Arizona State University

Comprehensive Annual Financial Report

Year Ended June 30, 2014

An Enterprise Fund of the State of Arizona

Front Cover (clockwise from the top)**.** College Avenue Commons opened in fall 2014 and houses the Del E. Webb School of Construction and various student programs. ASU's research enterprise has state, national and global impacts. Pat's Run, created to honor the life and legacy of ASU alumnus Pat Tillman, directly benefits the Tillman Military Scholars program. In March 2014, ASU hosted over 1,000 students attending the Clinton Global Initiatives University. ASU's fall 2013 enrollment exceeded 76,000 students.

Back Cover. Solar power plants at ASU also double as pedestrian shade structures.

Right. The ASU football team enters Sun Devil Stadium through the Tillman Tunnel which serves as an inspirational reminder to sacrifice. Tillman Tunnel is a tribute to the values Pat Tillman represented and the tradition he built upon to bridge the gap between the football field and the community.

Arizona State University

Comprehensive Annual Financial Report

Year Ended June 30, 2014

Prepared by the ASU Financial Services Office

Included as an Enterprise Fund
of the State of Arizona

Starbucks College Achievement Plan, ASU Online

ASU's partnership with Starbucks reinforces the University's goal to expand access to higher education.

ARIZONA STATE UNIVERSITY

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In March 2014, ASU hosted over 1,000 student attendees of the Clinton Global Initiatives University at ASU. Here, they had the opportunity to gain the skills and knowledge needed to take action in education, environment and climate change, peace and human rights, poverty alleviation and public health.


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MESSAGE FROM THE PRESIDENT

ARIZONA STATE UNIVERSITY

At Arizona State University, we pride ourselves on doing things differently than other universities. ASU isn't interested in replicating what others have done, but rather we are innovating and adapting in order to redefine and transform higher education. ASU is committed to expanding access to higher education across racial, ethnic and socioeconomic barriers. By focusing on student-centric education initiatives we are providing all academically qualified students the opportunity to earn a quality education, the single most significant predictor of social mobility in American society.

ASU's fall 2014 enrollment exceeded 82,000 students, a new record and nearly an eight percent increase from last year. More than half of ASU's new freshman class received academic scholarships based solely on academic excellence exhibited in high school. The student body is more diverse than ever, with growth in the number of transfer, international, and veteran and veteran-dependent students. ASU also continues to record improvements in freshmen persistence and four year graduation rates, with close to 90 percent of Arizona freshmen now persisting.

> ASU is pioneering a new university model focused on inclusivity and degree completion.
>
> Michael Crow

The University this year announced a unique partnership with Starbucks Corporation. Through the *Starbucks College Achievement Plan*, the first of its kind, based on the belief that everyone should have the opportunity to pursue their dreams, Starbucks will provide tuition assistance to its partners (employees) to complete their higher education journey and earn a degree from ASU's top-ranked programs. ASU is also a founding member of the newly established University Innovation Alliance, a coalition of 11 public universities that will share innovative educational tools and programs to boost the number of students from all economic backgrounds who earn a college degree. Students nationwide will benefit as universities share, adapt and scale up ideas that have been proven to help students succeed.

The research enterprise at ASU continues on its trajectory of strong growth and far-reaching impact. In the past year, our faculty have secured prestigious new funding awards such as $20 million from the National Geospatial-Intelligence Agency to launch the Foresight Initiative, an interdisciplinary effort to explore the national security risks associated with climate change. This cross-campus collaborative effort will draw on our research strengths in security and defense, decision-making and sustainability. Faculty and students are highly engaged in research projects such as this that are focused on solutions that address grand challenges.

ASU looks to its past for the core values of public education – academic excellence, inclusiveness to a broad demographic, and maximum societal impact. ASU looks to the future as it continues to define a new model for the American research university and emerge to national and international prominence.

ARIZONA STATE UNIVERSITY

October 17, 2014

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, 2014. The report includes the annual financial statements, Management's Discussion and Analysis (MD&A) and supplemental 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. We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

The University's internal auditors also perform fiscal, compliance and performance audits. University Audit and Advisory Services prepares an annual audit plan based on ASU's Enterprise Risk Assessment Model. The audit plan is approved by the President and submitted to the Arizona Board of Regents Audit Committee.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The reports resulting from the audit are shared with University management and the Arizona Board of Regents. The audit of the University's federal assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. For the year ended June 30, 2014, the State of Arizona Office of the Auditor General has issued an unmodified opinion of Arizona State University's financial statements, the most favorable outcome possible of the audit process. The independent auditors' report is displayed in the front of the financial section of these statements.

ASU remains committed to effective budgetary planning and sound financial management as it pursues excellence in teaching, research and public service. 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, 2014. 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, continue to be essential to ASU in achieving research excellence and productivity.

The University's academic portfolio includes approximately 160 bachelor degrees, 150 master's degrees, and 80 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.

ASU 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. 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*. 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 Nos. 39 and 61. The component units include the ASU Foundation for A New American University; Arizona Capital Facilities Finance Corporation; ASU Alumni Association; Arizona State University Research Park, Inc.; Downtown Phoenix Student Housing, LLC; Sun Angel Endowment; Sun Angel Foundation; and ASU Preparatory Academy, 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.

The University submits its annual budget, which includes revenue from state appropriations, student tuition and fees, auxiliary enterprises, grants and contracts, private gifts and other income, to ABOR for approval. The state Legislature reviews the University's local funds budget and adopts and appropriates the general purpose budget through legislation. The University monitors budgets with controls incorporated into its financial enterprise system. In addition, colleges and departments utilize financial reports to review financial transactions and monitor budgets. The University also prepares a quarterly financial status report for the Arizona Board of Regents. The report includes a comparison of budget to actual, projections for revenues, expenses and net position for the fiscal year end, and variance explanations.

Arizona Economy

The following economic summary is based on the Arizona Department of Administration Employment Forecast, released on May 1, 2014.

The Office of Employment and Population Statistics within the Arizona Department of Administration is projecting approximately 114,000 nonfarm jobs will be added during 2014 and 2015, representing growth across the state of Arizona of 2.1 percent in 2014 and 2.4 percent in 2015. Economic fundamentals continue to improve, and the Arizona economy is expected to gradually gain momentum in 2015.

Risk factors that could dampen the growth of the Arizona economy are constrained budgets for a large majority of households, employment insecurity, lower wages and benefits, rising prices for essentials that limit the amount of funds available for discretionary spending, and uncertainty in commercial real estate markets.

However, the following positive factors supporting Arizona's economic growth continue to show improvement, including real Gross Domestic Product (GDP), real personal income at the state and national levels, employment, and retail sales. Household net worth resulting from paying down of debts and accumulation of assets either through cash savings or through their homes show improvement. Residential real estate markets in Arizona and the metropolitan area of Phoenix are also showing improvement. In private residential real estate, a majority of the growth has been in the construction of multi-family structures, or apartments. Commercial real estate is gradually improving with lower vacancy rates, higher rental rates and lower rates of default and delinquency in mortgage loans. Industrial real estate sectors are also improving with increasing levels of construction activity across the nation for building of warehouses and distribution centers to support online commerce.

Planning and Initiatives

As part of the Arizona Board of Regents' long-term strategic plan, the Arizona Higher Education Enterprise (AHEE) plan, key performance metrics are used to measure the success of ASU and the other state universities in achieving goals for the year 2020. AHEE goals measure progress in educational excellence and access, research achievements, workforce and community development, and productivity. Key measures of progress toward achieving these goals are continually reviewed and monitored by ABOR and the universities. Specific ASU goals include demonstrating leadership in academic excellence and accessibility; achieving national standing in academic quality and impactful colleges and schools in every field; obtaining recognition as a global center for interdisciplinary research, discovery and development; and enhancing local impact and social embeddedness.

Eight design aspirations guide ASU's ongoing evolution as a New American University. ASU integrates these institutional objectives in innovative ways to demonstrate excellence, access and impact:

1) Leverage our place – ASU embraces its cultural, socioeconomic and physical setting
2) Transform society – ASU catalyzes social change by being connected to social needs
3) Value entrepreneurship – ASU uses its knowledge and encourages innovation
4) Conduct use-inspired research – ASU research has purpose and impact
5) Enable student success – ASU is committed to the success of each unique student
6) Fuse intellectual disciplines – ASU creates knowledge by transcending academic disciplines
7) Be socially embedded – ASU connects with communities through mutually beneficial partnerships
8) Engage globally – ASU engages with people and issues locally, nationally and internationally

Recent achievements and ongoing initiatives demonstrate advancement of the design aspirations, including the following:

- The *Arizona Center for Law and Society* (ACLS), currently under construction at the Downtown Phoenix campus. When completed in fall 2016, ASU law students will be just steps away from the judicial, political and economic center of the state. Through its location, programming and architecture, ACLS will serve as a community centerpiece, where ideas from some of the best law students in the country will contribute to our justice system and make Phoenix and Arizona a better place to live. ACLS' three-pronged mission is to amplify the connection between society and law, improve access to justice, and ensure law graduates can launch meaningful and sustainable careers.
- The *Starbucks College Achievement Plan*, the combined vision of the leadership of Starbucks, one of the world's most trusted, innovative, and socially-conscious companies, and ASU. The program offers Starbucks partners (employees) the opportunity to pursue a top-rated degree from world-class faculty, delivered online through personalized instruction. Starbucks partners admitted to ASU as a junior or senior will earn full tuition reimbursement for each semester of full-time coursework they complete toward a bachelor's degree. Freshmen and sophomores will be eligible for a partial tuition scholarship and need-based financial aid for two years of full-time study.
- The *appointment by President Obama of Sethuraman Panchanathan*, ASU Senior Vice President for Knowledge Enterprise Development, to the U.S. National Science Board. Exemplifying the excellence of University faculty

and leadership, National Science Board members are selected for their eminence and distinguished service in research, education or public service. Members of the 25-member board establish the policies of the National Science Foundation (NSF) within the framework set forth by the President and Congress.

- The *Clinton Global Initiative University* hosted at ASU in March of 2014. ASU welcomed former President Clinton, topic experts and more than 1,000 students, hailing from nearly 300 colleges and universities, all 50 states and more than 80 countries to discuss and develop innovative solutions to pressing global challenges. Students developed specific and measurable new initiatives to address challenges on their university campus, local communities or around the world.
- The *Higher Engineering Education Alliance Program* (HEEAP), founded through a partnership with the United States Agency for International Development (USAID), Intel Corporation and ASU's Ira A. Fulton Schools of Engineering. HEEAP will collaborate on the modernization of higher education in Vietnam and preparation of a more highly-trained workforce to meet the increasing needs of global high-tech industry.
- *New educational and research facilities* currently being planned near the Mayo Clinic Hospital in Phoenix. The new facilities will enrich ASU's partnership with Mayo and provide students with exposure to clinical activities and translational work as well as provide clinical research facilities for programs that will benefit from interactions between ASU researchers and Mayo clinicians and researchers.

As noted in this financial report, the University continued to strengthen its financial foundation during FY 2014, with a $103 million increase in net position, and readers may wish to review the MD&A for additional information on ASU's financial performance. Financial performance, however, is only one measure to be considered in determining the University's success and should be viewed in conjunction with the quality and diversity of incoming students, the teaching and research standards and outcomes of the faculty, and student progress toward graduation. Across all these metrics, ASU continues to improve as it makes great strides in transforming higher education through its commitment to excellence, access and impact.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2013. The fiscal year ended June 30, 2013 was the first year the University participated in the GFOA program and was honored to earn this prestigious award. To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, and must satisfy both generally accepted accounting principles and applicable legal requirements. The University will submit its CAFR for the fiscal year ended June 30, 2014 to the GFOA and anticipates this year's report will continue to meet the 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.

Sincerely,

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona State University

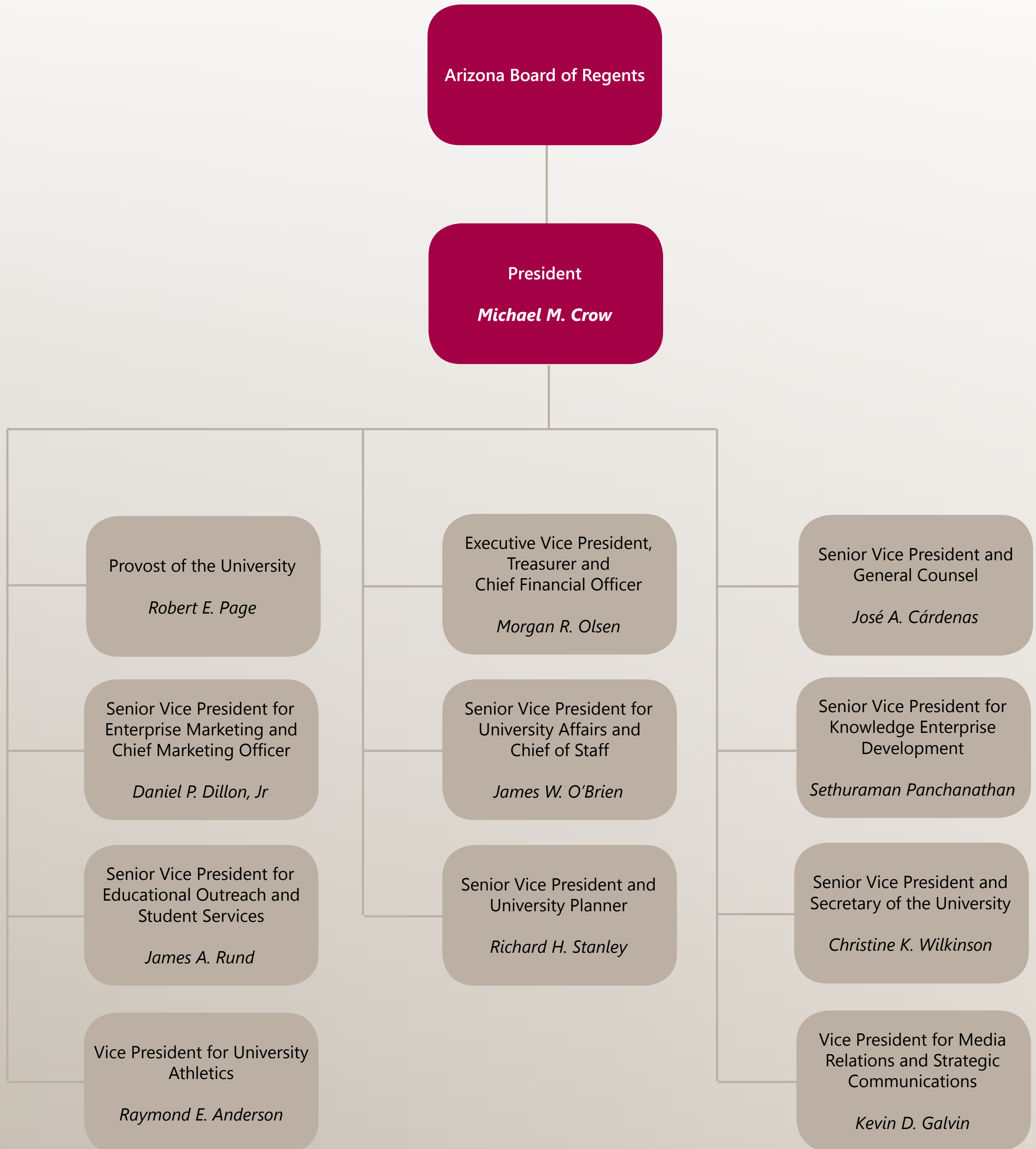
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Jeffrey R. Esser

Executive Director/CEO

ASU ORGANIZATIONAL CHART



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The University of Arizona

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Arizona State University

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, 2014, 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 has 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 ASU Preparatory Academy, 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.

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, 2014, 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.

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Emphasis of Matter

As discussed 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, 2014, 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.

Supplementary and 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 combining statements and the introductory 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 combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The introductory 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 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 17, 2014

INTRODUCTION

Arizona State University (ASU, University) is a comprehensive public institution of higher learning with approximately 76,000 students as of fall 2013. The University offers a wide range of academic programs through its colleges and schools; and through its research enterprise has Arizona, national, and global impacts.

The following discussion and analysis provides an overview of ASU's financial position and activities for the year ended June 30, 2014, with comparative totals for the year ended June 30, 2013. This discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Financial information for FY 2013 is included in Management's Discussion and Analysis (MD&A) in order to illustrate increases and decreases with FY 2014 data. The financial statements and notes along with MD&A have been prepared in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

The financial statements encompass the University and its discretely presented component units. MD&A focuses only on the University, unless otherwise stated. Information on the component units can be found in the component units' Statement of Financial Position and Statement of Activities, as well as *Note B – ASU Component Units*, *Note O – Summary Financial Information for ASU Component Units,* and Combining Statements of the nonmajor discretely presented component units.

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

FINANCIAL HIGHLIGHTS FOR FY 2014

The University strengthened its financial foundation in FY 2014 with an increase in net position of $103 million, compared to an $85 million increase in FY 2013. FY 2014 was the ninth straight year the University experienced an increase in net position. At June 30, 2014 the University had total assets of over $3.0 billion and net position of over $1.4 billion. Overall FY 2014 funding sources increased $163 million or nine percent from FY 2013. As the largest U.S. university governed by a single administration, tuition and fees are ASU's primary revenue source (46 percent), supplemented by support from the State of Arizona through state appropriations, grants and contracts revenue and auxiliary enterprise activities. ASU continues to gain global recognition as a major research university, with grants and contracts comprising 14 percent of University revenue sources in FY 2014. The most significant FY 2014 expense categories were those directly related to the University's academic, research and public service missions.

STATEMENT OF NET POSITION

The statement of net position presents the financial position of the University at the end of the fiscal year and reports all assets, deferred outflows and liabilities, and segregates assets and liabilities into current and non-current categories. A deferred outflow of resources is a consumption of net position that is applicable to future reporting periods. 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. FY 2013 was restated due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Additional information about the restatement is presented in *Note A – Basis of Presentation and Significant Accounting Policies*. A summary comparison of the University's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2014 and June 30, 2013 follows.

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

	FY 2014	FY 2013 (as restated)
Assets		
Current assets	$ 297.3	$ 333.5
Noncurrent assets	766.0	618.4
Noncurrent capital assets, net	1,945.5	1,870.5
Total assets	**$ 3,008.8**	**$ 2,822.4**
Deferred outflows of resources	**$ 31.9**	**$ 32.2**
Liabilities		
Current liabilities	$ 224.8	$ 184.0
Noncurrent liabilities	77.8	50.5
Noncurrent long-term debt	1,305.8	1,291.1
Total liabilities	**$ 1,608.4**	**$ 1,525.6**
Net position		
Net investment in capital assets	$ 695.6	$ 657.3
Restricted:		
Nonexpendable	59.5	55.5
Expendable	113.9	104.9
Unrestricted	563.3	511.3
Total net position	**$ 1,432.3**	**$ 1,329.0**

The University's net position at June 30, 2014 increased by $103 million over June 30, 2013 with the most significant increase occurring in unrestricted net position. Unrestricted net position is funding under the control of the University's academic and research areas which has been internally designated or committed for programs and initiatives. At June 30, 2014, ASU held total assets of $3.0 billion, reflecting a $186 million (seven percent) increase from June 30, 2013. Current assets include those used to support operations such as cash and cash equivalents, short-term investments and accounts receivables. Current assets decreased by $36 million between years primarily due to a shift in investments to longer maturities to improve investment yields.

Noncurrent assets increased by $223 million with other investments increasing by $141 million due to the change in investment strategy noted above. There was also a $75 million increase in noncurrent capital assets, net of accumulated depreciation, primarily related to construction of College Avenue Commons, a mixed-use building on the Tempe campus which will house the Del E. Webb School of Construction programs as well as the Sun Devil Welcome Center and student programs.

Total liabilities increased $82.8 million for the year ended June 30, 2014, to $1.6 billion. There was a $19 million increase in unearned revenues between years primarily related to grants and contract revenues and tuition received but not earned as of June 30, 2014. Other liabilities increased $27 million between years due to the receipt of prepaid lease revenue related to approximately 20 acres of University land leased for commercial development purposes. The land is classified by the University as investment property (*Note E – Land Investment Property*) in the University's master plan.

Net position, the difference between total assets plus deferred outflows of resources less total liabilities, increased $103 million in FY 2014. 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 or committed for specific academic programs or research initiatives.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the financial results of operations. A summary comparison of the University's activities for FY 2014 and FY 2013 follows. FY 2013 was restated due to the implementation of GASB Statement No. 65. Additional information about the restatement is presented in *Note A – Basis of Presentation and Significant Accounting Policies*. A combined sources and uses schedule is presented below.

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

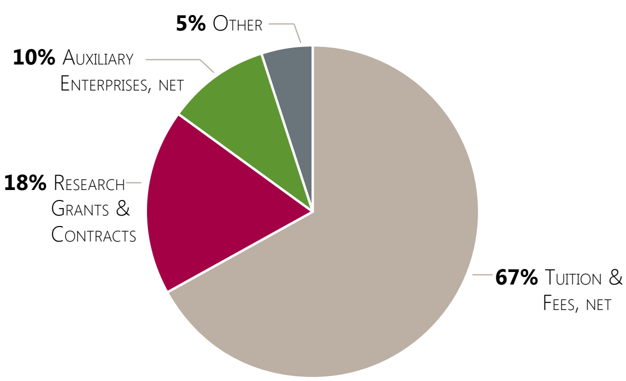
	FY 2014	FY 2013 (as restated)
Operating revenues		
Tuition and fees, net	$ 896.9	$ 803.0
Research grants and contracts	244.3	238.0
Auxiliary enterprises, net	140.5	122.5
Other operating revenues	66.9	64.0
Total operating revenues	$ 1,348.6	$ 1,227.5
Operating expenses	1,796.8	1,644.6
Operating loss	**$ (448.2)**	**$ (417.1)**
Net nonoperating revenues (expenses)		
State appropriations	$ 314.5	$ 297.4
Other nonoperating revenues	268.1	252.3
Nonoperating expenses	(62.3)	(64.3)
Income before other revenues, expenses, gains, or losses	$ 72.1	$ 68.3
Capital appropriations and other revenues	27.3	22.0
Extraordinary and Special items	3.9	(5.3)
Increase in net position	**$ 103.3**	**$ 85.0**
Net position at beginning of year	1,329.0	1,244.0
Net position at end of year	**$ 1,432.3**	**$ 1,329.0**

Operating Revenues

Operating revenues represent resources generated by the University to fulfill its instruction, research, and public service missions. Student tuition and fees, research grants and contracts, and auxiliary enterprise activities are the primary operating revenues of the University.

Operating revenues increased $121 million, or ten percent, to $1.3 billion in FY 2014 with increases occurring in all major revenue categories. The most significant increases occurred in net tuition and fees and auxiliary enterprise revenues. Increased tuition and fee revenues were primarily the result of a 19 percent increase in nonresident enrollment and slight across-the-board tuition rate increases. Auxiliary enterprise revenues include the revenues of campus auxiliary operations such as student housing and dining, parking and transit, Sun Devil Athletics (SDA) and student health services. FY 2014 revenues increased in several auxiliary activities with the most significant increases occurring in SDA and student housing and dining. The growth in SDA revenues was primarily due to increased Pac-12 revenue sharing including the initial Pac-12 Network (television) revenue. Growth in student housing and dining was due to increased freshman enrollment and students choosing higher valued meal plan options. Operating grants and contracts revenues, which is primarily funded by federal agencies, also reflected a modest increase between years. Grants and contracts revenues may vary from year to year for many reasons, including availability of funding from specific sponsors, the close-out of particularly large projects and the start-up process for new projects.

OPERATING REVENUES
FY 2014

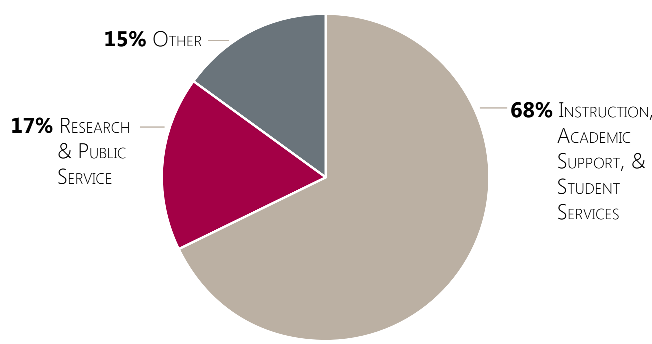


Operating Expenses

Expenses are also categorized as operating or nonoperating per GASB. The University reports operating expenses by functional category (instruction, research, etc.) in 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 J – Operating Expenses by Natural Classification* in the notes to the financial statements.

Operating expenses increased $152 million or nine percent in FY 2014 with increases occurring in most functional categories. The largest percentage increases occurred in instruction (12 percent), academic support (10 percent) and scholarship and fellowship expenses (13 percent), with increases of $68 million, $21 million, and $15 million, respectively. Tuition and state appropriations revenues are the primary funding sources for instruction and academic support expenses. Tuition, financial aid grants and private gifts typically fund scholarship and fellowships expenses. All natural classifications of expenses increased in FY 2014, with personal services and benefits increasing by $82 million and supplies and services increasing by $50 million. Instruction and academic support expenses increased across most areas with ASU Online reflecting the most notable increase due to increased online enrollment.

PERSONAL SERVICES AND BENEFITS EXPENSES
FY 2014



Nonoperating Revenues and Expenses

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. Total nonoperating revenues increased by $33 million between years with state appropriations increasing by $17 million and net investment return by $11 million. Included in state appropriations was a $12 million increase in parity funding, received by ASU to address long standing differences in state investment among the three state universities. Net return earned on investments increased $11 million between years due to stronger financial markets performance.

Combined Sources and Uses *(Dollars in millions)*					
	FY 2014		**FY 2013**		**Percentage Change**
SOURCES					
Tuition and fees, net	$ 896.9	46%	$ 803.0	45%	12%
State appropriations (includes capital appropriations)	329.0	17%	311.9	17%	5%
Grants and contracts	281.1	14%	281.0	16%	-
Financial aid grants	106.9	5%	104.4	6%	2%
Auxiliary enterprises, net	140.5	7%	122.5	7%	15%
Private and capital gifts	74.1	4%	62.3	3%	19%
Sales and services	58.4	3%	56.0	3%	4%
Share of state sales tax (TRIF)	27.8	1%	25.2	1%	10%
Other sources	47.7	3%	32.9	2%	45%
Total sources	**$ 1,962.4**	**100%**	**$ 1,799.2**	**100%**	**9%**
USES					
Instruction and academic support	$ 842.9	45%	$ 753.8	44%	12%
Research and public service	275.9	15%	270.4	16%	2%
Scholarships and fellowships and student services	199.9	11%	178.3	11%	12%
Institutional support and operation of plant	235.2	13%	215.6	12%	9%
Auxiliary enterprises	130.6	7%	119.5	7%	9%
Depreciation	112.3	6%	107.0	6%	5%
Interest on debt and other expenses	62.3	3%	69.6	4%	(10%)
Total uses	**$ 1,859.1**	**100%**	**$ 1,714.2**	**100%**	**8%**

STATEMENT OF CASH FLOWS

A summary comparison of cash flows for the University's FY 2014 and FY 2013 activities follows.

Condensed Summary of Cash Flows *(Dollars in millions)*		
	FY 2014	**FY 2013**
Cash provided by/(used for):		
Operating activities	$ (319.1)	$ (322.9)
Noncapital financing activities	580.0	542.7
Capital and related financing activities	(191.5)	(225.9)
Investing activities	(88.6)	(163.4)
Net decrease in cash and cash equivalents	**$ (19.2)**	**$ (169.5)**
Cash and cash equivalents at beginning of year	190.1	359.6
Cash and cash equivalents at end of year	**$ 170.9**	**$ 190.1**

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The University is required by state statute and Arizona Board of Regents policy to prepare an annual Capital Improvement Plan (CIP). The CIP details the University's three-year strategic plan of space use and capital investments to enable the success of current and future students and maintain the University's commitment to the people of Arizona regarding research discovery and economic development. The CIP also outlines any plans to issue debt to finance capital acquisitions or construction to address space deficiencies in academic, research and student programs.

In addition to $25 million in final construction costs for McCord Hall and Sun Devil Fitness Complexes on the Tempe and Downtown Phoenix campuses, major capital initiatives for FY 2014 included $36 million in construction costs for College Avenue Commons, $6 million in initial construction and related costs for the Arizona Center for Law and Society, and $5 million for solar power plants near the center of the Tempe campus that also double as pedestrian shade structures. McCord Hall opened in fall 2013 and houses the highly ranked W.P. Carey School of Business graduate programs in a four-story facility featuring classrooms, breakout rooms, a graduate career center and common areas to spur communication and collaboration. The Tempe Sun Devil Fitness facility, which also opened in fall 2013, was an expansion of the existing fitness center, while the Phoenix facility was a newly built structure. Amenities provided by the fitness facilities include large gyms and multi-purpose spaces, as well as a leisure pool at the Phoenix facility.

Completed in summer 2014, College Avenue Commons is the newest academic building at ASU. The five-story, 137,000 square foot multi-use facility and collaborative learning space is the new home of ASU's nationally recognized Del E. Webb School of Construction programs. The building also houses a bookstore and the Sun Devil Welcome Center which through its *Experience ASU* program annually welcomes over 10,000 high school and community college students to campus tours and information sessions. The building was designed with many sustainable features, including increased use of daylight in classrooms, reduced water use, diversion of construction waste and use of recycled and low-emitting building materials. The University is seeking a LEED-Gold certification for the building in keeping with its goal to achieve campus-wide carbon neutrality and zero waste. The $54 million project was funded by revenue bonds and private gifts. The student services portion of the facility was funded by system revenue bonds, while the School of Construction portion was funded by Stimulus Plan for Economic and Educational Development (SPEED) bonds and private gifts. The SPEED program allocates Arizona State Lottery revenues to help fund critical construction and deferred maintenance projects at the three state universities.

When completed in summer 2016, the Arizona Center for Law and Society will allow the Sandra Day O'Connor College of Law to relocate from the Tempe campus to downtown Phoenix and expand its enrollment. The facility will include classrooms, an auditorium, faculty offices, conference spaces, student collaboration areas, a law library, and retail space, and will house public policy think tanks to collaborate on issues of justice, public discourse, social policy and personal freedom. The $129 million, 294,000 square-foot facility will primarily be funded by system revenue bonds, along with City of Phoenix support and private gifts.

A summary of the University's outstanding debt including average interest rates, final maturity and outstanding balances for its bonds, certificates of participation and capital leases, is presented in *Note F – Long-Term Debt and Lease Obligations*. In April 2014, the University issued $78 million in revenue bonds to fund classroom and laboratory renovations, infrastructure improvements and the Del E. Webb School of Construction portion of the College Avenue Commons facility. These bonds are part of the SPEED program with up to 80 percent of the debt service paid from Arizona Lottery proceeds, with the balance being the responsibility of the University.

ASU continues to maintain its long-term bond ratings of Aa3 from Moody's Investor Services and AA from Standard & Poor's.

Additional information about the University's capital assets is presented in *Note D – Capital Assets*. Overall the university's capital assets, net of accumulated depreciation and deletions, increased by $75 million in FY 2014, a four percent increase over FY 2013.

ASU'S COMPONENT UNITS

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 (ASU Foundation), 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 ASU Preparatory Academy, 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 B – ASU Component Units* and *Note O – Summary Financial Information for ASU Component Units*. FY 13 restatement was related to ASU Preparatory Academy, Inc. Refer to *Note O – Summary Financial Information for ASU Component Units* for additional information.

Condensed Summary of Financial Position for ASU Component Units *(Dollars in millions)*

	FY 2014	FY 2013 (as restated)
Assets		
Cash and investments	$ 840.9	$ 752.4
Capital assets, net	293.0	310.3
Receivables, net	132.4	140.5
Other assets	105.6	99.3
Total assets	**$ 1,371.9**	**$ 1,302.5**
Liabilities		
Long-term debt	$ 509.3	$ 521.1
Other liabilities	203.7	183.2
Total liabilities	**$ 713.0**	**$ 704.3**
Net assets		
Unrestricted	$ (28.4)	$ (52.0)
Temporarily restricted	286.6	260.1
Permanently restricted	400.7	390.1
Total net assets	**$ 658.9**	**$ 598.2**

Condensed Summary of Activities for ASU Component Units *(Dollars in millions)*

	FY 2014	FY 2013 (as restated)
Revenues		
Contributions	$ 80.5	$ 98.4
Other revenues	181.9	148.4
Total revenues	**$ 262.4**	**$ 246.8**
Expenses		
Payments to the benefit of ASU	$ 84.2	$ 76.0
Other expenses	117.5	110.5
Total expenses	**$ 201.7**	**$ 186.5**
Transfers and losses		2.9
Increase in net assets	$ 60.7	$ 63.2
Net assets at beginning of year	598.2	535.0
Net assets at end of year	**$ 658.9**	**$ 598.2**

COMBINED ASU AND ASU COMPONENT UNITS

ASU and its component units combined for an increase in net position/net assets of $164 million in FY 2014, compared to a $148 million increase in FY 2013, as restated. University net position increased $103 million in FY 2014 and $85 million in FY 2013, while component unit net assets increased $61 million in FY 2014 compared to $63 million in FY 2013. The most notable increase in net revenues for the component units was a $22 million increase in net investment return between years due to stronger financial markets. Overall, restricted net assets of the component units increased by $37 million between years, while component unit unrestricted net assets increased by $24 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 ASU Component Units on a Combined Basis *(Dollars in millions)*

	FY 2014			FY 2013		
	ASU	**ASU Component Units**	**Combined**	**ASU** (as restated)	**ASU Component Units** (as restated)	**Combined** (as restated)
Net investment in capital assets	$ 695.6		$ 695.6	$ 657.3		$ 657.3
Unrestricted net position/net assets	563.3	$ (28.4)	534.9	511.3	$ (52.0)	459.3
Restricted net position/net assets:						
Nonexpendable/Permanently	59.5	400.7	460.2	55.5	390.1	445.6
Expendable/Temporarily	113.9	286.6	400.5	104.9	260.1	365.0
Net position/net assets at end of year	**$ 1,432.3**	**$ 658.9**	**$ 2,091.2**	**$ 1,329.0**	**$ 598.2**	**$ 1,927.2**

ECONOMIC OUTLOOK

ASU continues its mission to influence the change of society and the Arizona and global economy by its evolution as an egalitarian university. ASU is gaining national attention for its efforts to increase access to high-quality, rigorous higher education with a focus on inclusion and impact, drawing record numbers of academically qualified students. ASU's fall 2014 preliminary enrollment estimate is for 82,000 students comprised of 66,000 undergraduate and 16,000 graduate students. Freshman enrollment grew to more than 11,000 with an average high school GPA of 3.4 and average SAT scores of 1113. More than half of these freshmen are New American University Scholars at the Dean, Provost and President Scholarship levels, the most prestigious ASU sponsored scholarships for first-time freshmen. International campus-based enrollment increased over 33 percent to 8,700 students coming from diverse homelands including, China, India, Saudi Arabia, Korea and Canada. Also of note is ASU's continued commitment to support military veterans and their dependents as shown by a 25 percent increase in overall enrollment for veterans and veteran dependents, including a 52 percent increase in new graduate enrollment.

In June 2014, the *Starbucks College Achievement Plan* was announced by Starbucks chairman, President and CEO Howard Schultz, ASU President Michael Crow, and U.S. Secretary of Education Arne Duncan. Starbucks partners (employees) admitted to ASU as a junior or senior will earn full tuition reimbursement for each semester of full-time coursework they complete towards a bachelor's degree. Freshmen and sophomores will be eligible for a partial tuition scholarship and need-based financial aid for two years of full-time study. Partners have no commitment to remain at Starbucks past graduation.

Revenue diversification is an important component of the University's strategy to achieve long term financial stability. Support from the State of Arizona continues to be of importance to ASU, comprising 17 percent of the University's revenues in FY 2014, however tuition and fees are expected to remain the University's primary funding source. Expansion of degrees offered completely online will continue to provide students with flexible enrollment options without exerting pressure on the University's physical infrastructure of buildings, classroom equipment, streets, and sidewalks. The University also continues to focus efforts to expand research grant and contract funding.

The University's administration continues to manage university resources to maximize efficiency while improving services to ASU students. With the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB 27* the University, as well as most public colleges and universities and state and local governments, will be required to record a net pension liability effective for FY 2015. This will have a significant accounting impact on the University's net position as reported in its FY 2015 financial report. The University is working to ensure the liability recorded is a fair and reasonable allocation. The University has also worked to ensure compliance with the Affordable Care Act, and will continue to monitor and comply with new regulatory requirements. Exclusive of the impact of GASB 68, the University expects FY 2015 to be its tenth consecutive year of increases in net position.

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STATEMENT OF NET POSITION

June 30, 2014 *(Dollars in thousands)*

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 33,551
Short-term investments	71,760
Receivables:	
State appropriations	90,575
Accounts receivable, net	91,438
Student loans receivable, net	1,116
Other assets	8,863
Total Current Assets	$ 297,303
Noncurrent Assets:	
Restricted cash and cash equivalents	$ 137,343
Endowment investments	114,146
Other investments	501,779
Prepaid expenses	1,473
Student loans receivable, net	11,262
Capital assets, net (Note D)	1,945,532
Total Noncurrent Assets	$ 2,711,535
Total Assets	**$ 3,008,838**
DEFERRED OUTFLOWS OF RESOURCES	
Interest rate swap (Note G)	$ 14,135
Unamortized loss on refunding debt	17,763
Total Deferred Outflows of Resources	**$ 31,898**
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 80,259
Compensated absences (Note I)	3,297
Unearned revenues	61,964
Funds held for others	12,476
Current portion of long-term debt (Note F) - Funded by:	
University operating revenues	53,246
State appropriations and other State monies	13,598
Total Current Liabilities	$ 224,840
Noncurrent Liabilities:	
Compensated absences (Note I)	$ 24,476
Other liabilities	39,158
Derivative instrument - Interest rate swap (Note G)	14,135
Long-term debt (Note F) - Funded by:	
University operating revenues	891,081
State appropriations and other State monies	414,724
Total Noncurrent Liabilities	$ 1,383,574
Total Liabilities	**$ 1,608,414**
NET POSITION	
Net investment in capital assets	$ 695,591
Restricted (Total of $173,424):	
Nonexpendable:	
Student aid	54,858
Academic department uses	4,618
Expendable:	
Student aid	46,498
Academic department uses	66,852
Debt service	598
Unrestricted (Note H)	563,307
Total Net Position	**$ 1,432,322**

See Notes to Financial Statements.

STATEMENT OF FINANCIAL POSITION

June 30, 2014 *(Dollars in thousands)*

ASSETS	
Cash and cash equivalents	$ 22,551
Pledges receivables, net	110,627
Other receivables, net	21,713
Investments in securities	771,886
Other investments	46,502
Net direct financing leases	67,585
Property and equipment, net	292,971
Other assets	38,015
Total Assets	**$ 1,371,850**
LIABILITIES	
Accounts payable and accrued liabilities	$ 31,025
Deferred revenue	14,890
ASU endowment trust liability	114,146
Other liabilities	43,603
Long-term debt	509,339
Total Liabilities	**$ 713,003**
NET ASSETS	
Unrestricted	$ (28,470)
Temporarily restricted	286,599
Permanently restricted	400,718
Total Net Assets	**$ 658,847**

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2014 *(Dollars in thousands)*

OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of $220,936	$ 896,921
Research grants and contracts, including $213,478 in federal funding and $28,539 in nongovernmental funding	244,293
Sales and services -	
Auxiliary enterprises, net of scholarship allowances of $10,188	140,535
Educational departments	58,449
Other revenues	8,447
Total Operating Revenues	$ 1,348,645
OPERATING EXPENSES (Note J)	
Educational and general -	
Instruction	$ 617,091
Research	235,720
Public service	40,209
Academic support	225,853
Student services	72,409
Institutional support	136,334
Operation and maintenance of plant	98,901
Scholarships and fellowships	127,468
Auxiliary enterprises	130,550
Depreciation	112,270
Total Operating Expenses	$ 1,796,805
Operating Loss	$ (448,160)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	$ 314,493
Share of state sales tax - technology and research initiatives fund	27,785
Financial aid grants, including $106,360 in federal funding	106,855
Grants and contracts, including $33,537 in federal funding	35,863
Private gifts	64,928
Financial aid trust funds, including $5,350 in state trust fund appropriations	12,393
Net investment return	20,263
Interest on debt	(52,674)
Other expenses	(9,642)
Net Nonoperating Revenues	$ 520,264
Income Before Other Revenues, Expenses, Gains, or Losses	$ 72,104
Capital appropriations - Research Infrastructure Capital Financing	$ 14,471
Capital commitment - Arizona Lottery revenues (Note F)	2,733
Capital grants, including $859 in federal funding	893
Capital private gifts	8,308
Additions to permanent endowments	904
Extraordinary item - Insurance recovery	3,900
Increase in Net Position	$ 103,313
Net Position at Beginning of Year, restated (Note A)	1,329,009
Net Position at End of Year	**$ 1,432,322**

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES

Year ended June 30, 2014 *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES				
Contributions	$ 19,068	$ 52,029	$ 9,448	$ 80,545
Rental revenues	34,608			34,608
Sales and services	34,526	130		34,656
Net investment return	24,339	55,863	(17)	80,185
Net assets released from restrictions	80,359	(81,524)	1,165	
Grants and aid	11,846			11,846
Other revenues	20,569			20,569
Total Revenues	$ 225,315	$ 26,498	$ 10,596	$ 262,409
EXPENSES				
Payments to the benefit of ASU -				
Cash donation transfers to ASU	$ 68,062			$ 68,062
Scholarship fund transfers to ASU	7,305			7,305
Vendor payments	6,767			6,767
Rent payments to ASU	2,070			2,070
Management and general	59,988			59,988
Interest expense	22,804			22,804
Depreciation/amortization	18,672			18,672
Other expenses	16,070			16,070
Total Expenses	$ 201,738			$ 201,738
Increase in Net Assets, before Transfers and Losses	23,577	26,498	10,596	60,671
Cost of bond refunding	(15)			(15)
Increase in Net Assets, after Transfers and Losses	23,562	26,498	10,596	60,656
Net Assets at Beginning of Year, restated (Note O)	(52,032)	260,101	390,122	598,191
Net Assets at End of Year	**$ (28,470)**	**$ 286,599**	**$ 400,718**	**$ 658,847**

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS

Year ended June 30, 2014 *(Dollars in thousands)*

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 873,182
Research grants and contracts	230,989
Sales and services of auxiliary enterprises	141,330
Sales and services of educational activities	59,491
Payments for employees' salaries and benefits	(1,004,395)
Payments to vendors for supplies and services	(516,254)
Payments for scholarships and fellowships	(143,755)
Student loans issued	(1,897)
Student loans collected	1,996
Other receipts	40,261
Net cash used for operating activities	$ (319,052)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	$ 314,493
Share of state sales tax - technology and research initiatives fund	29,034
Grants and contracts (primarily financial aid)	151,673
Private gifts for other than capital purposes	65,891
Financial aid trust funds	12,402
Direct lending program receipts	475,395
Direct lending program disbursements	(475,555)
Funds held for others received	163,354
Funds held for others disbursed	(156,660)
Net cash provided by noncapital financing activities	$ 580,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations - Research Infrastructure Capital Financing	$ 14,471
Build America Bonds - federal subsidy	3,686
Capital commitments, including Arizona Lottery revenue	2,082
Capital gifts and grants	6,540
Proceeds from issuance of capital debt	87,108
Purchases of capital assets	(196,296)
Principal paid on capital debt and leases	(50,596)
Interest paid on capital debt and leases	(58,551)
Net cash used for capital and related financing activities	$ (191,556)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments, net	$ (98,428)
Interest received on investments	9,829
Net cash used for investing activities	$ (88,599)
Net decrease in cash and cash equivalents	(19,180)
Cash and cash equivalents at beginning of year	190,074
Cash and cash equivalents at end of year	**$ 170,894**
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (448,160)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	112,270
Other receipts	25,538
Increases in assets and liabilities:	
Receivables, net	(22,581)
Accounts payable and accrued liabilities	12,590
Compensated absences	891
Unearned revenues	546
Prepaid expenses	(108)
Other assets	(38)
Net cash used for operating activities	$ (319,052)
SIGNIFICANT NONCASH TRANSACTIONS	
State appropriations receivable	$ 90,575
Amortization of bond premium	6,605

See Notes to Financial Statements.

June 30, 2014

Note A - Basis of Presentation and 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 2013 enrollment of 76,771 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. Information on component units can be found in *Note B - ASU Component Units*. Also included is activity for the ASU Colleges at Lake Havasu City, which focuses on instruction in high-demand undergraduate degrees.

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.

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. The 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. The 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. The statement of cash flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing activities.

For the year ended June 30, 2014, the University implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012 an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 reclassifies, as deferred inflows and deferred outflows of resources, items that were previously reported as assets and liabilities. As required by the pronouncement, deferred net effect on refunding of debt which was previously reflected as a component of liabilities long-term debt is now reflected on the statement of net position as deferred outflows of resources. GASB Statement No. 65 also requires recognizing an expense for debt issuance costs, excluding bond insurance premiums, which were previously amortized as a component of interest expense and included on the statement of net position as capital assets, net or as long-term debt. The recognition of prior year expenses resulted in a restatement of net position as of July 1, 2013.

GASB Statement No. 66 resolves conflicting guidance in previous GASB pronouncements related to risk financing activities, operating leases, purchases of loans, and servicing fees. GASB Statement No. 70 creates accounting requirements for extending and receiving nonexchange financial guarantees. The implementation of these standards has no effect on the 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, total deferred outflows of resources, total liabilities, and total deferred inflows of resources). 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 intra-university transactions have been eliminated.

Restatement of Net Position

The implementation of GASB Statement No. 65 required the reduction of previously amortized debt issuance costs, excluding bond insurance premium, reported as capital assets, net or long-term debt which resulted in the following restatement to the University's net position reported as of June 30, 2013 (*Dollars in thousands*):

Net position at June 30, 2013, as previously reported	$ 1,336,617
GASB 65 adjustments	(7,608)
Net position at July 1, 2013, as restated	$ 1,329,009

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 FY 2014, 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, 2014. 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, 2014 were $194.4 million, including $90.6 million in FY 2014 State of Arizona general fund appropriations. Other significant amounts included in the receivable balance are $53.2 million related to tuition and fee payments due from students and others making payments on behalf of students. Additionally, there are $13.9 million in receivables from Federal grant sponsors, primarily for the reimbursement of allowable expenses made pursuant to the University's grants and contracts.

The State of Arizona deferred payment of $90.6 million in FY 2014 general fund rollover appropriations until FY 2015. The State is required to fund the rollover appropriations no later than October 1, 2014. The University received the funding on September 19, 2014. The revenue associated with these deferred appropriations was recorded as FY 2014 state appropriations in accordance with the authorized FY 2014 ASU expenditure authority funded by general fund appropriations, a portion of the University's tuition collections, and a portion of the University's technology and research initiative fund (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 appraised 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 five 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 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.

Compensated absences. Compensated absences are employee vacation leave balances earned but not used at fiscal year end. Vacation leave benefits 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.

Derivative instrument - Interest rate swap. 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 and a deferred outflow of resources.

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 non-research 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 $18.8 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 J - Operating Expenses by Natural Classification*.

Share of state sales tax - 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 - ASU Component Units

Arizona State University's discretely presented component units are comprised of two major component units, the ASU Foundation for A New American University (ASU Foundation) and the Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units listed below. The University has determined that the ASU 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 or have a close affiliation with the University. Even though these organizations support the University or have a close affiliation with 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.

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

- Arizona Capital Facilities Finance Corporation - provides facilities for use by students of the University or the University itself.
- Arizona State University Research Park, Inc. (Park) - 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.
- ASU Preparatory Academy, Inc. (ASU Prep), formerly University Public Schools, Inc. - prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally and contribute to their communities.

A fiscal dependency and financial benefit/burden does not exist between the University and Downtown Phoenix Student Housing, LLC or ASU Prep; 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 ASU Prep. Downtown Phoenix Student Housing, LLC and ASU Prep 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 ASU Prep 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 FY 2014, the ASU Foundation distributed $57.2 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, 2014. 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.

Note C - Cash and Investments

General

At year end, the University's deposits and investments total $858.6 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 $137.3 million, which are held in trust and invested by various trustee banks. In addition, endowment funds totaling $114.1 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 (ASU Foundation) and invested in the ASU Foundation's Endowment Pool (Pool). The University's endowment assets are maintained separately on the financial system of the ASU Foundation, and receive a proportional share of the Pool activity.

As such, the ASU 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 ASU Foundation Pool invests in a variety of asset classes, including common stocks, fixed-income, foreign investments, private equity and hedge funds. The ASU Foundation's Endowment Pool is not registered with the Securities and Exchange Commission as an investment company. The ASU Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with ASU 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. 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 ASU Foundation, subject to the ASU 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, 2014 *(Dollars in thousands)*							
			Standard and Poor's				
Investment Description	**Fair Value**	**Not Rated**	**AAA / AAAm / AAAf**	**AA**	**A-1**	**A**	**BBB**
Money market mutual funds	$ 138,755		$ 138,755				
Federal agency securities	130,928			$ 130,928			
Corporate bonds	189,804		4,115	43,401		$ 88,181	$ 54,107
Asset backed securities	11,813	$ 3,999	6,089		$ 1,725		
Municipal bonds	11,090		4,812	3,265		3,013	
Commercial paper	5,999				5,999		
Certificates of deposit	100					100	
State of Arizona LGIP (Pool 5)	1,451		1,451				
Total	**$ 489,940**	**$ 3,999**	**$155,222**	**$ 177,594**	**$ 7,724**	**$ 91,294**	**$ 54,107**

Concentration of Credit Risk. Other than United States Treasury securities and other federal agency securities, which can represent greater than five percent of total investments, University policy limits investment in a single issuer to five percent or less of the fair value of the total portfolio. Except for those issuers allowed by policy, the University does not have an investment in any single issuer that exceeds five percent of the overall portfolio. At June 30, 2014, the University had investments in the Federal National Mortgage Association with a fair value of $73.5 million or 8.5 percent of total investments.

Interest Rate Risk. ABOR and University policies for the operating funds limit the final maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The endowment funds portfolio has no such limitations. 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, 2014 - utilizing the weighted average maturity methods *(Dollars in thousands)*		
Investment Description	**Fair Value**	**Weighted Average Maturity (Years)**
Money market mutual funds	$ 138,755	0.1
Federal agency securities	130,928	1.7
Corporate bonds	189,804	2.9
Asset backed securities	11,813	2.7
Municipal bonds	11,090	2.0
Commercial paper	5,999	0.1
Certificates of deposit	100	1.2
State of Arizona LGIP (Pool 5)	1,451	0.2
Subtotal, before U.S. Treasury securities	$ 489,940	
U.S. Treasury securities	264,702	1.7
Total	**$ 754,642**	

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.

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2014 follows:

Capital asset activity for the year ended June 30, 2014 *(Dollars in thousands)*	**Balance 07/01/2013** *(as restated)*	**Additions/ Increases**	**Retirements/ Decreases**	**Balance 06/30/2014**
Non-depreciated capital assets				
Land -				
University operations	$ 81,187	$ 631		$ 81,818
Investment property	20,857	17,123		37,980
Construction in progress -				
Buildings	53,053	6,363	$ (52,854)	6,562
Works of art and historical treasures	19,738	397	(21)	20,114
Total	$ 174,835	$ 24,514	$ (52,875)	$ 146,474
Depreciated capital assets				
Infrastructure	$ 123,334	$ 4,062	$ (3)	$ 127,393
Buildings	2,165,185	166,189	(224)	2,331,150
Equipment	385,917	34,869	(20,460)	400,326
Software	25,031			25,031
Library books	266,567	12,178	(588)	278,157
Less accumulated depreciation				
Infrastructure	(46,584)	(3,125)	1	(49,708)
Buildings	(749,252)	(63,955)	100	(813,107)
Equipment	(250,441)	(30,476)	18,985	(261,932)
Software	(15,132)	(3,249)		(18,381)
Library books	(208,994)	(11,465)	588	(219,871)
Total	$ 1,695,631	$ 105,028	$ (1,601)	$ 1,799,058
Capital assets, net	**$ 1,870,466**	**$ 129,542**	**$ (54,476)**	**$ 1,945,532**

Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the balance at July 1, 2013 has been restated. This restatement is the result of the write-off of debt issuance costs that had previously been capitalized and depreciated.

Construction in progress additions reflected above represent expenses for new projects net of capital assets placed in service. It is estimated $123.0 million in additional expenses will be required to complete projects under construction at June 30, 2014. Construction in progress encumbrances committed through purchase orders at June 30, 2014, totaled $1.9 million.

Note E - 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 D - Capital Assets*.

The University's investment property includes the following:

Rio Salado Land. The Rio Salado land consists of 35.3 acres, not needed for University facilities, which are on the Rio Salado River along Tempe Town Lake. The property is divided with 25.8 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 acquired 10.6 acres of undeveloped land west of Rural Road and entered into a 99 year land lease for commercial development purposes which included the acquired parcel and an additional 9.7 acres (total of 20.3 acres).

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 237 leasable acres 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 89 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 $2.5 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, which has now been leased for commercial development.

Note F - Long-Term Debt and Lease Obligations

As of June 30, 2014 the University had issued a combination of fixed and variable rate bonds, fixed rate certificates of participation (COPs), and other lease obligations, of which $1.4 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, 2014 totaled $16.5 million and $67.4 million, respectively.

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2014 *(Dollars in thousands)*

	Average Interest Rate	Final Maturity	Balance 07/01/2013	Additions	Reductions	Balance 06/30/2014	Current Portion
Bonds:							
2004 System Revenue and Refunding Bonds	4.45%	07/01/14	$ 6,385		$ (3,115)	$ 3,270	$ 3,270
2005 System Revenue Refunding Bonds	4.38%	07/01/27	47,245		(790)	46,455	3,600
2007 A/B System Revenue Bonds	4.46%	07/01/36	63,915		(3,090)	60,825	3,225
2008 A/B Variable Rate Demand System Revenue Refunding Bonds	0.06%	07/01/34	96,805		(2,525)	94,280	2,650
2008C System Revenue Bonds	5.89%	07/01/28	98,455		(2,055)	96,400	2,160
2009A System Revenue Bonds	3.76%	07/01/29	28,135		(3,000)	25,135	3,075
2010 A/B System Revenue Bonds	5.99% [1]	07/01/39	178,350		(3,990)	174,360	4,110
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	50,655		(2,405)	48,250	2,520
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		(12,995)	200,375	18,410
2013 A/B System Revenue and Refunding Bonds	3.47%	07/01/43	110,950			110,950	1,750
2014 SPEED Revenue Bonds	3.72%	08/01/44		$ 77,620		77,620	
Subtotal: Par Amount of Bonds			$ 959,000	$ 77,620	$ (33,965)	$ 1,002,655	$ 44,770
Certificates of Participation:							
2002 Certificates of Participation	4.76%	07/01/18	$ 5,545		$ (4,610)	$ 935	$ 505
2004 Certificates of Participation	4.89%	09/01/30	25,690		(2,360)	23,330	2,470
2005A Certificates of Participation	4.36%	09/01/30	66,835		(3,405)	63,430	3,560
2006 Certificates of Participation	4.53%	06/01/31	13,035		(510)	12,525	540
2006 Refunding Certificates of Participation	4.15%	07/01/26	64,580			64,580	4,330
2011A Mercado Refunding Certificates of Participation	4.27%	07/01/24	7,920		(555)	7,365	565
2013 Refunding Certificates of Participation	3.09%	09/01/26	64,780		(1,440)	63,340	
Subtotal: Par Amount of COPs			$ 248,385		$ (12,880)	$ 235,505	$ 11,970
Capital Leases/Lease Purchases:							
Fulton Center	4.01%	06/15/34	$ 24,960	$ 705	$ (1,120)	$ 24,545	$ 855
Flexible Display Center	5.27%	02/15/34	31,836		(869)	30,967	913
Hassayampa Academic Village	5.36%	06/10/39	12,175		(102)	12,073	119
Nursing and Health Innovation	4.84%	01/01/36	10,070			10,070	285
Other Lease Purchases	3.30% - 6%	02/07/22	5,758		(1,660)	4,098	1,292
Subtotal: Capital Leases/Other Lease Purchases			$ 84,799	$ 705	$ (3,751)	$ 81,753	$ 3,464
Total Par Amount of Bonds, COPs, Capital Leases and Other Lease Purchases			$ 1,292,184	$ 78,325	$ (50,596)	$ 1,319,913	$ 60,204
Premium/(Discount) on Sale of Bonds and COPs			49,148	10,193	(6,605)	52,736	6,640
Total Bonds Payable/COPs/ Capital Leases/ Other Lease Purchases			**$ 1,341,332**	**$ 88,518**	**$ (57,201)**	**$ 1,372,649**	**$ 66,844**

[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, 2014. These related system 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, net 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, 2014, pledged revenues totaled $1.16 billion of which 7.3 percent ($84.4 million, net of federal direct payments) was required to cover current year debt service.

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 and 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.

In April 2014, the University issued $77.6 million in SPEED revenue bonds, Series 2014, with an average maturity of 13.9 years and an average interest rate of 3.72 percent. The bonds were issued to fund classroom and laboratory renovations, building and infrastructure enhancements and modifications, and a portion of the construction costs for the College Avenue Commons, a new Tempe campus mixed-use facility.

Variable Rate Bonds

The University has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling $94.3 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2014 was 0.04 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 $47.14 million Series 2008A and $47.14 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.

Capital Leases

In October 2003, the University entered into a 30-year lease agreement with Arizona State University Foundation, LLC, an Arizona limited liability company, of which the sole member is the ASU Foundation for A New American University (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 2014, the ASU Foundation refunded the 2003 Bonds for savings. The issuance of the refunding bonds resulted in a $2.8 million reduction in the University's future lease payments. In April 2004, the University entered into a 30-year sublease agreement with Nanotechnology Research, LLC, an Arizona limited liability company, whose sole member is Arizona Capital Facilities Finance Corporation (ACFFC), to lease the Flexible Display Center located at the ASU Research Park. In July 2005, the University entered into a 34-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, 2014
(Dollars in thousands)

	Book Value	Accumulated Depreciation	Net Book Value
Fulton Center	$ 29,551	$ (7,774)	$ 21,777
Flexible Display Center	37,314	(9,232)	28,082
Hassayampa Academic Village	12,451	(2,434)	10,017
Nursing and Health Innovation	11,788	(1,222)	10,566

Future Payments

Future pledged revenues required to pay all remaining debt service for the University's senior and subordinate revenue bonds through final maturity of July 1, 2043 is $1.6 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the University has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2014 were $7.0 million with annual debt service payments of approximately $1.2 million through July 1, 2021.

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 FY 2014, the Federal government reduced federal direct payment claims by 7.2 percent due to the federal budget sequestration resulting in a $0.3 million 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, 2014 totaled $63.6 million and $7.2 million, respectively. Payment commitments to investors, including interest, for bonds, COPs and other lease obligations, using the interest rate in effect at June 30, 2014 for variable rate issues, are shown below:

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2014 *(Dollars in thousands)*

	System Revenue Bonds				SPEED Revenue Bonds			Certificates of Participation		Capital Leases / Lease Purchases	
FY	Principal	Interest	Net Payments on Swap Agreement	Federal Direct Payments	Principal	Interest	Federal Direct Payments	Principal	Interest	Principal	Interest
2015	$ 44,770	$ 36,727	$ 3,507	$ (3,443)		$ 6,896	$ (531)	$ 11,970	$ 10,600	$ 3,464	$ 3,855
2016	42,635	35,079	3,401	(3,443)		6,896	(534)	9,945	10,141	2,964	3,703
2017	42,640	33,468	3,290	(3,380)	$ 5,520	6,728	(534)	11,115	9,671	3,033	3,569
2018	32,370	32,245	3,173	(3,307)	5,710	6,516	(533)	13,905	9,135	3,202	3,414
2019	33,290	30,932	3,050	(3,226)	5,925	6,312	(533)	14,470	8,554	3,365	3,249
2020-2024	187,070	130,954	13,181	(14,739)	33,450	26,906	(2,308)	75,685	31,711	15,629	13,952
2025-2029	200,765	83,995	9,048	(11,832)	41,750	17,145	(1,182)	71,000	13,596	19,752	10,127
2030-2034	122,250	50,696	3,773	(8,012)	37,085	6,395	(73)	27,415	940	24,422	5,043
2035-2039	100,515	24,671		(3,282)	8,055	1,573				5,922	821
2040-2044	53,995	3,887			3,950	658					
2045					910	4					
Total	**$ 860,300**	**$ 462,654**	**$ 42,423**	**$ (54,664)**	**$ 142,355**	**$ 86,029**	**$ (6,228)**	**$ 235,505**	**$ 94,348**	**$ 81,753**	**$ 47,733**

Funding responsibility for the June 30, 2014 outstanding debt *(Dollars in thousands)*

	Current Portion	Noncurrent Portion	Total
From Arizona State University operating revenues	$ 53,246	$ 891,081	$ 944,327
From State of Arizona appropriations and other State monies	13,598	414,724	428,322
	$ 66,844	**$ 1,305,805**	**$ 1,372,649**

Subsequent Events

In July 2014, the University issued $84.5 million of refunding Certificates of Participation (COPs) to refund the outstanding 2004 and 2005A COPs. The 2014 COPs mature on September 1, 2030.

The University presently plans to issue up to $170.4 million in system revenue bonds prior to calendar year end 2015.

Operating Leases

Brickyard. In July 2004, the ASUF Brickyard, LLC, an Arizona limited liability company of the ASU Foundation, 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 15-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.

American Campus Communities OP (ACC). The University entered into two leases with American Campus Communities (ACC, LLC), a Delaware limited liability company. In February 2014 the University entered into a master sublease agreement with ACC, LLC for student housing at Vista del Sol and Villas at Vista. The sublease term is for one year with four options to renew for an additional term of one year. The second lease was entered into in May 2014 for 2,934 square feet of retail space to be used for tutoring, study and meeting space to support the Barrett Honors College.

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				
FY	**Brickyard**	**SkySong**	**ACC**	**Other**	**Total**
2015	$ 2,823	$ 2,309	$ 8,782	$ 4,993	$ 18,907
2016	2,833	2,360	31	4,054	9,278
2017	2,827	2,413	31	3,580	8,851
2018	2,835	2,467	6	1,848	7,156
2019	2,837	2,522		481	5,840
2020-2024		8,370		523	8,893
Total	**$ 14,155**	**$ 20,441**	**$ 8,850**	**$ 15,479**	**$ 58,925**

Note G - 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, 2014 was 0.06 percent. At June 30, 2014, 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, 2014, 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 A2 by Moody's Investor Services as of June 30, 2014. 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, 2014, the swap had a fair value of $(14.1) million, which represents the cost to the University to terminate the swap. The June 30, 2013 fair value was $(14.1) 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 H - 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, 2014, 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 I - Compensated Absences

The University has recorded a liability for accruals of vacation leave earned, but not taken at fiscal year end. At fiscal year end the University accrued up to the maximum 22 days allowed by University policy for which an employee can be paid upon termination of employment. Changes in accrued compensated absences for the year ended June 30, 2014 consisted of the following (Dollars in thousands):

Beginning Balance	$ 26,882
Additions	36,188
Reductions	(35,297)
Ending Balance	$ 27,773
Current Portion	$ 3,297

Note J - Operating Expenses by Natural Classification

Operating expenses by functional and natural classification for the year ended June 30, 2014, are summarized as follows (Dollars in thousands):

	Year ended June 30, 2014				
	Personal Services and Benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	$ 502,923	$ 111,285	$ 2,883		$ 617,091
Research	154,883	77,068	3,769		235,720
Public service	20,809	19,001	399		40,209
Academic support	147,702	77,563	588		225,853
Student services	51,626	20,436	347		72,409
Institutional support	80,823	54,133	1,378		136,334
Operation and maintenance of plant	24,022	74,879			98,901
Scholarships and fellowships	1,515	969	124,984		127,468
Auxiliary enterprises	45,500	79,021	6,029		130,550
Depreciation				$ 112,270	112,270
Total Operating Expenses	**$ 1,029,803**	**$ 514,355**	**$ 140,377**	**$ 112,270**	**$ 1,796,805**

Note K - Retirement Plans

At June 30, 2014 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 $1.5 million in total University and employee contributions for the year ended June 30, 2014.

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, 2014, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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 11.54 percent (10.70 percent for retirement, 0.60 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):

FY	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total University Contributions
2014	$ 29,026	$ 1,628	$ 654	$ 31,308
2013	26,276	1,666	617	28,559
2012	24,826	1,671	603	27,100

Defined Contribution Plans

Plan Description. In accordance with A.R.S. § 15-1628, University faculty, academic professionals, certain university staff, 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, 2014, 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, 2014, 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, 2014, were as follows (Dollars in thousands):

	Contribution Rates (Each)	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	7.00%	$ 14,033	$ 14,033	$ 28,066
Fidelity	7.00%	9,690	9,690	19,380

Note L - 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 Downtown Phoenix campus. All property, except the residential life facility and the fitness center, 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 M - Insurance Programs

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 N - 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 ten-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. In FY 2014, the University leased 385 beds to accommodate overflow from Barrett Honors College. In FY 2014, the University entered into a three-year lease for retail space within Vista del Sol to be used as tutoring, study and meeting space to support the Barrett Honors College students living at Vista del Sol. In FY 2015, the University entered into an agreement to lease 601 beds to continue to accommodate overflow from Barrett Honors College, with an option for four one-year renewals.

- 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. In FY 2015, the University entered into an agreement to lease 400 beds to accommodate overflow from Barrett Honors College and fraternity housing, with an option for four one-year renewals.

- 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 facilities.

- Casa de Oro, a West campus housing project, was opened in August 2012 and includes 385 double occupancy suite-style beds for first-year students.

- Manzanita, a 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.

Note O - Summary Financial Information for ASU Component Units

Arizona State University's discretely presented component units are comprised of two major component units, the ASU Foundation for A New American University (ASU 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 ASU Preparatory Academy, Inc. For additional information refer to Note B – *ASU Component Units*.

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.

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.

Name Change

ASU Preparatory Academy, Inc. In July 2013, University Public Schools Inc. changed its name from University Public Schools Inc. to ASU Preparatory Academy, Inc. ASU Preparatory Academy, Inc. derives program funding primarily from state educational aid and governmental grants.

Prior Period Adjustment

The accompanying financial information for ASU Preparatory Academy, Inc., for FY 2013, has been restated due to an overstatement of due from federal and accrued payroll and related liabilities and an understatement of deferred revenue as of June 30, 2013. These adjustments decrease the beginning balance of unrestricted net assets by $117 thousand.

Prior period adjustment *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at June 30, 2013, as previously reported	$ (51,915)	$ 260,101	$ 390,122	$ 598,308
Changes in net assets due to prior period adjustment	(117)			(117)
Net assets at July 1, 2013, as restated	**$ (52,032)**	**$ 260,101**	**$ 390,122**	**$ 598,191**

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, 2014.

Pledges receivable consist of *(Dollars in thousands)*

	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Gross pledges receivable	$ 155,621	$ 6,608	$ 219	$ 162,448
Present value discount	(10,289)	(493)	(1)	(10,783)
Allowance for uncollectible pledges	(39,808)	(1,090)	(140)	(41,038)
Net pledges receivable	**$ 105,524**	**$ 5,025**	**$ 78**	**$ 110,627**

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, 2014 and 2013, net unconditional pledges receivable from these members included approximately $120 thousand and $368 thousand, respectively. The Foundation had conditional pledges receivable totaling $1.1 million at June 30, 2014; 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	$ 37,874	$ 2,124	$ 196	$ 40,194
Receivable in two to five years	49,604	3,971	23	53,598
Receivable after five years	68,143	513		68,656
Total gross pledges to be received	**$ 155,621**	**$ 6,608**	**$ 219**	**$ 162,448**

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, 2014 is $24.5 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, the 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 million at June 30, 2014.

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 $12.1 million at June 30, 2014.

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 the Arizona Board of Regents for and on behalf of Arizona State University. The agreement provides for the merger of the Sun Angel Endowment into the Sun Angel Foundation upon satisfaction of certain conditions. The conditions to the merger were met in the fiscal year ending June 30, 2013; however the legal process of merging Sun Angel Endowment into the Sun Angel Foundation is expected to occur in the fiscal year ending June 30, 2015.

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 (1.5 percent for 2014), 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.

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.

ASU Foundation endowments by net asset category *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ (949)	$ 55,911	$ 361,521	$ 416,483
Quasi-endowments		60,670		60,670
Board-designated endowments	12,000			12,000
Total funds	**$ 11,051**	**$ 116,581**	**$ 361,521**	**$ 489,153**

The Foundation's endowment is invested in the Long Term Investment Pool (LTIP). The Foundation's investment policies for the LTIP are reviewed periodically. The long-term financial objectives of the Pool are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve inter-generational equity by achieving growth of the Pool at a rate that at least keeps pace with the general rate of inflation, net of spending.

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level required to be held in perpetuity. Deficits of this nature are reported in unrestricted net assets at approximately $1.0 million and $8.2 million at June 30, 2014 and 2013, respectively.

Changes in endowment net assets *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 3,830	$ 83,386	$ 348,067	$ 435,283
Contributions and other additions		1,586	12,306	13,892
Investment Return:				
Interest and dividends		8,305	439	8,744
Net realized and unrealized gains/(losses)	7,221	56,990	750	64,961
Changes in assets due to other entities		(18,502)		(18,502)
Total Investment Return	7,221	46,793	1,189	55,203
Appropriation for expenditure		(14,439)	(1,205)	(15,644)
Reclassification of donor intent		(745)	1,164	419
Endowment net assets, June 30, 2014	**$ 11,051**	**$ 116,581**	**$361,521**	**$ 489,153**

Investment Summary

Investments consist of *(Dollars in thousands)*

	ASU Foundation	ACFFC	Other Component Units	Total
Money market funds and cash equivalents	$ 40,526	$ 16,426	$ 16,030	$ 72,982
Equities:				
International	333,198			333,198
Total equities	333,198			333,198
Fixed Income	107,687			107,687
Mutual funds:				
Equity mutual funds			6,715	6,715
Inflation hedge	209,231			209,231
Total mutual funds	209,231		6,715	215,946
Other securities	23,950		18,123	42,073
Other investments	45,838		664	46,502
Total investments	**$ 760,430**	**$ 16,426**	**$ 41,532**	**$ 818,388**

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	$ 114,469	$ 316,877
Furniture, fixtures, and equipment	8,155	80,768	11,799	100,722
Leasehold improvements			13,755	13,755
Total cost or donated value	25,552	265,779	140,023	431,354
Accumulated depreciation	(11,493)	(90,355)	(36,535)	(138,383)
Net property and equipment	**$ 14,059**	**$ 175,424**	**$ 103,488**	**$ 292,971**

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 2014A Revenue Refunding Bonds (Fulton)	2034	$ 39,050				$ 39,050
Series 2014B Revenue Refunding Bonds (Fulton)	2016	4,360				4,360
Series 2011 Tax-Exempt Revenue Refunding Bonds (Energy Management Services)	2018		$ 13,475			13,475
Series 2009 Revenue Bonds (Energy Management Services)	2024		34,475			34,475
Series 2009A Lease Revenue Refunding Bonds (Nanotechnology Research)	2034		22,955			22,955
Series 2009B Lease Revenue Refunding Bonds (Nanotechnology Research)	2022		8,310			8,310
Series 2008 Revenue Bonds (ASU Energy Center)	2028		14,010			14,010
Series 2008 Revenue Refunding Bonds (Hassayampa Academic Village)	2039		142,125			142,125
Series 2008 Variable Rate Demand Revenue Refunding Bonds (Sun Devil Energy Center)	2030		37,095			37,095
Series 2007 A&C Revenue Bonds	2042			$ 118,140		118,140
Series 2007 D Tax-Exempt Revenue Bonds	2042			22,700		22,700
Series 2006 Development Refunding Bonds (ASU Research Park)	2021				$ 7,000	7,000
Series 2005 Tax-Exempt Refunding Bonds (West Campus Housing)	2035		15,580			15,580
Series 2004A Variable Rate Revenue Bonds (Brickyard)	2034	22,420				22,420
Series 2004B Variable Rate Revenue Bonds (Brickyard)	2022	7,460				7,460
Capital Lease	2015				181	181
Deferred Cost of Refunding			(299)			(299)
Unamortized bond premium (discount)			1,359	(1,057)		302
		$ 73,290	**$ 289,085**	**$ 139,783**	**$ 7,181**	**$ 509,339**

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
2015	$ 2,600	$ 9,300	$ 610	$ 1,021	$ 13,531
2016	2,195	9,865	810	960	13,830
2017	2,275	10,555	1,025	955	14,810
2018	2,365	11,275	1,245	995	15,880
2019	2,480	12,040	1,480	1,040	17,040
Thereafter	61,375	236,050	134,613	2,210	434,248
	$ 73,290	**$ 289,085**	**$ 139,783**	**$ 7,181**	**$ 509,339**

Financial Statement Information

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

Component Units Statement of Financial Position June 30, 2014 *(Dollars in thousands)*				
	ASU Foundation	ACFFC	Nonmajor Component Units	Total
Assets				
Cash and cash equivalents	$ 9,326	$ 3,157	$ 10,068	$ 22,551
Pledges receivables, net	105,524		5,103	110,627
Other receivables, net	3,125	101	18,487	21,713
Investments in securities	714,592	16,426	40,868	771,886
Other investments	45,838		664	46,502
Net direct financing leases	24,545	43,040		67,585
Property and equipment, net	14,059	175,424	103,488	292,971
Other assets	25,248	4,190	8,577	38,015
Total assets	$ 942,257	$ 242,338	$ 187,255	$ 1,371,850
Liabilities				
Accounts payable and accrued liabilities	$ 5,768	$ 7,689	$ 17,568	$ 31,025
Deferred revenue			14,890	14,890
ASU endowment trust liability	114,146			114,146
Other liabilities	35,584		8,019	43,603
Long-term debt	73,290	289,085	146,964	509,339
Total liabilities	$ 228,788	$ 296,774	$ 187,441	$ 713,003
Net Assets				
Unrestricted	$ 36,424	$ (54,436)	$ (10,458)	$ (28,470)
Temporarily restricted	278,169		8,430	286,599
Permanently restricted	398,876		1,842	400,718
Total net assets (deficit)	**$ 713,469**	**$ (54,436)**	**$ (186)**	**$ 658,847**

Component Units
Statement of Activities
Year ended June 30, 2014
(Dollars in thousands)

	ASU Foundation	ACFFC	Nonmajor Component Units	Total
Revenues				
Contributions	$ 59,971		$ 20,574	$ 80,545
Rental revenues	1,036	$ 14,701	18,871	34,608
Sales and services	21,276	9,470	3,910	34,656
Net investment return	77,321	1	2,863	80,185
Grant and aid			11,846	11,846
Other revenues	11,190	8,642	737	20,569
Total revenues	$ 170,794	$ 32,814	$ 58,801	$ 262,409
Expenses				
Payments to the benefit of ASU -				
Cash and transfers to ASU	$ 57,191		$ 10,871	$ 68,062
Scholarship fund transfers to ASU	7,305			7,305
Vendor payments	6,767			6,767
Rent payments to ASU		$ 24	2,046	2,070
Management and general	25,521	9,070	25,397	59,988
Interest expense	1,970	13,098	7,736	22,804
Depreciation/amortization	867	12,587	5,218	18,672
Other expenses	13,518	46	2,506	16,070
Total expenses	$ 113,139	$ 34,825	$ 53,774	$ 201,738
Increase/(Decrease) in net assets, before losses	57,655	(2,011)	5,027	60,671
Losses		(15)		(15)
Increase/(Decrease) in net assets, after losses	57,655	(2,026)	5,027	60,656
Net assets (deficit), beginning of year, restated	655,814	(52,410)	(5,213)	598,191
Net assets (deficit), end of year	**$ 713,469**	**$ (54,436)**	**$ (186)**	**$ 658,847**

Supplementary Information

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

Nonmajor Component Units Combining Statement of Financial Position June 30, 2014 *(Dollars in thousands)*	ASU Alumni Association	Arizona State University Research Park, Inc.	Downtown Phoenix Student Housing, LLC	Sun Angel Endowment	Sun Angel Foundation	ASU Preparatory Academy, Inc.	Total
Assets							
Cash and cash equivalents	$ 253	$ 1,817	$ 1,398	$ 396	$ 2,849	$ 3,355	$ 10,068
Pledges reveivables, net	78				5,025		5,103
Other receivables, net	108	17,535	107		183	554	18,487
Investments in securities	16,357	1,291	14,675	8,545			40,868
Other investments				664			664
Property and equipment, net		5,029	98,163		10	286	103,488
Other assets	41	2,554	5,762	31	172	17	8,577
Total assets	$ 16,837	$ 28,226	$ 120,105	$ 9,636	$ 8,239	$ 4,212	$ 187,255
Liabilities							
Accounts payable and accrued liabilities	$ 105	$ 130	$ 16,026	$ 5	$ 443	$ 859	$ 17,568
Deferred revenue	33	13,303	11		20	1,523	14,890
Other liabilities	12	1,546	1,961	4,000		500	8,019
Long-term debt		7,000	139,783			181	146,964
Total liabilities	$ 150	$ 21,979	$ 157,781	$ 4,005	$ 463	$ 3,063	$ 187,441
Net Assets							
Unrestricted	$ 16,385	$ 6,247	$ (37,676)	$ 2,948	$ 489	$ 1,149	$ (10,458)
Temporarily restricted	302			841	7,287		8,430
Permanently restricted				1,842			1,842
Total net assets (deficit)	**$ 16,687**	**$ 6,247**	**$ (37,676)**	**$ 5,631**	**$ 7,776**	**$ 1,149**	**$ (186)**

Nonmajor Component Units
Combining Statement of Activities
Year ended June 30, 2014
(Dollars in thousands)

	ASU Alumni Association	Arizona State University Research Park, Inc.	Downtown Phoenix Student Housing, LLC	Sun Angel Endowment	Sun Angel Foundation	ASU Preparatory Academy, Inc.	Total
Revenues							
Contributions	$ 2,649				$ 15,069	$ 2,856	$ 20,574
Rental revenues		$ 8,854	$ 10,017				18,871
Sales and services	2,321				506	1,083	3,910
Net investment return	2,174	5	18	$ 655	10	1	2,863
Grant and aid						11,846	11,846
Other revenues	71	67	152	1	29	417	737
Total revenues	$ 7,215	$ 8,926	$ 10,187	$ 656	$ 15,614	$ 16,203	$ 58,801
Expenses							
Payments to the benefit of ASU -							
Cash donation transfers to ASU					$ 10,871		$ 10,871
Rent payments to ASU		$ 2,046					2,046
Management and general	$ 5,339	1,023	$ 2,797	$ 113	1,426	$ 14,699	25,397
Interest expense		328	7,234	174			7,736
Depreciation/amortization		412	4,806				5,218
Other expenses	196	150	817		1,343		2,506
Total expenses	$ 5,535	$ 3,959	$ 15,654	$ 287	$ 13,640	$ 14,699	$ 53,774
Increase/(Decrease) in net assets	1,680	4,967	(5,467)	369	1,974	1,504	5,027
Net assets (deficit), beginning of year, restated	15,007	1,280	(32,209)	5,262	5,802	(355)	(5,213)
Net assets (deficit), end of year	**$ 16,687**	**$ 6,247**	**$ (37,676)**	**$ 5,631**	**$ 7,776**	**$ 1,149**	**$ (186)**

Polytechnic campus

A study by ASU researchers and the City of Phoenix explored the beneficial impacts of urban forestry in reducing extreme surface heat.

Statistical Section

NARRATIVE TO THE STATISTICAL SECTION

Net Position by Component										
Fiscal year ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
(Dollars in thousands)										
Net investment in capital assets [(1)]	$ 695,591	$ 664,867	$ 643,008	$ 634,253	$ 661,691	$ 665,895	$ 725,527	$ 595,819	$ 580,333	$ 572,551
Restricted, Non-expendable	59,476	55,572	52,941	49,513	46,883	44,819	42,279	62,035	54,767	48,668
Restricted, Expendable	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914
Unrestricted	563,307	511,298	462,958	359,430	235,290	165,914	27,368	155,702	145,128	160,275
Total Net Position	**$1,432,322**	**$1,336,617**	**$1,251,568**	**$1,130,440**	**$1,036,795**	**$952,012**	**$894,388**	**$890,464**	**$843,082**	**$837,408**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	48.5	49.7	51.4	56.1	63.8	70.0	81.1	66.9	68.8	68.4
Restricted, Non-expendable	4.2	4.2	4.2	4.4	4.5	4.7	4.7	7.0	6.5	5.8
Restricted, Expendable	8.0	7.8	7.4	7.7	9.0	7.9	11.1	8.6	7.5	6.7
Unrestricted	39.3	38.3	37.0	31.8	22.7	17.4	3.1	17.5	17.2	19.1
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	4.6	3.4	1.4	(4.1)	(0.6)	(8.2)	21.8	2.7	1.4	n/a
Restricted, Non-expendable	7.0	5.0	6.9	5.6	4.6	6.0	(31.8)	13.3	12.5	n/a
Restricted, Expendable	8.6	13.2	6.2	(6.1)	23.3	(24.0)	29.0	22.4	12.4	n/a
Unrestricted	10.2	10.4	28.8	52.8	41.8	506.2	(82.4)	7.3	(9.5)	n/a
Total Net Position	**7.2**	**6.8**	**10.7**	**9.0**	**8.9**	**6.4**	**0.4**	**5.6**	**0.7**	**n/a**

[(1)] Balances prior to FY 2014 have not been adjusted for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

CHANGES IN NET POSITION

Changes in Net Position *(Dollars in thousands)*

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
Revenues										
Operating Revenues										
Student tuition and fees, net	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890	$ 349,414	$ 302,090
Research grants and contracts	244,293	238,031	229,801	217,012	199,901	168,557	162,178	145,851	133,207	110,734
Sales and services										
Auxiliary enterprises	140,535	122,453	105,510	136,540	134,899	131,010	135,590	118,237	106,707	99,679
Educational departments	58,449	56,006	53,866	43,514	37,625	37,094	49,007	45,517	37,098	28,230
Other revenues	8,447	8,018	8,947	9,093	10,295	12,226	10,645	7,230	7,033	5,675
Total Operating Revenues	**$1,348,645**	**$1,227,473**	**$1,155,341**	**$1,045,483**	**$ 949,039**	**$ 848,354**	**$ 794,077**	**$ 716,725**	**$ 633,459**	**$ 546,408**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 617,091	$ 548,998	$ 519,117	$ 495,815	$ 472,979	$ 454,929	$ 461,082	$ 425,744	$ 383,553	$ 358,907
Research	235,720	225,453	211,569	201,255	189,599	180,901	166,271	144,781	127,343	108,213
Public service	40,209	44,860	46,938	48,208	41,196	43,121	43,071	42,992	40,038	36,155
Academic support	225,853	204,831	185,890	187,435	176,213	171,546	166,778	149,280	135,635	121,118
Student services	72,409	65,908	60,737	55,244	49,078	51,412	53,959	49,823	45,333	40,171
Institutional support	136,334	124,546	120,491	124,893	122,706	126,920	129,104	113,072	99,286	84,921
Operation and maintenance of plant	98,901	91,077	86,750	83,939	77,598	87,530	94,582	83,265	64,665	53,823
Scholarships and fellowships	127,468	112,363	113,171	120,428	109,404	88,335	68,006	63,223	56,726	47,429
Auxiliary enterprises	130,550	119,509	115,799	142,492	135,141	121,467	127,229	113,434	97,068	91,314
Depreciation	112,270	106,992	98,005	97,202	95,745	93,768	83,448	78,085	66,121	71,520
Total Operating Expenses	**$1,796,805**	**$1,644,537**	**$1,558,467**	**$1,556,911**	**$1,469,659**	**$1,419,929**	**$1,393,530**	**$1,263,699**	**$1,115,768**	**$1,013,571**
Operating Loss	**$ (448,160)**	**$ (417,064)**	**$ (403,126)**	**$ (511,428)**	**$ (520,620)**	**$ (571,575)**	**$ (599,453)**	**$ (546,974)**	**$ (482,309)**	**$ (467,163)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120	$ 368,568	$ 335,874
Federal fiscal stabilization funds				867	32,502	69,822				
Share of state tax - TRIF	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113	22,609
Financial aid grants	106,855	104,415	110,222	104,498	84,998	49,969	42,198	36,176	36,310	36,759
Grants and contracts	35,863	42,195	49,237	50,133	48,390	50,892	34,905	34,741	40,392	40,090
Private gifts	64,928	59,807	55,329	50,584	45,847	49,211	42,620	39,222	40,155	31,748
Financial aid trust funds	12,393	11,114	11,027	9,279	9,249	8,812	8,680	6,606	3,754	3,448
Net investment return (loss)	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700	20,383	14,989
Interest on debt	(52,674)	(53,331)	(48,101)	(47,505)	(42,740)	(39,451)	(36,929)	(33,283)	(28,805)	(22,818)
Other expenses	(9,642)	(10,995)	(8,358)	(6,980)	(10,002)	(6,186)	(16,492)	(13,540)	(13,983)	(12,217)
Net Nonoperating Revenues	**$ 520,264**	**$ 485,326**	**$ 499,291**	**$ 580,690**	**$ 577,971**	**$ 598,326**	**$ 582,936**	**$ 553,308**	**$ 488,887**	**$ 450,482**
Income (loss) before other revenues, expenses, gains, or losses	**$ 72,104**	**$ 68,262**	**$ 96,165**	**$ 69,262**	**$ 57,351**	**$ 26,751**	**$ (16,517)**	**$ 6,334**	**$ 6,578**	**$ (16,681)**
Capital appropriations	$ 14,471	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 6,452		
Capital commitments	2,733	4,268	1,646	990						
Capital grants	893	761	1,636	1,371	2,086	1,432	2,283	2,190	1,548	1,767
Capital private gifts	8,308	2,503	7,206	3,567	3,351	4,961	7,576	9,614	4,447	10,005
Additions to permanent endowments	904	77	3	99	443	48	735	368	975	489
Property additions								22,424		
Special Items		(5,294)				7,240	(20,100)		(7,874)	
Extraordinary Item - insurance recovery	3,900			3,884	7,080	2,720	15,475			
Increase (Decrease) in Net Position	**$ 103,313**	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**	**$ 47,382**	**$ 5,674**	**$ (4,420)**
Total Revenues	$ 1,962,434	$ 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
Total Expenses	1,859,121	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
Increase (Decrease) in Net Position	**$ 103,313**	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**	**$ 47,382**	**$ 5,674**	**$ (4,420)**

Grants and contracts prior to FY 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,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*	**2006** *(as restated)*	**2005** *(as restated)*
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	45.7	44.6	43.6	37.5	35.2	32.8	29.7	29.4	29.8	28.9
Research grants and contracts	12.4	13.2	13.2	12.7	12.4	11.1	11.0	10.7	11.4	10.6
Sales and services										
Auxiliary enterprises	7.2	6.8	6.1	8.0	8.4	8.6	9.2	8.7	9.1	9.5
Educational departments	3.0	3.1	3.1	2.6	2.3	2.4	3.3	3.4	3.2	2.7
Other revenues	0.4	0.4	0.5	0.5	0.6	0.8	0.7	0.5	0.6	0.5
Total Operating Revenues	**68.7**	**68.1**	**66.5**	**61.3**	**58.9**	**55.7**	**53.9**	**52.7**	**54.1**	**52.2**
Expenses										
Operating Expenses										
Educational and general										
Instruction	*33.2*	*32.0*	*32.1*	*30.8*	*31.1*	*31.0*	*31.4*	*32.5*	*32.9*	*34.2*
Research	*12.7*	*13.2*	*13.1*	*12.5*	*12.5*	*12.3*	*11.3*	*11.0*	*10.9*	*10.3*
Public service	*2.2*	*2.6*	*2.9*	*3.0*	*2.7*	*2.9*	*2.9*	*3.3*	*3.4*	*3.4*
Academic support	*12.1*	*11.9*	*11.5*	*11.6*	*11.6*	*11.7*	*11.4*	*11.4*	*11.6*	*11.6*
Student services	*3.9*	*3.8*	*3.8*	*3.4*	*3.2*	*3.5*	*3.7*	*3.8*	*3.9*	*3.8*
Institutional support	*7.3*	*7.3*	*7.5*	*7.8*	*8.1*	*8.7*	*8.8*	*8.6*	*8.5*	*8.1*
Operation and maintenance of plant	*5.3*	*5.3*	*5.4*	*5.2*	*5.1*	*6.0*	*6.4*	*6.4*	*5.5*	*5.1*
Scholarships and fellowships	*6.9*	*6.6*	*7.0*	*7.5*	*7.2*	*6.0*	*4.6*	*4.8*	*4.9*	*4.5*
Auxiliary enterprises	*7.0*	*7.0*	*7.2*	*8.8*	*8.9*	*8.3*	*8.7*	*8.7*	*8.3*	*8.7*
Depreciation	*6.0*	*6.2*	*6.1*	*6.0*	*6.3*	*6.4*	*5.7*	*6.0*	*5.7*	*6.8*
Total Operating Expenses	**91.5**	**91.4**	**89.8**	**91.3**	**91.4**	**93.2**	**94.7**	**93.1**	**95.2**	**97.1**
Operating Loss	**(22.8)**	**(23.3)**	**(23.3)**	**(30.0)**	**(32.5)**	**(37.5)**	**(40.8)**	**(40.4)**	**(41.1)**	**(44.9)**
Nonoperating Revenues (Expenses)										
State appropriations	16.0	16.5	17.7	22.3	23.7	26.4	31.8	31.2	31.4	32.2
Federal fiscal stabilization funds	0.0	0.0	0.0	0.1	2.0	4.6	0.0	0.0	0.0	0.0
Share of state tax - TRIF	1.4	1.4	1.4	1.3	1.3	1.6	1.9	2.3	1.9	2.2
Financial aid grants	5.4	5.8	6.3	6.1	5.3	3.3	2.9	2.7	3.1	3.5
Grants and contracts	1.8	2.3	2.8	2.9	3.0	3.3	2.4	2.6	3.4	3.8
Private gifts	3.3	3.3	3.2	3.0	2.9	3.2	2.9	2.9	3.4	3.0
Financial aid trust funds	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.5	0.3	0.3
Net investment return (loss)	1.0	0.5	(0.1)	1.0	0.5	(0.7)	0.8	2.1	1.7	1.4
Interest on debt	*(2.8)*	*(3.1)*	*(3.0)*	*(2.9)*	*(2.8)*	*(2.7)*	*(2.5)*	*(2.5)*	*(2.5)*	*(2.2)*
Other expenses	*(0.5)*	*(0.6)*	*(0.5)*	*(0.4)*	*(0.7)*	*(0.4)*	*(1.1)*	*(1.0)*	*(1.2)*	*(1.2)*
Net Nonoperating Revenues	**26.5**	**27.0**	**28.8**	**34.1**	**36.0**	**39.3**	**39.6**	**40.7**	**41.7**	**43.1**
Income (loss) before other revenues, expenses, gains, or losses	**3.7**	**3.7**	**5.5**	**4.1**	**3.5**	**1.8**	**(1.2)**	**0.3**	**0.6**	**(1.8)**
Capital appropriations	0.7	0.8	0.8	0.8	0.9	1.0	1.0	0.5	0.0	0.0
Capital commitment	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2
Capital private gifts	0.4	0.1	0.4	0.2	0.2	0.3	0.5	0.7	0.4	1.0
Additions to permanent endowments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Property additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0
Special Items	0.0	*(0.3)*	0.0	0.0	0.0	0.5	*(1.4)*	0.0	*(0.7)*	0.0
Extraordinary Item - insurance recovery	0.2	0.0	0.0	0.2	0.4	0.2	1.1	0.0	0.0	0.0
Increase (Decrease) in Net Position	**5.3**	**4.7**	**7.0**	**5.5**	**5.3**	**3.8**	**0.3**	**3.5**	**0.5**	**(0.4)**

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,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	11.7	6.0	18.4	12.9	13.4	14.4	9.2	14.4	15.7	n/a
Research grants and contracts	2.6	3.6	5.9	8.6	18.6	3.9	11.2	9.5	20.3	n/a
Sales and services										
Auxiliary enterprises	14.8	16.1	(22.7)	1.2	3.0	(3.4)	14.7	10.8	7.1	n/a
Educational departments	4.4	4.0	23.8	15.7	1.4	(24.3)	7.7	22.7	31.4	n/a
Other revenues	5.4	(10.4)	(1.6)	(11.7)	(15.8)	14.9	47.2	2.8	23.9	n/a
Total Operating Revenues	9.9	6.2	10.5	10.2	11.9	6.8	10.8	13.1	15.9	n/a
Expenses										
Operating Expenses										
Educational and general										
Instruction	12.4	5.8	4.7	4.8	4.0	(1.3)	8.3	11.0	6.9	n/a
Research	4.6	6.6	5.1	6.1	4.8	8.8	14.8	13.7	17.7	n/a
Public service	(10.4)	(4.4)	(2.6)	17.0	(4.5)	0.1	0.2	7.4	10.7	n/a
Academic support	10.3	10.2	(0.8)	6.4	2.7	2.9	11.7	10.1	12.0	n/a
Student services	9.9	8.5	9.9	12.6	(4.5)	(4.7)	8.3	9.9	12.9	n/a
Institutional support	9.5	3.4	(3.5)	1.8	(3.3)	(1.7)	14.2	13.9	16.9	n/a
Operation and maintenance of plant	8.6	5.0	3.3	8.2	(11.3)	(7.5)	13.6	28.8	20.1	n/a
Scholarships and fellowships	13.4	(0.7)	(6.0)	10.1	23.9	29.9	7.6	11.5	19.6	n/a
Auxiliary enterprises	9.2	3.2	(18.7)	5.4	11.3	(4.5)	12.2	16.9	6.3	n/a
Depreciation	4.9	9.2	0.8	1.5	2.1	12.4	6.9	18.1	(7.5)	n/a
Total Operating Expenses	9.3	5.5	0.1	5.9	3.5	1.9	10.3	13.3	10.1	n/a
Operating Loss	7.5	3.5	(21.2)	(1.8)	(8.9)	(4.7)	9.6	13.4	3.2	n/a
Nonoperating Revenues (Expenses)										
State appropriations	5.7	(3.4)	(19.2)	0.0	(5.4)	(14.1)	10.7	14.8	9.7	n/a
Federal fiscal stabilization funds	n/a	n/a	n/a	(97.3)	(53.5)	n/a	n/a	n/a	n/a	n/a
Share of state tax - TRIF	10.1	6.0	9.3	2.2	(10.2)	(15.7)	(10.8)	42.7	(2.2)	n/a
Financial aid grants	2.3	(5.3)	5.5	22.9	70.1	18.4	16.6	(0.4)	(1.2)	n/a
Grants and contracts	(15.0)	(14.3)	(1.8)	3.6	(4.9)	45.8	0.5	(14.0)	0.8	n/a
Private gifts	8.6	8.1	9.4	10.3	(6.8)	15.5	8.7	(2.3)	26.5	n/a
Financial aid trust funds	11.5	0.8	18.8	0.3	5.0	1.5	31.4	76.0	8.9	n/a
Net investment return (loss)	113.4	(682.8)	(109.5)	128.1	(168.7)	(196.0)	(60.3)	40.8	36.0	n/a
Interest on debt	(1.2)	10.9	1.3	11.1	8.3	6.8	11.0	15.5	26.2	n/a
Other expenses	(12.3)	31.6	19.7	(30.2)	61.7	(62.5)	21.8	(3.2)	14.5	n/a
Net Nonoperating Revenues	7.2	(2.8)	(14.0)	0.5	(3.4)	2.6	5.4	13.2	8.5	n/a
Income (loss) before other revenues, expenses, gains, or losses	5.6	(29.0)	38.8	20.8	114.4	(262.0)	(360.8)	(3.7)	(139.4)	n/a
Capital appropriations	0.0	0.0	0.0	0.0	0.0	0.0	124.3	n/a	n/a	n/a
Capital commitment	(36.0)	159.3	66.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Capital grants	17.3	(53.5)	19.3	(34.3)	45.7	(37.3)	4.2	41.5	(12.4)	n/a
Capital private gifts	231.9	(65.3)	102.0	6.4	(32.5)	(34.5)	(21.2)	116.2	(55.6)	n/a
Additions to permanent endowments	1,074.0	2,466.7	(97.0)	(77.7)	822.9	(93.5)	99.7	(62.3)	99.4	n/a
Property additions	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	n/a	(136.0)	n/a	n/a	n/a	n/a
Extraordinary Item - insurance recovery	n/a	n/a	n/a	(45.1)	160.3	(82.4)	n/a	n/a	n/a	n/a
Increase (Decrease) in Net Position	21.5	(29.8)	29.3	10.5	47.1	1,368.5	(91.7)	735.1	(228.4)	n/a

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating Expenses by Natural Classification										
Fiscal year ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
(Dollars in thousands)										
Personal services	$ 761,778	$ 711,641	$ 679,715	$ 692,246	$ 664,755	$ 666,331	$ 666,673	$ 617,620	$ 567,723	$ 518,707
Benefits	268,025	236,380	231,295	226,400	216,684	206,828	194,583	174,682	149,472	128,739
Personal services and benefits	1,029,803	948,021	911,010	918,646	881,439	873,159	861,256	792,302	717,195	647,446
Supplies and services	514,355	464,452	423,693	407,826	371,588	352,567	368,370	319,301	266,418	241,698
Student aid, net scholarship allowance	140,377	125,072	125,759	133,237	120,887	100,435	80,456	74,011	66,034	52,907
Depreciation	112,270	106,992	98,005	97,202	95,745	93,768	83,448	78,085	66,121	71,520
Total Operating Expenses by Natural Classification	**$1,796,805**	**$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**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Personal services	42.4	43.3	43.6	44.5	45.2	46.9	47.8	48.9	50.9	51.2
Benefits	14.9	14.4	14.8	14.5	14.8	14.6	14.0	13.8	13.4	12.7
Personal services and benefits	57.3	57.7	58.4	59.0	60.0	61.5	61.8	62.7	64.3	63.9
Supplies and services	28.6	28.2	27.2	26.2	25.3	24.8	26.4	25.3	23.9	23.8
Student aid, net scholarship allowance	7.8	7.6	8.1	8.6	8.2	7.1	5.8	5.8	5.9	5.2
Depreciation	6.3	6.5	6.3	6.2	6.5	6.6	6.0	6.2	5.9	7.1
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	7.0	4.7	(1.8)	4.1	(0.2)	(0.1)	7.9	8.8	9.4	n/a
Benefits	13.4	2.2	2.2	4.5	4.8	6.3	11.4	16.9	16.1	n/a
Personal services and benefits	8.6	4.1	(0.8)	4.2	0.9	1.4	8.7	10.5	10.8	n/a
Supplies and services	10.7	9.6	3.9	9.8	5.4	(4.3)	15.4	19.8	10.2	n/a
Student aid, net scholarship allowance	12.2	(0.5)	(5.6)	10.2	20.4	24.8	8.7	12.1	24.8	n/a
Depreciation	4.9	9.2	0.8	1.5	2.1	12.4	6.9	18.1	(7.5)	n/a
Total Operating Expenses by Natural Classification	**9.3**	**5.5**	**0.1**	**5.9**	**3.5**	**1.9**	**10.3**	**13.3**	**10.1**	**n/a**
Scholarship allowance	$ 231,124	$ 211,919	$ 203,501	$ 180,646	$ 155,161	$ 113,874	$ 95,315	$ 83,665	$ 75,919	$ 70,499

COMBINED SOURCES AND USES

Combined Sources and Uses *(Dollars in millions)*										
Fiscal Year Ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*	**2006** *(as restated)*	**2005** *(as restated)*
Sources										
Student Tuition and Fees, net	$ 896.9	$ 803.0	$ 757.2	$ 639.3	$ 566.3	$ 499.5	$ 436.7	$ 399.9	$ 349.4	$ 302.1
Gross Tuition and Fees	*1,117.8*	*1,005.8*	*952.5*	*811.4*	*711.1*	*608.5*	*526.3*	*479.6*	*422.6*	*371.0*
Scholarship Allowance	*220.9*	*202.8*	*195.3*	*172.1*	*144.8*	*109.0*	*89.6*	*79.7*	*73.2*	*68.9*
State Appropriation	329.0	311.9	322.2	395.4	395.4	416.9	482.9	429.6	368.6	335.9
Capital Appropriation	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*6.5*		
Federal Fiscal Stabilization Funds				0.8	32.5	69.8				
Grants and Contracts	281.1	281.0	280.7	268.5	250.4	220.9	199.4	182.8	175.3	153.4
Federally Funded	*247.9*	*225.4*	*232.3*	*219.8*	*191.9*	*151.8*	*148.6*	*150.0*	*139.8*	*126.5*
Financial Aid Grants	106.9	104.4	110.2	104.5	85.0	50.0	42.2	36.2	36.1	36.0
Federally Funded	*106.4*	*104.0*	*109.8*	*104.1*	*84.6*	*49.6*	*40.4*	*36.2*	*36.1*	*36.0*
Auxiliary Enterprises, net	140.5	122.5	105.5	136.6	134.9	131.0	135.6	118.2	106.7	99.7
Private and Capital Gifts	74.1	62.3	62.6	54.2	49.6	54.2	50.9	49.2	45.6	42.2
Capital Gifts	*8.3*	*2.5*	*7.2*	*3.6*	*3.4*	*5.0*	*7.6*	*9.6*	*4.4*	*10.0*
Sales and Services	58.4	56.0	53.9	43.5	37.6	37.1	49.0	45.5	37.1	28.2
Technology and Research Initiatives Funds (TRIF)	27.8	25.2	23.8	21.8	21.3	23.7	28.1	31.6	22.1	22.6
Other Sources	47.7	32.9	20.0	40.4	34.2	20.1	46.1	64.9	31.2	24.1
Total Sources	**$ 1,962.4**	**$ 1,799.2**	**$ 1,736.1**	**$ 1,705.0**	**$ 1,607.2**	**$ 1,523.2**	**$ 1,470.9**	**$ 1,357.9**	**$ 1,172.1**	**$ 1,044.2**
Uses										
Instruction	$ 617.1	$ 549.0	$ 519.1	$ 495.8	$ 473.0	$ 454.9	$ 461.1	$ 425.7	$ 383.6	$ 358.9
Organized Research	235.7	225.5	211.6	201.3	189.6	180.9	166.3	144.8	127.3	108.2
Public Service	40.2	44.9	46.9	48.2	41.2	43.1	43.1	43.0	40.0	36.2
Academic Support	225.8	204.8	185.9	187.4	176.2	171.6	166.8	149.3	135.6	121.1
Student Services	72.4	65.9	60.7	55.2	49.1	51.5	54.0	49.8	45.3	40.2
Institutional Support	136.3	124.5	120.5	124.9	122.7	126.9	129.1	113.1	99.3	84.9
Operation and Maintenance of Plant	98.9	91.1	86.7	83.9	77.6	87.5	94.5	83.3	64.7	53.8
Scholarships and Fellowships	127.5	112.4	113.2	120.5	109.4	88.3	68.0	63.2	56.7	47.4
Auxiliary Enterprises	130.6	119.5	115.8	142.5	135.1	121.5	127.2	113.4	97.1	91.3
Depreciation	112.3	107.0	98.0	97.2	95.7	93.8	83.4	78.1	66.1	71.5
Academic and Research Buildings	*63.9*	*60.0*	*52.1*	*50.3*	*50.1*	*48.7*	*45.7*	*44.4*	*39.7*	*43.5*
Other Expenses	62.3	69.6	56.5	54.5	52.8	45.6	73.5	46.8	50.7	35.1
Total Uses	**$ 1,859.1**	**$ 1,714.2**	**$ 1,614.9**	**$ 1,611.4**	**$ 1,522.4**	**$ 1,465.6**	**$ 1,467.0**	**$ 1,310.5**	**$ 1,166.4**	**$ 1,048.6**

Principal Revenue Sources *(Dollars in thousands)*

Fiscal year ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tuition and Fees, net of scholarship allowance	**$ 896,921**	**$ 802,965**	**$ 757,217**	**$ 639,324**	**$ 566,319**	**$ 499,467**	**$ 436,657**	**$ 399,890**	**$349,414**	**$302,090**
percent of total revenue	46%	45%	44%	37%	35%	33%	30%	29%	30%	29%
percent increase from prior year	12%	6%	18%	13%	13%	14%	9%	14%	16%	n/a
State of Arizona Government										
State appropriations	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120	$ 368,568	$ 335,874
Technology and research initiative fund	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113	22,609
Capital appropriations and capital commitments	17,204	16,642	16,118	15,462	14,472	14,472	14,472	6,452		
Financial aid trust fund	5,350	4,920	5,242	5,322	5,569	5,412	5,322	3,723	1,102	1,081
State grants and contracts	3,055	1,514	9,136	6,386	10,800	11,143	7,958	3,267	7,033	1,329
Capital grants								150		35
State of Arizona Government	**$ 367,887**	**$ 345,703**	**$ 362,060**	**$ 429,854**	**$ 433,058**	**$ 457,214**	**$ 524,319**	**$ 468,278**	**$398,816**	**$360,928**
percent of total revenue	19%	19%	21%	25%	27%	30%	36%	34%	34%	35%
percent increase (decrease) from prior year	6%	(5%)	(16%)	(1%)	(5%)	(13%)	12%	17%	10%	n/a
Federal Government										
Federal grants and contracts	$ 247,015	$ 224,603	$ 230,747	$ 218,704	$ 189,909	$ 150,683	$ 146,758	$ 147,798	$ 138,278	$ 124,846
Financial aid grants	106,360	103,965	109,779	104,057	84,574	49,588	40,397	36,176	36,101	36,506
Capital grants	859	761	1,517	1,142	2,031	1,067	1,826	1,752	1,548	1,150
Federal fiscal stabilization funds				867	32,502	69,822				
Federal Government	**$ 354,234**	**$ 329,329**	**$ 342,043**	**$ 324,770**	**$ 309,016**	**$ 271,160**	**$ 188,981**	**$ 185,726**	**$175,927**	**$162,502**
percent of total revenue	18%	18%	20%	19%	19%	18%	13%	14%	15%	16%
percent increase (decrease) from prior year	8%	(4%)	5%	5%	14%	43%	2%	6%	8%	n/a
Total from principal revenue sources	**$1,619,042**	**$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**
percent of total revenue	83%	82%	85%	81%	81%	81%	79%	77%	79%	80%
percent increase from prior year	10%	1%	5%	7%	7%	7%	9%	14%	12%	n/a

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

ACADEMIC YEAR TUITION AND REQUIRED FEES

Academic Year Tuition and Required Fees										
Fiscal year ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
RESIDENT UNDERGRADUATE										
Arizona State University	$ 9,861	$ 9,724	$ 9,720	$ 8,132	$ 6,334	$ 5,661	$ 4,971	$ 4,688	$ 4,406	$ 4,064
percent increase from prior year	1.4%	0.0%	19.5%	28.4%	11.8%	13.9%	6.0%	6.4%	8.4%	n/a
PAC-12 Public Average	$10,729	$10,484	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322	$ 5,809	$ 5,539	$ 5,238
percent increase from prior year	2.3%	6.6%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%	5.7%	n/a
ABOR Peers Average	$11,675	$11,440	$10,846	$10,146	$ 9,443	$ 8,904	$ 8,356	$ 7,902	$ 7,418	$ 6,905
percent increase from prior year	2.1%	5.5%	6.9%	7.4%	6.1%	6.6%	5.7%	6.5%	7.4%	n/a
NON-RESIDENT UNDERGRADUATE										
Arizona State University	$23,654	$22,977	$22,319	$20,596	$18,919	$17,949	$17,003	$15,847	$15,095	$12,919
percent increase from prior year	2.9%	2.9%	8.4%	8.9%	5.4%	5.6%	7.3%	5.0%	16.8%	n/a
PAC-12 Public Average	$29,436	$28,653	$27,510	$26,753	$25,123	$22,812	$21,357	$20,100	$19,008	$18,019
percent increase from prior year	2.7%	4.2%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%	5.5%	n/a
ABOR Peers Average	$29,146	$28,297	$27,066	$25,665	$24,436	$23,068	$22,192	$20,904	$19,666	$18,462
percent increase from prior year	3.0%	4.5%	5.5%	5.0%	5.9%	3.9%	6.2%	6.3%	6.5%	n/a
RESIDENT GRADUATE										
Arizona State University	$10,818	$10,517	$10,220	$8,848	$ 7,465	$ 7,041	$ 6,377	$ 6,027	$ 5,561	$ 5,129
percent increase from prior year	2.9%	2.9%	15.5%	18.5%	6.0%	10.4%	5.8%	8.4%	8.4%	n/a
PAC-12 Public Average	$12,374	$12,039	$11,494	$10,321	$ 9,824	$ 9,093	$ 8,516	$ 7,725	$ 7,255	$ 6,869
percent increase from prior year	2.8%	4.7%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%	5.6%	n/a
ABOR Peers Average	$13,598	$13,207	$12,603	$11,843	$11,022	$10,472	$ 9,708	$ 9,066	$ 8,488	$ 7,980
percent increase from prior year	3.0%	4.8%	6.4%	7.4%	5.3%	7.9%	7.1%	6.8%	6.4%	n/a
NON-RESIDENT GRADUATE										
Arizona State University	$25,804	$25,066	$24,345	$22,397	$20,659	$19,606	$18,070	$16,613	$15,825	$13,649
percent increase from prior year	2.9%	3.0%	8.7%	8.4%	5.4%	8.5%	8.8%	5.0%	15.9%	n/a
PAC-12 Public Average	$25,597	$24,952	$24,051	$22,722	$21,823	$20,513	$19,002	$17,936	$17,625	$17,019
percent increase from prior year	2.6%	3.7%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%	3.6%	n/a
ABOR Peers Average	$27,206	$26,485	$25,552	$24,435	$23,437	$22,457	$21,292	$20,268	$19,289	$18,184
percent increase from prior year	2.7%	3.7%	4.6%	4.3%	4.4%	5.5%	5.1%	5.1%	6.1%	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).

PAC-12 Public Average and ABOR Peers Average comparisons do not include ASU. PAC-12 Public Average calculations include only public institutions.

Summary of Composite Financial Index Ratios										
Fiscal year ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*	**2006** *(as restated)*	**2005** *(as restated)*
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.45**	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**	**0.33**	**0.29**	**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	3.38	3.23	3.01	2.63	2.03	1.65	1.73	2.48	2.18	2.26
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.18	1.13	1.05	0.92	0.71	0.58	0.61	0.87	0.76	0.79
+ Return on Net Position/Net Assets	**8.5%**	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**	**11.8%**	**11.2%**	**3.4%**
/ 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	4.25	4.15	3.55	5.25	3.35	(1.00)	1.30	5.90	5.60	1.70
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.85	0.83	0.71	1.05	0.67	(0.20)	0.26	1.18	1.12	0.34
+ Net Operating Revenues Ratio	**4.4%**	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**	**0.0%**	**1.4%**	**0.5%**
/ 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	3.38	3.00	2.69	3.77	2.54	(1.00)	(1.00)	0.00	1.08	0.38
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.34	0.30	0.27	0.38	0.25	(0.10)	(0.10)	0.00	0.11	0.04
+ Viability Ratio	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**	**0.4**	**0.3**	**0.3**
/ 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	1.20	0.96	0.96	0.72	0.48	0.72	0.96	0.72	0.72
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.42	0.42	0.34	0.34	0.25	0.17	0.25	0.34	0.25	0.25
Composite Financial Index	**2.79**	**2.68**	**2.37**	**2.69**	**1.88**	**0.45**	**1.02**	**2.39**	**2.24**	**1.42**

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,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
PRIMARY RESERVE RATIO										
Unrestricted Net Position	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275
Unrestricted Net Assets - Component Units	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802	38,154	27,250
Expendable Restricted Net Position	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914
Temporarily Restricted Net Assets - Component Units	286,599	260,101	232,312	214,130	182,878	174,586	233,668	219,495	115,184	94,275
Expendable Net Position/Net Assets	**$ 935,384**	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**	**$ 484,907**	**$ 361,320**	**$ 337,714**
Operating Expenses	$ 1,796,805	$ 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
Nonoperating Expenses	62,316	64,326	56,459	54,485	52,742	45,637	53,421	46,823	42,788	35,035
Component Unit Total Expenses	201,738	186,523	202,475	182,983	171,174	163,219	158,433	137,843	103,421	92,676
Total Expenses	**$2,060,859**	**$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**
Expendable Net Position/Net Assets	$ 935,384	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762	$ 484,907	$ 361,320	$ 337,714
Total Expenses	$ 2,060,859	$ 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
Ratio	**0.45**	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**	**0.33**	**0.29**	**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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Change in Total Net Position/Net Assets	$ 163,969	$ 148,312	$ 118,202	$ 159,068	$ 94,407	$ (72,049)	$ 37,286	$ 153,438	$ 130,457	$ 37,817
Total Net Position/Net Assets (Beginning of Year)	$ 1,927,200	$ 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
Ratio	**8.5%**	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**	**11.8%**	**11.2%**	**3.4%**

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,	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)	2005 (as restated)
NET OPERATING REVENUES RATIO										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ 72,104	$ 68,262	$ 96,165	$ 69,262	$ 57,351	$ 26,751	$ (16,517)	$ 6,334	$ 6,578	$ (16,681)
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	23,577	8,169	(30,703)	23,517	(189)	(61,911)	(25,750)	(5,655)	10,904	22,653
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	**$ 95,681**	**$ 76,431**	**$ 65,462**	**$ 92,779**	**$ 57,162**	**$ (35,160)**	**$ (42,267)**	**$ 679**	**$ 17,482**	**$ 5,972**
Total Operating Revenues	$ 1,348,645	$ 1,227,473	$ 1,155,341	$ 1,045,483	$ 949,039	$ 848,354	$ 794,077	$ 716,725	$ 633,459	$ 546,408
State Appropriations and State Related Revenues	342,278	322,627	331,564	403,551	434,719	496,009	496,567	454,686	390,681	358,483
Non-capital Gifts and Grants, net	207,646	206,417	214,788	205,215	179,235	150,072	119,723	110,139	116,857	108,597
Financial aid trust	12,393	11,114	11,027	9,279	9,249	8,812	8,680	6,606	3,754	3,448
Investment Income (Loss), net	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700	20,383	14,989
Component Units Total Unrestricted Revenue	225,315	194,692	171,772	206,500	170,985	101,308	132,683	132,188	114,325	115,329
Adjusted Net Operating Revenue	**$2,156,540**	**$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**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 95,681	$ 76,431	$ 65,462	$ 92,779	$ 57,162	$ (35,160)	$ (42,267)	$ 679	$ 17,482	$ 5,972
Adjusted Net Operating Revenue	$ 2,156,540	$ 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
Ratio	**4.4%**	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**	**0.0%**	**1.4%**	**0.5%**

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.

VIABILITY RATIO	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)	2005 (as restated)
Unrestricted Net Position	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275
Unrestricted Net Assets - Component Units	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802	38,154	27,250
Expendable Restricted Net Position	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914
Temporarily Restricted Net Assets - Component Units	286,599	260,101	232,312	214,130	182,878	174,586	233,668	219,495	115,184	94,275
Expendable Net Position/Net Assets	**$ 935,384**	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**	**$ 484,907**	**$ 361,320**	**$ 337,714**
University Long-Term Debt, net capital leases with Component Units	$ 1,319,199	$ 1,266,524	$ 1,227,702	$ 1,078,340	$ 1,032,441	$ 874,100	$ 765,272	$ 796,474	$ 742,714	$ 743,805
Component Unit Long-Term Debt	509,339	521,101	546,488	586,851	596,104	603,843	540,121	416,703	417,311	279,212
Total Adjusted University Debt	**$ 1,828,538**	**$ 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**
Expendable Net Position/Net Assets	$ 935,384	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762	$ 484,907	$ 361,320	$ 337,714
Total Adjusted University Debt	$ 1,828,538	$ 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
Ratio	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**	**0.4**	**0.3**	**0.3**

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,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275
Expendable Restricted Net Position	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914
Expendable Net Position	**$ 677,255**	**$ 616,178**	**$ 555,619**	**$ 446,674**	**$ 328,221**	**$ 241,298**	**$ 126,582**	**$ 232,610**	**$ 207,982**	**$ 216,189**
Expendable Net Position	$ 677,255	$ 616,178	$ 555,619	$ 446,674	$ 328,221	$ 241,298	$ 126,582	$ 232,610	$ 207,982	$ 216,189
Total Bonds, COPS, and Capital Leases	$ 1,354,886	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278	$ 807,109	$ 808,200
Ratio	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**

Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date, should the institution need to do so.

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702	$ 145,128	$ 160,275
Expendable Restricted Net Position	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854	55,914
Non-expendable Restricted Net Position	59,476	55,572	52,941	49,513	46,883	44,819	42,279	62,035	54,767	48,668
Total Financial Resources	**$ 736,731**	**$ 671,750**	**$ 608,560**	**$ 496,187**	**$ 375,104**	**$ 286,117**	**$ 168,861**	**$ 294,645**	**$ 262,749**	**$ 264,857**
Total Financial Resources	$ 736,731	$ 671,750	$ 608,850	$ 496,187	$ 375,104	$ 286,117	$ 168,861	$ 294,645	$ 262,749	$ 264,857
Total Bonds, COPS, and Capital Leases	$ 1,354,886	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278	$ 807,109	$ 808,200
Ratio	**0.5**	**0.5**	**0.5**	**0.4**	**0.3**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**

A broader measure of the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so.

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (319,052)	$ (322,858)	$ (346,453)	$ (420,160)	$ (441,550)	$ (470,853)	$ (482,720)	$ (461,252)	$ (417,216)	$ (413,571)
State Appropriations and Federal Stabilization Funds	314,493	297,402	307,765	381,781	413,416	472,274	468,406	423,120	368,568	335,874
Share of State Sales Tax - TRIF	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113	22,609
Non-capital Grants and Contracts, Gifts, Other [1]	220,039	217,531	225,815	214,494	188,484	158,884	128,403	116,745	120,611	112,045
Adjusted Cash Flow from Operations	**$ 243,265**	**$ 217,300**	**$ 210,926**	**$ 197,885**	**$ 181,653**	**$ 184,040**	**$ 142,250**	**$ 110,179**	**$ 94,076**	**$ 56,957**
Total Bonds, COPS, and Capital Leases	$ 1,354,886	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278	$ 807,109	$ 808,200
Adjusted Cash Flow from Operations	$ 243,265	$ 217,300	$ 210,926	$ 197,885	$ 181,653	$ 184,040	$ 142,250	$ 110,179	$ 94,076	$ 56,957
Ratio	**5.6**	**6.1**	**6.0**	**5.8**	**6.0**	**5.2**	**5.9**	**7.9**	**8.6**	**14.2**

[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,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(as restated)*
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$ 52,674	$ 53,331	$ 48,101	$ 47,505	$ 42,740	$ 39,451	$ 36,929	$ 33,283	$ 28,805	$ 22,818
Principal Paid on Debt and Leases [1]	50,596	137,349	124,871	50,626	43,097	39,889	140,357	91,172	19,836	57,252
Principal Paid from Refinancing Activities [2]		(90,955)	(82,130)	(8,090)			(103,000)	(65,385)		(46,910)
Debt Service	**$ 103,270**	**$ 99,725**	**$ 90,842**	**$ 90,041**	**$ 85,837**	**$ 79,340**	**$ 74,286**	**$ 59,070**	**$ 48,641**	**$ 33,160**
Debt Service	$ 103,270	$ 99,725	$ 90,842	$ 90,041	$ 85,837	$ 79,340	$ 74,286	$ 59,070	$ 48,641	$ 33,160
Operating Expenses	$ 1,796,805	$ 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
Ratio	**5.7%**	**6.1%**	**5.8%**	**5.8%**	**5.8%**	**5.6%**	**5.3%**	**4.7%**	**4.4%**	**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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 1,796,805	$ 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
Scholarships and Fellowships	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)	(56,726)	(47,429)
Interest on Debt	52,674	53,331	48,101	47,505	42,740	39,451	36,929	33,283	28,805	22,818
Total Adjusted Operating Expenses	**$1,722,011**	**$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**
Research Expenses	$ 235,720	$ 225,453	$ 211,569	$ 201,255	$ 189,599	$ 180,901	$ 166,271	$ 144,781	$ 127,343	$ 108,213
Total Adjusted Operating Expenses	$ 1,722,011	$ 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
Ratio	**13.7%**	**14.2%**	**14.2%**	**13.6%**	**13.5%**	**13.2%**	**12.2%**	**11.7%**	**11.7%**	**10.9%**
Measures the institution's research expense to the total operating expenses.										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890	$ 349,414	$ 302,090
Financial Aid Grants	106,855	104,415	110,222	104,498	84,998	49,969	42,198	36,176	36,310	36,759
Scholarships and Fellowships	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)	(56,726)	(47,429)
Net Tuition and Fees	**$ 876,308**	**$ 795,017**	**$ 754,268**	**$ 623,394**	**$ 541,913**	**$ 461,101**	**$ 410,849**	**$ 372,843**	**$ 328,998**	**$ 291,420**
Net Tuition and Fees	$ 876,308	$ 795,017	$ 754,268	$ 623,394	$ 541,913	$ 461,101	$ 410,849	$ 372,843	$ 328,998	$ 291,420
Student FTE	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873
Net Tuition per Student (whole dollars)	**$ 11,474**	**$ 10,881**	**$ 10,395**	**$ 8,975**	**$ 8,090**	**$ 7,203**	**$ 6,786**	**$ 6,312**	**$ 5,782**	**$ 5,409**
Measures the institution's net student tuition and fees received per student.										
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120	$ 368,568	$ 335,874
Capital State Appropriations	14,471	14,472	14,472	14,472	14,472	14,472	14,472	6,452		
Adjusted State Appropriations	**$ 328,964**	**$ 311,874**	**$ 322,237**	**$ 395,386**	**$ 395,386**	**$ 416,924**	**$ 482,878**	**$ 429,572**	**$ 368,568**	**$ 335,874**
Adjusted State Appropriations	$ 328,964	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$ 416,924	$ 482,878	$ 429,572	$ 368,568	$ 335,874
Student FTE	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873
Adjusted State Appropriations per Student (whole dollars)	**$ 4,307**	**$ 4,269**	**$ 4,441**	**$ 5,692**	**$ 5,902**	**$ 6,513**	**$ 7,976**	**$ 7,272**	**$ 6,477**	**$ 6,235**
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,	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*	2006 *(as restated)*	2005 *(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	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890	$ 349,414	$ 302,090
Receipts from Other Major Revenue Sources (Facilities Revenue)	264,385	244,696	220,610	237,446	216,408	203,329	202,050	180,212	156,476	142,451
Net Revenues Available for Debt Service	**$1,161,306**	**$1,047,661**	**$ 977,827**	**$ 876,770**	**$ 782,727**	**$ 702,796**	**$ 638,707**	**$ 580,102**	**$ 505,890**	**$ 444,541**
SENIOR LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 40,342	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551	$ 13,527	$ 10,583	$ 10,583
Principal Paid on Debt	42,635	44,770	43,020	39,670	37,150	33,040	27,805	27,780	24,555	24,555
Senior Lien Bonds Debt Service Requirement (1)	**$ 82,977**	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**	**$ 41,307**	**$ 35,138**	**$ 35,138**
Coverage	**14.00**	**12.06**	**11.97**	**12.08**	**11.59**	**13.20**	**15.44**	**14.04**	**14.40**	**12.65**
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.										
SENIOR LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 38,584	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551	$ 13,527	$ 10,583	$ 10,583
Principal Paid on Debt	42,640	44,770	43,020	39,670	37,150	33,040	27,805	27,780	24,555	24,555
Senior Lien Bonds Debt Service Requirement	**$ 81,224**	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**	**$ 41,307**	**$ 35,138**	**$ 35,138**
SUBORDINATE LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 7,154	$ 3,441	$ 3,441	$ 2,110	$ 328	$ 328	$ 328	$ 328	$ 328	$ 515
Principal Paid on Debt	6,440	845	845	845	845	845	845	845	845	1,075
Subordinate Lien Bonds Debt Service Requirements	**$ 13,594**	**$ 4,286**	**$ 4,286**	**$ 2,955**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,590**
Combined Senior/Subordinate Lien Debt Service (1)	**$ 94,818**	**$ 91,135**	**$ 86,008**	**$ 75,520**	**$ 68,728**	**$ 54,403**	**$ 42,529**	**$ 42,480**	**$ 36,311**	**$ 36,728**
Coverage	**12.25**	**11.50**	**11.37**	**11.61**	**11.39**	**12.92**	**15.02**	**13.66**	**13.93**	**12.10**

(1)Presents actual annual debt service through final bond maturity for the year with the highest debt service.

Long-Term Debt *(Dollars in thousands)*										
Fiscal year ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
System Revenue Bonds	$ 1,002,655	$ 959,000	$ 902,845	$ 769,285	$ 710,550	$553,755	$432,540	$448,985	$387,350	$398,555
Unamortized Premium	42,844	37,946	29,399	8,585	7,265	7,825	8,537	10,082	8,798	10,276
Deferred Amount on Refundings	(10,094)	(11,829)	(8,880)	(3,724)	(4,017)	(4,284)	(4,546)	(4,161)	(4,401)	(4,644)
Net System Revenue Bonds	**$1,035,405**	**$ 985,117**	**$ 923,364**	**$ 774,146**	**$ 713,798**	**$557,296**	**$436,531**	**$454,906**	**$391,747**	**$404,187**
Certificates of Participation	$ 235,505	$ 248,385	$ 261,910	$ 271,920	$ 281,965	$297,265	$312,090	$327,835	$335,595	$326,655
Unamortized Premium	9,892	11,202	4,582	5,458	6,372	7,254	8,258	9,318	5,773	6,593
Deferred Amount on Refundings	(6,971)	(8,086)	(3,501)	(3,793)	(3,863)	(4,133)	(4,631)	(5,129)	(680)	(906)
Net Certificates of Participation	**$ 238,426**	**$ 251,501**	**$ 262,991**	**$ 273,585**	**$ 284,474**	**$300,386**	**$315,717**	**$332,024**	**$340,688**	**$332,342**
Total Bonds Payable	$ 1,035,405	$ 985,117	$ 923,364	$ 774,146	$ 713,798	$557,296	$436,531	$454,906	$391,747	$404,187
COPS Payable	238,426	251,501	262,991	273,585	284,474	300,386	315,717	332,024	340,688	332,342
Capital and Operating Leases Payable	81,055	84,799	89,048	92,692	96,610	91,381	87,980	85,348	74,674	71,671
Total	**$1,354,886**	**$1,321,417**	**$1,275,403**	**$1,140,423**	**$1,094,882**	**$949,063**	**$840,228**	**$872,278**	**$807,109**	**$808,200**
Long-Term Debt										
per Student FTE *(whole dollars)*	$ 17,740	$ 18,086	$ 17,578	$ 16,419	$ 16,344	$ 14,827	$ 13,878	$ 14,767	$ 14,185	$ 15,002
per Dollar of State Appropriations and State Capital Appropriations	$ 4.12	$ 4.24	$ 3.96	$ 2.88	$ 2.77	$ 2.28	$ 1.74	$ 2.03	$ 2.19	$ 2.41
per Dollar of Total Grants and Contracts	$ 4.82	$ 4.70	$ 4.54	$ 4.25	$ 4.37	$ 4.30	$ 4.21	$ 4.77	$ 4.60	$ 5.27
Data Used in Above Calculations										
Total Student FTE	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873
State Appropriations and State Capital Appropriations	$ 328,964	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$416,924	$482,878	$429,572	$368,568	$335,874
Grants and Contracts	$ 281,049	$ 280,987	$ 280,674	$ 268,516	$ 250,377	$220,881	$199,366	$182,782	$175,356	$153,378

Student FTE based on fall enrollment of the fiscal year.

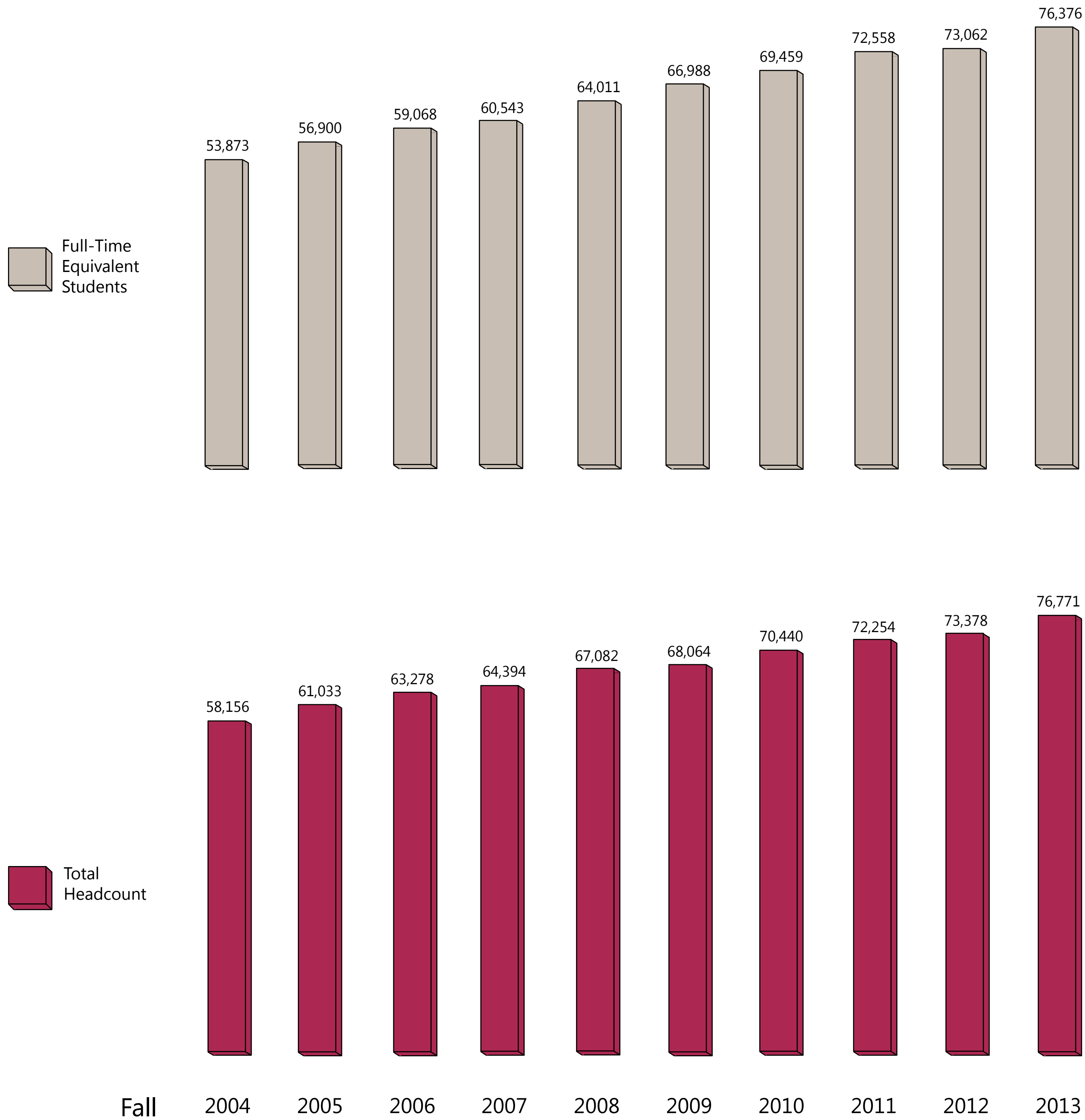
ADMISSIONS, ENROLLMENT, AND DEGREES EARNED

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

Fall enrollment of fiscal year	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
ADMISSIONS - FRESHMEN										
Applications [1]	35,294	37,982	37,225	35,449	32,188	30,809	28,644	27,877	24,727	26,194
Accepted	26,915	26,986	26,425	25,795	25,616	24,473	23,504	22,226	19,791	19,132
Enrolled	10,232	9,265	9,254	9,544	9,344	9,707	9,274	9,052	8,467	7,719
Accepted as Percentage of Application	76%	71%	71%	73%	80%	79%	82%	80%	80%	73%
Enrolled as Percentage of Accepted	38%	34%	35%	37%	36%	40%	39%	41%	43%	40%
Average SAT scores - Total	1108	1111	1107	1100	1083	1082	1077	1083	1103	1102
Verbal	546	547	546	542	535	534	532	534	547	545
Math	562	564	561	557	547	548	545	549	556	557
ENROLLMENT										
Student FTE	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900	53,873
Student Headcount	76,771	73,378	72,254	70,440	68,064	67,082	64,394	63,278	61,033	58,156
Men (Headcount)	38,580	36,401	35,758	34,491	33,005	32,318	30,856	29,899	28,735	27,233
Percentage of Total	50.3%	49.6%	49.5%	49.0%	48.5%	48.2%	47.9%	47.3%	47.1%	46.8%
Women (Headcount)	38,191	36,977	36,496	35,949	35,059	34,764	33,538	33,379	32,298	30,923
Percentage of Total	49.7%	50.4%	50.5%	51.0%	51.5%	51.8%	52.1%	52.7%	52.9%	53.2%
African American (Headcount)	3,663	3,491	3,521	3,452	3,257	2,914	2,489	2,391	2,211	2,045
Percentage of Total	4.8%	4.8%	4.9%	4.9%	4.8%	4.4%	3.9%	3.8%	3.6%	3.5%
White (Headcount)	43,713	43,494	43,774	43,291	42,728	42,742	40,709	40,430	39,537	38,904
Percentage of Total	56.9%	59.3%	60.6%	61.5%	62.8%	63.7%	63.2%	63.9%	64.8%	66.9%
Other (Headcount)	29,395	26,393	24,959	23,697	22,079	21,426	21,196	20,457	19,285	17,207
Percentage of Total	38.3%	35.9%	34.5%	33.6%	32.4%	31.9%	32.9%	32.3%	31.6%	29.6%
DEGREES EARNED										
Bachelor's	14,381	13,913	13,210	12,194	11,810	11,229	10,706	10,137	9,855	9,729
Master's	4,584	4,163	4,007	4,150	3,914	3,615	3,082	2,900	2,631	2,614
Doctoral	596	636	611	545	490	587	418	394	389	314
Professional	200	204	217	201	166	179	238	198	180	164
Total Degrees Earned	**19,761**	**18,916**	**18,045**	**17,090**	**16,380**	**15,610**	**14,444**	**13,629**	**13,055**	**12,821**

[1] Beginning in FY 2014, methodology revised to include all completed applications by campus.

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



Enrollment *(Fall Enrollment)*										
Fall enrollment of fiscal year	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
ENROLLMENT (Headcount)										
Undergraduate	62,089	59,382	58,404	56,562	54,277	53,298	51,311	50,755	48,955	46,670
Graduate	14,682	13,996	13,850	13,878	13,787	13,784	13,083	12,523	12,078	11,486
Resident (Arizona)	49,537	50,400	51,235	51,128	50,374	49,055	46,217	46,538	45,046	43,645
Non-Resident	27,234	22,978	21,019	19,312	17,690	18,027	18,177	16,740	15,987	14,511

DEMOGRAPHIC DATA

Demographic Data										
Fiscal Year Ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Arizona Population	6,626,624	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
Arizona Personal Income *(in millions)*	244,011	235,781	227,287	216,590	212,873	226,465	218,588	206,958	188,152	170,026
Arizona Per Capita Personal Income	36,823	35,979	35,062	33,773	33,560	36,059	35,441	34,326	32,223	30,080
Arizona Unemployment Rate	8.00%	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%	5.00%

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

Principal Employers						
	Calendar Year Ended December 31, 2013			Calendar Year Ended December 31, 2004		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	49,278	1	1.64%	49,147	1	1.76%
Wal-Mart Stores, Inc	32,169	2	1.06%	19,510	2	0.70%
Banner Health	25,270	3	0.84%	14,447	4	0.52%
City of Phoenix	14,983	4	0.50%	13,617	5	0.49%
Wells Fargo	14,713	5	0.49%	11,000	8	0.39%
Maricopa County	12,698	6	0.42%	15,218	3	0.55%
Arizona State University	12,222	7	0.40%	10,530	9	0.38%
Intel Corp	11,900	8	0.39%			
JPMorgan Chase & Co.	11,042	9	0.37%			
Bank of America	11,000	10	0.37%			
Honeywell International				12,000	6	0.43%
U.S. Postal Service				11,406	7	0.41%
Raytheon Co.				10,300	10	0.37%
	195,275		6.48%	167,175		6.00%

Sources: Phoenix Business Journal, Book of Lists 2014 and 2005 for employers; Arizona Department of Administration website, www.workforce.az.gov for annual state employment.

FACULTY AND STAFF

Faculty and Staff										
Fall employment of fiscal year	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
FACULTY										
Full-time	2,777	2,635	2,612	2,644	2,611	2,671	2,529	2,471	2,419	2,268
Part-time	375	276	253	231	380	424	441	391	159	201
Total Faculty	**3,152**	**2,911**	**2,865**	**2,875**	**2,991**	**3,095**	**2,970**	**2,862**	**2,578**	**2,469**
Percentage Tenured	58.0%	61.1%	61.2%	63.7%	61.6%	60.3%	61.4%	63.2%	63.0%	62.5%
STAFF										
Full-time	5,693	5,487	5,485	5,561	5,523	5,957	5,690	5,416	5,872	5,642
Part-time	3,565	3,684	3,699	3,838	3,628	3,624	3,776	3,940	1,600	1,668
Total Staff	**9,258**	**9,171**	**9,184**	**9,399**	**9,151**	**9,581**	**9,466**	**9,356**	**7,472**	**7,310**
Total Faculty and Staff	**12,410**	**12,082**	**12,049**	**12,274**	**12,142**	**12,676**	**12,436**	**12,218**	**10,050**	**9,779**

Source: Arizona State University Fact Book and Institutional Analysis.

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets										
Fiscal Year Ended June 30,	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
CAPITAL ASSETS *(Number of Facilities)*										
Academic/Support Facilities	224	223	221	235	240	239	235	237	219	253
Auxiliary Facilities	153	153	149	152	157	133	111	112	117	84
Total	**377**	**376**	**370**	**387**	**397**	**372**	**346**	**349**	**336**	**337**

Source: Arizona State University Capital Improvement Plans

Beginning in FY 2014, facility count includes ASU partnership facilities to align with the Capital Improvement Plan submitted to the Arizona Board of Regents. FY 2007 - 2013 have been restated to include ASU partnership facilities.

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Arizona State University vigorously pursues affirmative action and equal opportunity in its employment, activities, and programs.

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