)**	**$ 598,308**

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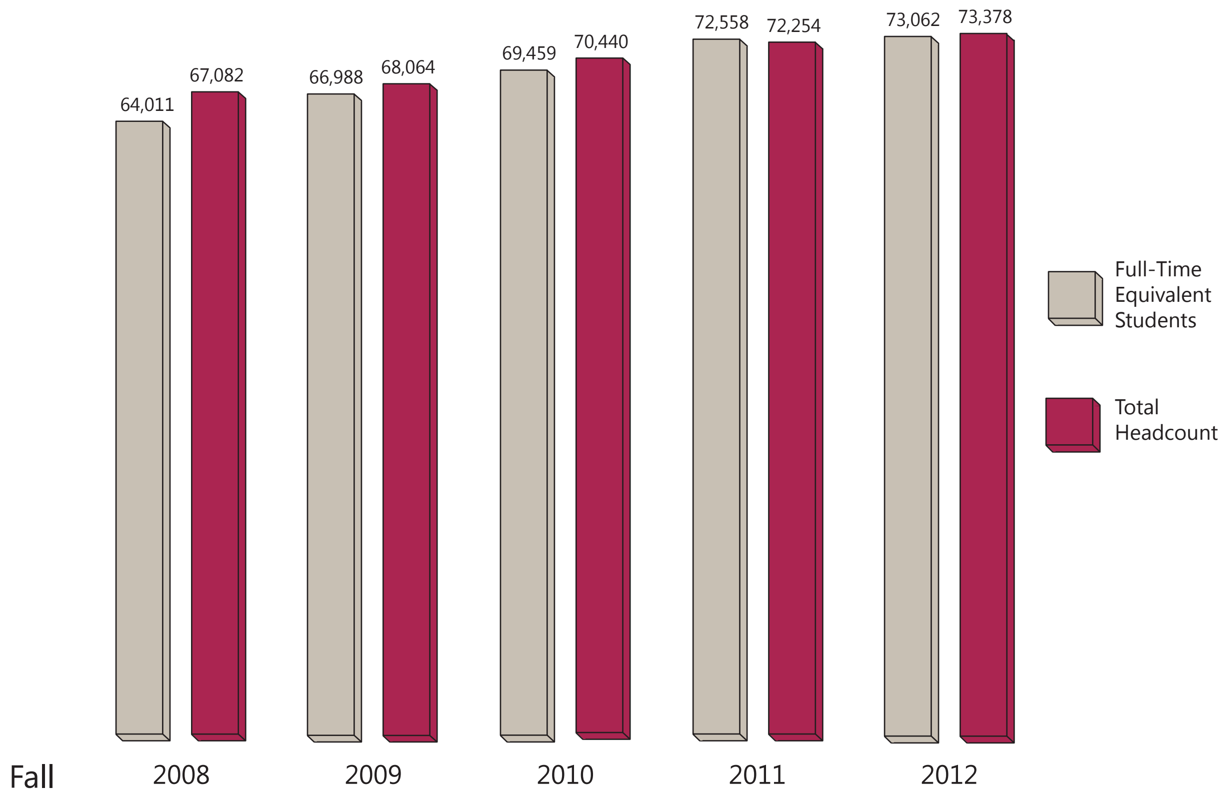
ENROLLMENT AND COMBINED SOURCES AND USES

Lake Havasu City, Arizona



Degrees Granted in Academic Year 2012-2013

Undergraduate	13,913
Graduate	5,003
	18,916

Fall 2012 Enrollment

Undergraduate	59,382
Graduate	13,996
Resident (Arizona)	50,400
Non-Resident	22,978

COMBINED SOURCES AND USES

Sources

For the year ended June 30, 2013 *(Dollars in millions)*

Source	%	Amount	Description
Tuition and Fees, net	45%	**$ 803.0**	Includes $1,005.8 million in tuition and fees, net of $202.8 million in scholarship allowances.
State Appropriations	17%	**311.9**	Represents State of Arizona legislative appropriations for operations of the University and $14.5 million in appropriations for research infrastructure capital financing.
Grants and Contracts	16%	**281.0**	Primarily consists of $225.4 million in federal grants and contracts for research activities.
Financial Aid Grants	6%	**104.4**	Represents governmental and nongovernmental grants for financial aid programs. For fiscal 2013 federally funded grants totaled $104.0 million.
Auxiliary Enterprises, net	7%	**122.5**	Represents operations of essentially self-supporting activities such as residential halls and parking.
Private and Capital Gifts	3%	**62.3**	Private support from individuals, foundations, and corporations, including $2.5 million in capital gifts.
Sales and Services	3%	**56.0**	Sales and services of educational departments, including ASU-hosted national and international conferences and programs.
Technology and Research Initiatives Fund (TRIF)	1%	**25.2**	TRIF is generated from sales tax revenue. TRIF revenue received by ASU is primarily used to support the research efforts of the ASU Biodesign Institute.
Other Sources	2%	**32.9**	Includes net investment returns, financial aid trust fees and Arizona Lottery revenues.
Total Sources		**$ 1,799.2**	

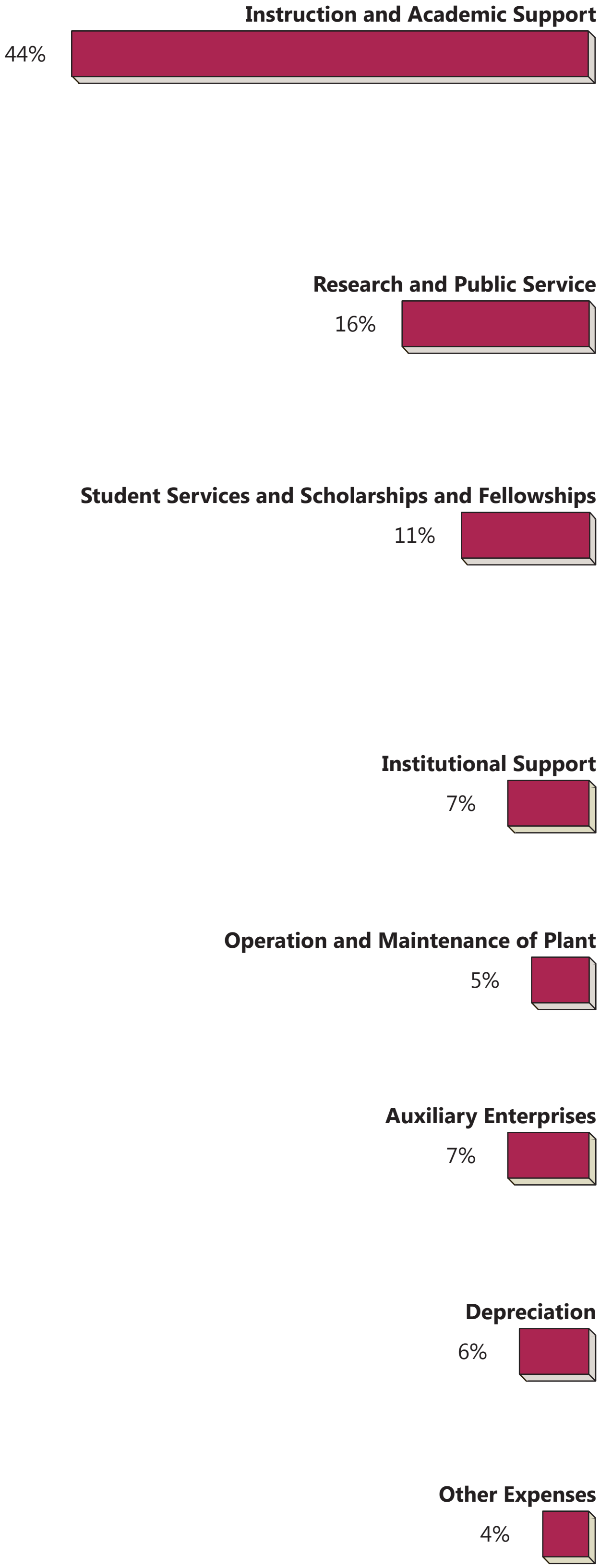
Note:

The Combined Sources and Uses schedule highlights major financial data. The explanations provided are not intended to be all-inclusive.

This schedule provides an overview of total financial operations of all campuses of Arizona State University. Restricted and unrestricted operating and nonoperating funds are included. Restricted funds have specific purposes stipulated by outside donors and agencies.

Unrestricted funds may be designated by management for specified purposes, including academic and research programs and initiatives, or capital projects. Sources and uses are allocated and controlled by budgets.

Uses



Instruction and Academic Support	$ 753.8	Consists of (1) instruction expenses totaling $549.0 million, which include credit and non-credit courses for academic instruction for regular academic year and summer sessions, continuing education, and online programs and (2) academic support expenses totaling $204.8 million, which include libraries, academic information technology support, and academic administration.
Research and Public Service	270.4	Includes (1) direct research expenses of $225.5 million for activities specifically organized to produce research outcomes, and (2) public service expenses of $44.9 million for non-instructional services beneficial to individuals and groups external to the University, such as public broadcasting and community service programs.
Student Services and Scholarships and Fellowships	178.3	Consists of (1) direct student services expenses totaling $65.9 million, which include admissions, registrar, student activities, counseling, career guidance, student financial aid administration, and student health services, and (2) scholarships and fellowships expenses of $112.4 million, which includes federally funded Pell grants and institutionally awarded merit and need-based scholarships, net of scholarship allowances.
Institutional Support	124.5	Includes financial operations, human resources, public safety, environmental health and safety, and administrative information technology support.
Operation and Maintenance of Plant	91.1	Represents expenses for the operation and maintenance of plant, including services related to facilities and grounds, and utility costs. Not included are amounts charged to auxiliary enterprises.
Auxiliary Enterprises	119.5	Consists of departments managed as essentially self-supporting activities that furnish services to students and staff for a fee directly related to, but not necessarily equal to, the cost of the service.
Depreciation	107.0	Depreciation is computed using the straight-line method over the estimated useful life of each asset. Depreciation for buildings was $60.0 million and was primarily related to academic and research buildings.
Other Expenses	69.6	Consists primarily of interest payments on outstanding debt and loss on sale of property of $5.3 million.
Total Uses	**$ 1,714.2**	


Talking Stick Resort
Coke zero


SECURITY

STATISTICAL SECTION

NARRATIVE TO THE STATISTICAL SECTION

These schedules contain trend information to help the reader understand how the University's financial performance has changed over time.

- Net Position by Component
- Changes in Net Position
- Operating Expenses by Natural Classification

These schedules contain information to help the reader assess the University's revenue sources.

- Academic Year Tuition and Required Fees
- Principal Revenue Sources

These schedules present information to help the reader assess the University's current level of outstanding debt.

- Long-term Debt
- Summary of Ratios
- Debt Coverage for Senior and Subordinate Lien Bonds

These schedules contain demographic and economic indicators to help the reader understand the environment in which the University's financial activities take place.

- Admissions, Enrollment, and Degrees Earned
- Demographic Data
- Principal Employers

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

- Faculty and Staff
- Capital Assets

Net Position by Component										
Fiscal year ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
(Dollars in thousands)										
Net investment in capital assets	$ 664,867	$ 643,008	$ 634,253	$ 661,691	$665,895	$725,527	$595,819	$580,333	$572,551	$598,105
Restricted, Non-expendable	55,572	52,941	49,513	46,883	44,819	42,279	62,035	54,767	48,668	44,235
Restricted, Expendable	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914	63,096
Unrestricted	511,298	462,958	359,430	235,290	165,914	27,368	155,702	145,128	160,275	149,725
Total Net Position	**$1,336,617**	**$1,251,568**	**$1,130,440**	**$1,036,795**	**$952,012**	**$894,388**	**$890,464**	**$843,082**	**$837,408**	**$855,161**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	49.7	51.4	56.1	63.8	70.0	81.1	66.9	68.8	68.4	69.9
Restricted, Non-expendable	4.2	4.2	4.4	4.5	4.7	4.7	7.0	6.5	5.8	5.2
Restricted, Expendable	7.8	7.4	7.7	9.0	7.9	11.1	8.6	7.5	6.7	7.4
Unrestricted	38.3	37.0	31.8	22.7	17.4	3.1	17.5	17.2	19.1	17.5
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	3.4	1.4	(4.1)	(0.6)	(8.2)	21.8	2.7	1.4	(4.3)	n/a
Restricted, Non-expendable	5.0	6.9	5.6	4.6	6.0	(31.8)	13.3	12.5	10.0	n/a
Restricted, Expendable	13.2	6.2	(6.1)	23.3	(24.0)	29.0	22.4	12.4	(11.4)	n/a
Unrestricted	10.4	28.8	52.8	41.8	506.2	(82.4)	7.3	(9.5)	7.0	n/a
Total Net Position	**6.8**	**10.7**	**9.0**	**8.9**	**6.4**	**0.4**	**5.6**	**0.7**	**(2.1)**	**n/a**

CHANGES IN NET POSITION

Changes in Net Position *(Dollars in thousands)*

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
Revenues										
Operating Revenues										
Student tuition and fees, net	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890	$ 349,414	$ 302,090	$ 253,302
Research grants and contracts	238,031	229,801	217,012	199,901	168,557	162,178	145,851	133,207	110,734	94,604
Sales and services										
Auxiliary enterprises	122,453	105,510	136,540	134,899	131,010	135,590	118,237	106,707	99,679	94,675
Educational departments	56,006	53,866	43,514	37,625	37,094	49,007	45,517	37,098	28,230	21,972
Other revenues	8,018	8,947	9,093	10,295	12,226	10,645	7,230	7,033	5,675	9,626
Total Operating Revenues	**$1,227,473**	**$1,155,341**	**$1,045,483**	**$ 949,039**	**$ 848,354**	**$ 794,077**	**$ 716,725**	**$ 633,459**	**$ 546,408**	**$ 474,179**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 548,998	$ 519,117	$ 495,815	$ 472,979	$ 454,929	$ 461,082	$ 425,744	$ 383,553	$ 358,907	$ 310,827
Research	225,453	211,569	201,255	189,599	180,901	166,271	144,781	127,343	108,213	99,578
Public service	44,860	46,938	48,208	41,196	43,121	43,071	42,992	40,038	36,155	30,187
Academic support	204,831	185,890	187,435	176,213	171,546	166,778	149,280	135,635	121,118	110,348
Student services	65,908	60,737	55,244	49,078	51,412	53,959	49,823	45,333	40,171	33,832
Institutional support	124,546	120,491	124,893	122,706	126,920	129,104	113,072	99,286	84,921	68,256
Operation and maintenance of plant	91,077	86,750	83,939	77,598	87,530	94,582	83,265	64,665	53,823	45,116
Scholarships and fellowships	112,363	113,171	120,428	109,404	88,335	68,006	63,223	56,726	47,429	44,977
Auxiliary enterprises	119,509	115,799	142,492	135,141	121,467	127,229	113,434	97,068	91,314	86,432
Depreciation	106,992	98,005	97,202	95,745	93,768	83,448	78,085	66,121	71,520	51,763
Total Operating Expenses	**$1,644,537**	**$1,558,467**	**$1,556,911**	**$1,469,659**	**$1,419,929**	**$1,393,530**	**$1,263,699**	**$1,115,768**	**$1,013,571**	**$ 881,316**
Operating Loss	**$ (417,064)**	**$ (403,126)**	**$ (511,428)**	**$ (520,620)**	**$ (571,575)**	**$ (599,453)**	**$ (546,974)**	**$ (482,309)**	**$ (467,163)**	**$ (407,137)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120	$ 368,568	$ 335,874	$ 312,594
Federal fiscal stabilization funds			867	32,502	69,822					
Share of state tax - TRIF	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113	22,609	21,562
Financial aid grants	104,415	110,222	104,498	84,998	49,969	42,198	36,176	36,310	36,759	34,867
Grants and contracts	42,195	49,237	50,133	48,390	50,892	34,905	34,741	40,392	40,090	34,480
Private gifts	59,807	55,329	50,584	45,847	49,211	42,620	39,222	40,155	31,748	26,739
Financial aid trust funds	11,114	11,027	9,279	9,249	8,812	8,680	6,606	3,754	3,448	3,050
Net investment return (loss)	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700	20,383	14,989	11,117
Interest on debt	(53,331)	(48,101)	(47,505)	(42,740)	(39,451)	(36,929)	(33,283)	(28,805)	(22,818)	(19,557)
Other expenses	(10,995)	(8,358)	(6,980)	(10,002)	(6,186)	(16,492)	(13,540)	(13,983)	(12,217)	(26,063)
Net Nonoperating Revenues	**$ 485,326**	**$ 499,291**	**$ 580,690**	**$ 577,971**	**$ 598,326**	**$ 582,936**	**$ 553,308**	**$ 488,887**	**$ 450,482**	**$ 398,789**
Income (loss) before other revenues, expenses, gains, or losses	**$ 68,262**	**$ 96,165**	**$ 69,262**	**$ 57,351**	**$ 26,751**	**$ (16,517)**	**$ 6,334**	**$ 6,578**	**$ (16,681)**	**$ (8,348)**
Capital appropriations	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 6,452			
Capital commitments	4,268	1,646	990							
Capital grants	761	1,636	1,371	2,086	1,432	2,283	2,190	1,548	1,767	2,359
Capital private gifts	2,503	7,206	3,567	3,351	4,961	7,576	9,614	4,447	10,005	4,450
Additions to permanent endowments	77	3	99	443	48	735	368	975	489	28
Property additions/reductions							22,424			9,906
Special Items	(5,294)				7,240	(20,100)		(7,874)		(6,880)
Extraordinary Item - insurance recovery			3,884	7,080	2,720	15,475				
Increase (Decrease) in Net Position	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**	**$ 47,382**	**$ 5,674**	**$ (4,420)**	**$ 1,515**
Total Revenues	$1,799,206	$1,736,054	$1,705,041	$1,607,184	$1,523,190	$1,470,975	$1,357,904	$1,172,104	$1,044,186	$ 935,331
Total Expenses	1,714,157	1,614,926	1,611,396	1,522,401	1,465,566	1,467,051	1,310,522	1,166,430	1,048,606	933,816
Increase (Decrease) in Net Position	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**	**$ 47,382**	**$ 5,674**	**$ (4,420)**	**$ 1,515**

Grants and contracts prior to fiscal 2008 were restated between operating and non-operating categories in order to provide comparison among years. This is a presentation change only.

Changes in Net Position (Expressed as a percent of Total Revenues / Total Expenses)

Fiscal Year Ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*	**2006** *(as restated)*	**2005** *(as restated)*	**2004** *(as restated)*
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	44.6	43.6	37.5	35.2	32.8	29.7	29.4	29.8	28.9	27.1
Research grants and contracts	13.2	13.2	12.7	12.4	11.1	11.0	10.7	11.4	10.6	10.1
Sales and services										
Auxiliary enterprises	6.8	6.1	8.0	8.4	8.6	9.2	8.7	9.1	9.5	10.1
Educational departments	3.1	3.1	2.6	2.3	2.4	3.3	3.4	3.2	2.7	2.3
Other revenues	0.4	0.5	0.5	0.6	0.8	0.7	0.5	0.6	0.5	1.0
Total Operating Revenues	**68.1**	**66.5**	**61.3**	**58.9**	**55.7**	**53.9**	**52.7**	**54.1**	**52.2**	**50.6**
Expenses										
Operating Expenses										
Educational and general										
Instruction	*32.0*	*32.1*	*30.8*	*31.1*	*31.0*	*31.4*	*32.5*	*32.9*	*34.2*	*33.3*
Research	*13.2*	*13.1*	*12.5*	*12.5*	*12.3*	*11.3*	*11.0*	*10.9*	*10.3*	*10.7*
Public service	*2.6*	*2.9*	*3.0*	*2.7*	*2.9*	*2.9*	*3.3*	*3.4*	*3.4*	*3.2*
Academic support	*11.9*	*11.5*	*11.6*	*11.6*	*11.7*	*11.4*	*11.4*	*11.6*	*11.6*	*11.8*
Student services	*3.8*	*3.8*	*3.4*	*3.2*	*3.5*	*3.7*	*3.8*	*3.9*	*3.8*	*3.6*
Institutional support	*7.3*	*7.5*	*7.8*	*8.1*	*8.7*	*8.8*	*8.6*	*8.5*	*8.1*	*7.3*
Operation and maintenance of plant	*5.3*	*5.4*	*5.2*	*5.1*	*6.0*	*6.4*	*6.4*	*5.5*	*5.1*	*4.8*
Scholarships and fellowships	*6.6*	*7.0*	*7.5*	*7.2*	*6.0*	*4.6*	*4.8*	*4.9*	*4.5*	*4.8*
Auxiliary enterprises	*7.0*	*7.2*	*8.8*	*8.9*	*8.3*	*8.7*	*8.7*	*8.3*	*8.7*	*9.3*
Depreciation	*6.2*	*6.1*	*6.0*	*6.3*	*6.4*	*5.7*	*6.0*	*5.7*	*6.8*	*5.5*
Total Operating Expenses	**91.4**	**89.8**	**91.3**	**91.4**	**93.2**	**94.7**	**93.1**	**95.2**	**97.1**	**94.2**
Operating Loss	**(23.3)**	**(23.3)**	**(30.0)**	**(32.5)**	**(37.5)**	**(40.8)**	**(40.4)**	**(41.1)**	**(44.9)**	**(43.6)**
Nonoperating Revenues (Expenses)										
State appropriations	16.5	17.7	22.3	23.7	26.4	31.8	31.2	31.4	32.2	33.4
Federal fiscal stabilization funds	0.0	0.0	0.1	2.0	4.6	0.0	0.0	0.0	0.0	0.0
Share of state tax - TRIF	1.4	1.4	1.3	1.3	1.6	1.9	2.3	1.9	2.2	2.3
Financial aid grants	5.8	6.3	6.1	5.3	3.3	2.9	2.7	3.1	3.5	3.7
Grants and contracts	2.3	2.8	2.9	3.0	3.3	2.4	2.6	3.4	3.8	3.7
Private gifts	3.3	3.2	3.0	2.9	3.2	2.9	2.9	3.4	3.0	2.9
Financial aid trust funds	0.6	0.6	0.5	0.6	0.6	0.6	0.5	0.3	0.3	0.3
Net investment return (loss)	0.5	(0.1)	1.0	0.5	(0.7)	0.8	2.1	1.7	1.4	1.2
Interest on debt	*(3.1)*	*(3.0)*	*(2.9)*	*(2.8)*	*(2.7)*	*(2.5)*	*(2.5)*	*(2.5)*	*(2.2)*	*(2.1)*
Other expenses	*(0.6)*	*(0.5)*	*(0.4)*	*(0.7)*	*(0.4)*	*(1.1)*	*(1.0)*	*(1.2)*	*(1.2)*	*(2.8)*
Net Nonoperating Revenues	**27.0**	**28.8**	**34.1**	**36.0**	**39.3**	**39.6**	**40.7**	**41.7**	**43.1**	**42.6**
Income (loss) before other revenues, expenses, gains, or losses	**3.7**	**5.5**	**4.1**	**3.5**	**1.8**	**(1.2)**	**0.3**	**0.6**	**(1.8)**	**(1.0)**
Capital appropriations	0.8	0.8	0.8	0.9	1.0	1.0	0.5	0.0	0.0	0.0
Capital commitment	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.3
Capital private gifts	0.1	0.4	0.2	0.2	0.3	0.5	0.7	0.4	1.0	0.5
Additions to permanent endowments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Property additions/reductions	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	1.1
Special Items	*(0.3)*	0.0	0.0	0.0	0.5	*(1.4)*	0.0	*(0.7)*	0.0	*(0.7)*
Extraordinary Item - insurance recovery	0.0	0.0	0.2	0.4	0.2	1.1	0.0	0.0	0.0	0.0
Increase (Decrease) in Net Position	**4.7**	**7.0**	**5.5**	**5.3**	**3.8**	**0.3**	**3.5**	**0.5**	**(0.4)**	**0.2**

Percent of Total Expense is italicized.

CHANGES IN NET POSITION *(continued)*

Changes in Net Position (Percentage increase (decrease) from prior year)										
Fiscal Year Ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*	**2006** *(as restated)*	**2005** *(as restated)*	**2004** *(as restated)*
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	6.0	18.4	12.9	13.4	14.4	9.2	14.4	15.7	19.3	n/a
Research grants and contracts	3.6	5.9	8.6	18.6	3.9	11.2	9.5	20.3	17.1	n/a
Sales and services										
Auxiliary enterprises	16.1	(22.7)	1.2	3.0	(3.4)	14.7	10.8	7.1	5.3	n/a
Educational departments	4.0	23.8	15.7	1.4	(24.3)	7.7	22.7	31.4	28.5	n/a
Other revenues	(10.4)	(1.6)	(11.7)	(15.8)	14.9	47.2	2.8	23.9	(41.0)	n/a
Total Operating Revenues	6.2	10.5	10.2	11.9	6.8	10.8	13.1	15.9	15.2	n/a
Expenses										
Operating Expenses										
Educational and general										
Instruction	5.8	4.7	4.8	4.0	(1.3)	8.3	11.0	6.9	15.5	n/a
Research	6.6	5.1	6.1	4.8	8.8	14.8	13.7	17.7	8.7	n/a
Public service	(4.4)	(2.6)	17.0	(4.5)	0.1	0.2	7.4	10.7	19.8	n/a
Academic support	10.2	(0.8)	6.4	2.7	2.9	11.7	10.1	12.0	9.8	n/a
Student services	8.5	9.9	12.6	(4.5)	(4.7)	8.3	9.9	12.9	18.7	n/a
Institutional support	3.4	(3.5)	1.8	(3.3)	(1.7)	14.2	13.9	16.9	24.4	n/a
Operation and maintenance of plant	5.0	3.3	8.2	(11.3)	(7.5)	13.6	28.8	20.1	19.3	n/a
Scholarships and fellowships	(0.7)	(6.0)	10.1	23.9	29.9	7.6	11.5	19.6	5.5	n/a
Auxiliary enterprises	3.2	(18.7)	5.4	11.3	(4.5)	12.2	16.9	6.3	5.6	n/a
Depreciation	9.2	0.8	1.5	2.1	12.4	6.9	18.1	(7.5)	38.2	n/a
Total Operating Expenses	5.5	0.1	5.9	3.5	1.9	10.3	13.3	10.1	15.0	n/a
Operating Loss	3.5	(21.2)	(1.8)	(8.9)	(4.7)	9.6	13.4	3.2	14.7	n/a
Nonoperating Revenues (Expenses)										
State appropriations	(3.4)	(19.2)	0.0	(5.4)	(14.1)	10.7	14.8	9.7	7.4	n/a
Federal fiscal stabilization funds	n/a	n/a	(97.3)	(53.5)	n/a	n/a	n/a	n/a	n/a	n/a
Share of state tax - TRIF	6.0	9.3	2.2	(10.2)	(15.7)	(10.8)	42.7	(2.2)	4.9	n/a
Financial aid grants	(5.3)	5.5	22.9	70.1	18.4	16.6	(0.4)	(1.2)	5.4	n/a
Grants and contracts	(14.3)	(1.8)	3.6	(4.9)	45.8	0.5	(14.0)	0.8	16.3	n/a
Private gifts	8.1	9.4	10.3	(6.8)	15.5	8.7	(2.3)	26.5	18.7	n/a
Financial aid trust funds	0.8	18.8	0.3	5.0	1.5	31.4	76.0	8.9	13.0	n/a
Net investment return (loss)	(682.8)	(109.5)	128.1	(168.7)	(196.0)	(60.3)	40.8	36.0	34.8	n/a
Interest on debt	10.9	1.3	11.1	8.3	6.8	11.0	15.5	26.2	16.7	n/a
Other expenses	31.6	19.7	(30.2)	61.7	(62.5)	21.8	(3.2)	14.5	(53.1)	n/a
Net Nonoperating Revenues	(2.8)	(14.0)	0.5	(3.4)	2.6	5.4	13.2	8.5	13.0	n/a
Income (loss) before other revenues, expenses, gains, or losses	(29.0)	38.8	20.8	114.4	(262.0)	(360.8)	(3.7)	(139.4)	99.8	n/a
Capital appropriations	0.0	0.0	0.0	0.0	0.0	124.3	n/a	n/a	n/a	n/a
Capital commitment	159.3	66.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Capital grants	(53.5)	19.3	(34.3)	45.7	(37.3)	4.2	41.5	(12.4)	(25.1)	n/a
Capital private gifts	(65.3)	102.0	6.4	(32.5)	(34.5)	(21.2)	116.2	(55.6)	124.8	n/a
Additions to permanent endowments	2,466.7	(97.0)	(77.7)	822.9	(93.5)	99.7	(62.3)	99.4	1,646.4	n/a
Property additions/reductions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Special Items	n/a	n/a	n/a	n/a	(136.0)	n/a	n/a	n/a	n/a	n/a
Extraordinary Item - insurance recovery	n/a	n/a	(45.1)	160.3	(82.4)	n/a	n/a	n/a	n/a	n/a
Increase (Decrease) in Net Position	(29.8)	29.3	10.5	47.1	1,368.5	(91.7)	735.1	(228.4)	(391.7)	n/a

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating Expenses by Natural Classification										
Fiscal year ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
(Dollars in thousands)										
Personal services and benefits	$ 948,021	$ 911,010	$ 918,646	$ 881,439	$ 873,159	$ 861,256	$ 792,302	$ 717,195	$ 647,446	$ 575,587
Supplies and services	464,452	423,693	407,826	371,588	352,567	368,370	319,301	266,418	241,698	203,405
Student aid, net scholarship allowance	125,072	125,759	133,237	120,887	100,435	80,456	74,011	66,034	52,907	50,561
Depreciation	106,992	98,005	97,202	95,745	93,768	83,448	78,085	66,121	71,520	51,763
Total Operating Expenses by Natural Classification	**$1,644,537**	**$1,558,467**	**$1,556,911**	**$1,469,659**	**$1,419,929**	**$1,393,530**	**$1,263,699**	**$1,115,768**	**$1,013,571**	**$ 881,316**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Personal services and benefits	57.7	58.4	59.0	60.0	61.5	61.8	62.7	64.3	63.9	65.3
Supplies and services	28.2	27.2	26.2	25.3	24.8	26.4	25.3	23.9	23.8	23.1
Student aid, net scholarship allowance	7.6	8.1	8.6	8.2	7.1	5.8	5.8	5.9	5.2	5.7
Depreciation	6.5	6.3	6.2	6.5	6.6	6.0	6.2	5.9	7.1	5.9
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**
Percentage increase/(decrease) from prior year										
	%	%	%	%	%	%	%	%	%	%
Personal services and benefits	4.1	(0.8)	4.2	0.9	1.4	8.7	10.5	10.8	12.5	n/a
Supplies and services	9.6	3.9	9.8	5.4	(4.3)	15.4	19.8	10.2	18.8	n/a
Student aid, net scholarship allowance	(0.5)	(5.6)	10.2	20.4	24.8	8.7	12.1	24.8	4.6	n/a
Depreciation	9.2	0.8	1.5	2.1	12.4	6.9	18.1	(7.5)	38.2	n/a
Total Operating Expenses by Natural Classification	**5.5**	**0.1**	**5.9**	**3.5**	**1.9**	**10.3**	**13.3**	**10.1**	**15.0**	**n/a**
Scholarship allowance	$ 211,919	$ 203,501	$ 180,646	$ 155,161	$ 113,874	$ 95,315	$ 83,665	$ 75,919	$ 70,499	$ 59,956

ACADEMIC YEAR TUITION AND REQUIRED FEES

Academic Year Tuition and Required Fees										
Fiscal year ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
RESIDENT UNDERGRADUATE										
Arizona State University	$ 9,724	$ 9,720	$ 8,132	$ 6,334	$ 5,661	$ 4,971	$ 4,688	$ 4,406	$ 4,064	$ 3,595
percent increase from prior year	0.0%	19.5%	28.4%	11.8%	13.9%	6.0%	6.4%	8.4%	13.0%	n/a
PAC12 Public Average	$ 10,484	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322	$ 5,809	$ 5,539	$ 5,238	$ 4,742
percent increase from prior year	6.6%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%	5.7%	10.5%	n/a
ABOR Peers Average	$ 11,440	$ 10,846	$ 10,146	$ 9,443	$8,904	$8,356	$7,902	$7,418	$6,905	$6,196
percent increase from prior year	5.5%	6.9%	7.4%	6.1%	6.6%	5.7%	6.5%	7.4%	11.4%	n/a
NON-RESIDENT UNDERGRADUATE										
Arizona State University	$22,977	$22,319	$20,596	$18,919	$17,949	$17,003	$15,847	$15,095	$12,919	$12,115
percent increase from prior year	2.9%	8.4%	8.9%	5.4%	5.6%	7.3%	5.0%	16.8%	6.6%	n/a
PAC12 Public Average	$28,653	$27,510	$26,753	$25,123	$22,812	$21,357	$20,100	$19,008	$18,019	$16,229
percent increase from prior year	4.2%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%	5.5%	11.0%	n/a
ABOR Peers Average	$28,297	$27,066	$25,665	$24,436	$23,068	$22,192	$20,904	$19,666	$18,462	$16,801
percent increase from prior year	4.5%	5.5%	5.0%	5.9%	3.9%	6.2%	6.3%	6.5%	9.9%	n/a
RESIDENT GRADUATE										
Arizona State University	$10,517	$10,220	$8,848	$7,465	$7,041	$6,377	$6,027	$5,561	$5,129	$3,795
percent increase from prior year	2.9%	15.5%	18.5%	6.0%	10.4%	5.8%	8.4%	8.4%	35.2%	n/a
PAC12 Public Average	$12,039	$11,494	$10,321	$9,824	$9,093	$8,516	$7,725	$7,255	$6,869	$6,233
percent increase from prior year	4.7%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%	5.6%	10.2%	n/a
ABOR Peers Average	$13,207	$12,603	$11,843	$11,022	$10,472	$9,708	$9,066	$8,488	$7,980	$7,195
percent increase from prior year	4.8%	6.4%	7.4%	5.3%	7.9%	7.1%	6.8%	6.4%	10.9%	n/a
NON-RESIDENT GRADUATE										
Arizona State University	$25,066	$24,345	$22,397	$20,659	$19,606	$18,070	$16,613	$15,825	$13,649	$12,315
percent increase from prior year	3.0%	8.7%	8.4%	5.4%	8.5%	8.8%	5.0%	15.9%	10.8%	n/a
PAC12 Public Average	$24,952	$24,051	$22,722	$21,823	$20,513	$19,002	$17,936	$17,625	$17,019	$15,584
percent increase from prior year	3.7%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%	3.6%	9.2%	n/a
ABOR Peers Average	$26,485	$25,552	$24,435	$23,437	$22,457	$21,292	$20,268	$19,289	$18,184	$16,555
percent increase from prior year	3.7%	4.6%	4.3%	4.4%	5.5%	5.1%	5.1%	6.1%	9.8%	n/a

Sources: Integrated Postsecondary Education Data System (IPEDS), Arizona State University Fact Book, and Office of Institutional Analysis

ASU's tuition rates are approved by the Arizona Board of Regents (ABOR).

PAC12 Public Average and ABOR Peers Average comparisons do not include ASU. PAC12 Public Average calculations include only public institutions.

Principal Revenue Sources *(Dollars in thousands)*

Fiscal year ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees, net of scholarship allowance	**$ 802,965**	**$ 757,217**	**$ 639,324**	**$ 566,319**	**$ 499,467**	**$ 436,657**	**$ 399,890**	**$349,414**	**$302,090**	**$253,302**
percent of total revenue	45%	44%	37%	35%	33%	30%	29%	30%	29%	27%
percent increase from prior year	6%	18%	13%	13%	14%	9%	14%	16%	19%	n/a
State of Arizona Government										
State appropriations	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120	$ 368,568	$ 335,874	$ 312,594
Technology and research initiative fund	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113	22,609	21,562
Capital appropriations and capital commitments	16,642	16,118	15,462	14,472	14,472	14,472	6,452			
Financial aid trust fund	4,920	5,242	5,322	5,569	5,412	5,322	3,723	1,102	1,081	1,037
State grants and contracts	1,514	9,136	6,386	10,800	11,143	7,958	3,267	7,033	1,329	3,265
Capital grants							150		35	
State of Arizona Government	**$ 345,703**	**$ 362,060**	**$ 429,854**	**$ 433,058**	**$ 457,214**	**$ 524,319**	**$ 468,278**	**$398,816**	**$360,928**	**$338,458**
percent of total revenue	19%	21%	25%	27%	30%	36%	34%	34%	35%	36%
percent increase (decrease) from prior year	(5%)	(16%)	(1%)	(5%)	(13%)	12%	17%	10%	7%	n/a
Federal Government										
Federal grants and contracts	$ 224,603	$ 230,747	$ 218,704	$ 189,909	$ 150,683	$ 146,758	$ 147,798	$ 138,278	$ 124,846	$ 102,412
Financial aid grants	103,965	109,779	104,057	84,574	49,588	40,397	36,176	36,101	36,506	34,505
Capital grants	761	1,517	1,142	2,031	1,067	1,826	1,752	1,548	1,150	2,051
Federal fiscal stabilization funds			867	32,502	69,822					
Federal Government	**$ 329,329**	**$ 342,043**	**$ 324,770**	**$ 309,016**	**$ 271,160**	**$ 188,981**	**$ 185,726**	**$175,927**	**$162,502**	**$138,968**
percent of total revenue	18%	20%	19%	19%	18%	13%	14%	15%	16%	15%
percent increase (decrease) from prior year	(4%)	5%	5%	14%	43%	2%	6%	8%	17%	n/a
Total from principal revenue sources	**$1,477,997**	**$1,461,320**	**$1,393,948**	**$1,308,393**	**$1,227,841**	**$1,149,957**	**$1,053,894**	**$924,157**	**$825,520**	**$730,728**
percent of total revenue	82%	85%	81%	81%	81%	79%	77%	79%	80%	78%
percent increase from prior year	1%	5%	7%	7%	7%	9%	14%	12%	13%	n/a

Due to the economic downturn in fiscal 2009, state appropriation funding decreased and tuition rates were increased to offset the decrease in state appropriations.

LONG-TERM DEBT

Long-Term Debt *(Dollars in thousands)*

Fiscal year ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
System Revenue Bonds	$ 959,000	$ 902,845	$ 769,285	$ 710,550	$553,755	$432,540	$448,985	$387,350	$398,555	$401,651
Unamortized Premium	37,946	29,399	8,585	7,265	7,825	8,537	10,082	8,798	10,276	10,868
Deferred Amount on Refundings	(11,829)	(8,880)	(3,724)	(4,017)	(4,284)	(4,546)	(4,161)	(4,401)	(4,644)	(1,115)
Net System Revenue Bonds	**$ 985,117**	**$ 923,364**	**$ 774,146**	**$ 713,798**	**$557,296**	**$436,531**	**$454,906**	**$391,747**	**$404,187**	**$411,404**
Certificates of Participation	$ 248,385	$ 261,910	$ 271,920	$ 281,965	$297,265	$312,090	$327,835	$335,595	$326,655	$138,965
Unamortized Premium	11,202	4,582	5,458	6,372	7,254	8,258	9,318	5,773	6,593	3,399
Deferred Amount on Refundings	(8,086)	(3,501)	(3,793)	(3,863)	(4,133)	(4,631)	(5,129)	(680)	(906)	(1,132)
Net Certificates of Participation	**$ 251,501**	**$ 262,991**	**$ 273,585**	**$ 284,474**	**$300,386**	**$315,717**	**$332,024**	**$340,688**	**$332,342**	**$141,232**
Total Bonds Payable	$ 985,117	$ 923,364	$ 774,146	$ 713,798	$557,296	$436,531	$454,906	$391,747	$404,187	$411,404
COPS Payable	251,501	262,991	273,585	284,474	300,386	315,717	332,024	340,688	332,342	141,232
Capital and Operating Leases Payable	84,799	89,048	92,692	96,610	91,381	87,980	85,348	74,674	71,671	40,038
Total	**$1,321,417**	**$1,275,403**	**$1,140,423**	**$1,094,882**	**$949,063**	**$840,228**	**$872,278**	**$807,109**	**$808,200**	**$592,674**
Long-Term Debt										
per Student FTE *(whole dollars)*	$ 18,086	$ 17,578	$ 16,419	$ 16,344	$ 14,827	$ 13,878	$ 14,767	$ 14,185	$ 15,002	$ 11,340
per Dollar of State Appropriations and State Capital Appropriations	$ 4.24	$ 3.96	$ 2.88	$ 2.77	$ 2.28	$ 1.74	$ 2.03	$ 2.19	$ 2.41	$ 1.90
per Dollar of Total Grants and Contracts	$ 4.70	$ 4.54	$ 4.25	$ 4.37	$ 4.30	$ 4.21	$ 4.77	$ 4.60	$ 5.27	$ 4.50
Data Used in Above Calculations										
Total Student FTE	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873	52,265
State Appropriations and State Capital Appropriations	$ 311,874	$ 322,237	$ 395,386	$395,386	$416,924	$482,878	$429,572	$368,568	$335,874	$312,594
Grants and Contracts	$ 280,987	$ 280,674	$ 268,516	$250,377	$220,881	$199,366	$182,782	$175,356	$153,378	$131,805

Student FTE based on fall enrollment of the fiscal year.

Summary of Composite Financial Index Ratios										
Fiscal year ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008** *(as restated)*	**2007** *(as restated)*	**2006** *(as restated)*	**2005** *(as restated)*	**2004** *(as restated)*
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**	**0.33**	**0.29**	**0.30**	**0.30**
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	3.23	3.01	2.63	2.03	1.65	1.73	2.48	2.18	2.26	2.26
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.13	1.05	0.92	0.71	0.58	0.61	0.87	0.76	0.79	0.79
+ Return on Net Position/Net Assets	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**	**11.8%**	**11.2%**	**3.4%**	**3.0%**
/ 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	4.15	3.55	5.25	3.35	(1.00)	1.30	5.90	5.60	1.70	1.50
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.83	0.71	1.05	0.67	(0.20)	0.26	1.18	1.12	0.34	0.30
+ Net Operating Revenues Ratio	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**	**0.0%**	**1.4%**	**0.5%**	**(0.7%)**
/ 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	3.00	2.69	3.77	2.54	(1.00)	(1.00)	0.00	1.08	0.38	(0.54)
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.30	0.27	0.38	0.25	(0.10)	(0.10)	0.00	0.11	0.04	(0.05)
+ Viability Ratio	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**	**0.4**	**0.3**	**0.3**	**0.4**
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	1.20	0.96	0.96	0.72	0.48	0.72	0.96	0.72	0.72	0.96
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.42	0.34	0.34	0.25	0.17	0.25	0.34	0.25	0.25	0.34
Composite Financial Index	**2.68**	**2.37**	**2.69**	**1.88**	**0.45**	**1.02**	**2.39**	**2.24**	**1.42**	**1.38**

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.

Composite Financial Index calculation includes component unit information. Detail of ratio calculations are on the following pages.

SUMMARY OF RATIOS *(continued)*

Detail of Composite Financial Index Ratios *(Dollars in thousands)*

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
PRIMARY RESERVE RATIO										
Unrestricted Net Position	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275	$ 149,725
Unrestricted Net Assets - Component Units	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802	38,154	27,250	9,488
Expendable Restricted Net Position	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914	63,096
Temporarily Restricted Net Assets - Component Units	260,101	232,312	214,130	182,878	174,586	233,668	219,495	115,184	94,275	81,016
Expendable Net Position/Net Assets	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**	**$ 484,907**	**$ 361,320**	**$ 337,714**	**$ 303,325**
Operating Expenses	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530	$ 1,263,699	$ 1,115,768	$ 1,013,571	$ 881,316
Nonoperating Expenses	64,326	56,459	54,485	52,742	45,637	53,421	46,823	42,788	35,035	45,620
Component Unit Total Expenses	186,523	202,475	182,983	171,174	163,219	158,433	137,843	103,421	92,676	68,976
Total Expenses	**$1,895,386**	**$1,817,401**	**$1,794,379**	**$1,693,575**	**$1,628,785**	**$1,605,384**	**$1,448,365**	**$1,261,977**	**$1,141,282**	**$ 995,912**
Expendable Net Position/Net Assets	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762	$ 484,907	$ 361,320	$ 337,714	$ 303,325
Total Expenses	$ 1,895,386	$ 1,817,401	$ 1,794,379	$ 1,693,575	$ 1,628,785	$ 1,605,384	$ 1,448,365	$ 1,261,977	$ 1,141,282	$ 995,912
Ratio	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**	**0.33**	**0.29**	**0.30**	**0.30**

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 position not be available. A positive ratio and an increase in the ratio over time denotes strength.

RETURN ON NET POSITION/NET ASSETS RATIO	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Change in Total Net Position/Net Assets	$ 148,312	$ 118,202	$ 159,068	$ 94,407	$ (72,049)	$ 37,286	$ 153,438	$ 130,457	$ 37,817	$ 33,556
Total Net Position/Net Assets (Beginning of Year)	$ 1,786,613	$ 1,668,411	$ 1,509,343	$ 1,414,936	$ 1,486,985	$ 1,449,699	$ 1,296,682	$ 1,165,922	$ 1,128,105	$ 1,109,823
Ratio	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**	**11.8%**	**11.2%**	**3.4%**	**3.0%**

Return on Net Position/Net Assets Ratio calculation includes component unit information.

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.

Detail of Composite Financial Index Ratios *(Dollars in thousands)*

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
NET OPERATING REVENUES RATIO										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ 68,262	$ 96,165	$ 69,262	$ 57,351	$ 26,751	$ (16,517)	$ 6,334	$ 6,578	$ (16,681)	$ (8,348)
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	8,169	(30,703)	23,517	(189)	(61,911)	(25,750)	(5,655)	10,904	22,653	1,753
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	**$ 76,431**	**$ 65,462**	**$ 92,779**	**$ 57,162**	**$ (35,160)**	**$ (42,267)**	**$ 679**	**$ 17,482**	**$ 5,972**	**$ (6,595)**
Total Operating Revenues	$ 1,227,473	$ 1,155,341	$ 1,045,483	$ 949,039	$ 848,354	$ 794,077	$ 716,725	$ 633,459	$ 546,408	$ 474,179
State Appropriations and State Related Revenues	322,627	331,564	403,551	434,719	496,009	496,567	454,686	390,681	358,483	334,156
Non-capital Gifts and Grants, net	206,417	214,788	205,215	179,235	150,072	119,723	110,139	116,857	108,597	96,086
Financial aid trust	11,114	11,027	9,279	9,249	8,812	8,680	6,606	3,754	3,448	3,050
Investment Income (Loss), net	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700	20,383	14,989	11,117
Component Units Total Unrestricted Revenue	194,692	171,772	206,500	170,985	101,308	132,683	132,188	114,325	115,329	70,729
Adjusted Net Operating Revenue	**$1,971,817**	**$1,882,863**	**$1,887,158**	**$1,750,737**	**$1,593,625**	**$1,563,117**	**$1,449,044**	**$1,279,459**	**$1,147,254**	**$ 989,317**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 76,431	$ 65,462	$ 92,779	$ 57,162	$ (35,160)	$ (42,267)	$ 679	$ 17,482	$ 5,972	$ (6,595)
Adjusted Net Operating Revenue	$ 1,971,817	$ 1,882,863	$ 1,887,158	$ 1,750,737	$ 1,593,625	$ 1,563,117	$ 1,449,044	$ 1,279,459	$ 1,147,254	$ 989,317
Ratio	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**	**0.0%**	**1.4%**	**0.5%**	**(0.7%)**

Measures whether the institution is living within available resources. A positive ratio and an increase in the ratio over time, generally 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.

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
VIABILITY RATIO										
Unrestricted Net Position	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275	$ 149,725
Unrestricted Net Assets - Component Units	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802	38,154	27,250	9,488
Expendable Restricted Net Position	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914	63,096
Temporarily Restricted Net Assets - Component Units	260,101	232,312	214,130	182,878	174,586	233,668	219,495	115,184	94,275	81,016
Expendable Net Position/Net Assets	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$366,762**	**$484,907**	**$ 361,320**	**$ 337,714**	**$ 303,325**
University Long-Term Debt, net capital leases with Component Units	$ 1,266,524	$ 1,227,702	$ 1,078,340	$ 1,032,441	$ 874,100	765,272	796,474	$ 742,714	$ 743,805	$ 557,674
Component Unit Long-Term Debt	521,101	546,488	586,851	596,104	$ 603,843	540,121	416,703	417,311	279,212	191,646
Total Adjusted University Debt	**$ 1,787,625**	**$1,774,190**	**$1,665,191**	**$1,628,545**	**$1,477,943**	**1,305,393**	**1,213,177**	**$1,160,025**	**$1,023,017**	**$ 749,320**
Expendable Net Position/Net Assets	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762	$ 484,907	$ 361,320	$ 337,714	$ 303,325
Total Adjusted University Debt	$ 1,787,625	$ 1,774,190	$ 1,665,191	$ 1,628,545	$ 1,477,943	$ 1,305,393	$ 1,213,177	$ 1,160,025	$ 1,023,017	$ 749,320
Ratio	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**	**0.4**	**0.3**	**0.3**	**0.4**

Measures the ability of the institution to cover its debt as of the statement of net position date, should the institution need to do so.

SUMMARY OF RATIOS *(continued)*

Summary of Ratios *(Dollars in thousands)*

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275	$ 149,725
Expendable Restricted Net Position	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914	63,096
Expendable Net Position	**$ 616,178**	**$ 555,619**	**$ 446,674**	**$ 328,221**	**$ 241,298**	**$ 126,582**	**$ 232,610**	**$ 207,982**	**$ 216,189**	**$ 212,821**
Expendable Net Position	$ 616,178	$ 555,619	$ 446,674	$ 328,221	$ 241,298	$ 126,582	$ 232,610	$ 207,982	$ 216,189	$ 212,821
Total Bonds, COPS, and Capital Leases	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278	$ 807,109	$ 808,200	$ 592,674
Ratio	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**	**0.4**

Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date.

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275	$ 149,725
Expendable Restricted Net Position	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914	63,096
Non-expendable Restricted Net Position	55,572	52,941	49,513	46,883	44,819	42,279	62,035	54,767	48,668	44,235
Total Financial Resources	**$ 671,750**	**$ 608,560**	**$ 496,187**	**$ 375,104**	**$ 286,117**	**$ 168,861**	**$ 294,645**	**$ 262,749**	**$ 264,857**	**$ 257,056**
Total Financial Resources	$ 671,750	$ 608,850	$ 496,187	$ 375,104	$ 286,117	$ 168,861	$ 294,645	$ 262,749	$ 264,857	$ 257,056
Total Bonds, COPS, and Capital Leases	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278	$ 807,109	$ 808,200	$ 592,674
Ratio	**0.5**	**0.5**	**0.4**	**0.3**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**	**0.4**

A broader measure of the ability of the institution to cover its debt as of the balance sheet date.

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (322,858)	$ (346,453)	$ (420,160)	$ (441,550)	$ (470,853)	$ (482,720)	$ (461,252)	$ (417,216)	$ (413,571)	$ (365,654)
State Appropriations and Federal Stabilization Funds	297,402	307,765	381,781	413,416	472,274	468,406	423,120	368,568	335,874	312,594
Share of State Sales Tax - TRIF	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113	22,609	21,562
Non-capital Grants and Contracts, Gifts, Other [(1)]	217,531	225,815	214,494	188,484	158,884	128,403	116,745	120,611	112,045	99,136
Adjusted Cash Flow from Operations	**$ 217,300**	**$ 210,926**	**$ 197,885**	**$ 181,653**	**$ 184,040**	**$ 142,250**	**$ 110,179**	**$ 94,076**	**$ 56,957**	**$ 67,638**
Total Bonds, COPS, and Capital Leases	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278	$ 807,109	$ 808,200	$ 592,674
Adjusted Cash Flow from Operations	$ 217,300	$ 210,926	$ 197,885	$ 181,653	$ 184,040	$ 142,250	$ 110,179	$ 94,076	$ 56,957	$ 67,638
Ratio	**6.1**	**6.0**	**5.8**	**6.0**	**5.2**	**5.9**	**7.9**	**8.6**	**14.2**	**8.8**

[(1)] Includes financial aid grants, grants and contracts, private gifts, and financial aid trust funds.

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.

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$ 53,331	$ 48,101	$ 47,505	$ 42,740	$ 39,451	$ 36,929	$ 33,283	$ 28,805	$ 22,818	$ 19,557
Principal Paid on Debt and Leases [(1)]	137,349	124,871	50,626	43,097	39,889	140,357	91,172	19,836	57,252	42,111
Principal Paid from Refinancing Activities [(2)]	(90,955)	(82,130)	(8,090)			(103,000)	(65,385)		(46,910)	(32,360)
Debt Service	**$ 99,725**	**$ 90,842**	**$ 90,041**	**$ 85,837**	**$ 79,340**	**$ 74,286**	**$ 59,070**	**$ 48,641**	**$ 33,160**	**$ 29,308**
Debt Service	$ 99,725	$ 90,842	$ 90,041	$ 85,837	$ 79,340	$ 74,286	$ 59,070	$ 48,641	$ 33,160	$ 29,308
Operating Expenses	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530	$ 1,263,699	$ 1,115,768	$ 1,013,571	$ 881,316
Ratio	**6.1%**	**5.8%**	**5.8%**	**5.8%**	**5.6%**	**5.3%**	**4.7%**	**4.4%**	**3.3%**	**3.3%**

[(1)] Obtained from “Bonds Payable, Certificates of Participation, Capital Leases, and Other Lease Obligations” disclosures included in the applicable fiscal year’s audited Notes to Financial Statements.

[(2)] Obtained amount from refunding bonds official statements.

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

Summary of Ratios *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530	$ 1,263,699	$ 1,115,768	$ 1,013,571	$ 881,316
Scholarships and Fellowships	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)	(56,726)	(47,429)	(44,977)
Interest on Debt	53,331	48,101	47,505	42,740	39,451	36,929	33,283	28,805	22,818	19,557
Total Adjusted Operating Expenses	**$1,585,505**	**$1,493,397**	**$1,483,988**	**$1,402,995**	**$1,371,045**	**$1,362,453**	**$1,233,759**	**$1,087,847**	**$ 988,960**	**$ 855,896**
Research Expenses	$ 225,453	$ 211,569	$ 201,255	$ 189,599	$ 180,901	$ 166,271	$ 144,781	$ 127,343	$ 108,213	$ 99,578
Total Adjusted Operating Expenses	$ 1,585,505	$ 1,493,397	$ 1,483,988	$ 1,402,995	$ 1,371,045	$ 1,362,453	$ 1,233,759	$ 1,087,847	$ 988,960	$ 855,896
Ratio	**14.2%**	**14.2%**	**13.6%**	**13.5%**	**13.2%**	**12.2%**	**11.7%**	**11.7%**	**10.9%**	**11.6%**
Measures the institution's research expense to the total operating expenses.										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890	$ 349,414	$ 302,090	$ 253,302
Financial Aid Grants	104,415	110,222	104,498	84,998	49,969	42,198	36,176	36,310	36,759	34,867
Scholarships and Fellowships	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)	(56,726)	(47,429)	(44,977)
Net Tuition and Fees	**$ 795,017**	**$ 754,268**	**$ 623,394**	**$ 541,913**	**$ 461,101**	**$ 410,849**	**$ 372,843**	**$ 328,998**	**$ 291,420**	**$ 243,192**
Net Tuition and Fees	$ 795,017	$ 754,268	$ 623,394	$ 541,913	$ 461,101	$ 410,849	$ 372,843	$ 328,998	$ 291,420	$ 243,192
Student FTE	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873	52,265
Net Tuition per Student (whole dollars)	**$ 10,881**	**$ 10,395**	**$ 8,975**	**$ 8,090**	**$ 7,203**	**$ 6,786**	**$ 6,312**	**$ 5,782**	**$ 5,409**	**$ 4,653**
Measures the institution's net student tuition and fees received per student.										
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120	$ 368,568	$ 335,874	$ 312,594
Capital State Appropriations	14,472	14,472	14,472	14,472	14,472	14,472	6,452			
Adjusted State Appropriations	**$ 311,874**	**$ 322,237**	**$ 395,386**	**$ 395,386**	**$ 416,924**	**$ 482,878**	**$ 429,572**	**$ 368,568**	**$ 335,874**	**$ 312,594**
Adjusted State Appropriations	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$ 416,924	$ 482,878	$ 429,572	$ 368,568	$ 335,874	$ 312,594
Student FTE	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873	52,265
Adjusted State Appropriations per Student (whole dollars)	**$ 4,269**	**$ 4,441**	**$ 5,692**	**$ 5,902**	**$ 6,513**	**$ 7,976**	**$ 7,272**	**$ 6,477**	**$ 6,235**	**$ 5,981**
Measures the institution's dependency on state appropriations.										

DEBT COVERAGE FOR SENIOR AND SUBORDINATE LIEN BONDS

Summary of Ratios *(Dollars in thousands)*

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*	2004 *(as restated)*
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.										
REVENUES AVAILABLE FOR DEBT SERVICE										
Tuition and Fees, net of scholarship allowance	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890	$ 349,414	$ 302,090	$ 253,302
Receipts from Other Major Revenue Sources (Facilities Revenue)	244,696	220,610	237,446	216,408	203,329	202,050	180,212	156,476	142,451	120,967
Net Revenues Available for Debt Service	**$1,047,661**	**$ 977,827**	**$ 876,770**	**$ 782,727**	**$ 702,796**	**$ 638,707**	**$ 580,102**	**$ 505,890**	**$ 444,541**	**$ 374,269**
SENIOR LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551	$ 13,527	$ 10,583	$ 10,583	$ 10,979
Principal Paid on Debt	44,770	43,020	39,670	37,150	33,040	27,805	27,780	24,555	24,555	24,325
Senior Lien Bonds Debt Service Requirement	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**	**$ 41,307**	**$ 35,138**	**$ 35,138**	**$ 35,304**
Coverage	**12.06**	**11.97**	**12.08**	**11.59**	**13.20**	**15.44**	**14.04**	**14.40**	**12.65**	**10.60**
Debt Service Assurance Agreement 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.										
SUBORDINATE LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 3,441	$ 3,441	$ 2,110	$ 328	$ 328	$ 328	$ 328	$ 328	$ 515	$ 515
Principal Paid on Debt	845	845	845	845	845	845	845	845	1,075	1,075
Subordinate Lien Bonds Debt Service Requirements	**$ 4,286**	**$ 4,286**	**$ 2,955**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,590**	**$ 1,590**
Combined Senior/Subordinate Lien Debt Service	**$ 91,135**	**$ 86,008**	**$ 75,520**	**$ 68,728**	**$ 54,403**	**$ 42,529**	**$ 42,480**	**$ 36,311**	**$ 36,728**	**$ 36,894**
Coverage	**11.50**	**11.37**	**11.61**	**11.39**	**12.92**	**15.02**	**13.66**	**13.93**	**12.10**	**10.14**

Admissions, Enrollment, and Degrees Earned *(Fall Enrollment)*

Fall enrollment of fiscal year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
ADMISSIONS - FRESHMEN										
Applications	37,982	37,225	35,449	32,188	30,809	28,644	27,877	24,727	26,194	24,502
Accepted	26,986	26,425	25,795	25,616	24,473	23,504	22,226	19,791	19,132	18,490
Enrolled	9,265	9,254	9,544	9,344	9,707	9,274	9,052	8,467	7,719	7,647
Accepted as Percentage of Application	71%	71%	73%	80%	79%	82%	80%	80%	73%	75%
Enrolled as Percentage of Accepted	34%	35%	37%	36%	40%	39%	41%	43%	40%	41%
Average SAT scores - Total	1111	1107	1100	1083	1082	1077	1083	1103	1102	1093
Verbal	547	546	542	535	534	532	534	547	545	541
Math	564	561	557	547	548	545	549	556	557	551
ENROLLMENT										
Student FTE	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873	52,265
Student Headcount	73,378	72,254	70,440	68,064	67,082	64,394	63,278	61,033	58,156	57,543
Men (Headcount)	36,401	35,758	34,491	33,005	32,318	30,856	29,899	28,735	27,233	26,877
Percentage of Total	49.6%	49.5%	49.0%	48.5%	48.2%	47.9%	47.3%	47.1%	46.8%	46.7%
Women (Headcount)	36,977	36,496	35,949	35,059	34,764	33,538	33,379	32,298	30,923	30,666
Percentage of Total	50.4%	50.5%	51.0%	51.5%	51.8%	52.1%	52.7%	52.9%	53.2%	53.3%
African American (Headcount)	3,491	3,521	3,452	3,257	2,914	2,489	2,391	2,211	2,045	2,005
Percentage of Total	4.8%	4.9%	4.9%	4.8%	4.4%	3.9%	3.8%	3.6%	3.5%	3.5%
White (Headcount)	43,494	43,774	43,291	42,728	42,742	40,709	40,430	39,537	38,904	39,109
Percentage of Total	59.3%	60.6%	61.5%	62.8%	63.7%	63.2%	63.9%	64.8%	66.9%	68.0%
Other (Headcount)	26,393	24,959	23,697	22,079	21,426	21,196	20,457	19,285	17,207	16,429
Percentage of Total	35.9%	34.5%	33.6%	32.4%	31.9%	32.9%	32.3%	31.6%	29.6%	28.5%
DEGREES EARNED										
Bachelor's	13,913	13,210	12,194	11,810	11,229	10,706	10,137	9,855	9,729	9,116
Master's	4,163	4,007	4,150	3,914	3,615	3,082	2,900	2,631	2,614	2,886
Doctoral	636	611	545	490	587	418	394	389	314	355
Professional	204	217	201	166	179	238	198	180	164	169
Total Degrees Earned	**18,916**	**18,045**	**17,090**	**16,380**	**15,610**	**14,444**	**13,629**	**13,055**	**12,821**	**12,526**

Student information based on fall enrollment of the fiscal year and degree information includes all graduations during fiscal year.

DEMOGRAPHIC DATA

Demographic Data										
Fiscal Year Ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Arizona Population	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681	6,029,141	5,839,077	5,652,404	5,510,364
Arizona Personal Income *(in millions)*	235,781	227,287	216,590	212,873	226,465	218,588	206,958	188,152	170,026	155,607
Arizona Per Capita Personal Income	35,979	35,062	33,773	33,560	36,059	35,441	34,326	32,223	30,080	28,239
Arizona Unemployment Rate	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%	5.00%	5.70%

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

Principal Employers						
	Calendar Year Ended December 31, 2012			Calendar Year Ended December 31, 2003		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	52,076	1	1.72%	50,363	1	1.88%
Wal-Mart Stores, Inc	31,837	2	1.05%	18,677	2	0.69%
Banner Health	25,126	3	0.83%	13,576	3	0.51%
City of Phoenix	14,983	4	0.50%	13,095	5	0.49%
Wells Fargo	13,679	5	0.45%			
Maricopa County	13,308	6	0.44%	13,482	4	0.50%
Bank of America	12,500	7	0.41%			
Arizona State University	12,222	8	0.40%	10,005	9	0.37%
Raytheon Co.	11,500	9	0.38%	10,200	8	0.38%
JPMorgan Chase & Co.	11,407	10	0.38%			
Honeywell International				12,000	6	0.45%
U.S. Postal Service				11,406	7	0.43%
Albertson's - Osco				9,500	10	0.36%
Intel Corp				9,500	10	0.36%
	198,638		6.56%	171,804		6.42%

Sources: Phoenix Business Journal, Book of Lists 2013 and 2004 for employers; Arizona Department of Commerce website, www.workforce.az.gov for annual state employment.

FACULTY AND STAFF

Faculty and Staff										
Fall employment of fiscal year	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
FACULTY										
Full-time	2,635	2,612	2,644	2,611	2,671	2,529	2,471	2,419	2,268	2,165
Part-time	276	253	231	380	424	441	391	159	201	196
Total Faculty	**2,911**	**2,865**	**2,875**	**2,991**	**3,095**	**2,970**	**2,862**	**2,578**	**2,469**	**2,361**
Percentage Tenured	61.1%	61.2%	63.7%	61.6%	60.3%	61.4%	63.2%	63.0%	62.5%	65.2%
STAFF										
Full-time	5,487	5,485	5,561	5,523	5,957	5,690	5,416	5,872	5,642	5,393
Part-time	3,684	3,699	3,838	3,628	3,624	3,776	3,940	1,600	1,668	1,686
Total Staff	**9,171**	**9,184**	**9,399**	**9,151**	**9,581**	**9,466**	**9,356**	**7,472**	**7,310**	**7,079**
Total Faculty and Staff	**12,082**	**12,049**	**12,274**	**12,142**	**12,676**	**12,436**	**12,218**	**10,050**	**9,779**	**9,440**

Source: Arizona State University Fact Book and Institutional Analysis.

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets										
Fiscal Year Ended June 30,	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
CAPITAL ASSETS *(Number of Facilities)*										
Academic/Support Facilities	218	217	231	236	236	233	235	219	253	249
Auxiliary Facilities	130	129	132	137	121	111	112	117	84	75
Total	**348**	**346**	**363**	**373**	**357**	**344**	**347**	**336**	**337**	**324**

Source: Arizona State University Capital Improvement Plans

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Members from the 2012 - 2013 Antarctic Search for Meteorites (ANSMET) team included two professors from ASU's School of Earth and Space Exploration.

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