Audited Financial Statements 2014-15

ASU Foundation for A New American University

ARIZONA STATE UNIVERSITY

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

June 30, 2015

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015
(with comparative totals for June 30, 2014)

CONTENTS

ASU Foundation for A NEW AMERICAN UNIVERSITY

ARIZONA STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)

The ASU Foundation for A New American University (Foundation) was incorporated in 1955 to meet the demands of Arizona's fastest-growing university, Arizona State University (ASU or University), the largest public university in the United States under a single administration. ASU has established itself as the model for a New American University, measured not by whom it excludes, but rather by whom it includes and how they succeed; advancing research and discovery that benefits the public good; and assuming fundamental responsibility for the economic, social, and cultural vitality, health and well-being of the community.

The mission of the Foundation is simple and direct: to ensure the success of ASU as a New American University. The Foundation does this by uniting the University and the community as a force for positive change through a variety of means:

- The Foundation's model of donor relations identifies each investor's passion, then facilitates a sustainable affiliation between the investor and the ASU college or institute that shares their passion.

- The Foundation supports the activities of ASU through fundraising activities, investment, and asset management services.

- The Foundation encourages and enables individuals and organizations to partner with ASU through volunteer opportunities, engagement activities, and through financial gifts.

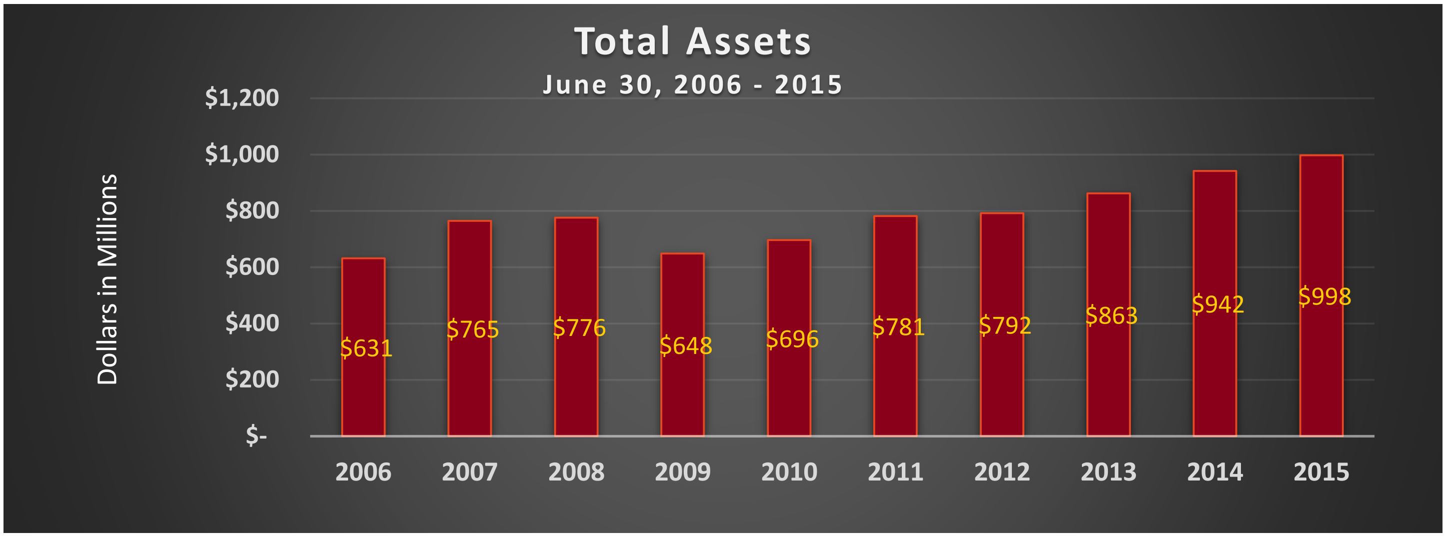
The Foundation continues to be recognized as a top-scoring nonprofit among the foundations and institutes ranked by Charity Navigator, the country's largest and most-utilized evaluator of charities. The Foundation maintains the premier four-star rating.

While ASU continues to provide access to qualified students from all walks of life while addressing global challenges and improving the economic and educational endeavors in Arizona, the Foundation remains dedicated to supporting this mission by identifying and securing new partners to invest in these goals.

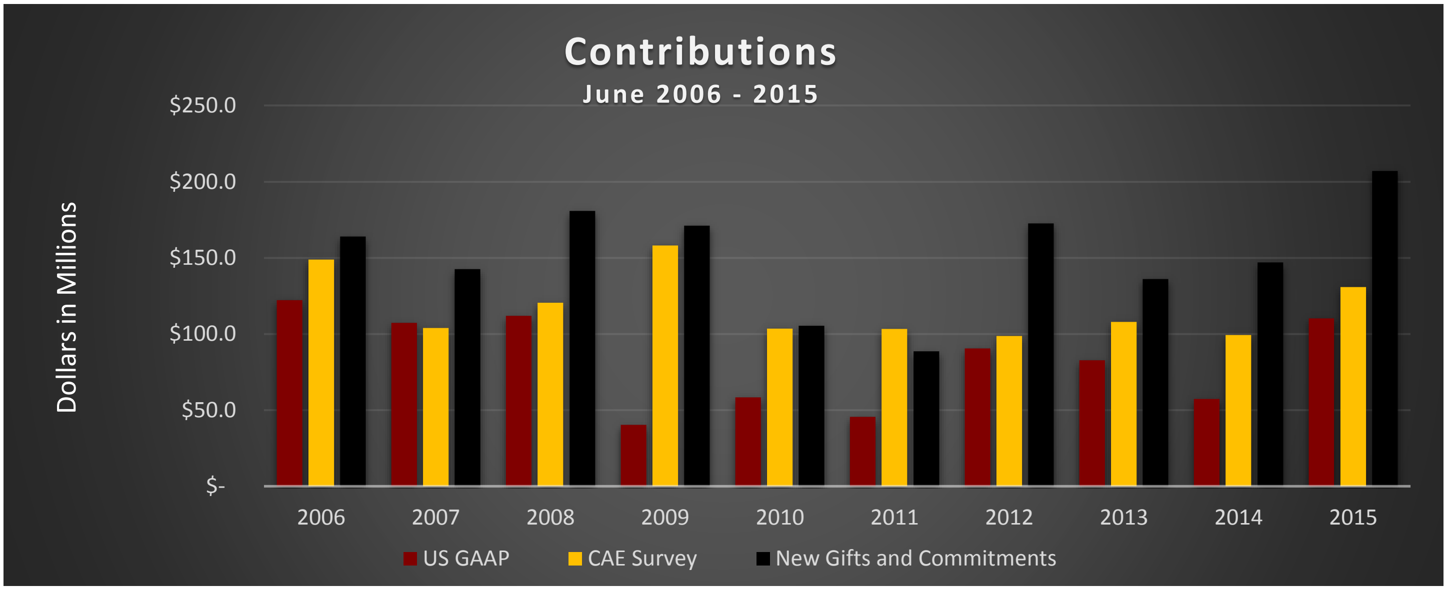
The Foundation's assets have continued to grow amid market and economic volatility. The Foundation closely manages its spending and continues to control costs to provide for maximum use of its revenue streams and to allow for asset recovery.

The Foundation has organized its operations to focus on its business lines, which include Philanthropy, Technology, Assets, Investments and Ventures. The Foundation's supporting services provide support to the Foundation business lines and University units through Development Communications, Legal, Human Resources, Operations & Services, Strategic Initiatives & Outreach, and Finance. The Foundation's 2015 financial results are summarized in the graphs below.

The Foundation's combined statement of financial position exhibits asset growth during fiscal year 2015. With an asset base of approximately $998 million, the Foundation is well poised to sustain its support of ASU's mission and programs.

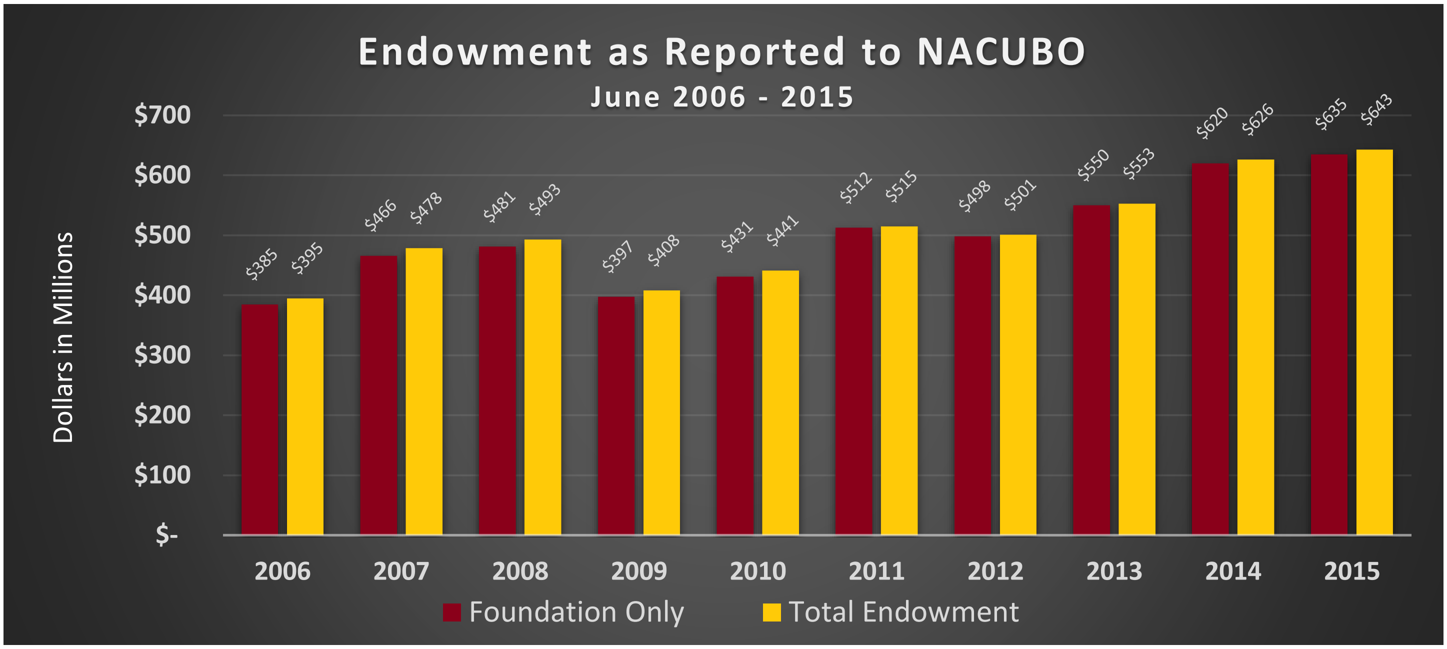


The Foundation reports its fundraising progress using a variety of measuring methodologies. The attached audited consolidated financial statements record contributions according to accounting principles generally accepted in the United States of America (US GAAP). US GAAP requires contribution revenue to be recorded using a full accrual methodology. This methodology includes new pledges in contribution revenue and does not include pledge payments in contribution revenue. However, the Council for Aid to Education (CAE) publishes a widely used survey called Voluntary Support of Education (VSE) using a measuring methodology that counts dollars in the door. This includes pledge payments received in the contribution total, but not new pledges. Another difference in the measuring methodologies is that the CAE survey counts contributions for the entire University enterprise (i.e., the CAE total includes gifts to the Alumni Association, the University, the Foundation itself and Sun Angel Foundation) while the attached audited consolidated financial statements include only gifts made to the Foundation. New Gifts and Commitments is an internal productivity measure that provides the broadest possible view of the Foundation's fundraising progress. Its contribution total includes new pledges, advised bequests, in-kind gifts, and deferred gifts for the entire University community.

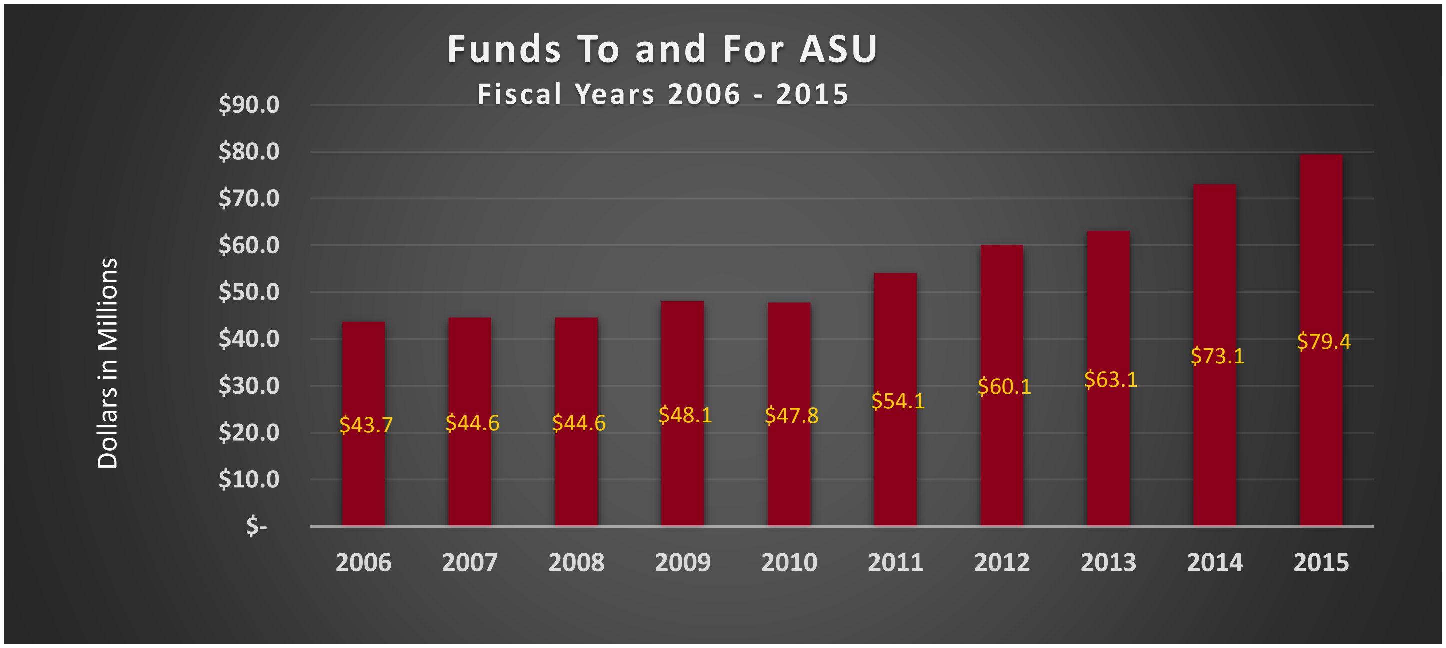


The Foundation reports its endowment value using two different measuring methods as well. The attached audited consolidated financial statements report the endowment value for assets held only by the Foundation and include a liability for the assets held by the Foundation for other entities, such as the endowments held in trust for ASU and others. The National Association of College and University Business Officers (NACUBO) publishes a survey that counts the ASU endowment value for the entire ASU enterprise, including assets held by the Foundation, as well as other ASU affiliates. NACUBO totals do not reflect a reduction for the corresponding liability for assets held for others that is reported in the US GAAP consolidated financial statements.

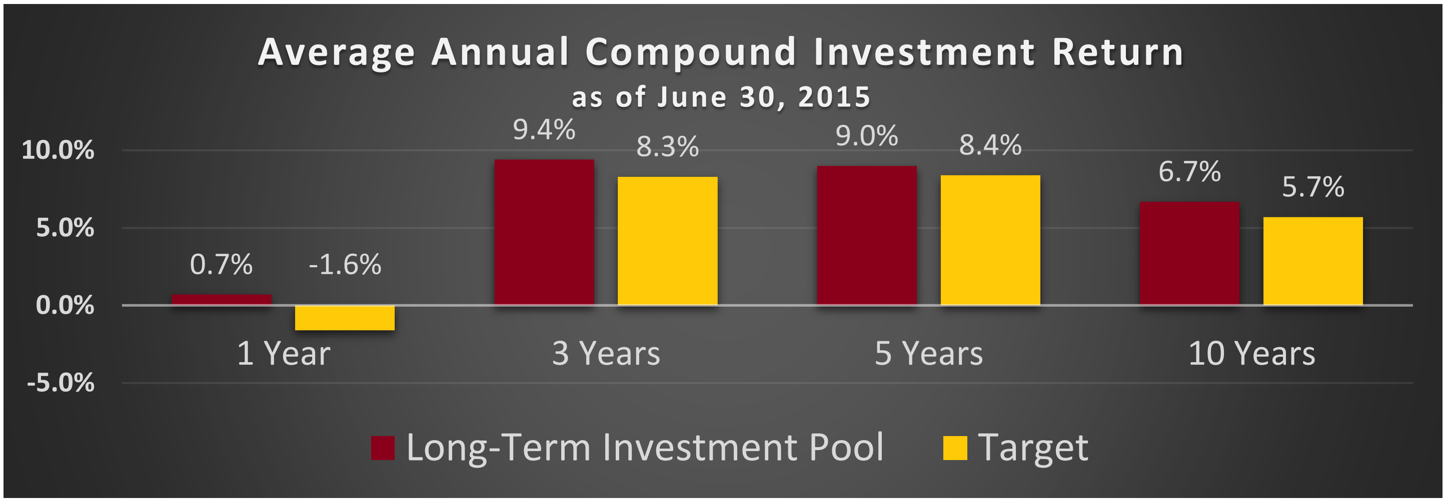
Endowment gifts are intended to be held in perpetuity with a portion of the income each year made available to spend on University needs. The Foundation's development staff continues to solicit endowment gifts to aid in the endowment's growth.



One of the main purposes of the Foundation is to provide funding for ASU programs, activities, and to support students and faculty. The Foundation was able to increase that funding from $73.1 million in 2014 to approximately $79.4 million in 2015. The sources of these funds are primarily gifts restricted for a period of time or a specific purpose. Many are endowment gifts that provide a portion of the income from the total endowment for each year's spending. Others are gifts received this year, or in previous years, to provide funding for a specific purpose designated by the donor.



The Foundation invests the funds that it holds for the University under the direction of the Investment Committee of the Foundation's Board of Directors and under the management of an Outsourced Chief Investment Officer. Our endowment investment performance is compared to the performance of our target, which is a custom formulated passive index reflecting our asset allocation. Over the past 1, 3, 5 and 10 year periods the Foundation's returns have outperformed our target.



The Foundation funds its operations from four sources: 1) a development services contract with the University; 2) asset management fees on the endowment; 3) the investment return on non-endowed funds and 4) unrestricted gifts. Contributions increased significantly for the fiscal year, contributing increases in unrestricted gifts for the Foundation's operating budget, while the development services contract revenue increased only slightly. The Foundation experienced only a slight increase in operating expenses.

The Foundation also owns or controls several subsidiary companies whose legal names and structures are described in Note 1 of the attached consolidated financial statements. Additionally, the Foundation has created two nonprofit organizations, also described in Note 1 of the attached consolidated financial statements, to provide additional services to ASU in the form of research, nonprofit entrepreneurship and global initiatives.

ASU has continued to increase the number of students enrolled, continues to create new knowledge to address global challenges and works to improve the economic and educational endeavors in Arizona. The Foundation remains dedicated to supporting this mission by identifying and securing new partners to invest in these goals, while focusing on controlling costs and generating revenue.

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Arizona State University Foundation
for A New American University

Grant Thornton LLP
2398 E. Camelback Road, Suite 600
Phoenix, AZ 85016

T 602-474-3400
F 602-474-3421
www.GrantThornton.com

Report on the financial statements

We have audited the accompanying consolidated financial statements of the Arizona State University Foundation for A New American University and Affiliates (*a nonprofit organization*) (the “Entity”), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity’s preparation and fair presentation of the consolidated 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 Entity’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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Arizona State University Foundation for A New American University and Affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities on pages 39 and 40, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other information

The management's discussion and analysis on pages 3 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on 2014 summarized comparative information

We have previously audited the Entity's 2014 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 29, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Phoenix, Arizona
August 28, 2015

ARIZONA STATE UNIVERSITY FOUNDATION

for A New American University

AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2015
(with comparative totals at June 30, 2014)

A S S E T S

	June 30, 2015	June 30, 2014
ASSETS		
Cash and cash equivalents	$ 15,695,553	$ 9,326,225
Receivables		
Pledges receivable, net	112,992,376	105,523,509
Charitable trusts receivable	3,669,649	1,276,620
Other receivables, net	3,021,075	1,848,073
Total receivables	119,683,100	108,648,202
Investments	736,433,100	714,591,803
Land and buildings held for investment	50,208,315	45,838,442
Assets with limited use	28,817,592	5,429,342
Assets held under split-interest agreements	7,019,938	18,102,566
Net investment in direct financing lease	23,690,000	24,545,000
Capitalized bond issuance costs, net	1,527,852	1,231,577
Property and equipment, net	13,316,623	14,059,102
Other assets	1,265,933	484,717
TOTAL ASSETS	$ 997,658,006	$ 942,256,976

L I A B I L I T I E S   A N D   N E T   A S S E T S

	June 30, 2015	June 30, 2014
LIABILITIES		
Accounts payable and other liabilities	$ 9,296,734	$ 5,768,103
Assets held for other entities	132,667,962	130,503,305
Obligations under split-interest agreements	3,455,953	11,653,000
Unrealized swap liability	8,297,160	7,573,778
Bonds payable	105,690,000	73,290,000
TOTAL LIABILITIES	259,407,809	228,788,186
NET ASSETS		
Unrestricted	32,556,514	36,424,139
Temporarily restricted	287,938,179	278,169,061
Permanently restricted	417,755,504	398,875,590
TOTAL NET ASSETS	738,250,197	713,468,790
TOTAL LIABILITIES AND NET ASSETS	$ 997,658,006	$ 942,256,976

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2015
(with comparative totals for year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014
SUPPORT AND REVENUES					
Contributions	$ 4,669,221	$ 84,867,803	$ 20,713,777	$ 110,250,801	$ 57,394,207
Change in estimate for uncollectible pledges	-	(140,000)	539,000	399,000	772,000
Change in present value discount	-	(380,000)	(879,000)	(1,259,000)	1,805,000
Net investment return (loss)	2,918,938	8,089,289	(264,272)	10,743,955	77,320,854
Asset management fees	1,531,255	-	-	1,531,255	1,915,830
Service agreement revenue	20,225,550	-	-	20,225,550	19,359,800
Rent	1,429,932	-	-	1,429,932	1,036,050
Other revenue	3,766,308	-	-	3,766,308	11,190,403
Reclassification of donor intent and transfers	(70,627)	1,300,218	(1,229,591)	-	-
Net assets released from restrictions	83,968,192	(83,968,192)	-	-	-
TOTAL SUPPORT AND REVENUES	118,438,769	9,769,118	18,879,914	147,087,801	170,794,144
EXPENSES					
Payments for the benefit of the University:					
Directly to the University:					
Donations and reimbursements	63,866,813	-	-	63,866,813	57,191,498
Scholarships - ASU selected	6,479,893	-	-	6,479,893	7,304,550
To vendors on behalf of the University	8,008,090	-	-	8,008,090	6,766,979
Subtotal	78,354,796	-	-	78,354,796	71,263,027
Scholarships - Non ASU selected	248,740	-	-	248,740	212,496
Payments to other charitable entities	764,053	-	-	764,053	1,600,254
Total payments for the benefit of the University	79,367,589	-	-	79,367,589	73,075,777
Operating expenses:					
Salaries and benefits	21,421,359	-	-	21,421,359	20,167,124
Depreciation/Amortization	763,423	-	-	763,423	867,156
Interest expense	1,591,775	-	-	1,591,775	1,970,083
Professional services	11,518,917	-	-	11,518,917	5,353,385
All other expenses	6,919,949	-	-	6,919,949	11,825,870
Total operating expenses	42,215,423	-	-	42,215,423	40,183,618
TOTAL EXPENSES	121,583,012	-	-	121,583,012	113,259,395
INCREASE/(DECREASE) IN NET ASSETS	(3,144,243)	9,769,118	18,879,914	25,504,789	57,534,749
Change in unrealized swap value	(723,382)	-	-	(723,382)	120,071
CHANGE IN NET ASSETS	(3,867,625)	9,769,118	18,879,914	24,781,407	57,654,820
NET ASSETS, BEGINNING OF PERIOD	36,424,139	278,169,061	398,875,590	713,468,790	655,813,970
NET ASSETS, END OF PERIOD	$ 32,556,514	$ 287,938,179	$ 417,755,504	$ 738,250,197	$ 713,468,790

See Notes to Consolidated Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION

for A New American University

AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2015
(with comparative totals for year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 24,781,407	$ 57,654,820
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in present value discount on pledges receivable	1,259,000	(1,805,000)
Change in estimate for uncollectible pledges	(399,000)	(772,000)
Net realized and unrealized investment (gains) or losses	(10,980,003)	(78,619,951)
Net realized and unrealized investment (gains) or losses on land and buildings held for investment	236,048	1,299,097
Donated land and securities	(88,000)	(1,785,000)
Depreciation	736,902	792,373
Contributions restricted for long-term investment	(20,373,777)	(9,448,068)
(New) or terminated split-interest agreements	9,664,590	(10,193,170)
Change in present value of split-interest agreements	(9,035,234)	7,282,611
Amortization of bond issuance costs	73,915	(362,627)
Amortization of unearned interest income	(940,765)	(7,855,120)
Change in fair value of interest rate swap liability	723,382	(120,071)
Changes in operating assets and liabilities:		
(Increase) / decrease in:		
Pledges receivable	(3,603,982)	12,078,287
Other receivables	(1,173,002)	892,082
Increase / (decrease) in:		
Accounts payable and other liabilities	3,528,631	(1,031,963)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5,589,888)	(31,993,700)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	991,930,266	957,201,207
Proceeds from sales of land and buildings held for investment	7,679,494	273,407
Collections on investment in direct financing lease	1,795,765	4,739,168
Purchases of investments	(1,003,719,310)	(942,382,612)
Change in assets with limited use	(21,387,119)	1,585,762
Purchases of property and equipment	5,578	(416,228)
Purchases of land and buildings held for investment	(12,197,416)	(127,448)
Change in assets held for other entities	954,473	(988,810)
Change in other assets	(781,216)	245,814
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(35,719,485)	20,130,260
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bond issuance	35,000,000	43,410,000
Payments on bonds outstanding	(2,600,000)	(44,055,000)
Payments of bond issuance costs	(370,190)	735,733
Proceeds from contributions restricted for long-term investment	15,648,891	12,204,332
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	47,678,701	12,295,065
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,369,328	431,625
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,326,225	8,894,600
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 15,695,553	$ 9,326,225
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 1,108,242	$ 2,066,175

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

A portion of the headquarters office building is leased to Arizona State University under a direct financing lease. As of June 30, 2015 and 2014, respectively, the balance of the minimum lease payments receivable was $34,112,230 and $35,907,995 and unearned interest income was $10,422,230 and $11,362,995 (Note 9).

See Notes to Consolidated Financial Statements

(1) Foundation operations and summary of significant accounting policies

Foundation operations – The Arizona State University Foundation for A New American University (Foundation or ASUF) was incorporated in 1955 by community volunteers and is an Arizona nonprofit corporation and a 501(c)(3) tax-exempt organization. The Foundation is committed to supporting and assisting Arizona State University (ASU or University) in achieving its goals through raising, investing and managing private gifts, initiating entrepreneurial activities and serving as an advisor to the University President.

The Foundation has affiliates which are described below. Some are Arizona non-profit corporations that are controlled by the Foundation through a majority of their respective board members who are also Foundation board members. Others are formed as limited liability companies (LLCs) with the Foundation as the sole member.

ASU Research Enterprise (ASURE) was formed as an Arizona nonprofit organization to provide research services on behalf of the University on classified or unclassified governmental contracts and may act as a subcontractor or may subcontract out services related to these classified or unclassified contracts. ASURE will provide the University with personnel and a secure facility to allow for this type of research to be conducted on its behalf. ASURE is recognized as a 501(c)(3) organization by the Internal Revenue Service (IRS).

Research Collaboratory at ASU (RCASU) was formed as an Arizona nonprofit organization to support emerging programs and global initiatives at ASU. RCASU is recognized as a 501(c)(3) organization by the IRS. In its support of the University's global initiatives, RCASU has formed several subsidiary entities.

- **RCASU China, LLC** was formed as an Arizona sole member LLC, to hold and manage the University's activities in China.
- **RCASU Hong Kong, LLC** was formed as a wholly foreign owned entity (WFOE) in China to serve as the required Chinese entity for conducting business in China.
- **Teotihuacan Holdings, LLC** was formed as a Delaware sole member LLC, to hold and manage the entities that would form a nonprofit organization in Mexico to manage the University's activities in Mexico.
- **Global University Associate I, LLC and Global University Associate II, LLC** were formed to serve as the entities which would form a Mexican nonprofit organization ('Asociación Civil' or Civil Association) to manage the University's activities in Mexico.

Arizona Science and Technology Enterprises, LLC (AzTE) was formed to provide technology transfer, intellectual property management and other services. AzTE has formed several subsidiary entities.

- **AzTE Ventures, Co**., a for-profit, wholly-owned corporation of AzTE that was formed in connection with a joint venture transaction to create a state-of-the-art facility for testing and certification of solar energy equipment. AzTE Ventures, Co. holds a minority interest in the joint venture, which is recorded under the equity method. AzTE Ventures, Co. will engage in certain ventures and activities relating to technology transfer and other activities in furtherance of AzTE's mission in support of ASU.
- **RH Technologies, LLC** was formed to engage in scientific research and other activities to support the University.
- **ISW Technologies, LLC** was formed to commercialize the detection of bacterial pathogens in water wells.

(1) Foundation operations and summary of significant accounting policies (continued)

The Foundation has formed several real estate entities to develop or purchase real estate projects that are used to support activities of various ASU departments. These entities are combined together as Real Estate Affiliates on the Consolidating Statements of Financial Position and Activities.

ASUF Realty, LLC (Realty) and University Realty, LLC (UR) were formed as real estate development holding entities to provide the Foundation with an organizational structure for housing real estate activities.

ASUF, LLC (Fulton Center) was formed to provide for the operations of an office building and related facilities that serve as the Foundation's headquarters and to sublease office and classroom space to the University. This building is located on ASU's campus in Tempe, Arizona, and is known as the ASU Fulton Center.

ASUF Brickyard, LLC (Brickyard) was formed to purchase a series of buildings and a parking structure (Brickyard Facility) in downtown Tempe, Arizona, and to lease office and classroom facilities to the University.

ASUF Scottsdale, LLC (Scottsdale) was formed to lease approximately 37 acres from the City of Scottsdale and to construct facilities for research, office, residential and retail space for tenants which include the University. This property is located in Scottsdale, Arizona, near ASU's Tempe campus and is known as the SkySong Development. Scottsdale has a 31% interest in Holualoa GV Shopping Plaza, LLC and a 50% interest in SkySong Office 3, LLC and SkySong Residential I, LLC. Scottsdale accounts for these investments under the equity method.

- **Holualoa GV Shopping Plaza, LLC** was formed to hold and manage the SkySong I and II office building projects.
- **SkySong Office 3, LLC** was formed to develop, hold and manage the SkySong III office building project.
- **SkySong Residential I, LLC** was formed to develop, hold and manage the SkySong apartment complex project. This project was sold in June 2015 and the Foundation is awaiting dissolution of this entity.

ASUF Dupont, LLC (Dupont) was formed to lease a building in Washington, D.C., for sublease of office and classroom space to the University.

ASUF DC, LLC (DC) was formed to purchase and renovate a building in Washington, D.C. (DC Project), and to lease the entire building space to the University for several of its programs and research endeavors.

The significant accounting policies followed by the Foundation and its affiliates, collectively referred to in these consolidated financial statements as the "Foundation and Affiliates", are summarized below.

Basis of presentation – The consolidated financial statements of the Foundation and Affiliates have been prepared on the accrual basis of accounting according to the accounting principles generally accepted in the United States of America (US GAAP). The Foundation and Affiliates report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

(1) Foundation operations and summary of significant accounting policies (continued)

Net assets – Net assets and changes therein are classified and reported as follows.

a. *Unrestricted net assets* - Includes unrestricted amounts associated with the operating activities of the Foundation and Affiliates. Certain unrestricted net assets have been designated as quasi-endowments by the Board of Directors of the Foundation.

b. *Temporarily restricted net assets* - Includes amounts for which donor-imposed purpose or time restrictions have not been met. Donor-restricted contributions for which restrictions are met within the same fiscal year as they are received are reported as temporarily restricted net assets. Expenditures that fulfill the temporary restriction are shown as expenses in unrestricted net assets and a reduction in temporarily restricted revenue as a release from restriction. The Foundation's Board of Directors has, through agreements between Foundation management and University representatives, designated certain temporarily restricted gifts as quasi-endowments.

c. *Permanently restricted net assets* - Includes amounts for which the donor-imposed restrictions state that the corpus is to be invested in perpetuity with the income to be made available for specified programs or uses. With the exception of certain permanently restricted contributions that the donor requires to be separately invested, all permanently restricted contributions are invested in a long-term investment pool. Appreciation, depreciation, income and expense relative to the pooled investments are allocated to each endowment based upon the ratio of that endowment's investment balance to the total investment pool, and are shown as a change in temporarily restricted net assets or permanently restricted net assets, as governed by the terms of the endowment.

Consolidated financial statements – The consolidated financial statements include the accounts of the Foundation and the affiliates described above. All of the financial activities and balances of these organizations are included in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

Comparative financial information – The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Since prior-year information does not include sufficient detail to constitute a presentation in conformity with US GAAP, such information should be read in conjunction with the Foundation's audited consolidated financial statements as of and for the year ended June 30, 2014, from which the summarized information was derived.

Management's use of estimates – The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Significant estimates include allowance for uncollectible pledges, present value discount on pledges receivable, value of level 3 investments, obligations under split-interest agreements, unrealized swap liability, value of the DC Project and estimated useful lives for depreciation of property and equipment.

Reclassifications – Certain amounts have been reclassified in the 2014 consolidated financial statements to conform to the presentation of the 2015 consolidated financial statements. The reclassifications include a change in permanently restricted donor restricted endowments and endowment net assets, permanently restricted contributions and other additions in 2014 contained in Note 6. These reclassifications resulted in no change in the total net assets reported for 2014.

(1) Foundation operations and summary of significant accounting policies (continued)

Cash and cash equivalents – For purposes of reporting cash flows and cash balances, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Cash deposits in qualifying financial institutions are insured up to the limits of the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents in excess of FDIC insurance limits were approximately $12.9 million and $10.2 million at June 30, 2015 and 2014, respectively.

Pledges receivable – Unconditional promises to give (pledges) are recognized as assets and contribution revenue in the period the pledges are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges that are to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation that discounts the risk-adjusted cash flows by an estimated risk-free interest rate. In periods subsequent to initial recognition, pledges are reported at the amount management expects to collect and are discounted over the collection period using the same interest rate determined at the time of initial recognition. The change in estimated value of the future cash is recorded as a change on the statement of activities and the estimate is adjusted up or down as the estimate changes each year.

An allowance for uncollectible pledges is estimated based on the Foundation and Affiliates' collection history and is presented as a component of net pledges receivable. The change in estimate for uncollectible pledges is recorded as a change on the consolidated statement of activities and the allowance is adjusted up or down as the estimate changes each year.

Charitable trusts receivable – Periodically, the Foundation learns it is the beneficiary of charitable trusts for which the Foundation is not the trustee and the trust is held by others, such as banks, trust companies, or investment firms. In accordance with US GAAP, the Foundation records the fair value of the asset and the related gift income when the Foundation is notified of its existence and the value can be reasonably determined. Gains or losses resulting from changes in actuarial assumptions and amortization of discounts are recorded as gains or losses in the appropriate restriction category in the consolidated statement of activities.

Investments – Investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows.

- **Level 1 -** Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- **Level 2 -** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

(1) Foundation operations and summary of significant accounting policies (continued)

- **Level 3 -** Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a Net Asset Valuation (NAV) per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

The fair values of publicly traded securities are based on quoted market prices. The fair value of securities related to investments in limited partnerships (Level 3) is measured using the net asset value per share of the investment. The fair value of securities related to investments in commingled investment vehicles (Level 3) is generally based on price quotations for marketable securities or fair market value as determined by the external investment managers for non-marketable securities. 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.

Investments, in general, are exposed to various risks, such as interest rate, credit and market. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

The Foundation has ownership of certain cash and cash equivalents held, along with other marketable securities, by outside investment managers for the benefit of the Foundation. Although these cash and cash equivalents are readily available, it is the intent of the 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 consolidated financial statements.

Split-interest agreements – The Foundation is the trustee for three types of split-interest agreements: charitable remainder trusts, charitable gift annuities and charitable lead annuity trusts. Assets held in trust are invested in common trust funds. Contribution revenue is reported as the difference between the assets related to split-interest agreements and the related liabilities, and is classified as changes in temporarily restricted net assets. Liabilities associated with split-interest agreements represent the present value of the expected payments to the beneficiaries over the terms of the agreements. Gains or losses resulting from changes in actuarial assumptions and amortization of discounts are recorded as changes in the value of split-interest agreements in the appropriate restriction category in the consolidated statement of activities.

(1) Foundation operations and summary of significant accounting policies (continued)

Property and equipment and related depreciation and amortization – Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the fair value as of the date of donation to the Foundation. Betterments or renewals in excess of $5,000 for the Foundation and AzTE and $1,000 for ASURE and RCASU are capitalized. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets.

	Estimated Useful Lives
Buildings and improvements	40 years
Building fixtures	3 - 7 years
Equipment	3 - 7 years

Impairment of long-lived assets – The Foundation and Affiliates review the carrying value of their long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. Upon determining that an asset is impaired, the Foundation and Affiliates report the asset at the lower of the carrying amount or fair value less the costs to sell. Management does not believe there are any indications of impairment of any long-lived assets at June 30, 2015 and 2014.

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.

Contributed assets and services – Donations of securities, land, buildings and other non-monetary assets, which can be objectively measured, are recorded at fair value on the date of contribution. Assets that cannot be objectively measured are not included in the accompanying consolidated financial statements. Donated services of volunteers are not recorded in the accompanying consolidated financial statements since they do not meet the recognition criteria.

Revenue recognition – Revenue from exchange transactions, investment activities, rental and property management activities, management fees, other fees and other non-contribution revenue are recognized as earned.

Functional expense allocation – Expenses are charged to program services, fundraising and management and general categories based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is allocated based on appropriate allocation methods, such as percentage of time spent or percentage of space used.

Reclassification of donor intent – From time to time, the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are considered by the Foundation, and if approved, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net assets. These reclassifications are reflected in the consolidated statement of activities as reclassification of donor intent and transfers.

Income taxes – The Foundation accounts for income taxes using the asset and liability approach, which can result in recording tax provisions or benefits in periods different than the periods in which such taxes are paid or benefits realized. Deferred income taxes are recorded for the difference between the book and tax basis of various assets and liabilities, which can provide for current recognition of expected tax benefits from temporary differences that will result in deductible amounts in future years.

It has been determined by the IRS that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) as described in Sections 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code, and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. The Foundation has been classified as an organization that is a public charity.

(1) <u>Foundation operations and summary of significant accounting policies (continued)</u>

AzTE, Realty, UR, Fulton Center, Brickyard, Scottsdale, Dupont and DC are treated as disregarded entities for income tax purposes, and accordingly, all income and expenses are reported through the Foundation.

ASURE has been classified as a tax-exempt organization under Section 501(c)(3) as described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code, and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. ASURE has been classified as an organization that is a public charity.

RCASU has been classified as a tax-exempt organization under Section 501(c)(3) as described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code, and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. RCASU has been classified as an organization that is a public charity.

For tax purposes, income determined to be unrelated business income by any member of the group regarded as a tax-exempt organization would be taxable. AzTE Ventures, Co. is not a tax-exempt organization and its income and expenses are not passed through to the Foundation for tax purposes.

Tax positions taken related to the Foundation's tax-exempt status and other miscellaneous tax positions have been reviewed. Management is of the opinion that material positions taken by the Foundation would be upheld under examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax positions as of June 30, 2015, and does not anticipate a significant change for the following twelve months. As of June 30, 2015, the Foundation's fiscal years 2011 through 2014 for the federal and 2010 through 2014 for Arizona tax jurisdictions remain open to examination.

Recent accounting pronouncements:

In December 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (ASC 606)*. This standard eliminates the transaction- and industry-specific revenue recognition guidance. This standard creates a single, principle-based revenue recognition framework that requires entities to shift away from primarily rules-based US GAAP and to apply significantly more judgment. With that increase in judgment, ASC 606 requires expanded disclosures surrounding revenue recognition. This new guidance is effective for nonpublic entities for fiscal years beginning after December 15, 2018, and can be early adopted in certain circumstances. The Foundation is in the process of evaluating the impact of this standard on its operations.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Standard 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2015. The Foundation is in the process of evaluating the impact of this standard on its operations.

In May 2015, the FASB issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The guidance specifically clarifies how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. This standard was issued in order to address diversity in practice. The amended standard's key provision exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures. This new guidance is effective for nonpublic entities for fiscal years beginning after December 15, 2016. The Foundation is in the process of evaluating the impact of this standard on its operations.

(2) Pledges receivable, net

Pledges receivable, discounted using rates ranging from 1.2% to 10.9%, consist of the following unconditional promises to give:

	2015	2014
Gross pledges receivable	$ 163,949,376	$ 155,620,509
Present value discount	(11,548,000)	(10,289,000)
Allowance for uncollectible pledges	(39,409,000)	(39,808,000)
Pledges receivable, net	$ 112,992,376	$ 105,523,509

Gross pledges are receivable as follows:

	2015	2014
Receivable in one year	$ 43,247,194	$ 37,873,609
Receivable in two to five years	39,069,492	49,603,797
Receivable after five years	81,632,690	68,143,103
Total gross pledges receivable	$ 163,949,376	$ 155,620,509

The Foundation had conditional pledges receivable totaling $32.6 million at June 30, 2015 and $1.1 million at June 30, 2014; no amounts are included in the above pledges receivable balance. Conditional pledges receivable are recorded when the conditions are substantially met.

(3) Other receivables, net

Other receivables include operating receivables generated through a variety of activities and are stated at the amount management expects to collect.

Other receivables relate to the following activities:

	2015	2014
Foundation activities	$ 1,264,432	$ 1,086,023
Real estate subsidiary activities	932,231	313,532
AzTE activities	440,510	314,219
ASURE activities	383,902	134,299
Total other receivables, net	$ 3,021,075	$ 1,848,073

Management provides for uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual receivables. Activities are reported net of the allowance for doubtful accounts which was $34,167 at June 30, 2015 and zero at June 30, 2014.

(4) Investments

The Foundation defines its investment funds as the Long-Term Investment Pool (LTIP) and Short-Term Investment Pool (STIP).

Investments consist of:

2015	LTIP	STIP	Other Investments	Total
Global equities	$ 318,099,821	$ -	$ 11,613,294	$ 329,713,115
Global fixed income	62,552,421	51,991,211	826,687	115,370,319
Absolute return	110,017,089	-	-	110,017,089
Real assets	104,098,733	-	5,525,332	109,624,065
Private capital	39,548,713	-	1,855,302	41,404,015
Cash and cash equivalents	14,303,896	12,172,936	3,827,665	30,304,497
Total investments	$ 648,620,673	$ 64,164,147	$ 23,648,280	$ 736,433,100

2014	LTIP	STIP	Other Investments	Total
Global equities	$ 313,961,109	$ 5,371,450	$ 13,865,271	$ 333,197,830
Global fixed income	72,790,909	34,022,435	873,748	107,687,092
Absolute return	106,556,439	-	-	106,556,439
Real assets	95,638,519	-	7,035,732	102,674,251
Private capital	22,519,759	-	1,430,509	23,950,268
Cash and cash equivalents	8,508,337	29,515,832	2,501,754	40,525,923
Total investments	$ 619,975,072	$ 68,909,717	$ 25,707,014	$ 714,591,803

Investment valuations are established and classified based on a variety of inputs. The input classifications or levels by investment category are shown in the following table:

2015	Level 1	Level 2	Level 3	Total
Global equities	$ 191,683,826	$ -	$ 138,029,289	$ 329,713,115
Global fixed income	83,571,092	-	31,799,227	115,370,319
Absolute return	12,125,226	-	97,891,863	110,017,089
Real assets	23,948,644	-	85,675,422	109,624,066
Private capital	-	-	41,404,014	41,404,014
Cash and cash equivalents	30,251,136	-	53,361	30,304,497
Total investments	$ 341,579,924	$ -	$ 394,853,176	$ 736,433,100

(4) Investments (continued)

2014	Level 1	Level 2	Level 3	Total
Global equities	$ 219,113,845	$ -	$ 114,083,985	$ 333,197,830
Global fixed income	107,687,092	-	-	107,687,092
Absolute return	5,291,394	-	101,265,045	106,556,439
Real assets	23,756,691	-	78,917,560	102,674,251
Private capital	-	-	23,950,268	23,950,268
Cash and cash equivalents	40,525,923	-	-	40,525,923
Total investments	$ 396,374,945	$ -	$ 318,216,858	$ 714,591,803

Certain investments valued using Level 3 category inputs are reported at the net asset values calculated by the investment manager. These investments, at June 30, 2015, detailed in the following table, are subject to capital calls and specific redemption terms:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global equities	$ 138,029,289	$ -	Monthly to quarterly	10 - 60 days
Global fixed income	31,799,227	-	Monthly to not available	10 days
Absolute return	97,891,863	-	Monthly to every 2 years	30 - 90 days
Real assets	85,675,422	59,524,854	Monthly to not available	45 days
Private capital	41,404,014	31,866,997	Not available	
Cash and cash equivalents	53,361	-	Not available	
Total	$ 394,853,176	$ 91,391,851		

The following table summarizes the change in value of the Foundation's Level 3 investments:

2015	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 114,083,985	$ 8,194,229	$ 46,435,335	$ (30,684,260)	$ 138,029,289
Global fixed income	-	(2,139,735)	35,483,466	(1,544,504)	31,799,227
Absolute return	101,265,045	1,610,185	16,821,341	(21,804,708)	97,891,863
Real assets	78,917,560	(306,608)	20,864,608	(13,800,138)	85,675,422
Private capital	23,950,268	2,973,067	19,104,815	(4,624,136)	41,404,014
Cash and cash equivalents	-	(49,543)	158,694	(55,790)	53,361
Total Level 3 investments	$ 318,216,858	$ 10,281,595	$ 138,868,259	$ (72,513,536)	$ 394,853,176

(4) Investments (continued)

2014	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 108,083,166	$ 25,410,789	$ 12,727,513	$ (32,137,483)	$ 114,083,985
Global fixed income	-	-	-	-	-
Absolute return	81,752,825	6,847,591	63,476,266	(50,811,637)	101,265,045
Real assets	22,310,393	5,113,247	56,302,263	(4,808,343)	78,917,560
Private capital	20,747,337	3,735,212	2,695,752	(3,228,033)	23,950,268
Cash and cash equivalents	-	-	-	-	-
Total Level 3 investments	$ 232,893,721	$ 41,106,839	$ 135,201,794	$ (90,985,496)	$ 318,216,858

The Foundation diversifies its investments both by asset class and within asset classes. As a general practice, investments of the Foundation are managed by external investment management firms.

The global equities include domestic and international equities, including emerging market investments, which are invested in either publicly traded equities listed on national exchanges or in limited partnerships or commingled formats.

The global fixed income investments include US treasuries, securitized debt, agency and corporate bonds, as well as sovereign debt from other nationalities.

Absolute return investments typically include hedge funds, but may include other absolute return-oriented investments that are not necessarily hedged. Investments will generally be publicly traded securities but may have restrictions from the investment strategy that may make the investment less liquid.

Real assets investments include global energy, natural resource, real estate and inflation-linked bond investments. Real assets may be publicly traded or illiquid, private investments.

Private capital includes investments in private equity, venture capital, opportunistic credit and distressed credit limited partnerships.

(5) Land and buildings held for investment

Land and buildings held for investment are recorded at the fair value on the date of receipt and are periodically revalued through the use of a third-party appraiser, comparable market analysis, or property tax valuation statement. During the renovation period for the DC Project, the cost of the building and the renovations to date serve as an estimate of the fair value of the property. Changes in value are included in net investment return on the consolidated statement of activities.

Land and buildings held for investment include:

	2015	2014
Brickyard Facility	$ 37,400,000	$ 37,400,000
DC Project	12,197,416	-
Other real properties	610,899	8,438,442
Total land and buildings held for investment	$ 50,208,315	$ 45,838,442

(6) Foundation endowment and net asset classifications

Management of the Foundation's endowment is governed by laws in the state of Arizona based on the Uniform Prudent Management of Institutional Funds Act. The Foundation has interpreted the statute as requiring the preservation of the fair value of the original gift 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 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.

The Foundation endowments by net asset category are shown in the following table:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ (3,517,424)	$ 44,375,431	$ 375,568,987	$ 416,426,994
Quasi-endowments	-	73,621,861	-	73,621,861
Board-designated endowments	12,000,000	-	-	12,000,000
Total funds	$ 8,482,576	$ 117,997,292	$ 375,568,987	$ 502,048,855

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ (949,006)	$ 55,911,320	$ 361,413,959	$ 416,376,273
Quasi-endowments	-	60,669,422	-	60,669,422
Board-designated endowments	12,000,000	-	-	12,000,000
Total funds	$ 11,050,994	$ 116,580,742	$ 361,413,959	$ 489,045,695

Included in the Foundation's endowments are the ASU Trust (Trust) assets held under a trust agreement with ASU and the ASU Alumni Association's (Alumni) assets held under an investment management agreement with Alumni. The Trust's and the Alumni's funds are maintained separately on the financial system of the Foundation and receive a proportional share of the activity of the LTIP, described in Note 4. As such, the Foundation owns the assets of the LTIP; the Trust and the Alumni have a financial interest in the LTIP but do not own any of the underlying assets. The Foundation has recorded a liability at fair value to the Trust and the Alumni.

Assets held for other entities consist of:	2015	2014
ASU	$ 116,254,211	$ 114,146,398
ASU Alumni Association	16,413,751	16,356,907
Total assets held for other entities	$ 132,667,962	$ 130,503,305

The Foundation's endowment is invested in the LTIP. The Foundation's investment policies for the LTIP are reviewed periodically. The long-term financial objectives 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 a growth rate that at least keeps pace with the general rate of inflation, net of spending.

(6) Foundation endowment and net asset classifications (continued)

The spending policy for the endowment follows the objectives of the investment policy and establishes the amount made available for spending from the endowment. The 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 a current year inflation factor measured at mid-fiscal year, collared by a cap and floor based on a percentage of a 12-quarter moving average calculated mid-fiscal year. The inflation rate used was 0.8% for 2015 and 1.5% for 2014, and the cap and floor were based on 4.0% and 3.0%, respectively. 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.

From time to time, the fair value of assets associated with 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.

Changes in endowment net assets are shown in the following table:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 11,050,994	$ 116,580,742	$ 361,413,959	$ 489,045,695
Contributions and other additions	-	15,306,131	15,648,891	30,955,022
Investment return:				
Interest and dividends	-	7,200,001	389,301	7,589,302
Net realized and unrealized gains or (losses)	(2,568,418)	(3,020,530)	(201,826)	(5,790,774)
Change in assets due to other entities	-	(1,894,153)	-	(1,894,153)
Total investment return	(2,568,418)	2,285,318	187,475	(95,625)
Appropriation for expenditure	-	(16,025,531)	(451,747)	(16,477,278)
Reclassification of donor intent	-	(149,368)	(1,229,591)	(1,378,959)
Endowment net assets, June 30, 2015	$ 8,482,576	$ 117,997,292	$ 375,568,987	$ 502,048,855

(6) Foundation endowment and net asset classifications (continued)

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 3,829,553	$ 83,386,256	$ 348,067,115	$ 435,282,924
Contributions and other additions	-	1,585,615	12,199,713	13,785,328
Investment return:				
Interest and dividends	-	8,304,851	438,381	8,743,232
Net realized and unrealized gains or (losses)	7,221,441	56,990,369	749,471	64,961,281
Change in assets due to other entities	-	(18,501,854)	-	(18,501,854)
Total investment return	7,221,441	46,793,366	1,187,852	55,202,659
Appropriation for expenditure	-	(14,438,691)	(1,205,127)	(15,643,818)
Reclassification of donor intent	-	(745,804)	1,164,406	418,602
Endowment net assets, June 30, 2014	$ 11,050,994	$ 116,580,742	$ 361,413,959	$ 489,045,695

(7) Assets with limited use

The terms of the Brickyard Series 2004 A and B bonds, Fulton Center Series 2014 A and B bonds and the DC Project Series 2014 A and B bonds described in Note 15 require the Foundation and Affiliates to maintain bond funds on deposit with a trustee.

The funds consist of money market funds and US Treasury obligations valued at fair value as follows:

	2015	2014
Brickyard Series 2004 A and B bonds		
Debt service reserve fund	$ 1,000,019	$ 1,004,310
Revenue fund	511,682	520,229
Sinking fund	691,283	650,105
Project fund	7,867	7,867
Total Brickyard Series 2004 A and B bonds	2,210,851	2,182,511
Fulton Center Series 2014 A and B bonds		
Bond interest fund	2,272,797	344,263
Major maintenance funds	899,218	811,598
Tenant improvement fund	211,790	192,262
Operating costs and insurance principal fund	3,708	3,708
Principal fund	-	1,895,000
Total Fulton Center Series 2014 A and B bonds	3,387,513	3,246,831
DC Project Series 2014 A and B bonds		
Project fund	22,543,393	-
Bond fund	675,835	-
Total DC Project Series 2014 A and B bonds	23,219,228	-
Total assets with limited use	$ 28,817,592	$ 5,429,342

(8) Assets held under split-interest agreements

The Foundation is currently the beneficiary of certain charitable remainder trusts (CRT) where the Foundation is the trustee. The Foundation currently administers certain charitable gift annuities (CGA). The CRT's and CGA's provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's or annuity's term (usually the designated beneficiary's lifetime). At the end of the CRT's or CGA's term, the remaining assets are available for use by the Foundation as specified by the grantor. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as a temporarily restricted contribution in the period the trust is established.

A charitable lead annuity trust was established in fiscal year 2014 with a $10 million gift and an associated $7.2 million liability. The investment returns were recorded as changes in the value of the liability. In January 2015, the trust was assigned to a new trustee and the Foundation remained the beneficiary. As the beneficiary, the Foundation will continue to receive distributions of $600,000 annually for the five year duration of the trust.

Investments held in the trusts and annuities are invested in equities and bonds and reported at fair value. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Adjustments to reflect the present value of the estimated annuity payments and changes in actuarial assumptions are included as a component of net investment return in the consolidated statement of activities. The present value of the estimated payments for the trusts and annuities is calculated using discount rates of 2.0% for 2015 and 2.2% for 2014, and mortality expectations found in the IRS Actuarial Valuations Publication, and is shown below.

The Foundation is the beneficiary of certain life insurance instruments. The assets contributed under the life insurance policies are carried at fair value, approximated by the cash surrender value of the policy, and are shown in the table below.

Assets held under split-interest agreements consist of:

	2015	2014
Charitable lead annuity trust		
Equities	$ -	$ 7,910,769
Fixed income	-	1,825,975
Other	-	702,543
	-	10,439,287
Charitable gift annuities		
Equities	3,635,235	4,146,806
Fixed income	837,625	742,551
Other	55,033	23,898
	4,527,893	4,913,255
Charitable remainder trusts		
Equities	1,278,077	1,562,335
Fixed income	737,478	755,137
Other	37,834	36,946
	2,053,389	2,354,418
Life insurance	438,656	395,606
Total assets held under split-interest agreements	$ 7,019,938	$ 18,102,566

(8) Assets held under split-interest agreements (continued)

Obligations under split-interest agreements consist of:

	2015	2014
Charitable gift annuities	$ 2,523,977	$ 2,646,574
Charitable remainder trusts	931,976	1,113,488
Charitable lead annuity trust	-	7,892,938
Total obligations under split-interest agreements	$ 3,455,953	$ 11,653,000

(9) Net investment in direct financing lease

A portion of the Fulton Center building is leased to the University under a direct financing lease. The portion that is not leased to the University is represented as buildings and improvements in Note 11. The lease with the University originated in fiscal year 2004 and has a 30-year term with two 5-year renewal periods. According to the terms of the lease, the Foundation and Affiliates will donate the building to the University and the University will receive title to the building when the lease ends.

Net investment in direct financing lease consists of:

	2015	2014
Minimum lease receivable - Fulton Center	$ 34,112,230	$ 35,907,995
Unearned interest income - Fulton Center	(10,422,230)	(11,362,995)
Net investment in direct financing lease	$ 23,690,000	$ 24,545,000

The total amount of the Fulton Center lease payment receivable balance will be used by the Foundation and Affiliates to pay the principal and interest payments required for the Fulton Center Series 2014 A and B bonds. Accordingly, unearned interest will be amortized to lease revenue using the nominal rate of the Fulton Center Series 2014 A and B bonds, which approximates the effective interest rate.

Minimum future lease receipts as of June 30, 2015, are as follows:

Years Ending June 30,	
2016	$ 1,793,665
2017	1,791,390
2018	1,791,235
2019	1,799,698
2020	1,796,383
Thereafter	25,139,859
Total minimum future lease receipts	$ 34,112,230

(10) Capitalized bond issuance costs, net

Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the Brickyard Series 2004 A and B bonds, the Fulton Center Series 2014 A and B bonds and the DC Project Series 2014 A and B bonds (Note 15). The issuance costs for the bonds are amortized over the following terms of the bonds using the straight-line method (which approximates the effective interest rate method):

	Term	2015	2014
Original costs:			
Brickyard Series 2004 A and B bonds		$ 1,070,186	$ 1,070,186
Fulton Center Series 2014 A and B bonds		534,841	534,841
DC Project Series 2014 A and B bonds		370,190	-
Total original costs		1,975,217	1,605,027
Accumulated amortization:			
Brickyard Series 2004 A and B bonds	30 years	(405,933)	(369,030)
Fulton Center Series 2014 A and B bonds	30 years	(30,941)	(4,420)
DC Project Series 2014 A and B bonds	30 years	(10,491)	-
Total accumulated amortization		(447,365)	(373,450)
Total capitalized bond issuance costs, net		$ 1,527,852	$ 1,231,577

Amortization expense charged to operations was $73,915 for 2015 and $74,784 for 2014.

(11) Property and equipment, net

Property and equipment consist of:

	2015	2014
Cost:		
Buildings and improvements	$ 17,396,938	$ 17,396,938
Building fixtures	2,210,625	2,210,625
Equipment		
Information systems	4,669,116	4,669,116
Other equipment	971,649	1,275,440
Total cost	25,248,328	25,552,119
Accumulated depreciation and amortization	(11,931,705)	(11,493,017)
Total property and equipment, net	$ 13,316,623	$ 14,059,102

Depreciation expense charged to operations was $736,902 for 2015 and $792,373 for 2014.

The Fulton Center building is located on land leased to the Foundation and Affiliates by the University. The lease obligation is $10 per year. The lease originated in fiscal year 2004 and has a term of 30 years with the option to extend for up to two consecutive periods of 5 years each.

(12) Accounts payable and other liabilities

Accounts payable and other liabilities consists of:

	2015	2014
Accrued expenses	$ 4,157,567	$ 2,545,136
General accounts payable	2,398,896	1,396,123
Payroll liabilities	1,716,770	1,475,275
Deferred revenue	1,023,501	351,569
Total accounts payable and other liabilities	$ 9,296,734	$ 5,768,103

The Foundation has a line of credit agreement with Wells Fargo Bank, NA, finalized in February 2007 and most recently amended in March 2014. At June 30, 2015 and 2014, the outstanding balance on the line of credit was zero.

Under the terms of the line of credit agreement, the Foundation can borrow up to a maximum of $8.0 million for general corporate purposes. The interest rate is set at 90 basis points (0.90%) above the London Inter-Bank Offered Rate (LIBOR) in effect on the first day of the applicable term and can be fixed for a 1, 3, or 6 month period. Under the amended line of credit agreement, the Foundation is required to maintain a minimum net asset balance of not less than $375.0 million and not less than $5.0 million of unpledged and unrestricted cash and marketable securities. At June 30, 2015 and 2014, the Foundation was in compliance with both of the covenants. The line of credit agreement expires on January 30, 2017.

(13) Operating lease

Scottsdale is a party to a ground lease with the City of Scottsdale for land for the SkySong Development. The lease term is 99 years, renewable for 99 years, and commenced August 9, 2004. There were rent payments on the property of approximately $138,955 and zero for the years ended June 30, 2015 and June 30, 2014, respectively.

Future minimum lease payments under the non-cancellable operating lease are as follows:

Years Ending June 30,	
2016	$ 201,523
2017	201,523
2018	201,523
2019	264,523
2020	264,523
Thereafter	75,393,016
Total minimum future lease payments	$ 76,526,631

In addition, for SkySong Residential I, Scottsdale was required to pay additional rent of $2,990,000, payable at $9,200 per unit at the time of the sale of each unit. The lease also provides for additional rent of 50% of the net revenue (profit) of each unit sold at a profit greater than $40,000. As of June 30, 2015, all units of SkySong Residential I were sold and none were sold at a profit greater than $40,000.

(14) Unrealized swap liability

The interest rate swap agreement, related to the bonds issued in connection with the purchase of the Brickyard Facility, is recorded in the accompanying consolidated statement of financial position at its fair value, calculated based on the present value of the cash flows of the variable portion of the swap using forward rates derived from the yield curve.

The financing structure for the Brickyard Facility utilizes an interest-rate risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The financing specific goals are: (1) to manage interest-rate sensitivity by modifying the re-pricing or maturity characteristics of certain debt instruments; and (2) to lower (where possible) the cost of its borrowed funds. Interest rate fluctuations create an unrealized appreciation or depreciation in the fair value of the outstanding debt when compared with its cost. The effect of this unrealized appreciation or depreciation in fair value may be offset by income or loss on derivative instruments linked to the debt.

Using a derivative financial instrument to hedge exposure to a change in interest rates exposes the financing to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the additional funds, which creates repayment risk for the financing. When the fair value of a derivative contract is negative, the counterparty is owed additional funds and therefore, there is no repayment risk. The financing minimizes the credit (or repayment) risk in derivative instruments by: (1) entering into transactions with high-quality counterparties; and (2) limiting the amount of exposure to the counterparty. These derivative contracts are governed by an International Swaps and Derivatives Association Master Agreement. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by the establishment and monitoring of parameters that limit the types and degree of market risk that may be undertaken.

The financing was constructed with an interest rate swap contract to convert its variable-rate bonds into fixed-rate debt at the date the debt was offered. Under interest rate swap contracts, the parties are required to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts as calculated by reference to an agreed-upon notional amount. The fixed interest rates are 4.85% and 5.46% on Brickyard Series 2004 A and B bonds, respectively.

(15) Bonds payable

The balance outstanding, interest rates and final maturity dates of the bonds are summarized as follows:

	2015	2014	Interest Rates	Maturity Date
Brickyard Series 2004:				
Series 2004 – A (tax-exempt)	$ 22,420,000	$ 22,420,000	varies	July 1, 2034
Series 2004 – B (taxable)	6,755,000	7,460,000	varies	July 1, 2022
Fulton Center Series 2014:				
Series 2014 – A (tax-exempt)	39,050,000	39,050,000	3.95%	July 1, 2034
Series 2014 – B (taxable)	2,465,000	4,360,000	2.0%	July 1, 2016
DC Project Series 2014:				
Series 2014 – A (tax-exempt)	31,390,000	-	3.54%	July 1, 2035
Series 2014 – B (taxable)	3,610,000	-	3.4%	July 1, 2019
Total bonds payable	$ 105,690,000	$ 73,290,000		

(15) Bonds payable (continued)

The estimated fair value of the Foundation's bonds are approximately $105.1 million and $73.3 million at June 30, 2015 and 2014, respectively. The estimated fair value of the bonds is based on quoted market prices for the same or similar issues (Level 2). The market prices utilized reflect the amounts a third-party would pay to purchase the bonds.

Brickyard Series 2004 A and B Bonds

In July 2004, the Brickyard issued, through the Industrial Development Authority (IDA) of the City of Tempe, Arizona, $22,420,000 of Tax-Exempt Series 2004 A Variable Rate Revenue Bonds and $12,075,000 of Taxable Series 2004 B Variable Rate Revenue Bonds. Interest is accrued based on a weekly per annum interest rate calculation determined by the remarketing agent based on prevailing market conditions and is payable on the first day of each calendar month. At June 30, 2015, the interest rates were 0.09% for Series A and 0.13% for Series B. The Series 2004 A and B bonds are collateralized by the Brickyard Facility building and parking structure and by an ASUF Brickyard, LLC 15-year master lease with the University. In June 2009 and June 2015, the master lease with the University was extended for an additional 5 years and the reimbursement agreement was amended in 2009 to require the Foundation to provide a guarantee to the bank for any and all indebtedness of the Brickyard. The current master lease extends through July 1, 2029. In June 2015, the reimbursement agreement was amended to extend the letter of credit expiration date to July 20, 2018. The master lease agreement includes a provision that would invoke a backup lease between the Foundation and the Brickyard in the event of the termination of the master lease with ASU whether from expiration of term, failure to appropriate funding by ASU or default by ASU.

These bonds are subject to optional and mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date. Mandatory redemption of tax-exempt Series A is required if the bonds lose their tax-exempt status as determined by the IRS. Optional redemption for both Series A and B bonds is available prior to maturity without penalty.

Fulton Center Series 2014 A and B Bonds

In April 2014, ASUF, LLC issued, through the IDA of the City of Tempe, Arizona, $39,050,000 Tax-Exempt Series 2014 A and $4,360,000 Taxable Series 2014 B Lease Revenue Refunding Bonds. These bonds refunded the $47,600,000 Series 2003 Lease Revenue Bonds. Interest is payable semi-annually on January 1 and July 1 of each year, and commenced July 1, 2014. These bonds are collateralized by the Foundation's headquarters office building, which was completed and placed in service as of February 1, 2005, and by two 30-year master leases, one with the University and one with the Foundation.

DC Project Series 2014 A and B Bonds

In December 2014, ASUF DC, LLC issued, through the IDA of the City of Tempe, Arizona, $31,390,000 Tax-Exempt Series 2014 A and $3,610,000 Taxable Series 2014 B Lease Revenue Bonds. Interest is payable semi-annually on January 1 and July 1 of each year, and commenced July 1, 2015. The DC Project Series 2014 Bonds are collateralized by the DC office building and a 20-year lease with the University. The building was purchased in December 2014 to provide space for program and research endeavors for ASU in Washington, DC and is being renovated and is expected to be completed and placed in service in August 2017.

(15) Bonds payable (continued)

Future Maturities

Principal payments due for all of the obligations are shown in the following table:

Years Ending June 30	Brickyard Series 2004 A	Brickyard Series 2004 B	Fulton Center Series 2014 A	Fulton Center Series 2014 B	DC Project Series 2014 A	DC Project Series 2014 B	Total
2016	$ -	$ 750,000	$ -	$ 1,445,000	$ -	$ -	$ 2,195,000
2017	-	805,000	450,000	1,020,000	-	1,315,000	3,590,000
2018	-	855,000	1,510,000	-	-	1,365,000	3,730,000
2019	-	915,000	1,565,000	-	490,000	930,000	3,900,000
2020	-	975,000	1,640,000	-	1,470,000	-	4,085,000
Thereafter	22,420,000	2,455,000	33,885,000	-	29,430,000	-	88,190,000
Total principal payments	$ 22,420,000	$ 6,755,000	$ 39,050,000	$ 2,465,000	$ 31,390,000	$ 3,610,000	$ 105,690,000

Bond Covenants

The Foundation is required to be in compliance with the debt service coverage ratio covenant imposed by the bank on the Brickyard Series 2004 A and B bonds. This covenant is measured on the last day of the fiscal year and requires that the "debt service coverage ratio", as defined by the Brickyard Series 2004 A and B bonds, be no less than 1.15 on the measurement date. At June 30, 2015 and 2014, the Foundation was in compliance with the debt service coverage ratio requirement.

(16) Unrestricted net assets

Unrestricted net assets (deficit) consist of:

	2015	2014
Undesignated Foundation	$ 19,228,920	$ 25,822,273
Undesignated Affiliates	1,327,594	(1,398,134)
Board designated	12,000,000	12,000,000
Total unrestricted net assets (deficit)	$ 32,556,514	$ 36,424,139

Board designated net assets consist of $12.0 million of the Brickyard unrestricted net assets designated by the Foundation's Board of Directors in April 2006 as a quasi-endowment. Board designations are revocable with board resolution.

(17) Restricted net assets

Temporarily and permanently restricted net assets are available for the following purposes:

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Academic support	$ 60,543,267	$ 138,517,694	$ 73,776,569	$ 134,393,486
Athletics	13,647,629	2,547,796	2,415,717	2,536,771
Capital	25,965,725	24,750	12,151,411	25,000
Discretionary use for ASU	17,847,521	18,608,513	18,589,686	18,638,404
Faculty	31,592,506	100,547,662	35,784,360	102,482,801
Financial aid	50,431,827	121,297,128	47,691,974	107,102,742
Library	1,229,794	1,719,564	1,317,608	1,646,096
Miscellaneous	4,733,500	137,557	1,449,752	250,299
Operations and maintenance	316,843	-	476,683	-
Research	31,201,360	19,156,877	28,422,593	18,974,664
Specific programs	74,361,207	42,203,963	79,523,708	39,491,327
Pledge reserve and discount	(23,933,000)	(27,006,000)	(23,431,000)	(26,666,000)
Total restricted net assets	$ 287,938,179	$ 417,755,504	$ 278,169,061	$ 398,875,590

(18) Net investment return (loss)

Net investment return (loss) consists of:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 2,003,852	$ 8,577,508	$ 389,301	$ 10,970,661
Change in value of split-interest agreements	(219)	136,805	-	136,586
Net realized gains (losses)	6,196,695	30,205,851	1,007,904	37,410,450
Net unrealized gains (losses)	(5,265,937)	(26,391,985)	(1,626,056)	(33,283,978)
Change in assets due to other entities	-	(1,210,183)	-	(1,210,183)
Investment management fees	(15,453)	(3,228,707)	(35,421)	(3,279,581)
Total net investment return (loss)	$ 2,918,938	$ 8,089,289	$ (264,272)	$ 10,743,955

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 9,428,122	$ 2,147,067	$ 438,381	$ 12,013,570
Change in value of split-interest agreements	103,452	228,233	-	331,685
Net realized gains (losses)	4,998,366	72,479,048	474,388	77,951,802
Net unrealized gains (losses)	7,257,609	566,546	(890,660)	6,933,495
Change in assets due to other entities	-	(17,214,762)	-	(17,214,762)
Investment management fees	(15,147)	(2,640,405)	(39,384)	(2,694,936)
Total net investment return (loss)	$ 21,772,402	$ 55,565,727	$ (17,275)	$ 77,320,854

(19) Other revenue

Other revenue consists of:

	2015	2014
ASU program support	$ 1,214,258	$ 1,260,205
AzTE revenue	1,128,772	2,180,629
Scottsdale LLC revenue	629,423	-
ASURE contracts	308,846	163,277
Conferences	34,769	108,374
Gain on debt extinguishment	-	7,068,445
Miscellaneous	450,240	409,473
Total other revenue	$ 3,766,308	$ 11,190,403

(20) Net assets released from restrictions

Net assets were released from restriction for the following purposes:

	2015	2014
Academic support	$ 15,055,175	$ 14,669,536
Athletics	544,298	264,845
Capital	4,157,250	5,102,701
Discretionary use for ASU	1,439,873	1,885,194
Faculty	4,994,820	6,713,665
Financial aid	6,838,427	8,292,083
Library	88,366	140,136
Miscellaneous	10,450,609	7,374,785
Operations and maintenance	168,647	14,998
Research	12,614,249	8,620,206
Specific programs	27,616,478	25,648,985
Total net assets released from restrictions	$ 83,968,192	$ 78,727,134

(21) Retirement plan

The Foundation sponsors a 401(k) savings plan (Plan) that provides retirement benefits for employees who meet the following eligibility criteria: eligibility for medical and dental insurance and a minimum age of 18 years.

There are three components to the Plan: employee contributions, discretionary matching of employee contributions by the employer and employer discretionary contributions.

The first component of the Plan is employee contributions made through payroll deduction in accordance with requirements of the Plan. An employee may contribute part of his or her annual compensation to the Plan, limited to a maximum annual amount as set periodically by the IRS. Employee contributions to the Plan are immediately vested.

(21) Retirement plan (continued)

The second component of the Plan is the employer discretionary matching of employee contributions by the Foundation. The Foundation matches 50% of the first 6% of the employee's contribution, not to exceed 3% of the employee's compensation. The Foundation's matching contributions to the Plan were approximately $379,000 and $341,000 for the years ended June 30, 2015 and 2014, respectively.

The third component of the Plan provides for employer discretionary contributions by the Foundation. The annual contribution for the years ended June 30, 2015 and 2014 was 4% of compensation for all eligible employees. The Foundation's discretionary contributions were approximately $572,000 and $530,000 for the years ended June 30, 2015 and 2014, respectively.

Employer contributions vest evenly over five years.

(22) Functional expense allocation

Functional expenses are charged to program services, fundraising and management and general as follows:

	2015	2014
Program services	$ 97,401,736	$ 86,991,150
Fundraising	13,005,803	14,023,014
Management and general	11,175,473	12,245,231
Total expenses	$ 121,583,012	$ 113,259,395

(23) Related party transactions

Members of the Boards of Directors of the Foundation and Affiliates or the associated companies of these board members occasionally provide vendor services to the Foundation and Affiliates. These services are primarily professional services and are appropriately recorded as professional services expense at standard rates in the accompanying consolidated statement of activities. Other vendor services provided by board members are appropriately recorded in the applicable expense category in the accompanying consolidated statement of activities. The amounts were not significant for the years ended June 30, 2015 and 2014.

During fiscal years 2015 and 2014, the Foundation recognized contribution revenue from the members of the Foundation’s Board of Directors of approximately $476,000 and $780,000, respectively. At June 30, 2015 and 2014, net unconditional pledges receivable from the members of the Foundation’s Board of Directors were approximately $135,000 and $120,000, respectively.

(24) Fair value of financial instruments and fair value measurements

For the financial and non-financial instruments noted throughout the accompanying consolidated financial statements and notes that are measured at fair value on a recurring basis, the following table summarizes the valuation based on the fair value hierarchy level detailed in Note 1:

2015	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 3,669,649
Investments	341,579,924	-	394,853,176
Land and buildings held for investment	-	-	50,208,315
Assets with limited use	28,817,592	-	-
Assets held under split-interest agreements	7,019,938	-	-
Total assets at fair value	$ 377,417,454	$ -	$ 448,731,140
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 132,667,962
Unrealized swap liability	-	8,297,160	-
Total liabilities at fair value	$ -	$ 8,297,160	$ 132,667,962

2014	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 1,276,620
Investments	396,374,945	-	318,216,858
Land and buildings held for investment	-	-	45,838,442
Assets with limited use	5,429,342	-	-
Assets held under split-interest agreements	18,102,566	-	-
Total assets at fair value	$ 419,906,853	$ -	$ 365,331,920
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 130,503,305
Unrealized swap liability	-	7,573,778	-
Total liabilities at fair value	$ -	$ 7,573,778	$ 130,503,305

For the above financial instruments, fair value methodologies are discussed in Notes 4, 5, 7, 8 and 14.

For all financial instruments not addressed previously and not reported at fair value, the carrying amounts approximate fair value due to the following factors:

- Cash and cash equivalents, other receivables, accounts payable and other liabilities because of the short-term maturities of these instruments;
- Pledges receivable and obligations under split-interest agreements because the risk-adjusted cash flows are discounted using applicable risk free rates; and
- Leases receivable and related unearned interest liability because the future cash flows are discounted using rates at which similar leases would be made to borrowers with similar credit ratings and for the same remaining maturities.

(24) Fair value of financial instruments and fair value measurements (continued)

The change in value of the assets and liabilities measured using Level 3 inputs is shown in the following table:

2015	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Level 3 assets					
Charitable trusts receivable	$ 1,276,620	$ 85,186	$ 2,307,843	$ -	$ 3,669,649
Investments	318,216,858	10,281,594	138,868,260	(72,513,536)	394,853,176
Land and Buildings held for investment	45,838,442	(143,769)	13,210,416	(8,696,774)	50,208,315
Total Level 3 assets	$ 365,331,920	$ 10,223,011	$ 154,386,519	$ (81,210,310)	$ 448,731,140
Level 3 liabilities					
Assets held for other entities	$ 130,503,305	$ 2,164,657	$ -	$ -	$ 132,667,962
Total Level 3 liabilities	$ 130,503,305	$ 2,164,657	$ -	$ -	$ 132,667,962

2014	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Level 3 assets					
Charitable trusts receivable	$ 1,545,668	$ (269,048)	$ -	$ -	$ 1,276,620
Investments	232,893,721	41,106,839	135,201,794	(90,985,496)	318,216,858
Land and Buildings held for investment	45,138,498	(1,171,650)	2,145,000	(273,406)	45,838,442
Total Level 3 assets	$ 279,577,887	$ 39,666,141	$ 137,346,794	$ (91,258,902)	$ 365,331,920
Level 3 liabilities					
Assets held for other entities	$ 114,277,353	$ 16,225,952	$ -	$ -	$ 130,503,305
Total Level 3 liabilities	$ 114,277,353	$ 16,225,952	$ -	$ -	$ 130,503,305

(25) Subsequent events

The Foundation evaluated subsequent events through August 28, 2015, which is the date these consolidated financial statements were issued. No subsequent events requiring disclosure were identified.

ADDITIONAL INFORMATION

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
AND AFFILIATES
ADDITIONAL INFORMATION

June 30, 2015

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	ASUF							
	University Support	Foundation Operations	AzTE	ASURE	RCASU	Real Estate Affiliates	Eliminating Entries	Total
ASSETS								
Cash and cash equivalents	$ 10,348,645	$ (3,982,922)	$ 1,696,794	$ 86,433	$ 6,180	$ 7,540,423	$ -	$ 15,695,553
Receivables								
Pledges receivable, net	112,159,835	541	-	-	832,000	-	-	112,992,376
Charitable trusts receivable	3,669,649	-	-	-	-	-	-	3,669,649
Other receivables, net	175,511	2,184,007	440,510	383,902	-	932,231	(1,095,086)	3,021,075
TOTAL RECEIVABLES	116,004,995	2,184,548	440,510	383,902	832,000	932,231	(1,095,086)	119,683,100
Investments	701,885,305	25,561,001	5,233,692	-	-	10,177,017	(6,423,915)	736,433,100
Land and buildings held for investment	42,177	568,722	-	-	-	49,597,416	-	50,208,315
Assets with limited use	-	-	-	-	-	28,817,592	-	28,817,592
Assets held under split-interest agreements	7,019,938	-	-	-	-	-	-	7,019,938
Net investment in direct financing lease	-	-	-	-	-	23,690,000	-	23,690,000
Capitalized bond issuance costs, net	-	-	-	-	-	1,527,852	-	1,527,852
Property and equipment, net	-	282,322	10,890	89,415	-	12,933,996	-	13,316,623
Other assets	604,288	407,713	231,850	9,624	-	12,458	-	1,265,933
TOTAL ASSETS	$ 835,905,348	$ 25,021,384	$ 7,613,736	$ 569,374	$ 838,180	$ 135,228,985	$ (7,519,001)	$ 997,658,006
LIABILITIES AND NET ASSETS								
Accounts payable and other liabilities	$ 316,280	$ 2,364,645	$ 3,682,831	$ 981,404	$ 19,504	$ 3,027,156	$ (1,095,086)	$ 9,296,734
Assets held for other entities	132,665,676	-	-	-	2,286	6,241,452	(6,241,452)	132,667,962
Obligations under split-interest agreements	3,455,953	-	-	-	-	-	-	3,455,953
Unrealized swap liability	-	-	-	-	-	8,297,160	-	8,297,160
Bonds payable	-	-	-	-	-	105,690,000	-	105,690,000
TOTAL LIABILITIES	136,437,909	2,364,645	3,682,831	981,404	21,790	123,255,768	(7,336,538)	259,407,809
TOTAL NET ASSETS (DEFICIT)	699,467,439	22,656,739	3,930,905	(412,030)	816,390	11,973,217	(182,463)	738,250,197
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 835,905,348	$ 25,021,384	$ 7,613,736	$ 569,374	$ 838,180	$ 135,228,985	$ (7,519,001)	$ 997,658,006

See Report of Independent Certified Public Accountants

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University
AND AFFILIATES

ADDITIONAL INFORMATION

Year Ended June 30, 2015

CONSOLIDATING STATEMENT OF ACTIVITIES

	ASUF							
	University Support	Foundation Operations	AzTE	ASURE	RCASU	Real Estate Affiliates	Eliminating Entries	Total
SUPPORT AND REVENUES								
Contributions	$ 106,361,931	$ 3,070,423	$ -	$ 285,450	$ 863,221	$ -	$ (330,224)	$ 110,250,801
Change in estimate for uncollectible pledges	399,000	-	-	-	-	-	-	399,000
Change in present value discount	(1,277,000)	36,000	-	-	(18,000)	-	-	(1,259,000)
Net investment return (loss)	5,803,871	(2,763,888)	(247,514)	2	-	6,907,095	1,044,389	10,743,955
Asset management fees	(5,800,073)	7,609,422	-	-	-	71,906	(350,000)	1,531,255
Service agreement revenue	-	12,605,600	6,880,951	738,999	-	-	-	20,225,550
Rent	-	225,636	-	24,876	-	7,181,866	(6,002,446)	1,429,932
Other revenue	1,244,054	455,213	1,128,772	308,846	-	589,699	39,724	3,766,308
Reclassification of donor intent and transfers	(524,827)	524,827	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUES	106,206,956	21,763,233	7,762,209	1,358,173	845,221	14,750,566	(5,598,557)	147,087,801
EXPENSES								
Payments for the benefit of the University:								
Directly to University:								
Donations and reimbursements	63,706,121	47,796	112,896	-	-	-	-	63,866,813
Scholarships - ASU selected	6,479,893	-	-	-	-	-	-	6,479,893
To vendors on behalf of the University	8,246,241	-	-	-	-	-	(238,151)	8,008,090
Subtotal	78,432,255	47,796	112,896	-	-	-	(238,151)	78,354,796
Scholarships - Non ASU selected	248,740	-	-	-	-	-	-	248,740
Payments to other charitable entities	764,053	-	-	-	-	-	-	764,053
Total payments for the benefit of the University	79,445,048	47,796	112,896	-	-	-	(238,151)	79,367,589
Operating expenses:								
Salaries and benefits	-	17,565,209	2,919,874	936,276	-	-	-	21,421,359
Depreciation/Amortization	-	176,764	3,422	45,471	-	585,160	(47,394)	763,423
Interest expense	-	-	-	-	-	3,719,538	(2,127,763)	1,591,775
Professional services	-	2,643,396	8,666,184	101,299	28,654	657,322	(577,938)	11,518,917
All other expenses	-	6,121,752	477,461	349,784	245,905	2,332,358	(2,607,311)	6,919,949
Total operating expenses	-	26,507,121	12,066,941	1,432,830	274,559	7,294,378	(5,360,406)	42,215,423
TOTAL EXPENSES	79,445,048	26,554,917	12,179,837	1,432,830	274,559	7,294,378	(5,598,557)	121,583,012
INCREASE (DECREASE) IN NET ASSETS	26,761,908	(4,791,684)	(4,417,628)	(74,657)	570,662	7,456,188	-	25,504,789
Change in unrealized swap value	-	-	-	-	-	(723,382)	-	(723,382)
CHANGE IN NET ASSETS	26,761,908	(4,791,684)	(4,417,628)	(74,657)	570,662	6,732,806	-	24,781,407
NET ASSETS (DEFICIT), BEGINNING OF PERIOD	672,705,531	27,448,423	8,348,533	(337,373)	245,728	5,057,948	-	713,468,790
Capital contributions to LLC	-	-	-	-	-	182,463	(182,463)	-
NET ASSETS (DEFICIT), END OF PERIOD	$ 699,467,439	$ 22,656,739	$ 3,930,905	$ (412,030)	$ 816,390	$ 11,973,217	$ (182,463)	$ 738,250,197

See Report of Independent Certified Public Accountants