

OFFICIAL STATEMENT

NEW ISSUES – BOOK-ENTRY-ONLY

RATINGS: See “Ratings” Herein

In the opinion of Ballard Spahr LLP, Phoenix, Arizona, Bond Counsel, interest on the Series 2016 Bonds is excludable from gross income for Federal income tax purposes, assuming continuing compliance by the Arizona Board of Regents and Arizona State University with the requirements of Federal tax laws. Interest on the Series 2016 Bonds is not a preference item for either individual or corporate Federal alternative minimum tax purposes; however, interest paid to corporate holders of the Series 2016 Bonds may be indirectly subject to alternative minimum tax under the circumstances described in “TAX MATTERS” herein. Interest on the Series 2016 Bonds is exempt from taxable income for State of Arizona income tax purposes. See “TAX MATTERS” herein.

ARIZONA BOARD OF REGENTS ARIZONA STATE UNIVERSITY

\$130,485,000
SYSTEM REVENUE BONDS
SERIES 2016B
(GREEN BONDS)

\$95,745,000
SYSTEM REVENUE BONDS
SERIES 2016C

Dated: Date of Delivery

Due: July 1, as shown on the inside front cover page

The \$130,485,000 Arizona State University System Revenue Bonds, Series 2016B (Green Bonds) (the “Series 2016B Bonds”) and the \$95,745,000 Arizona State University System Revenue Bonds, Series 2016C (the “Series 2016C Bonds,” and together with the Series 2016B Bonds, the “Series 2016 Bonds”), are being issued by the Arizona Board of Regents (the “Board”) acting for and on behalf of Arizona State University (the “University”) only in fully registered form without coupons and, when issued, will be available to purchasers in principal amounts of \$5,000 or any integral multiple of a series thereof due on specified maturity dates, only through the book-entry-only system maintained by The Depository Trust Company (“DTC”). The Series 2016 Bonds will be registered in the name of DTC or its nominee as described herein. As long as the book-entry-only system is maintained for the registration of the Series 2016 Bonds, no physical delivery of the Series 2016 Bonds will be made to the ultimate purchasers thereof, and all payments of principal of and interest on the Series 2016 Bonds will be made to such purchasers through DTC, as described herein. Interest on the Series 2016 Bonds is payable on January 1, 2017, and on each January 1 and July 1 thereafter until maturity or prior redemption at the rates set forth on the inside front cover page hereof. Principal of the Series 2016 Bonds at maturity or upon prior redemption will be paid at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., or any successor thereto, as trustee (the “Trustee”).

The Series 2016 Bonds are subject to redemption prior to their stated maturities as described under “THE SERIES 2016 BONDS - Redemption Provisions” herein.

The Series 2016 Bonds are being issued for the purpose of providing funds to (i) construct and equip the Series 2016 Project (as defined herein); (ii) capitalize interest on a portion of the Series 2016C Bonds through July 1, 2017; and (iii) pay costs relating to the issuance of the Series 2016 Bonds. See “PLAN OF FINANCE” herein.

The Series 2016 Bonds are limited obligations of the Board. The Series 2016 Bonds, together with the Outstanding Series 2007B Bonds, Series 2008 Refunding Bonds, Series 2008C Bonds, Series 2009 Bonds, Series 2010 Bonds, Second Series 2010 Bonds, Series 2012 Bonds, Series 2013 Bonds, Series 2015 Bonds, Series 2015D Bonds and Series 2016A Bonds (all as defined herein) and any bonds subsequently issued on a parity therewith, are payable solely from and secured solely by a pledge of and first lien on the Gross Revenues (as defined herein) of the University. See “SOURCES OF PAYMENT AND SECURITY” herein.

NEITHER THE FULL FAITH AND CREDIT OF THE BOARD, THE UNIVERSITY OR THE STATE OF ARIZONA (THE “STATE”) NOR THE TAXING POWER OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE SERIES 2016 BONDS. THE SERIES 2016 BONDS DO NOT CONSTITUTE A DEBT OF THE BOARD, THE UNIVERSITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE BOARD HAS NO TAXING POWER.

SEE INSIDE FRONT COVER PAGE FOR MATURITY SCHEDULES

This cover page contains only a brief description of the Series 2016 Bonds and the security therefor. It is not a summary of all material information with respect to the Series 2016 Bonds. Investors should read this entire Official Statement to obtain information necessary to make an informed investment decision.

The Series 2016 Bonds are offered, when, as and if issued by the Board and received by the underwriters listed below (the “Underwriters”), subject to the approving opinion of Ballard Spahr LLP, Bond Counsel, as to validity and tax exemption, as applicable. In addition, certain legal matters will be passed upon for the Board by the Senior Vice President and General Counsel for the Arizona University System and for the Underwriters by Greenberg Traurig, LLP. It is expected that the Series 2016 Bonds will be available for delivery in book-entry-only form in New York, New York, on or about September 14, 2016.

Wells Fargo Securities

BofA Merrill Lynch
Goldman, Sachs & Co.

Citigroup
J.P. Morgan

August 30, 2016

**ARIZONA BOARD OF REGENTS
ARIZONA STATE UNIVERSITY**

MATURITY SCHEDULES

**\$130,485,000
SYSTEM REVENUE BONDS
SERIES 2016B
(GREEN BONDS)**

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP ^(a) (04048R)	Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP ^(a) (04048R)
2017	\$ 415,000	3.00%	0.56%	PP5	2028	\$3,235,000	5.00%	1.85% ^(b)	QA7
2018	2,045,000	4.00	0.65	PQ3	2029	3,395,000	5.00	1.95 ^(b)	QB5
2019	2,125,000	4.00	0.75	PR1	2030	3,570,000	5.00	2.00 ^(b)	QC3
2020	2,215,000	4.00	0.85	PS9	2031	3,750,000	5.00	2.05 ^(b)	QD1
2021	2,305,000	5.00	0.96	PT7	2032	3,935,000	5.00	2.10 ^(b)	QE9
2022	2,415,000	5.00	1.15	PU4	2033	4,135,000	5.00	2.15 ^(b)	QF6
2023	2,540,000	5.00	1.29	PV2	2034	4,340,000	5.00	2.21 ^(b)	QG4
2024	2,665,000	5.00	1.40	PW0	2035	4,560,000	5.00	2.26 ^(b)	QH2
2025	2,795,000	5.00	1.50	PX8	2036	4,780,000	5.00	2.30 ^(b)	QJ8
2026	2,940,000	5.00	1.61	PY6	2037	5,025,000	5.00	2.32 ^(b)	QK5
2027	3,085,000	5.00	1.74 ^(b)	PZ3	2038	5,275,000	5.00	2.34 ^(b)	QL3

\$23,865,000 5.00% Term Bond due July 1, 2042 at a yield of 2.40% ^(b) CUSIP ^(a): 04048R QN9

\$35,075,000 5.00% Term Bond due July 1, 2047 at a yield of 2.43% ^(b) CUSIP ^(a): 04048R QM1

**\$95,745,000
SYSTEM REVENUE BONDS
SERIES 2016C**

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP ^(a) (04048R)	Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP ^(a) (04048R)
2018	\$1,085,000	3.00%	0.65%	QP4	2029	\$3,680,000	5.00%	1.95% ^(b)	RA6
2019	1,120,000	5.00	0.75	QQ2	2030	3,865,000	5.00	2.00 ^(b)	RB4
2020	1,185,000	4.00	0.85	QR0	2031	4,060,000	5.00	2.05 ^(b)	RC2
2021	1,225,000	5.00	0.96	QS8	2032	4,255,000	5.00	2.10 ^(b)	RD0
2022	2,615,000	5.00	1.15	QT6	2033	4,470,000	5.00	2.15 ^(b)	RE8
2023	2,745,000	5.00	1.29	QU3	2034	4,705,000	5.00	2.21 ^(b)	RF5
2024	2,890,000	5.00	1.40	QV1	2035	4,925,000	5.00	2.26 ^(b)	RG3
2025	3,030,000	5.00	1.50	QW9	2036	5,175,000	5.00	2.30 ^(b)	RH1
2026	3,175,000	5.00	1.61	QX7	2037	2,760,000	5.00	2.32 ^(b)	RJ7
2027	3,335,000	5.00	1.74 ^(b)	QY5	2038	2,895,000	5.00	2.34 ^(b)	RK4
2028	3,510,000	5.00	1.85 ^(b)	QZ2					

\$13,110,000 5.00% Term Bond due July 1, 2042 at a yield of 2.40% ^(b) CUSIP ^(a): 04048R RM0

\$15,930,000 5.00% Term Bond due July 1, 2046 at a yield of 2.42% ^(b) CUSIP ^(a): 04048R RL2

^(a) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Board, the University, the Underwriters or the Financial Advisor (as defined herein) or any of their counsel or agents take responsibility for the accuracy of such numbers.

^(b) Yield calculated to July 1, 2026 first optional redemption date.

ARIZONA BOARD OF REGENTS

Ex Officio Members

Doug Ducey	Governor of Arizona
Diane Douglas	Superintendent of Public Instruction

Appointed Members

	Board Term Expires
Greg Patterson, Chair	January 2020
William Ridenour, Vice Chair	January 2022
Ram Krishna, Secretary	January 2020
Jay Heiler, Treasurer	January 2020
Jared Gorshe, Student Regent	June 2017
Vianney Careaga, Student Regent	June 2018
LuAnn Leonard ^(a)	January 2016
Rick Myers	January 2018
Larry Penley	January 2018
Ronald Shoopman	January 2022

Staff

Eileen Klein	President
Nancy Tribbensee, Esq.	Senior Vice President and General Counsel

SPECIAL SERVICES

BOND COUNSEL

Ballard Spahr LLP
Phoenix, Arizona

FINANCIAL ADVISOR

RBC Capital Markets, LLC
Phoenix, Arizona

INDEPENDENT AUDITORS

State of Arizona
Office of the Auditor General
Phoenix, Arizona

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

^(a) Ms. Leonard will remain on the Board until a successor is appointed by the Governor and confirmed by the State Senate.

ARIZONA STATE UNIVERSITY

ADMINISTRATION

Michael M. Crow	President
Mark Searle	Executive Vice President and University Provost
Morgan R. Olsen	Executive Vice President, Treasurer and Chief Financial Officer
José A. Cárdenas	Senior Vice President and General Counsel
Daniel P. Dillon, Jr.	Senior Vice President for Enterprise Marketing and Chief Marketing Officer
James W. O'Brien	Senior Vice President for University Affairs and Chief of Staff, Office of the President
Sethuraman Panchanathan	Executive Vice President for Knowledge Enterprise Development
James A. Rund	Senior Vice President for Educational Outreach and Student Services
Richard H. Stanley	Senior Vice President and University Planner
Christine K. Wilkinson	Senior Vice President and Secretary of the University
Joanne M. Wamsley	Vice President for Finance and Deputy Treasurer

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, including the cover page, inside front cover page and the Appendices hereto (the “Official Statement”), in connection with the offering made hereby, and, if given or made, such information or representation must not be relied upon as having been authorized by the State of Arizona (the “State”), the Arizona Board of Regents (the “Board”), Arizona State University (the “University”) or the underwriters identified on the cover page hereof (the “Underwriters”). This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the original offering of the Board’s \$130,485,000 Arizona State University System Revenue Bonds, Series 2016B (Green Bonds) (the “Series 2016B Bonds”) and \$95,745,000 Arizona State University System Revenue Bonds, Series 2016C (the “Series 2016C Bonds”), and together with the Series 2016B Bonds, the “Series 2016 Bonds”), or an offer to sell or solicitation of offers to buy, nor will there be any sale of the Series 2016 Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been provided by the Board, the University and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by any of the foregoing. The presentation of such information, including tables of receipts of revenues and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All estimates, projections, forecasts or matters of opinion are “forward looking statements,” which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the State, the Board or the University since the date hereof.

The information contained in Appendix F – “BOOK-ENTRY-ONLY SYSTEM” herein has been furnished by The Depository Trust Company and no representation is made by the Board, the University or the Underwriters, or any of their counsel or agents, as to the accuracy or completeness of such information.

A wide variety of other information, including financial information, concerning the Board and the University is available from publications and websites of the Board and the University and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

Reference to the University’s website in Appendix A is intended solely to provide access to a more detailed description of the degree programs and colleges offered at the University’s campuses and is not part of this Official Statement. Investors should not rely on information presented on the University’s website in determining whether to purchase the Series 2016 Bonds.

The Series 2016 Bonds will not be registered pursuant to the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. None of the Securities and Exchange Commission or any other Federal, state or other governmental entity or agency has passed upon the accuracy of this Official Statement.

The Board has undertaken to provide continuing disclosure with respect to the Series 2016 Bonds to enable the Underwriters to comply with their obligations pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE UNDERTAKING” and Appendix E – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES

2016 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors in accordance with Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE BOARD	2
THE UNIVERSITY	2
AUTHORIZATION AND USE OF FUNDS	3
PLAN OF FINANCE.....	3
Green Bond Projects	3
Use of Series 2016C Bonds.....	4
SOURCES AND USES OF FUNDS	5
THE SERIES 2016 BONDS	5
General Description	5
Redemption Provisions.....	5
Notice of and Procedures for Redemption	6
SOURCES OF PAYMENT AND SECURITY	7
Gross Revenue Pledge.....	7
Schedule of Historical Gross Revenues	8
Outstanding Obligations Payable from Gross Revenues.....	8
Schedule of Debt Service Requirements for Parity Bonds and Subordinate Obligations	10
Rate Covenant.....	11
Additional Parity Bonds	11
No Acceleration of Bonds	11
FUTURE BORROWINGS.....	11
LITIGATION.....	12
TAX MATTERS.....	12
General.....	12
Original Issue Premium	13
Changes in Federal and State Tax Law	13
FINANCIAL ADVISOR	13
APPROVAL OF LEGAL MATTERS.....	14
UNDERWRITING	14
INDEPENDENT AUDITORS	15
RATINGS	15
CONTINUING DISCLOSURE UNDERTAKING	15
ADDITIONAL INFORMATION	15

APPENDIX A	—	ARIZONA STATE UNIVERSITY
APPENDIX B	—	ARIZONA STATE UNIVERSITY, AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015
APPENDIX C	—	SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION
APPENDIX D	—	FORM OF APPROVING OPINION OF BOND COUNSEL
APPENDIX E	—	FORM OF CONTINUING DISCLOSURE UNDERTAKING
APPENDIX F	—	BOOK-ENTRY-ONLY SYSTEM

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

ARIZONA BOARD OF REGENTS ARIZONA STATE UNIVERSITY

\$130,485,000
SYSTEM REVENUE BONDS
SERIES 2016B
(GREEN BONDS)

\$95,745,000
SYSTEM REVENUE BONDS
SERIES 2016C

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the Appendices hereto (the “Official Statement”), provides certain information with respect to the issuance and sale by the Arizona Board of Regents (the “Board”) acting for and on behalf of Arizona State University (the “University”), of its \$130,485,000 Arizona State University System Revenue Bonds, Series 2016B (Green Bonds) (the “Series 2016B Bonds”) and \$95,745,000 Arizona State University System Revenue Bonds, Series 2016C (the “Series 2016C Bonds,” and together with the Series 2016B Bonds the “Series 2016 Bonds”), dated their date of initial delivery.

Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given to such terms in Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” under the caption “Definitions.”

The Board is issuing the Series 2016 Bonds to provide funds to (i) construct and equip the Series 2016 Project (as defined herein); (ii) capitalize interest on a portion of the Series 2016C Bonds through July 1, 2017; and (iii) pay costs relating to the issuance of the Series 2016 Bonds. See “PLAN OF FINANCE” herein.

The Series 2016 Bonds are limited obligations of the Board which, together with the Outstanding Series 2007B Bonds, Series 2008 Refunding Bonds, Series 2008C Bonds, Series 2009 Bonds, Series 2010 Bonds, Second Series 2010 Bonds, Series 2012 Bonds, Series 2013 Bonds, Series 2015 Bonds, Series 2015D Bonds and Series 2016A Bonds (collectively, the “Bonds”) and any additional Parity Bonds that the Board subsequently issues pursuant to the Bond Resolution, are payable solely from and secured solely by a pledge of and first lien on the Gross Revenues of the University. See “SOURCES OF PAYMENT AND SECURITY” herein.

Unless and until such system is discontinued, the Series 2016 Bonds will be held in book-entry-only form by The Depository Trust Company, a registered securities depository (“DTC”), and beneficial interests therein may only be purchased and sold, and payments of principal of and interest on the Series 2016 Bonds will be made only to the beneficial owners of the Series 2016 Bonds, through participants in the DTC system. Beneficial interests in the Series 2016 Bonds will be offered and sold in principal amounts of \$5,000 or any integral multiple of a series thereof due on specified maturity dates. See Appendix F – “BOOK-ENTRY-ONLY SYSTEM.”

NEITHER THE FULL FAITH AND CREDIT OF THE BOARD, THE UNIVERSITY OR THE STATE OF ARIZONA (THE “STATE”) NOR THE TAXING POWER OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE SERIES 2016 BONDS. THE SERIES 2016 BONDS DO NOT CONSTITUTE A DEBT OF THE BOARD, THE UNIVERSITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE BOARD HAS NO TAXING POWER.

For a discussion of the University, its programs, campuses, students, faculty, sources of revenues and financial condition, see “ARIZONA STATE UNIVERSITY” in Appendix A. The audited financial statements of the University for the fiscal year ended June 30, 2015, are included as Appendix B.

The descriptions and summaries of various documents contained herein do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all its terms and conditions. All statements herein are qualified by reference to each such document in its entirety and are further

qualified in their entirety by reference to laws and principles of equity relating to or affecting the enforceability of creditors' rights.

Copies of the form of the Bond Resolution may be obtained, until the delivery of the Series 2016 Bonds, from the underwriters identified on the cover page hereof (the "Underwriters") upon request to: Wells Fargo Securities, 333 Market Street, 15th Floor, San Francisco, California 94105, Attention: Public Finance Department, and thereafter from the Vice President for Finance and Deputy Treasurer of the University.

THE BOARD

The Board is the governing body of the State's three public universities. In 1885, the Territorial Legislature created the Governing Board of The University of Arizona at Tucson, Arizona. Separate boards were later formed to govern the schools established in Tempe, Arizona ("Tempe") which eventually became the University, and Flagstaff, Arizona which became Northern Arizona University. In 1945, the State Legislature placed all three State institutions of higher learning under the control of one body, known today as the Arizona Board of Regents. The Board is comprised of eleven voting members and one non-voting member, eight of whom are appointed by the Governor to serve eight-year terms, and two of whom, the Governor and the State Superintendent of Public Instruction, serve ex officio and two students selected from among the three State universities are appointed by the Governor to serve staggered two-year terms, the first year as a non-voting member and the second year as a voting member.

The Constitution of the State provides that the State Legislature will appropriate moneys for the purpose of operating and maintaining all State institutions of higher learning. Such moneys are derived from taxation, as well as from other sources as determined by the State Legislature, to insure the proper maintenance of the institutions. The direction and control of all moneys appropriated for the use and benefit of State institutions is vested in the Board. Title 15, Chapter 13 of the Arizona Revised Statutes sets forth the general powers of the Board, which include the expenditure of State funds for the support and maintenance of State institutions of higher learning, their buildings and grounds, and for any other purpose the Board deems expedient, if not inconsistent with the provisions of any appropriations.

THE UNIVERSITY

The University was initially established in 1885 as the Arizona Territorial Normal School at Tempe, pursuant to the provisions of a bill passed by the 13th Arizona Territorial Legislature. The school was opened in a four-room building on February 8, 1886, with 33 students in the first class. As the State grew in population, the school's original mission of training teachers was steadily broadened and the institution passed through several changes in purpose and name. In 1945, it became Arizona State College at Tempe and was placed, along with the other two State public universities, under the authority of the Board. From an enrollment of less than 1,000 at the end of World War II, Arizona State College grew more than tenfold by November 1958, when the Arizona electorate voted to change the name to Arizona State University. In 1994, the University was awarded the prestigious Research I University status, recognizing the University as a premier research institution. The 2000 Carnegie Classification recognized the University as a Doctoral/Research-Extensive University.

Today the University is a fully-accredited, four-year degree-granting institution of higher learning, supported by the State and governed by the Board. Total enrollment for the 2015 fall semester was 91,357, which includes 20,019 students enrolled in University degree programs offered completely online, making the University the largest institution of higher learning in terms of enrollment in the State and ranking it among the largest of America's institutions of higher learning. The Tempe campus is in the City of Tempe, Arizona, a city with an estimated 2015 population of 172,021 and comprising a part of the greater Phoenix, Arizona, metropolitan area. The Downtown Phoenix campus, Polytechnic campus, Thunderbird campus, and West campus are also located in the Phoenix, Arizona, metropolitan area. The Phoenix, Arizona, metropolitan area is the State's major economic, political and population center, located in Maricopa County, Arizona, with an estimated 2015 population of 4,076,438.

See Appendix A for more detailed information concerning the University, its programs, campuses, students, faculty, sources of revenue and financial condition.

AUTHORIZATION AND USE OF FUNDS

The Series 2016 Bonds are being issued and offered by the Board pursuant to Title 15, Chapter 13, Article 5 of the Arizona Revised Statutes, and the provisions of a resolution adopted by the Board on November 7, 1985, as thereafter supplemented and amended, through and including resolutions adopted on November 20, 2015, April 8, 2016 and June 10, 2016, authorizing the issuance of the Series 2016 Bonds (collectively, the “Bond Resolution”), the terms of which are summarized in Appendix C of this Official Statement. See Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

PLAN OF FINANCE

Portions of the proceeds of the Series 2016 Bonds are expected to be expended by the Board for the following projects: (i) construction of the Biodesign C building on the Tempe campus, (ii) construction of the Student Pavilion facility on the Tempe campus, (iii) renovations to research laboratories, classrooms, buildings and other infrastructure on all of the University’s campuses; and (iv) Phase III renovations to Sun Devil Stadium (collectively, the “Series 2016 Project”).

The University may allocate any portion of the proceeds of the Series 2016 Bonds not needed for the projects identified above to other projects that are not currently identified, subject to receiving all required approvals and reviews.

Completion of the projects described above or any other approved projects is not expected to have a significant impact on the collections of Gross Revenues pledged for payment of the Series 2016 Bonds.

Green Bond Projects

Approximately \$159.9 million of the proceeds of the Series 2016B Bonds will be expended by the Board for the construction of the Biodesign C building and the Student Pavilion facilities to be located on the Tempe campus (the “Green Bond Project”).

The purpose of labeling the Series 2016B Bonds as Green Bonds is to allow investors to invest directly in projects which the University has identified as promoting environmental sustainability on the University's campuses. The University intends to pursue LEED® (Leadership in Energy & Environmental Design) certification for the Green Bond Project. LEED is a green building certification program offered by the U.S. Green Building Council. Projects submitted for LEED certification are reviewed by the Green Building Certification Institute, a third-party organization, and assigned points based on the project's implementation of strategies and solutions aimed at achieving high performance in: sustainable site development, water efficiency, energy efficiency, materials selection and indoor environmental quality, among other sustainable qualities.

Biodesign C Building. This multi-functional facility will meet the growing need for additional laboratory space to secure and perform research. The five-story-plus-basement, 188,500 square foot facility will include a mix of wet and dry labs, lab casework and research support space. The space layout will be designed to promote and enable the creation of collaborative research clusters, in order to maximize opportunities to advance the research initiatives of the University.

The building is designed to meet the specifications for LEED Silver certification at a minimum, with the intention of achieving a higher LEED certification, due to the following features:

- “Water Efficiency” strategies, including design measures to reduce the water usage of laboratory equipment, as well as the indirect water usage associated with building cooling.
- “Energy and Atmosphere” strategies, including the implementation of advanced heating, ventilation and air conditioning (HVAC) and energy recovery systems designed to optimize energy performance, chilled beams, and a high performance building envelope.

- “Indoor Environmental Quality” strategies, including the use of low-emitting materials, high-performance laboratory fume hoods and energy-efficient lighting with daylighting and occupancy controls.

Student Pavilion. The 74,653 square foot Student Pavilion is a student-centric facility which is scheduled to open in August 2017. The hub of the building is a new first floor event space with seating for 1,200, which can be reconfigured into three smaller multi-purpose spaces for smaller events and meetings. The second floor consists of office space for student government and student organizations. University classrooms and other academic functions will be located on the third floor.

The goal is for the Student Pavilion to become the University’s first Net Zero Energy Building, a showcase of the University’s goals for carbon neutrality and sustainable building systems. A Net Zero Energy building uses no more energy than can be produced on site annually.

The University is seeking a LEED Platinum certification for the Student Pavilion due to the following features:

- “Water Efficiency” strategies, including water efficient landscaping, bioswales for landscape irrigation, water use reduction measures, and “purple pipe” installation for future interior reclaimed water use.
- “Energy and Atmosphere” strategies, including the implementation of a full rooftop photovoltaic solar energy system, high-efficiency HVAC systems, chilled beams, indirect evaporative cooling, and a high performance building envelope.
- “Materials and Resources” strategies including the use of recycled and regionally-sourced materials, and 90%+ construction waste diversion from landfills.
- “Indoor Environmental Quality” strategies, including low-emitting materials; LED energy-efficient lighting, interior daylighting, as well as solar tubes which bring in natural daylight; and occupant lighting and thermal comfort controls.
- “Innovation and Design Process” strategies, including green cleaning and green building education.

The remaining proceeds of the Series 2016B Bonds will be used to pay the costs of issuing the Series 2016B Bonds.

Use of Series 2016C Bonds

Approximately \$115.7 million of the proceeds of the Series 2016C Bonds are expected to be expended by the Board for the following projects: (i) renovations to research laboratories, classrooms, buildings and other infrastructure on all of the University’s campuses and (ii) Phase III renovations to Sun Devil Stadium.

The remaining proceeds of the Series 2016C Bonds will be used to capitalize a portion of the interest on the Series 2016C Bonds through July 1, 2017 and to pay the costs of issuing the Series 2016C Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds for the Series 2016 Bonds.

<u>Sources of Funds:</u>	Series 2016B Bonds (Green Bonds)	Series 2016C Bonds	Total
Principal Amount of Series 2016 Bonds	\$130,485,000.00	\$95,745,000.00	\$226,230,000.00
Original Issue Premium	30,134,213.55	23,020,032.05	53,154,245.60
Total Sources of Funds	<u>\$160,619,213.55</u>	<u>\$118,765,032.05</u>	<u>\$279,384,245.60</u>
 <u>Uses of Funds:</u>			
Deposit to the Construction Fund	\$159,900,000.00	\$115,700,000.00	\$275,600,000.00
Deposit to Redemption Fund for Capitalized Interest	-	2,524,404.17	2,524,404.17
Payment of Costs of Issuance (including Underwriters' discount)	<u>719,213.55</u>	<u>540,627.88</u>	<u>1,259,841.43</u>
Total Uses of Funds	<u>\$160,619,213.55</u>	<u>\$118,765,032.05</u>	<u>\$279,384,245.60</u>

THE SERIES 2016 BONDS

General Description

The Series 2016 Bonds will be dated their date of initial delivery and will bear interest from that date until maturity or prior redemption. Subject to prior redemption, the Series 2016 Bonds will mature in the amounts and on the dates, and bear interest at the rates, set forth on the inside front cover page hereof. Interest on the Series 2016 Bonds will be payable semiannually on each July 1 and January 1, commencing January 1, 2017 (each such date being referred to herein as an "Interest Payment Date").

The Series 2016 Bonds will be delivered in the form of fully-registered bonds without coupons registered in the name of Cede & Co., as registered owner and nominee for DTC. The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor thereto, the "Trustee") will treat the registered owners as the absolute owners of the Series 2016 Bonds for all purposes, including making payments and sending notices.

Redemption Provisions

Optional Redemption of the Series 2016 Bonds. The Series 2016 Bonds maturing on or after July 1, 2027 are subject to redemption at the option of the Board on July 1, 2026 or on any date thereafter, in whole or in part, in \$5,000 increments, from such maturities as may be selected by the Board and by lot within a maturity, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium.

Mandatory Redemption of the Series 2016B Bonds. The Series 2016B Bonds maturing on July 1, 2042 and July 1, 2047 are subject to mandatory redemption, by lot, on July 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount thereof (without premium) plus interest accrued to the date of redemption as follows:

Series 2016B Term Bond Maturing July 1, 2042

<u>Year</u>	<u>Redemption Amount</u>
2039	\$5,535,000
2040	5,815,000
2041	6,105,000
2042*	6,410,000

* Final Maturity

Series 2016B Term Bond Maturing July 1, 2047

<u>Year</u>	<u>Redemption Amount</u>
2043	\$6,730,000
2044	7,070,000
2045	7,420,000
2046	7,795,000
2047*	6,060,000

* Final Maturity

Mandatory Redemption of the Series 2016C Bonds. The Series 2016C Bonds maturing on July 1, 2042 and July 1, 2046 are subject to mandatory redemption, by lot, on July 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount thereof (without premium) plus interest accrued to the date of redemption as follows:

Series 2016C Term Bond Maturing July 1, 2042

<u>Year</u>	<u>Redemption Amount</u>
2039	\$3,040,000
2040	3,195,000
2041	3,355,000
2042*	3,520,000

* Final Maturity

Series 2016C Term Bond Maturing July 1, 2046

<u>Year</u>	<u>Redemption Amount</u>
2043	\$3,695,000
2044	3,880,000
2045	4,075,000
2046*	4,280,000

* Final Maturity

Notice of and Procedures for Redemption

For purposes of any redemption of less than all Series 2016 Bonds of a single series and maturity, the particular Series 2016 Bonds to be redeemed will be selected randomly by the Trustee by such method of lottery as the Trustee deems fair and appropriate.

So long as the Series 2016 Bonds are registered in book-entry-only form in the name of a nominee of DTC, a partial redemption of the Series 2016 Bonds of any series and maturity will be determined in accordance with DTC's procedures. While the Board intends that the foregoing random redemption provisions be implemented by

DTC, the Direct Participants or such other intermediaries, selection of Series 2016 Bonds for redemption in the DTC book-entry-only system is subject to DTC's practices and procedures as in effect from time to time, currently by lot. The Board can provide no assurance that DTC or the Direct Participants or any other intermediaries will allocate redemptions among Beneficial Owners in accordance with the foregoing random redemption provisions.

Notice of any redemption, identifying the redemption date, the redemption price, the particular Series 2016 Bonds, or portions thereof, to be redeemed and the place where the Series 2016 Bonds to be redeemed are to be surrendered for payment (which place will be the designated office of the Trustee) will be sent by first-class mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the Registered Owner, initially DTC, of each Series 2016 Bond to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee or at such other address as may be furnished by such owners to the Trustee.

Any notice of redemption given as described in the preceding paragraph will also contain a statement that on the redemption date, the redemption price of the Series 2016 Bonds called for redemption will become due and payable and that, from and after such date, the Series 2016 Bonds being redeemed will cease to accrue interest; provided, that in the case of an optional redemption of any Series 2016 Bonds, such redemption notice will also state that the call for optional redemption is conditioned upon the deposit with the Trustee of an amount sufficient to pay the principal of, premium (if any) and interest due on the Series 2016 Bonds on the redemption date.

Failure to mail any such notice to a particular owner, or any defect therein, will not affect the validity of any proceedings for redemption of any other Series 2016 Bond for which notice was properly given. Such notice having been given and funds for such redemption having been timely deposited with the Trustee, the Series 2016 Bonds so called for redemption will, on the redemption date, become due and payable, and interest thereon will cease to accrue.

If a conditional redemption notice has been given and money sufficient to redeem all the Series 2016 Bonds or portions thereof called for redemption is not held by the Trustee on the day set for redemption, then such redemption shall be cancelled and be of no force or effect.

SOURCES OF PAYMENT AND SECURITY

Gross Revenue Pledge

The Series 2016 Bonds (together with any other Parity Bonds Outstanding from time to time) are payable solely from and secured solely by a pledge of and first lien on the Gross Revenues of the University.

The Gross Revenues of the University, as defined in the Bond Resolution and used in this Official Statement, means and includes all: (1) Student Tuition and Fee Revenues, which means all tuition, registration, matriculation, laboratory, admission and other activities and service fees and charges paid by students matriculated, registered or otherwise enrolled at and attending the University, and (2) Facilities Revenues, which means all fees, rentals and other charges from students, faculty, staff members and others using or being served by, or having the right to use or the right to be served by, or to operate, any revenue producing facility, building or project within the System of Building Facilities, or any auxiliary enterprise, including indirect cost recoveries from externally-funded grants and contracts for research or other sponsored projects and interest received on and profits realized from the sale of investments made with moneys derived from (i) any revenue-producing facility, building or project within the System of Building Facilities; (ii) Student Tuition and Fee Revenues and (iii) other University operating funds.

During Fiscal Year 2013, the methodology for the apportionment of revenue and scholarship allowances among Resident Tuition, Non-Resident Tuition and Summer School was revised. To provide consistent historical data, the table below presents the adjusted breakdown of Gross Revenues of the University for each of the fiscal years indicated based on the revised methodology. The revised methodology did not change any of the amounts shown in the table for Receipts from Other Major Revenue Sources or Total Gross Revenues.

ARIZONA STATE UNIVERSITY
SCHEDULE OF HISTORICAL GROSS REVENUES
(Dollars in Thousands)

Fiscal Year	Resident Tuition ⁽¹⁾	Non-Resident Tuition ⁽¹⁾	Summer School & Other Fees ⁽²⁾	Total Tuition and Fees	Receipts from other Major Sources (Facilities Revenues) ⁽³⁾	Total Gross Revenues
2011	\$270,286	\$231,793	\$137,245	\$639,324	\$237,446	\$876,770
2012	325,074	265,605	166,538	757,217	220,610	977,827
2013	328,269	294,437	180,259	802,965	244,696	1,047,661
2014	340,827	355,103	200,991	896,921	264,385	1,161,306
2015	343,821	435,566	241,627	1,021,014	279,610	1,300,624

- ⁽¹⁾ Tuition is net of scholarship allowances. Scholarship allowances are the difference between the stated charge for services provided by the University, and the amount that is paid by the students (and/or third parties making payments on a student's behalf). To the extent that revenues from programs such as Pell Grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.
- ⁽²⁾ Consists of summer school tuition, fees charged by certain undergraduate and graduate school programs, student activity/recreation center fees, and certain other miscellaneous fees and charges not included in the tuition and registration fees columns. Miscellaneous fees include fees for admission applications, transcripts, graduation, late registration, course dropping, special fees for certain classroom activities, and non-credit courses and programs.
- ⁽³⁾ For a further breakdown of receipts from other major revenue sources, see the table titled "ARIZONA STATE UNIVERSITY – RECEIPTS FROM OTHER MAJOR REVENUE SOURCES – UNIVERSITY WIDE" in Appendix A.

Source: Arizona State University, Financial Services.

Outstanding Obligations Payable from Gross Revenues

System Revenue Bonds

Pursuant to the laws of the State and the provisions of the Bond Resolution, the Board is authorized to issue system revenue bonds and other obligations which are payable solely from and secured solely by a pledge of and lien on the Gross Revenues of the University. The Board has issued and may in the future issue system revenue bonds secured by a first (or senior) lien on Gross Revenues ("Parity Bonds") and other bonds and obligations secured by a subordinate lien on Gross Revenues ("Subordinate Obligations"). The Board currently has \$1,029,730,000 principal amount of Parity Bonds Outstanding and \$142,035,000 principal amount of Subordinate Obligations Outstanding. After the issuance of the Series 2016 Bonds, the Board will have \$1,255,960,000 principal amount of Parity Bonds Outstanding.

The following table sets forth the Outstanding Parity Bonds, including the effect of the issuance of the Series 2016 Bonds:

System Revenue Bonds	Original Principal Amount	Final Maturity Date	Outstanding Principal Amount
Series 2007B Bonds	\$ 76,260,000	7-1-2036	\$ 5,965,000
Series 2008 Refunding Bonds	103,680,000	7-1-2034	85,930,000
Series 2008C Bonds	104,100,000	7-1-2028	5,170,000
Series 2009 Bonds	36,250,000	7-1-2029	6,570,000
Series 2010 Bonds	178,350,000	7-1-2039	161,495,000
Second Series 2010 Bonds	51,890,000	7-1-2031	16,140,000
Series 2012 Bonds	213,370,000	7-1-2042	151,065,000
Series 2013 Bonds	110,950,000	7-1-2043	99,810,000
Series 2015 Bonds	362,260,000	7-1-2046	357,815,000
Series 2015D Bonds	102,665,000	7-1-2046	102,665,000
Series 2016A Bonds	37,105,000	7-1-2031	37,105,000
Subtotal			\$1,029,730,000
Plus: Series 2016 Bonds			226,230,000
Total Outstanding Principal Amount of Parity Bonds			<u>\$1,255,960,000</u>

Subordinate Obligations

The Board has also pledged the Gross Revenues of the University on a subordinate basis to secure various Subordinate Obligations.

In May 2006, the Board entered into a debt service assurance agreement (the “Debt Service Assurance Agreement”) relating to \$12,975,000 original principal amount of Arizona State University Research Park, Inc. Development Refunding Bonds, Series 2006 (referred to herein as the “2006 ASU Research Park Bonds”) of which \$5,200,000 remains Outstanding. Payments by the Board under the Debt Service Assurance Agreement, which are pledged to pay debt service on the 2006 ASU Research Park Bonds, constitute Subordinate Obligations.

The Board has issued, and may in the future issue, SPEED Revenue Bonds (Stimulus Plan for Economic and Educational Development) (the “SPEED Bonds”) secured by a pledge of and lien on certain revenues of the Arizona State Lottery that are received by the Board and from unrestricted monies of the University. To the extent that these amounts are insufficient to make the required debt service payments on the SPEED Bonds, such SPEED Bonds are further secured by a pledge of Gross Revenues of the University on a basis subordinate to the Parity Bonds. Accordingly, the SPEED Bonds constitute Subordinate Obligations.

The following table sets forth the Outstanding principal amount of Subordinate Obligations of the University.

Subordinate Obligations	Original Principal Amount	Final Maturity Date	Outstanding Principal Amount
Series 2006 ASU Research Park Bonds	\$12,975,000	7-1-2021	\$ 5,200,000
Series 2010 SPEED Bonds	33,820,000	8-1-2030	32,075,000
Series 2011 SPEED Bonds	30,915,000	8-1-2031	29,520,000
Series 2014 SPEED Bonds	77,620,000	8-1-2044	75,240,000
Total Principal Amount of Subordinate Obligations			<u>\$142,035,000</u>

ARIZONA STATE UNIVERSITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS FOR PARITY BONDS AND SUBORDINATE OBLIGATIONS ⁽¹⁾

Fiscal Year	Outstanding Parity Bonds Debt Service Requirements ⁽²⁾	Direct Payments ⁽³⁾	Series 2016 Bonds		Total Estimated Parity Bonds Debt Service Requirements	Outstanding Subordinate Obligations Debt Service Requirements ⁽⁵⁾	Direct Payments ⁽³⁾	Total Debt Service Requirements ⁽⁶⁾
			Principal	Interest ⁽⁴⁾				
2017	\$80,016,196	(\$3,379,952)	\$ 415,000	\$8,933,513	\$85,984,757	\$13,598,174	(\$533,707)	\$99,049,224
2018	78,771,708	(3,306,971)	3,130,000	11,193,350	89,788,087	13,599,014	(533,707)	102,853,394
2019	87,025,901	(3,226,045)	3,245,000	11,079,000	98,123,856	13,593,426	(533,707)	111,183,576
2020	87,713,321	(3,140,846)	3,400,000	10,938,000	98,910,475	13,597,126	(533,707)	111,973,894
2021	87,916,730	(3,050,298)	3,530,000	10,802,000	99,198,432	13,562,479	(498,970)	112,261,940
2022	88,976,159	(2,953,597)	5,030,000	10,625,500	101,678,062	12,344,669	(462,383)	113,560,348
2023	88,948,088	(2,851,102)	5,285,000	10,374,000	101,755,986	12,305,494	(421,284)	113,640,195
2024	88,893,470	(2,743,044)	5,555,000	10,109,750	101,815,176	12,269,919	(378,645)	113,706,450
2025	87,964,101	(2,629,091)	5,825,000	9,832,000	100,992,010	12,221,944	(334,467)	112,879,487
2026	86,786,318	(2,508,903)	6,115,000	9,540,750	99,933,165	12,171,319	(288,748)	111,815,736
2027	78,421,822	(2,373,842)	6,420,000	9,235,000	91,702,980	12,126,719	(235,461)	103,594,239
2028	72,173,288	(2,233,353)	6,745,000	8,914,000	85,598,935	12,062,781	(180,007)	97,481,709
2029	60,150,526	(2,087,217)	7,075,000	8,576,750	73,715,059	12,009,554	(122,387)	85,602,225
2030	59,070,926	(1,935,111)	7,435,000	8,223,000	72,793,815	11,947,456	(62,385)	84,678,886
2031	59,005,928	(1,776,924)	7,810,000	7,851,250	72,890,254	8,888,675		81,778,929
2032	58,135,523	(1,609,679)	8,190,000	7,460,750	72,176,594	6,169,250		78,345,844
2033	57,237,450	(1,435,594)	8,605,000	7,051,250	71,458,106	6,168,750		77,626,856
2034	56,299,618	(1,254,338)	9,045,000	6,621,000	70,711,280	6,165,750		76,877,030
2035	48,312,798	(1,065,691)	9,485,000	6,168,750	62,900,857	959,750		63,860,607
2036	40,383,394	(869,322)	9,955,000	5,694,500	55,163,572	955,250		56,118,822
2037	38,334,410	(664,899)	7,785,000	5,196,750	50,651,261	959,500		51,610,761
2038	38,126,140	(452,091)	8,170,000	4,807,500	50,651,549	957,000		51,608,549
2039	37,907,218	(230,569)	8,575,000	4,399,000	50,650,649	958,000		51,608,649
2040	26,794,700		9,010,000	3,970,250	39,774,950	957,250		40,732,200
2041	26,791,200		9,460,000	3,519,750	39,770,950	959,750		40,730,700
2042	26,800,450		9,930,000	3,046,750	39,777,200	955,250		40,732,450
2043	19,644,650		10,425,000	2,550,250	32,619,900	959,000		33,578,900
2044	15,446,500		10,950,000	2,029,000	28,425,500	955,500		29,381,000
2045	15,443,700		11,495,000	1,481,500	28,420,200			28,420,200
2046	15,445,300		12,075,000	906,750	28,427,050			28,427,050
2047			6,060,000	303,000	6,363,000			6,363,000

- (1) Figures may not total due to rounding.
- (2) Outstanding Bonds include the Series 2007B Bonds, the Series 2008 Refunding Bonds (which bear interest at a variable rate, assumed to be 4.00% annually for purposes hereof), the Series 2008C Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Second Series 2010 Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2015 Bonds, the Series 2015D Bonds and the Series 2016A Bonds.
- (3) Direct Payments represent subsidy payments expected to be received by the University from the federal government with respect to its Build America Bonds. Such amounts are not pledged towards the repayment of any Parity Bonds and Subordinate Obligations, however, the University currently intends to expend the Direct Payments on debt service payments on such obligations. In addition, the amount of Direct Payments are subject to any reductions in such amounts made by the federal government. For Fiscal Year 2016-17, Direct Payments expected to be received by the University will be reduced by 6.9% or approximately \$233,217 due to sequestration reductions imposed by the federal government. Direct Payments received by the University for Fiscal Years 2014-15 and 2015-16 were reduced by similar amounts in each year. Such reductions in Direct Payments to issuers of Build America Bonds are expected to continue.
- (4) The first Interest Payment Date on the Series 2016 Bonds is January 1, 2017.
- (5) Consists of \$5,200,000 outstanding principal amount of Arizona State University Research Park, Inc. Development Refunding Bonds, Series 2006 and \$136,835,000 outstanding principal amount of Arizona State University SPEED Revenue Bonds (Stimulus Plan for Economic and Educational Development) Series 2010, Series 2011 and Series 2014.
- (6) The Gross Revenues of the University for fiscal year 2015, the most recently completed fiscal year, are 12.43 times greater than the highest aggregate annual debt service on the Parity Bonds, including the Series 2016 Bonds, and 11.11 times greater than the highest aggregate annual debt service on all Parity Bonds and Subordinate Obligations, in both cases not taking into consideration the Direct Payments expected to be received.

Rate Covenant

Bond Resolution Covenant. The Board has covenanted in the Bond Resolution to fix, revise and collect tuition, registration, matriculation, health services, laboratory, and admission fees from students matriculated, registered or enrolled at or attending the University, and to fix, revise and collect all other fees, admissions, rentals and other charges received from students, faculty, staff members and others using or being served by the System of Building Facilities, in an aggregate amount so the Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year on the Series 2016 Bonds and any Parity Bonds, and sufficient at all times to continually operate and maintain the System of Building Facilities and to make the necessary deposits at the times and in the amounts specified in the Bond Resolution.

Debt Service Assurance Agreement and SPEED Bond Resolution Covenant. The Board has further covenanted in the Debt Service Assurance Agreement entered into in connection with the 2006 ASU Research Park Bonds and in the bond resolution for the Board's SPEED Revenue Bonds to fix, revise and collect Student Tuition and Fees Revenues and Facilities Revenues in an aggregate amount so that Gross Revenues of the University in any fiscal year will be at least equal to 100% of (i) the annual debt service due on all Outstanding Parity Bonds and the Subordinate Obligations in such fiscal year and (ii) the expense of operating and maintaining the System of Building Facilities.

Additional Parity Bonds

Bond Resolution Requirement. Pursuant to the Bond Resolution, the Board may issue additional Parity Bonds if the Gross Revenues of the University for the fiscal year preceding the issuance of such Parity Bonds are at least equal to 300% of Maximum Annual Debt Service on all Outstanding Parity Bonds and the Parity Bonds proposed to be issued.

Debt Service Assurance Agreement and SPEED Bond Resolution Requirement. In addition, pursuant to the Debt Service Assurance Agreement entered into in connection with the 2006 ASU Research Park Bonds and the bond resolution for the Board's SPEED Revenue Bonds, the Board may issue additional Parity Bonds on a basis senior to the Subordinate Obligations if: (i) no defaults exist and all payments and deposits have been made with respect to Outstanding Parity Bonds and Subordinate Obligations and (ii) the Gross Revenues of the University for the fiscal year preceding the issuance of any such Parity Bonds were at least equal to 200% of the Maximum Annual Debt Service on all Parity Bonds and Subordinate Obligations Outstanding, including the proposed Parity Bonds. The Board must also demonstrate that these tests have been met before it can issue additional Subordinate Obligations.

In addition, pursuant to State law, the Board has the power to issue bonds to acquire any project or projects, provided that: (i) as of the date of issuance of bonds for the benefit of any of the State's universities, projected debt service on the bonds and certificates of participation then outstanding and proposed to be issued by or for the benefit of such State university, as shown in each fiscal year in the most recent capital improvement plan for such university reported to and certified by the Board, may not exceed, in any fiscal year shown therein, more than eight percent (8%) of such university's total projected expenditures and mandatory transfers and (ii) the project to be acquired with the proceeds of the bonds is reviewed by the State Legislature's Joint Committee on Capital Review.

No Acceleration of Bonds

Under no circumstances is the payment of principal of or interest on the Bonds, including the Series 2016 Bonds, subject to acceleration upon the occurrence of an Event of Default described in the Bond Resolution.

FUTURE BORROWINGS

The Board, on behalf of the University, presently plans to issue approximately \$92 million in principal amount of Parity Bonds prior to the end of fiscal year 2018.

LITIGATION

On February 26, 2016, six former and two current University Police Department employees filed a civil lawsuit in Maricopa County Superior Court against the Board, nine current and former University Police Department employees, and two current University administrators. The plaintiffs allege, among their numerous claims, a conspiracy to deprive them of their constitutional rights, violation of their First and Second Amendment rights and retaliation, intentional infliction of emotional distress, falsification of records, and violation of the Federal Age Discrimination in Employment Act arising from alleged problems in the University Police Department. The plaintiffs did not file a notice of claim as required for their State law claims. On April 4, 2016, the matter was removed to the United States District Court for the District of Arizona. On July 21, 2016, the District Court dismissed all state law claims with prejudice. The Court also dismissed all federal law claims, with leave to amend. The University denies the allegations and will actively defend against any amended claims that may be filed. The University reasonably anticipates that any adverse determination against the University will be covered by State Risk Management.

On February 29, 2016, a current tenured faculty member, Deirdre Meldrum, filed a civil lawsuit in Maricopa County Superior Court against the Board and a number of current and former University administrators, alleging counts for declaratory relief, breach of contract, breach of the implied covenant of good faith and fair dealing, anticipatory breach of contract, specific performance, intentional and negligent misrepresentation, unjust enrichment, promissory estoppel and whistleblowing retaliation in violation of public policy. Her complaints stem from her concerns regarding funding and support for her research and changes in her title. In her underlying notice of claim, Dr. Meldrum asserts that she has been damaged in the amount of \$107 million and will seek recovery of her attorneys' fees and costs. The University denies the allegations and will actively defend the claims. On June 23, 2016, the Court denied Dr. Meldrum's motion for a preliminary injunction. The University reasonably believes that if there were an adverse determination, it would not have a material impact upon its financial condition.

In addition, the University is subject at any time to a variety of legal actions, some of which may be disclosed in the audited financial statements included in Appendix B and which collectively are not expected to have a material adverse effect on the University.

Concurrently with the delivery of the Series 2016 Bonds, General Counsel to the Arizona University System will render an opinion to the effect that there are no lawsuits pending or, to the best of such counsel's knowledge, threatened against the Board which question its right to adopt or comply with the provisions of the Board's resolution with respect to the Series 2016 Bonds or the validity or enforceability thereof or to consummate the transactions described therein or herein; nor are there lawsuits pending or, to the best of such counsel's knowledge, threatened against the Board which could reasonably be expected to be determined adversely to the Board and, if decided adversely to the Board, would, individually or in the aggregate, impair the Board's ability to comply with the requirements set forth in the Board's resolution with respect to the Series 2016 Bonds or have a material adverse effect upon the financial condition of the Board or the University.

TAX MATTERS

General

In the opinion of Ballard Spahr LLP, Phoenix, Arizona, Bond Counsel, interest on the Series 2016 Bonds is excludable from gross income for purposes of Federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2016 Bonds, assuming the accuracy of the certifications of the Board and the University and continuing compliance by the Board and the University with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2016 Bonds is not an item of tax preference for either individual or corporate Federal alternative minimum tax purposes; however, interest on the Series 2016 Bonds held by certain corporations (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to Federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on the Series 2016 Bonds is exempt from taxable income

for State of Arizona income tax purposes. Bond Counsel will express no opinion regarding any other tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds.

The Code sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds for the interest to be and remain excludable from gross income of the owners of the Series 2016 Bonds for Federal income tax purposes. The Board and the University have covenanted to comply with such requirements in the Bond Resolution and in a tax certificate delivered concurrently with the issuance and delivery of the Series 2016 Bonds. Noncompliance with such requirements may cause the interest on the Series 2016 Bonds to be includable in the gross income of the owners of the Series 2016 Bonds for Federal income tax purposes, retroactive to the date of issuance and delivery of the Series 2016 Bonds.

Original Issue Premium

The Series 2016 Bonds are being offered at a premium (“original issue premium”) over their principal amount and referred to herein as the “Premium Bonds”. For Federal income tax purposes, original issue premium on any of the Premium Bonds is amortizable periodically over the term of such Premium Bond through reductions in the owner’s tax basis for such Premium Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Owners should consult their tax advisors for an explanation of the amortization rules.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in state legislatures that, if enacted, could alter or amend the treatment of the Series 2016 Bonds for Federal and state tax purposes or adversely affect the market value or marketability of the Series 2016 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, from time to time regulatory actions are announced or proposed, and litigation is threatened or commenced, which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Series 2016 Bonds. It cannot be predicted whether any such regulatory action will be implemented, whether any particular litigation or judicial action will be commenced or, if commenced, how it will be resolved, or whether the Series 2016 Bonds or the market value or marketability thereof would be affected thereby. Purchasers of the Series 2016 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2016 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; purchasers of the Series 2016 Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See Appendix D hereto for the proposed Form of Approving Opinion of Bond Counsel.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as the Financial Advisor to the Board in connection with the issuance of the Series 2016 Bonds. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Series 2016 Bonds.

The Financial Advisor is engaged by the Board to, among other things, coordinate the preparation of the Official Statement, but is not obligated to undertake, and has not undertaken, an independent verification, and does not guarantee or assume responsibility for the accuracy, completeness, or fairness, of the information in this Official Statement.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the issuance of the Series 2016 Bonds are subject to the approving opinion of Ballard Spahr LLP, Bond Counsel. The proposed form of the opinion of Bond Counsel is set forth in Appendix D. Fees of Bond Counsel will be paid from Series 2016 Bond proceeds only upon issuance of the Series 2016 Bonds. Certain legal matters will be passed upon for the Board by the General Counsel for the Arizona University System and for the University by its General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2016 Bonds from the Board at a price of \$278,904,354.69 (representing the par amount of the Series 2016 Bonds less Underwriters' discount of \$479,890.91 plus original issue premium of \$53,154,245.60). The public offering prices may be changed from time to time by the Underwriters. The Underwriters may subsequently offer and sell the Series 2016 Bonds to dealers (including dealers depositing the Series 2016 Bonds into investment trusts) and others at prices lower than such initial public offering prices. The Underwriters will be obligated to purchase all of the Series 2016 Bonds if any are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Board and/or University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Board and/or University. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Series 2016 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2016 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016 Bonds with WFA. WFBNA also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2016 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Citigroup Global Markets Inc., an underwriter of the Series 2016 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of

UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Series 2016 Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

INDEPENDENT AUDITORS

The financial statements of the University as of June 30, 2015, and for its fiscal year then ended have been audited by the State Office of the Auditor General (the “Auditor General”), independent auditors, as indicated in its report thereon, and are included in Appendix B to this Official Statement. The University has advised the Auditor General of the inclusion of such audited financial statements, together with the Auditor General’s report thereon, in this Official Statement but has not requested or received the consent of the Auditor General to do so since such request and consent would have required the Auditor General to review all of the information contained herein. Therefore, the Auditor General has not reviewed this Official Statement, or performed any procedures with respect to the University’s audited financial statements subsequent to the date of its report thereon.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Financial Services LLC (“S&P”), have assigned the Series 2016 Bonds ratings of “Aa3” and “AA” respectively.

Such ratings reflect only the views of Moody’s and S&P, respectively. An explanation of the significance of such ratings may be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and S&P at 55 Water Street, New York, New York 10041. The ratings are not a recommendation to buy, sell or hold the Series 2016 Bonds, and there is no assurance that such ratings will continue for any given period of time or that either will not be revised downward or withdrawn entirely by either Moody’s or S&P, or both, if, in their judgment, circumstances so warrant.

The Board expects to furnish each rating agency with any information and materials it may request. The Board, however, assumes no obligation to furnish requested information or materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2016 Bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price or marketability of the Series 2016 Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The Board has undertaken for the benefit of the owners of the Series 2016 Bonds and to assist the Underwriters in complying with Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended, to provide certain financial information and operating data relating to the University from time to time pursuant to a Continuing Disclosure Undertaking in substantially the form set forth in Appendix E hereto.

ADDITIONAL INFORMATION

All of the summaries of the Series 2016 Bonds, the Bond Resolution, opinions, contracts, agreements, and other related documents described in this Official Statement are only brief descriptions of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is hereby made to the complete documents, copies of which are available as set forth under “INTRODUCTION” herein. Any statements

made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing.

The Board has approved and authorized the distribution of this Official Statement.

ARIZONA BOARD OF REGENTS

By: /s/ Joanne M. Wamsley
Vice President for Finance and Deputy Treasurer
Arizona State University

ARIZONA STATE UNIVERSITY

TABLE OF CONTENTS

	<u>Page</u>
ARIZONA STATE UNIVERSITY	A-1
General Description	A-1
Organization and Administration	A-1
Faculty and Staff	A-5
Colleges and Degrees	A-5
The Campuses	A-6
ASU Online	A-7
Research Park	A-7
Accreditation and Affiliations	A-7
Research at the University	A-8
Admission Policy	A-11
Student Enrollments	A-11
Degrees Conferred	A-13
FINANCIAL CONDITION OF THE UNIVERSITY	A-14
Introduction	A-14
Combined University and Component Units	A-14
Statement of Revenues, Expenses and Changes in Net Position	A-15
Tuition and Fees	A-18
State Budgeting and Appropriations Process	A-20
Gifts, Grants and Contracts	A-21
Gross Revenues	A-21
Receipts from Other Major Revenue Sources	A-22
Arizona State University Pension and Retirement Plans	A-23
Health Care Benefits for Retired Employees	A-24
Outstanding Indebtedness of the University	A-24
Component Units	A-28
Future Financing Transactions	A-28

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

ARIZONA STATE UNIVERSITY

General Description

The University (also referred to herein as “ASU”) is a fully-accredited, four-year degree-granting institution of higher learning, supported by the State and governed by the Board. Total enrollment for the 2015 fall semester was 91,357, which includes 20,019 students enrolled in ASU degree programs offered completely online, making the University the largest institution of higher learning in terms of enrollment in the State and ranking it among the largest of America’s institutions of higher learning. *U.S. News and World Report’s* 2016 college rankings named the University #1 in the list of Most Innovative Schools and their list of the Best Graduate Schools listed the University’s graduate programs among the best in the country including programs in the W.P. Carey School of Business, Mary Lou Fulton Teachers College, the College of Public Service and Community Solutions, Sandra Day O’Connor College of Law, Ira A. Fulton Schools of Engineering, the School of Earth and Space Exploration, the School of Art in the Herberger Institute of Arts, and the College of Nursing and Health Innovation. The Princeton Review ranked the University as one of the country’s top universities for undergraduate education in its 2016 edition of “The Best 380 Colleges” and the Fiske Guide to Colleges named the University as one of the best buy public colleges in the U.S., Canada and the United Kingdom for 2015. In 2015, the Academic Ranking of World Universities compiled by Shanghai Jiao Tong University included the University in the Top 100 world universities and top 50 U.S. universities and the Center for World University Rankings ranked the University in the top 100 in the world and top 55 in the U.S

The University was initially established in 1885 as the Arizona Territorial Normal School at Tempe, pursuant to the provisions of a bill passed by the 13th Arizona Territorial Legislature. The school was opened in a four-room building on February 8, 1886, with 33 students in the first class. As the State grew in population, the school’s original mission of training teachers steadily broadened and the institution passed through several changes in purpose and name. In 1945, it became Arizona State College at Tempe and was placed, along with the other two State public universities, under the authority of the Board. From an enrollment of less than 1,000 at the end of World War II, the University grew more than tenfold by November 1958, when the State electorate voted to change its name to Arizona State University. In 1994, the University was awarded the prestigious Research I University status, recognizing the University as a premier research institution. Pursuant to the 2000 Carnegie Classification, the University has been recognized as a Doctoral/Research-Extensive University.

Organization and Administration

The University is governed by the Board. The general administrative powers of the Board include the enactment of ordinances for the governance of the institutions under its control, the setting of tuitions and fees, the appointment and employment of university administrative officers and faculty members, and the establishment of curricula. The administrative offices of the University are responsible for its operation and maintenance in accordance with the rules and policies established by the Board. The following table lists the names of principal administrators of the University followed by brief resumes.

Name	Position
Michael M. Crow	President
Mark Searle	Executive Vice President and University Provost
Morgan R. Olsen	Executive Vice President, Treasurer and Chief Financial Officer
José A. Cárdenas	Senior Vice President and General Counsel
Daniel P. Dillon, Jr.	Senior Vice President for Enterprise Marketing and Chief Marketing Officer
James W. O’Brien	Senior Vice President for University Affairs and Chief of Staff, Office of the President
Sethuraman Panchanathan	Executive Vice President for Knowledge Enterprise Development

Name	Position
James A. Rund	Senior Vice President for Educational Outreach and Student Services
Richard H. Stanley	Senior Vice President and University Planner
Christine K. Wilkinson	Senior Vice President and Secretary of the University
Joanne M. Wamsley	Vice President for Finance and Deputy Treasurer

Dr. Michael M. Crow became the 16th president of the University on July 1, 2002. An academic leader and educator, designer of knowledge enterprises, and science and technology policy scholar, he is guiding the transformation of the University into one of the nation's leading public metropolitan research universities, an institution that combines the highest levels of academic excellence, inclusiveness to a broad demographic, and maximum societal impact—a model he terms the “New American University.” Under his direction the nation's youngest major research institution and one of the largest universities governed by a single administration pursues teaching, research, and creative excellence focused on the major challenges of our time, as well as those central to the quality of life, sustainable development, and economic competitiveness of Arizona and the nation. He has committed the University to academic enterprise, transdisciplinarity, sustainability, social embeddedness, and global engagement, and championed initiatives leading to record levels of diversity in the student body. Under his leadership, the University has established more than a dozen new transdisciplinary schools and large-scale research initiatives such as the Biodesign Institute; Global Institute of Sustainability (GIOS), incorporating the School of Sustainability (SOS); Complex Adaptive Systems Initiative (CASI); Flexible Display Center; LightWorks; and initiatives in the humanities and social sciences, including the Center for the Study of Religion and Conflict. During his tenure, the University has nearly tripled research expenditures, completed an unprecedented infrastructure expansion, and announced the eight largest gifts in the history of the institution, including three \$50 million gifts, endowing the W. P. Carey School of Business; Ira A. Fulton Schools of Engineering; and Mary Lou Fulton Teachers College. Prior to joining the University, Dr. Crow was executive vice provost of Columbia University, where he also was professor of science and technology policy in the School of International and Public Affairs. As chief strategist of Columbia's research enterprise, he led technology and innovation transfer operations, establishing Columbia Innovation Enterprises (renamed Science and Technology Ventures), the Columbia Strategic Initiative Program, and Columbia Digital Media Initiative, as well as advancing interdisciplinary program development. He played the lead role in the creation of and served as the founding director of the Earth Institute at Columbia University, and in 1998 founded the Center for Science, Policy, and Outcomes (CSPO) in Washington, D.C., a consortium of scholars and policymakers dedicated to linking science and technology to optimal social, economic, and environmental outcomes. In 2003, CSPO was reconstituted at the University as the Consortium for Science, Policy, and Outcomes, based in both Phoenix and Washington, DC. In national service, Dr. Crow has been an adviser to the U.S. Departments of State, Commerce, and Energy, and various defense and intelligence agencies on matters of science and technology policy related to intelligence and national security. A fellow of the National Academy of Public Administration, and member of the National Advisory Council on Innovation and Entrepreneurship and Council on Foreign Relations, he is the author of books and articles relating to the design and analysis of knowledge enterprises, technology transfer, sustainable development, and science and technology policy.

Dr. Mark Searle became Executive Vice President and University Provost in November, 2015 and holds the rank of Professor in the School of Community Resources and Development. Prior to this current administrative appointment, Dr. Searle served as Interim University Provost, Deputy Provost and Chief of Staff and Vice-President for Academic Personnel. He holds a Ph.D. from the University of Maryland. Earlier in his career at the University, Dr. Searle served as the Founding Dean of the College of Human Services and as Vice President and Provost of the University's West campus. Dr. Searle joined the University after an extensive career in Canada where he was the Founding Director of the multidisciplinary Health, Leisure, and Human Performance Research Institute and head of an academic program in Recreation Studies at the University of Manitoba. Prior to his University appointment, Dr. Searle served in various management positions within municipal and provincial government. The Provincial Government of Manitoba, the National Therapeutic Recreation Society and the University of Manitoba have honored Dr. Searle for his achievements. He has been elected as a fellow of the Academy of Leisure Sciences and the Academy for Park and Recreation Administration. Dr. Searle is published on the relationship between leisure behavior and the psychological well-being of older adults.

Dr. Morgan R. Olsen became the Executive Vice President, Treasurer and Chief Financial Officer of the University in November 2008. He came to the University from Purdue University, where he served as Executive Vice President and Treasurer. Before he joined Purdue University, Dr. Olsen served as the business and financial vice president at three other higher education institutions, Southern Methodist University, Eastern Illinois University and Emporia State University (Kansas). His responsibilities at the University include treasury and financial functions, internal audit, capital projects, real estate, facility operations, business services, human resources, environmental health and safety, ASU Police and auxiliary services. He also serves on the ASU Foundation Board and holds an appointment as Professor of Practice in the Mary Lou Fulton Teachers College. He has over three decades of experience in higher education, and holds several leadership positions. He is chairman of the board of directors of the United Educators insurance company, and is a past chair of the board of directors for the National Association of College and University Business Officers. He is also a past president of the Central Association of College and University Business Officers. Dr. Olsen earned a bachelor's degree, summa cum laude, and a master's degree in public administration from the University of North Dakota, where he was inducted into Phi Beta Kappa, and holds a Ph.D. in higher education from the University of Kansas. He served as acting executive budget analyst for the North Dakota Office of Management and Budget before entering university administration in 1985.

Mr. José A. Cárdenas was named Senior Vice President and General Counsel effective January 2009. In addition to serving as chief legal officer of the University, he is responsible for management of University Athletics Compliance and serves as a University representative on and to the boards of directors of the University affiliated and related entities such as the ASU Foundation, the Sun Angel Foundation, and the ASU Alumni Association. Mr. Cárdenas also advances and supports the public service and outreach mission of the University by participating in community organizations, representing the University in the business community and before local, regional and state constituencies. Mr. Cárdenas received his Bachelor of Arts from the University of Nevada at Las Vegas in 1974. In 1977, he graduated from Stanford University Law School, where he served as an articles editor on the Stanford Law Review. He joined Lewis and Roca in 1978, following a one-year federal district court clerkship. After becoming a partner in the firm in 1982, Mr. Cárdenas served in numerous management roles, including as the firm's managing partner (CEO) from 1999 to 2003, at which point he was named the firm's first chairman. Mr. Cárdenas has an AV ("Preeminent Attorney") rating from Martindale-Hubbell. He is listed in the 2007, 2008 and 2009 editions of Southwest Super Lawyers in the business litigation category, and in the 2009 edition of The Best Lawyers in America®, by Woodward/White, Aiken, S.C. in the category of commercial litigation. In 1995, he was elected to membership in the prestigious American Law Institute, and he is a member of The Fellows of the American Bar Foundation. Mr. Cárdenas has also been recognized for his many community activities including his selection in 2000 as the recipient of the Mexican government's Ohtli award given to U.S. residents of Mexican descent in recognition of their service to Mexican communities in the United States. He has been admitted to practice law in Arizona, California, the Ninth Circuit Court of Appeals, and the United States Supreme Court. In addition, he is a member of various bar associations including the Hispanic National Bar Association. He has been a member of Los Abogados Hispanic Bar Association since 1978, having served for many years on its board of directors and as president from 1985 to 1988.

Mr. Daniel P. Dillon, Jr. was appointed Senior Vice President for Enterprise Marketing and Chief Marketing Officer in September 2013. In this role, he is responsible for branding and marketing activities across the University. Mr. Dillon is a seasoned executive with more than 25 years in domestic and global general management roles in both the consumer packaged goods and restaurant industries. He has worked for well-known companies including General Mills, Keebler, Nabisco, Heinz, Con Agra, and the Coca Cola Company. Prior to joining the University, Mr. Dillon served as Chief Marketing Officer for Outback Steakhouse, and most recently as Executive Vice President, Chief Branding Officer for Ruby Tuesday, Inc. He received a Bachelor of Arts from St. Anselm College and an MBA from Bentley College.

Mr. James O'Brien became the Senior Vice President for University Affairs and Chief of Staff for the Office of the President in April 2013. He is responsible for implementing complicated strategic and tactical objectives of the Office of the President. He also works across the institution to identify, facilitate and coordinate opportunities and initiatives which involve multiple units within the institution and affiliates. This includes advancing opportunities and initiatives with University public affairs, State and federal policy affairs, global engagement, corporate relations, and University athletics. Prior to his role as Senior Vice President, Mr. O'Brien was the Vice President and Chief of Staff (2008-2013) and Senior Advisor to the President and Chief of Staff (2003-2008). He joined the University in July 2003 after working as corporate counsel to several publicly traded

and private companies as well as working in public affairs at the State and federal levels. He received a Bachelor of Arts from Iowa State University and Juris Doctor from Drake University.

Dr. Sethuraman Panchanathan was appointed Executive Vice President for Knowledge Enterprise Development for Advancing Research, Entrepreneurship and Economic Development in October 2011 and promoted to Executive Vice President in February 2016. Dr. Panchanathan was the founding director of the School of Computing and Informatics and was instrumental in founding the Biomedical Informatics Department at the University. He also served as the chair of the Computer Science and Engineering Department. He founded the Center for Cognitive Ubiquitous Computing (CUBiC) at the University. CUBiC's flagship project iCARE, for individuals who are blind and visually impaired, won the Governor's Innovator of the Year-Academia Award in November 2004. In 2014, Dr. Panchanathan was appointed by President Barack Obama to the U.S. National Science Board (NSB). He has also been appointed by U.S. Secretary of Commerce Penny Pritzker to the National Advisory Council on Innovation and Entrepreneurship (NACIE). Dr. Panchanathan is a Fellow of the National Academy of Inventors (NAI), and a Fellow of the Canadian Academy of Engineering. He is also the Fellow of the Institute of Electrical and Electronics Engineers (IEEE), and the Society of Optical Engineering (SPIE). He is currently serving as the Chair-Elect in the Council on Research (CoR) within the Association of Public and Land-grant Universities (APLU). Dr. Panchanathan was the editor-in-chief of the IEEE Multimedia Magazine and is also an editor/associate editor of many other journals and transactions. His research interests are in the areas of human-centered multimedia computing, haptic user interfaces, person-centered tools and ubiquitous computing technologies for enhancing the quality of life for individuals with disabilities, machine learning for multimedia applications, medical image processing, and media processor designs. Dr. Panchanathan has published over 425 papers in refereed journals and conferences and has mentored over 100 graduate students, post-docs, research engineers and research scientists who occupy leading positions in academia and industry. He has been a chair of many conferences, program committee member of numerous conferences, organizer of special sessions in several conferences and an invited speaker, panel member in conferences, universities and industry.

Dr. James A. Rund is the Senior Vice President for Educational Outreach and Student Services at the University. His responsibilities include oversight of student services for all University campuses and locations and university outreach efforts including educational partnerships. Dr. Rund has served in various administrative capacities at the University including Dean of Student Development, Associate Vice President for Student Affairs, and Vice President for University Undergraduate Initiatives, and Interim Dean and Director of the Mary Lou Fulton Institute and Graduate School of Education. He is an associate professor in Higher Education, Division of Educational Leadership and Innovation in the Mary Lou Fulton Teachers College at the University. Dr. Rund holds his Doctor of Education in Higher and Adult Education from the University, a Master of Science in Counseling and Student Personnel Services from North Dakota State University, and a Bachelor of Arts in English from Moorhead State University.

Mr. Richard H. Stanley was appointed as Senior Vice President and University Planner in February 2004. In this position, working with the existing academic and administrative units, he coordinates the interaction of program, facility, and financial planning activities across the University's campuses and locations. The focus of the work is medium-term and long-term planning to implement the vision of the New American University. He is a member of the University's Executive Committee and one of the five members of the University Budget Committee which coordinates budget planning for the University. Prior to joining the University, Mr. Stanley spent 24 years at New York University ("NYU"), most recently as Executive Vice Provost. During his tenure at NYU he had planning responsibilities in the areas of space and facilities, academic budgeting, enrollment management, and faculty resources and support. He also had operational responsibility for admissions and financial aid and for information technology services. Earlier in his career, he held positions in internal auditing and in the publishing industry. Mr. Stanley earned a Bachelor of Arts degree in Economics from Yale University.

Dr. Christine K. Wilkinson was appointed Senior Vice President and Secretary of the University in 2002 and is the first person to hold this title. She also holds the position of President of the ASU Alumni Association. Prior to these appointments she served as the Vice President for Student Affairs for 13 years. Among her other administrative assignments, Dr. Wilkinson has served as the University's interim athletic director on three separate occasions. She is a tenured faculty member in the Division of Educational Leadership & Innovation, Mary Lou Fulton Teachers College. Dr. Wilkinson's current involvement in the community includes serving on the Community Advisory Council for Wells Fargo Bank, Valley of the Sun United Way Board, as board chair for Big Brothers Big Sisters of Central Arizona, and also serves the Arizona Educational Foundation Advisory Board, and

the Governance Committee for the Southwest Autism Research and Resource Center. In addition, she is a member of the Arizona Business Leadership Association, Arizona Women's Forum, ASU Women & Philanthropy, and East Valley Women. She has been selected 2015 Who's Who in Business by the Arizona Republic, 2014 Tempe Business Woman of the Year by the Tempe Chamber of Commerce, the CASE Crystal Apple Award, and received additional community awards for leadership and service. Her educational background includes: Bachelor of Arts in Education with distinction from the University, a Master of Arts in Education, Counseling Psychology from the University of California at Berkeley, and a Doctor of Philosophy in Higher Education Administration from the University.

Ms. Joanne M. Wamsley is the Vice President for Finance and Deputy Treasurer. Serving as the University's chief accounting officer, she directs the Financial Services office, which is responsible for the accounting operations of the University, including issuance of the audit financial report, maintenance of accounting records, and establishing a comprehensive set of controls designed to mitigate risk and ensure compliance with generally accepted accounting principles. Financial Services is also responsible for treasury and investment management, capital finance, plant funds, capital asset management, student business services, tax compliance, administrative information systems support, and operational areas including accounts payable, travel and payroll. Ms. Wamsley earned a bachelor's degree in economics and accounting, as well as an MBA, from the University. She began her professional career in Denver, Colorado with KPMG, formerly Peat, Marwick, Mitchell & Co., prior to joining the Arizona State University Financial Services office in 1983. Since that time she has held progressively more responsible leadership positions within Financial Services. Ms. Wamsley is a certified public accountant, certified government financial manager, and chartered global management accountant. She is a member of the American Institute of Certified Public Accountants, the Arizona Society of Certified Public Accountants and the Association of Government Accountants.

Faculty and Staff

The full-time benefit-eligible faculty of the University totaled 3,302 during the fall semester 2015, of which 58% were tenured/ tenure-track, and part-time benefit-eligible faculty totaled 107. Approximately 6,927 benefit-eligible persons were employed on a full-time basis in a wide variety of staff support positions and 202 benefit-eligible part-time and temporary staff were employed.

Colleges and Degrees

The University is home to more than 600 accredited undergraduate and graduate degree options across all campuses led by expert faculty and highly ranked colleges and schools. Each distinctive academic program exemplifies the hallmark of ASU: an exceptional education inspired by vision, scholarship and creativity. The University is organized into 17 Colleges, Schools and Institutes that operate various programs on all or some of the University's campuses, as shown below:

1. Business, W. P. Carey School of
2. Design and the Arts, Herberger Institute for
3. Teachers College, Mary Lou Fulton
4. Engineering, Ira A. Fulton Schools of
5. Future of Innovation in Society, School of the
6. Health Solutions, College of
7. Honors-Barrett, The Honors College
8. Integrative Sciences and Arts, College of
9. Interdisciplinary Arts and Sciences, New College of
10. Journalism and Mass Communication, Walter Cronkite School of
11. Law, Sandra Day O'Connor College of
12. Liberal Arts and Sciences, College of
13. Nursing and Health Innovation, College of
14. Public Service and Community Solutions, College of
15. Sustainability, School of

16. Thunderbird School of Global Management
17. University College

A more detailed description of the colleges and schools can be found on the ASU website at <http://www.asu.edu/>. A list of undergraduate and graduate degree programs and certificates may be found at <http://www.asu.edu/programs/>.

The Campuses

Arizona State University at the Tempe campus: Arizona State University at the Tempe campus, located in Tempe, Arizona (the “Tempe campus”) is the University’s largest campus by size and enrollment. The Tempe campus lies within the City of Tempe, Arizona, a city with an estimated 2015 population of 172,021 that comprises a part of the greater Phoenix metropolitan area. This metropolitan area is the State’s major economic, political and population center, with an estimated 2015 population of 4,076,438. The campus encompasses 700 acres and offers outstanding physical facilities to support the University’s educational programs. Buildings are modern and attractively designed, providing almost 16.8 million gross square feet of space. Broad pedestrian malls laid out in an easy-to-follow grid plan and spacious lawns and sub-tropical landscaping serve the physical, aesthetic, and educational needs of students, faculty, and staff. University students, scholars and partners operate in a rich new educational environment – one that is interdisciplinary, creative and hyper-connected to community trends and needs. The University has created new kinds of university spaces that promote academic partnerships with the community, industry and government, which enables the University to contribute in addressing the economic, social and cultural challenges facing society. The campus is also home to world class fine art venues including Grady Gammage Auditorium. This hall, with a seating capacity of approximately 3,000, was designed by Frank Lloyd Wright and named for the late University President Grady Gammage. The University is committed to sustainability and since 2007, the Tempe campus has received two Platinum, eight Gold and three Silver LEED (Leadership and Energy and Environmental Design) certifications for newly constructed facilities from the U.S. Green Building Council.

Arizona State University at the West campus: Arizona State University at the West campus (the “West campus”) was established in 1984 to serve the educational needs of residents in western Maricopa County, Arizona. Located on 300 acres in northwest Phoenix, the comprehensive campus offers degrees in undergraduate, graduate and doctoral programs with a broad spectrum of professional and academic programs that share a liberal arts foundation and an interdisciplinary emphasis. Students can choose degree opportunities in high-demand areas such as applied computing, natural sciences and teacher education and each year academic program offerings expand to meet increased work force and marketplace demands. Construction of the West campus began in 1986 with the core campus being completed in 1991. In 2008, the campus was designated a Phoenix “Point of Pride,” and in 2013 the living learning community was expanded with the completion of the Verde Dining Pavilion which received a LEED-Gold certification, the new student housing community of Casa de Oro, and the new Sun Devil Fitness Complex which received a LEED-Gold certification.

Arizona State University at the Polytechnic campus: Arizona State University at the Polytechnic campus (the “Polytechnic campus”) was created in 1994 to meet the growing demand in the State for additional university-level educational opportunities. The Polytechnic campus is home to programs in aviation, business, education, engineering, math, science and technology, complemented by arts, humanities and social sciences curricula. Students can earn ASU bachelor’s, master’s and doctoral degrees, in an environment characterized by intimate class sizes, an integrated curriculum and accessible faculty. The degrees incorporate practical and theoretical exercises throughout the programs. The Polytechnic campus has state-of-the-art facilities such as the Laboratory for Algae Research and Biotechnology where researchers are converting algae into biofuels, food supplements, and using algae in wastewater and air emission remediation. The Polytechnic campus is located on approximately 600 acres at the former Williams Air Force Base in southeast Mesa and has 86 buildings in use for academic programs and student services. Three buildings received LEED-Gold certification and one LEED-Silver; and in 2012, the American Society of Landscape Architects named the New Academic Complex an Honor Award winner. In 2013, the living learning community was expanded with the completion of the new Citrus Dining Pavilion, the new residence building, Century Hall and the new Sun Devil Fitness complex which received LEED-Gold certification in 2014.

Arizona State University at the Downtown Phoenix campus: In partnership with the City of Phoenix, the University opened this fourth campus in the heart of downtown Phoenix, Arizona in August 2006 (the “Downtown campus”). The Downtown campus provides an academically rigorous university experience that integrates academic, public, private and residential development in a diverse and dynamic living/learning environment for students. To support academic programs at the Downtown campus, the City of Phoenix financed construction of the Walter Cronkite School of Journalism and Mass Communication facility, which opened in fall 2008, and the College of Nursing & Health Innovations Building 2, which opened in fall 2009, providing new state-of-the-art buildings that house classrooms, research labs and student facilities. The Nursing and Health Innovations Building 2 and Arizona Biomedical Collaborative buildings have received LEED-Gold certification, and the Cronkite Building the LEED-Silver certification from the U.S. Green Building Council. In July 2010, the Cronkite School facility was awarded the International Architecture Award by The Chicago Athenaeum: Museum of Architecture, an award conferred on the world’s most significant new buildings.

Thunderbird School of Global Management, offers masters programs with a focus on global management, in addition to a large international executive education program and, beginning fall 2015, undergraduate programs. The Thunderbird School of Global Management was acquired by the University in December, 2014. Thunderbird, located on approximately 150 acres in Glendale, Arizona (“Thunderbird campus”), not far from the University’s West campus, was founded in 1946 and enjoys a reputation for excellence and leadership. The integration of Thunderbird with the University as of spring 2015 creates new opportunities for University students and will provide a platform for showcasing the University’s strengths to a new set of partners around the world.

Arizona State University Colleges at Lake Havasu City (the “Lake Havasu College”) opened in the fall of 2012 in Lake Havasu City, Arizona. Designed to meet the demand for lower-cost higher education in Arizona, and to broaden the availability of an ASU education to geographically diverse students, the Lake Havasu College focuses exclusively on instruction in high-demand undergraduate degrees with lower tuition than at traditional research universities. Infrastructure for the Lake Havasu College was provided by the University’s partners in this endeavor, Lake Havasu City, the Lake Havasu Unified School District, and the Lake Havasu Foundation for Higher Education.

ASU Online

ASU Online is headquartered at ASU’s SkySong campus in Scottsdale, Arizona and offers more than 100 undergraduate and graduate degree programs entirely online. The online programs hold the same accreditation as the University’s traditional programs. EdPlus, created in 2014, seeks to expand on the success of ASU Online to develop innovative programs that enrich the learning experience across all modalities. In 2016, *U.S. News and World Report* ranked the University first in the U.S. for innovation, eleventh in the nation for best online bachelor’s degree programs, second in the nation for online graduate programs in criminal justice, third in the nation for online graduate programs in business, twelfth in the nation for online graduate programs in engineering, and tenth in the nation for online bachelor’s programs for veterans.

Research Park

Arizona State University Research Park, Inc. (formerly known as Price-Elliott Research Park, Inc.), an independent nonprofit corporation and a financially-interrelated organization of the University, was formed in 1984 to develop a research park (the “Research Park”) on University-owned property consisting of approximately 324 (gross) acres southeast of the Tempe campus. The Research Park currently has ground leases in effect for 211 acres of the Research Park’s total net leasable 237 acres, with 26 acres remaining available for lease. The Research Park’s mission is to enhance the State’s technology-based economic development, and to build the University’s capacity to educate and advance knowledge.

Accreditation and Affiliations

The University is accredited by the North Central Association of Colleges and Secondary Schools. Programs in the University’s various colleges, schools, divisions and departments are accredited by or affiliated with appropriate national bodies. The University is a member of the National Association of State Universities and Land Grant Colleges, and is affiliated with the American Council on Education and other international, national and regional associations.

Research at the University

During fiscal year 2015, total research expenditures reported to the National Science Foundation's Higher Education Research and Development (HERD) Survey reached a record \$450 million. In fiscal year 2015, the University submitted more than \$1.64 billion in proposals and received more than \$331 million in awards. In fiscal year 2016, the University submitted more than \$1.83 billion in proposals and received more than \$386.8 million in awards.

The University continues to be ranked among the top U.S. universities for total research expenditures in the most recent National Science Foundation Higher Education Research and Development survey, including:

- 3rd in transdisciplinary and other sciences
- 5th in earth sciences
- 6th in social sciences
- 10th in bioengineering
- 18th in humanities
- 10th overall among institutions without a medical school

Additionally, the University ranks 9th among U.S. universities in total research expenditures funded by the U.S. Department of Health and Human Services (including the National Institutes of Health), 11th in NASA-funded expenditures, and 34th for expenditures funded by the U.S. Department of Defense.

The University is one of the fastest growing research enterprises among U.S. universities, built on the principles of conducting transdisciplinary, use-inspired, and socially embedded research. In 2016, the University was voted the #1 most innovative school in the country by a poll of university administrators nation-wide.

The Biodesign Institute

The Biodesign Institute at ASU (the "Biodesign Institute") is the State's largest research infrastructure investment in biosciences, and reflects a significant expansion of the University's state-of-the-art research capacity. The University's efforts are designed to feed into and harmonize with the statewide, Arizona's Bioscience Roadmap, initiative to focused on building a robust bioscience economy in Arizona. The Biodesign Institute is grounded on the premise that scientists can solve complex problems by emulating nature's design rules. Researchers at the Biodesign Institute combine expertise in the biosciences, engineering and computing to spur scientific breakthroughs designed to improve health, protect lives and sustain our planet.

The 350,000 square-foot Biodesign Institute facility was named 2006 Lab of the Year by R&D Magazine in an international competition and, in 2007, received Arizona's first platinum-level LEED certification from the U.S. Green Building Council for environmental excellence. The Biodesign Institute plays a vital role in the University's educational program as a training ground for undergraduate and graduate students and the Biodesign Institute's tenured research faculty includes one Nobel Laureate and three National Academy members. The annual direct economic impact of the Biodesign Institute is the highest for any single bioscience research institute in the State, according to a 2014 report by the Siedman Research Institute. Annually, the Biodesign Institute's operations have contributed an average of \$135.5 million in direct impacts on Arizona's economy, and in total have created and supported more than 1,600 higher-paying jobs and generated \$10.5 million in State and local tax revenues.

Since inception in fiscal year 2003, the Biodesign Institute has:

- generated extramural research funding of more than \$500 million, including \$27 million in fiscal year 2016;
- won Arizona's Excellence in Economic Development, contributed \$1.5 billion to the State's economy in its first decade and supported more than 1,600 jobs annually;
- filed more than 550 invention disclosures via Arizona Technology Enterprises, with more than 50 new patents issued to date; and
- founded 15 spinoff companies including NanoBiomics, Arizona Engineered Therapeutics, HealthTell, TF Health, Inc. and Agilent AFM.

Notable research achievements in the past fiscal year include:

- developing a rapid, low cost (<\$1) paper-based diagnostic for Zika virus;
- partnering with Banner Health to find answers to Alzheimer's disease and other neurodegenerative diseases;
- developing a new generation of blood-based diagnostic tests to address unmet needs in breast cancer detection;
- creating a paradigm-shifting change in the treatment of wastewater which removes and disposes of contaminants
- gained new insights into cancer by deciphering a key ingredient in the cancer-fighting ability of elephants from multiple copies of a cancer-suppressing gene; and
- pioneering new techniques and instrumentation for x-ray crystallography to better understand protein complexes involved in photosynthesis for renewable energy and biochemical targets for drug discovery.

The Julie Ann Wrigley Global Institute of Sustainability

The Julie Ann Wrigley Global Institute of Sustainability (the "ASU Wrigley Institute") (formerly the Global Institute of Sustainability) was created to address global and regional ecological, economic and societal issues in an effort to ensure that humans maintain a sustainable quality of life on earth. The ASU Wrigley Institute promotes sustainability focused research, builds global partnerships, helps public decision-makers with sustainability challenges, prioritizes University-wide efforts toward sustainable practices, and manages a comprehensive School of Sustainability.

The ASU Wrigley Institute was launched in 2004 with a \$15 million gift from Julie A. Wrigley, president and chief executive officer of Wrigley Investments LLC, member of the ASU Foundation Board of Directors, and co-chair of the Board of Directors for Sustainability at ASU. A subsequent commitment of \$10 million by Ms. Wrigley supports four distinguished scholars and practitioners, the "Wrigley Chairs." A \$25 million contribution by Ms. Wrigley in 2014 led the University to rename the Institute in her honor. In 2008 Brian Swette, former Chairman of Burger King, Inc., committed \$10 million to conduct research on renewable fuels. Mr. Swette also serves on the Board of Directors for Sustainability at ASU. In 2012, the Rob and Melani Walton Fund of the Walton Family Foundation invested \$27.5 million in the ASU Wrigley Institute, launching the Walton Sustainability Solutions Initiatives. This grant is enabling the Institute to implement eight new sustainability programs over five years. Mr. Walton is a co-chair of ASU's Board of Directors for Sustainability.

The Institute works with numerous research centers, institutes and academic departments at the University and in partnership with leading academic institutions around the world, including Stanford University, Michigan State University, University of California at Berkeley, Universidad Nacional Autonoma de Mexico, City University of Hong Kong, Leuphana University (Germany), Lund University (Sweden), and the University of Tokyo.

The ASU Wrigley Institute regularly receives grants, contracts and fees from public and private organizations to help them meet their sustainability goals. Global industrial partners include Henkel, Intel, Disney, TUV Rheinland and Walmart. Governmental partners or sponsors include the World Bank, U.S. Environmental Protection Agency, National Oceanic and Atmospheric Administration, U.S. Department of Energy, National Science Foundation, NASA and the U.S. Agency for International Development. In addition, the ASU Wrigley Institute works with cities locally and internationally from Phoenix, Mesa and Tempe to the Municipality of Haarlemmermeer, Netherlands, and Tbilisi, Georgia.

Decision Theater Network

The Decision Theater Network ("DTN") actively engages researchers from disciplines across the University and leaders to visualize solutions to complex problems. DTN provides the latest expertise in collaborative computing and display technologies for data visualization, modeling and simulation. The DTN addresses cross-disciplinary local, national and international issues by drawing on the University's diverse academic and research capabilities.

The DTN facility in Tempe, Arizona houses 260-degree faceted screens, accommodates up to 25 people, and provides a set of tools for science-based analysis. In this environment policy-makers are able to visualize alternate future scenarios based on scientific data, collaborate more effectively and make policy decisions in new ways. DTN was initially funded by a \$3 million gift from Ira A. Fulton, an Arizona businessman and the University's largest individual financial donor.

In 2013, the University launched a second decision theater at the McCain Institute for International Leadership in Washington, D.C. This node of the DTN acts as a gateway between the University and policy makers at the national and international level.

The DTN's current areas of focus include health solutions, education, sustainability, entrepreneurship and innovation, and security and defense. These challenge areas were chosen because they cross-cut many traditional focus areas of the University and needs of outside organizations.

The DTN facilitates rapid, cross-disciplinary collaboration by providing venues and access to tools and expertise at multiple connected locations. In its current form, decision makers can convene at the McCain Institute location while interfacing with expertise at the University's Tempe campus.

Flexible Electronics and Display Center

The Flexible Electronics and Display Center at ASU ("FEDC") is a partnership in which academia, industry, and government collaborate on technology development, innovation and integration to create a new generation of displays with multifunctional electronics that will be flexible, lightweight, low power, and rugged. These displays are expected to usher in a new era of real-time information sharing through applications in portable human-borne devices, displays for vehicles, and permanent or temporary conferencing and command/control rooms.

The mission of the FEDC is to accelerate the commercialization of revolutionary, high-functionality flexible display and electronics technologies through execution of a strategic plan that simultaneously advances display technology in the dimensions of form, resolution and degree of flexibility, with additional functionality including portable power, sensors and wireless communications, and develops the manufacturing toolsets and processes to fabricate high-quality, advanced-technology demonstration models. Full integration of an education and training dimension positions the FEDC to provide industry with engineers and scientists skilled in emerging technology development.

The FEDC was formed through a \$100 million, 10-year cooperative agreement with the United States Army Research Laboratory. Industrial partners invest in the FEDC to support development projects and collaborate directly with the FEDC and its partners.

Since being established, FEDC has achieved manufacturing the world's largest flexible x-ray detector prototype, measuring 7.9 diagonal inches. They also produced the largest flexible color organic light emitting display using advanced mixed oxide thin film transistors. This display measures 14.7 diagonal inches. In December 2013, CNN lauded work at the FEDC on its list of "The CNN 10: Ideas." In 2014, FEDC designed and delivered a 10.2-inch flexible X-ray detector, the first of its kind, to the Defense Threat Reduction Agency. The center also demonstrated a flexible optical heart rate monitor and a wearable flexible light emitter with potential application for drug-free, non-invasive treatment of chronic diseases.

LightWorks

LightWorks brings together the University's energy activities and broad sustainability strengths to tackle complex energy problems. LightWorks is a unique strategic framework within the ASU Wrigley Institute centered on an innovative photon-driven economy approach for the future. Capabilities range from basic research on biofuels and new materials discovery for photovoltaics to the applied developments of complex algorithms coupling weather forecasts with electrical grid distributions.

The LightWorks' research portfolio reflects partnerships across the University and with industry partners nationally and internationally. New partnerships and funding from the past fiscal year include:

- The NEPTUNE project has been funded for \$1.5 million for two years from the U.S. Navy. For the project, the University is creating a veteran engagement program and leading research projects on microgrids, optical sensors, wind forecasting, resilient infrastructure, energy informatics and cybersecurity.
- PCASE, the Partnership Center for Advanced Studies in Energy, has been funded for \$18 million over five years from the U.S. Agency for International Development and is a partnership led by the University with Pakistan's National University of Science and Technology in Islamabad and the University of Engineering and Technology-Peshawar. Together the universities will improve Pakistan's energy industry and education.
- MEX-USA Binational Laboratory on Smart Sustainable Energy Management and Technology Training has been funded for \$18.5 million over four years from Mexico's Council for Science and Technology and the Ministry of Energy through their joint Energy Sustainability Fund.

Admission Policy

Undergraduate Admissions:

Residents of the State may be admitted to the University as freshmen if they:

- rank in the top quarter of their graduation class from a recognized State high school, or
- have a cumulative grade point average of 3.0 or higher, or
- score 22 on the composite of the American College Testing Program ("ACT")**, or
- score 1040 on the Scholastic Aptitude Test ("SAT")**, and
- meet the basic academic competency requirements in high school of four years of English, four years of mathematics, two years of social sciences, one year in each of three laboratory sciences, two years of the same foreign language, and one year of fine arts.

Out-of-state residents may be admitted as freshmen to the University if they meet the following:

- rank in the top quarter of their graduation class from a recognized high school, or
- have a cumulative grade point average of 3.0 or higher, or
- score 24 on the composite of the ACT**, or
- score 1110 on the SAT**, and
- meet the basic academic competency requirements in high school listed above.

** The University does not require the writing portion of these tests.

Student Enrollments

The following tables set forth the fall semester enrollment for the past five years at the University:

Arizona State University Student Enrollment ⁽¹⁾ Total Headcount University Wide

Fall Semester	Undergraduate Students	Graduate Students	Total Student Enrollments
2011	58,404	13,850	72,254
2012	59,382	13,996	73,378
2013	62,089	14,682	76,771
2014	67,507	15,794	83,301
2015	74,146	17,211	91,357

⁽¹⁾ Fall semester 2011 through 2015 student enrollment includes 5,094 students, 7,444 students, 9,959 students, 13,750 students and 20,019 students, respectively, enrolled in degree programs offered completely online.

Source: Arizona State University Office of Institutional Analysis.

**Arizona State University
Student Enrollment
Full Time Equivalent (FTE) ⁽¹⁾
University Wide**

Fall Semester	Undergraduate Students	Graduate Students	Total Student Enrollments (FTE)
2011	60,223	12,335	72,558
2012	60,819	12,243	73,062
2013	63,529	12,847	76,376
2014	67,649	13,605	81,254
2015	73,790	14,952	88,742

- ⁽¹⁾ Fall semester 2011 through 2015 full time equivalent enrollment includes 3,931 students, 5,387 students, 7,018 students, 9,025 students and 13,761 students, respectively, enrolled in degree programs offered completely online.

Source: Arizona State University Office of Institutional Analysis.

The following tables set forth the University wide undergraduate (freshman and transfer) and graduate new student application, admission and enrollment figures:

**Arizona State University
First Time Freshman Applications, Admissions and Enrollments
University Wide**

Fall Semester	Applications	Admissions	Enrollments
2011 ⁽¹⁾	37,225	26,425	9,254
2012 ⁽¹⁾	37,982	26,986	9,265
2013 ⁽²⁾	35,294	26,915	10,232
2014 ⁽²⁾	38,280	30,028	11,079
2015 ⁽²⁾	42,363	32,400	12,004

- ⁽¹⁾ Includes all submitted applications.

- ⁽²⁾ Includes completed applications for all campuses to which an applicant applies.

Source: Arizona State University Office of Institutional Analysis.

**Arizona State University
Transfer Applications, Admissions and Enrollments
University Wide**

Fall Semester	Applications	Admissions	Enrollments
2011 ⁽¹⁾	17,830	10,943	6,776
2012 ⁽¹⁾	18,456	11,815	7,228
2013 ⁽²⁾	14,707	12,681	7,992
2014 ⁽²⁾	16,961	14,806	9,363
2015 ⁽²⁾	20,385	17,540	10,582

- ⁽¹⁾ Includes all submitted applications.

- ⁽²⁾ Includes completed applications for all campuses to which an applicant applies.

Source: Arizona State University Office of Institutional Analysis.

Arizona State University
Graduate Applications, Admissions and Enrollments
University Wide

Fall Semester	Applications	Admissions	Enrollments
2011	15,327	8,069	4,169
2012	16,564	8,370	4,451
2013	17,531	9,335	5,003
2014	20,418	10,342	5,534
2015	22,178	11,327	5,932

Source: Arizona State University Office of Institutional Analysis.

Degrees Conferred

Below is a history of the degrees conferred by the University:

Arizona State University
Degrees Conferred
University Wide

Academic Year	Undergraduate	Graduate	Total Degrees Conferred
2010-11	12,194	4,896	17,090
2011-12	13,210	4,835	18,045
2012-13	13,913	5,003	18,916
2013-14	14,381	5,380	19,761
2014-15	14,842	6,178	21,020

Source: Arizona State University Office of Institutional Analysis.

[Remainder of page intentionally left blank.]

FINANCIAL CONDITION OF THE UNIVERSITY

Introduction

The audited financial statements of the University are presented in Appendix B as “Arizona State University Audited Financial Statements.” The statements provide audited information for the fiscal year ended June 30, 2015.

The University’s Audited Financial Statements presented in Appendix B include three financial statements, (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position and (3) the Statement of Cash Flows. These statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) principles. GASB statements require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into three net asset categories (restricted, unrestricted and invested in capital assets). During the fiscal year ended June 30, 2004, the University implemented the provisions of GASB No. 39, which requires reporting as component units those organizations that raise and hold economic resources for the direct benefit of the University.

Combined University and Component Units

In reviewing and analyzing the overall financial status of the University, it is important to include the component units (such as ASU Foundation) due to their significant assets and annual revenues used in support of the University and/or its students. It is also important to know whether the combined net position of the University and its component units are increasing or decreasing and to know the composition of the net positions in order to determine the discretion available by the University or its component units in the use of these funds. A summary of fiscal years 2013, 2014 and 2015 financial activity of the University and its component units on a combined basis follows (dollars in millions):

	2013 Restated			2014 Restated			2015		
	University Component			University Component			University Component		
	<u>University</u>	<u>Units</u>	<u>Combined</u>	<u>University⁽¹⁾</u>	<u>Units⁽²⁾</u>	<u>Combined</u>	<u>University</u>	<u>Units</u>	<u>Combined</u>
Net position/assets at beginning of the year	\$1,244.0	\$535.0	\$1,779.0	\$859.2	\$634.3	\$1,493.5	\$ 962.5	\$694.0	\$1,656.5
Increase/(decrease) in net position/net assets	<u>85.0</u>	<u>63.2</u>	<u>148.2</u>	<u>103.3</u>	<u>59.7</u>	<u>163.0</u>	<u>92.2</u>	<u>78.2</u>	<u>170.4</u>
Net position/assets at end of year, as restated	<u>\$1,329.0</u>	<u>\$ 598.2</u>	<u>\$1,927.2</u>	<u>\$962.5</u>	<u>\$694.0</u>	<u>\$1,656.5</u>	<u>\$1,054.7</u>	<u>\$772.2</u>	<u>\$1,826.9</u>

- (1) The restatement of FY 2014 net position is due to the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as amended by *GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, which requires the inclusion of pension liability and related transactions. The recognition of prior period activity resulted in the restatement of net position as of July 1, 2014.
- (2) In January 2015 the Thunderbird School of Global Management, an Arizona non-profit corporation acquired by the University, was integrated into the University’s knowledge enterprise. For comparison purposes, FY 2014 Component Unit net assets have been restated to include the Thunderbird School.

Source: Arizona State University, Financial Services.

At the combined net assets (fund balance) level, there should be no significant accounting eliminations between the University and its component units. Eliminations would primarily be at the revenues/expenses and assets/liabilities level.

The University had an increase of \$92.2 million in net assets for fiscal year 2015. The University’s component units (principally the ASU Foundation) had a \$78.2 million increase in net assets. On a combined basis

of the University and its component units, there was a \$170.4 million increase in net assets, equating to approximately 7.0% of total University and component unit revenues.

End of the year net position/assets for the fiscal years ended June 30, 2013, 2014 and 2015 consisted of the following (dollars in millions):

	2013 Restated			2014 Restated			2015		
	University Component			University Component			University Component		
	<u>University</u>	<u>Units</u>	<u>Combined</u>	<u>University⁽¹⁾</u>	<u>Units⁽²⁾⁽³⁾</u>	<u>Combined</u>	<u>University</u>	<u>Units</u>	<u>Combined</u>
Invested in capital assets	\$657.3	\$ -	\$657.3	\$695.6	\$ -	\$ 695.6	\$ 718.6	\$ -	\$ 718.6
Restricted net position/assets:									
Nonexpendable/									
Permanently	55.5	390.1	445.6	59.5	418.4	477.9	64.8	419.6	484.4
Expendable/									
Temporarily	104.9	260.1	365.0	113.9	295.5	409.4	109.7	323.5	433.2
Unrestricted net position/assets	<u>511.3</u>	<u>(52.0)</u>	<u>459.3</u>	<u>93.5</u>	<u>(19.9)</u>	<u>73.6</u>	<u>161.6</u>	<u>29.1</u>	<u>190.7</u>
Net position/assets at end of year, as restated	<u>\$1,329.0</u>	<u>\$598.2</u>	<u>\$1,927.2</u>	<u>\$962.5</u>	<u>\$694.0</u>	<u>\$1,656.5</u>	<u>\$1,054.7</u>	<u>\$772.2</u>	<u>\$1,826.9</u>

- (1) The restatement of FY 2014 net position is due to the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as amended by *GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, which requires the inclusion of pension liability and related transactions. The recognition of prior period activity resulted in the restatement of net position as of July 1, 2014.
- (2) Certain amounts were reclassified in the FY 2014 consolidated ASU Foundation's financial statements to conform to the presentation of the FY 2015 consolidated financial statements. The reclassifications include a change in permanently restricted endowments and endowment net assets, permanently restricted contributions and other additions in FY 2014. These reclassifications resulted in no change in the total net assets reported for FY 2014.
- (3) In January 2015 the Thunderbird School of Global Management, an Arizona non-profit corporation acquired by the University, was integrated into the University's knowledge enterprise. For comparison purposes, FY 2014 Component Unit net assets have been restated to include the Thunderbird School.

Source: Arizona State University, Financial Services.

Statement of Revenues, Expenses and Changes in Net Position

The table on the following page provides a summary of actual Revenues, Expenses and Changes in Net Position for the University for fiscal years 2011 through 2015, based on audited financial statements, and estimated amounts as prepared by the University for fiscal year 2016. The subsequent page provides a Statement of Activities for the University's Component Units for fiscal years 2011 through 2015, based on audited financial statements. The tables have not been subject to any audit procedures and should be read in conjunction with Appendix B.

ARIZONA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ⁽¹⁾
(Dollars in Thousands)

	Fiscal Year Ended June 30 (Audited)					Estimated
	2011	2012	2013	2014	2015	2016 ⁽²⁾
OPERATING REVENUES						
Student tuition and fees, net of scholarship allowances	\$ 639,324	\$ 757,217	\$ 802,965	\$ 896,921	\$1,021,014	\$1,157,500
Research grants and contracts -	217,012	229,801	238,031	244,293	237,489	253,200
Sales and services -						
Auxiliary enterprises, net of scholarship allowances	136,540	105,510	122,453	140,535	145,008	149,700
Educational departments	43,514	53,866	56,006	58,449	67,230	69,500
Other Revenues	9,093	8,947	8,018	8,447	12,001	14,400
Total Operating Revenues	<u>\$1,045,483</u>	<u>\$1,155,341</u>	<u>\$1,227,473</u>	<u>\$1,348,645</u>	<u>\$1,482,742</u>	<u>\$1,644,300</u>
OPERATING EXPENSES						
Educational and general -						
Instruction	495,815	519,117	548,998	617,091	686,397	738,900
Research	201,255	211,569	225,453	235,720	244,763	258,200
Public service	48,208	46,938	44,860	40,209	36,201	36,400
Academic support	187,435	185,890	204,831	225,853	247,700	261,400
Student services	55,244	60,737	65,908	72,409	98,491	106,400
Institutional support	124,893	120,491	124,546	136,334	151,613	156,100
Operation and maintenance of plant	83,939	86,750	91,077	98,901	102,167	106,600
Scholarships and fellowships	120,428	113,171	112,363	127,468	136,675	154,000
Auxiliary enterprises	142,492	115,799	119,509	130,550	143,184	146,200
Depreciation	97,202	98,005	106,992	112,270	114,617	116,400
Total Operating Expenses	<u>\$1,556,911</u>	<u>\$1,558,467</u>	<u>\$1,644,537</u>	<u>\$1,796,805</u>	<u>\$1,961,808</u>	<u>\$2,080,600</u>
Operating Loss	<u>(511,428)</u>	<u>(403,126)</u>	<u>(417,064)</u>	<u>(448,160)</u>	<u>(479,066)</u>	<u>(436,300)</u>
NONOPERATING REVENUES (EXPENSES)						
State appropriations	380,914	307,765	297,402	314,493	338,042	281,400
Federal fiscal stabilization funds	867	-	-	-	-	-
Share of state sales tax/technology and research initiatives fund	21,770	23,799	25,225	27,785	26,526	31,100
Financial aid grants including Federal	104,498	110,222	104,415	106,855	115,070	124,200
Grants and contracts including Federal	50,133	49,237	42,195	35,863	49,037	56,700
Private gifts	50,584	55,329	59,807	64,928	57,651	96,400
Financial aid trust funds	9,279	11,027	11,114	12,393	13,615	11,100
Net investment return	17,130	(1,629)	9,494	20,263	5,133	9,400
Interest on debt	(47,505)	(48,101)	(53,331)	(52,674)	(53,428)	(60,000)
Other expenses	(6,980)	(8,358)	(10,995)	(9,642)	(9,814)	(12,900)
Net Nonoperating Revenues	<u>\$ 580,690</u>	<u>\$ 499,291</u>	<u>\$ 485,326</u>	<u>\$ 520,264</u>	<u>\$ 541,832</u>	<u>\$ 537,400</u>
Income Before Other Revenues, Expenses, Gains, or Losses ..	69,262	96,165	68,262	72,104	62,766	101,100
OTHER REVENUE/(EXPENSES):						
Capital appropriation – research infrastructure capital financing	14,472	14,472	14,472	14,471	13,947	11,400
Capital appropriation	-	-	-	-	1,053	-
Capital commitment including Arizona Lottery revenues	990	1,646	4,268	2,733	5,121	9,600
Capital grants including federal grants	1,371	1,636	761	893	158	-
Capital private gifts	3,567	7,206	2,503	8,308	7,106	4,900
Additions to permanent endowments	99	3	77	904	2,089	1,600
Extraordinary items –						
Loss on Sale of Property	-	-	(5,294)	-	-	-
Insurance recovery, net of impairment loss	3,884	-	-	3,900	-	-
Net Other Revenues	<u>\$ 24,383</u>	<u>\$ 24,963</u>	<u>\$ 16,787</u>	<u>\$ 31,209</u>	<u>\$ 29,474</u>	<u>\$ 27,500</u>
Increase in Net Position	93,645	121,128	85,049	103,313	92,240	128,600
NET POSITION:						
Net Position at Beginning of Year	1,036,795	1,130,440	1,251,568	1,329,009 ⁽³⁾	962,522 ⁽⁴⁾	1,054,762
Net Position at End of Year	<u>\$1,130,440</u>	<u>\$1,251,568</u>	<u>\$1,336,617⁽³⁾</u>	<u>\$1,432,322⁽⁴⁾</u>	<u>\$1,054,762</u>	<u>\$1,183,362</u>

(1) For fiscal years 2011 through 2015, based on audited financial statements of the University.

(2) Estimated based on actual data through June, 2016.

(3) The difference between the prior end of year net position and the subsequent beginning of the year net position amount is due to the implementation of GASB No. 65, *Items Previously Reported as Assets and Liabilities*, which required recognizing an expense for debt issuance costs, excluding bond insurance premiums, which were previously amortized as a component of interest expense and included on the statement of net position as capital assets, net or as long-term debt. The recognition of prior year expenses resulted in a restatement of net position as of July 1, 2013.

(4) The difference between the prior end of year net position and the subsequent beginning of year net position amount is due to the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as amended by *GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, which requires the inclusion of pension liability and related transactions. The recognition of prior period activity resulted in the restatement of net position as of July 1, 2014.

Source: Arizona State University, Financial Services.

ARIZONA STATE UNIVERSITY
COMPONENT UNITS'
STATEMENT OF ACTIVITIES ⁽¹⁾
(Dollars in Thousands)

	Fiscal Year Ended June 30 (Audited)				
	2011	2012	2013	2014	2015
REVENUES					
Contributions	\$ 66,305	\$106,414	\$ 98,438	\$ 80,545	\$ 156,511
Rental revenue	38,915	37,896	31,468	34,608	36,526
Sales and services	39,614	36,802	32,314	34,656	68,531
Net investment return	84,283	(6,607)	58,599	80,185	10,825
Grants and aid	5,160	7,205	9,104	11,846	15,616
Tuition and fees	-	-	-	-	11,849
Other revenues	14,129	15,949	17,015	20,569	13,224
Total Revenues	<u>\$248,406</u>	<u>\$197,659</u>	<u>\$246,938</u>	<u>\$262,409</u>	<u>\$313,082</u>
EXPENSES					
Payments to the benefit of ASU -					
Cash donation transfers to ASU	\$ 52,740	\$ 58,818	\$ 62,210	\$ 68,062	\$ 75,866
Scholarship funds transfers to ASU	4,969	5,324	5,409	7,305	6,480
Vendor payments	5,305	5,828	5,355	6,767	8,008
Rent payments to ASU	2,458	5,333	2,982	2,070	3,223
Management and general	62,780	66,938	60,333	59,988	117,448
Interest expense	25,997	25,210	23,466	22,804	21,921
Depreciation/amortization	20,889	21,582	20,139	18,672	22,540
Other expenses	7,845	13,442	6,629	16,070	11,305
Total Expenses	<u>\$182,983</u>	<u>\$202,475</u>	<u>\$186,523</u>	<u>\$201,738</u>	<u>\$266,791</u>
Increase in Net Assets, before Transfers and Losses	65,423	(4,816)	60,415	60,671	46,291
Equity interest from ASU	-	-	-	-	17,000
Equity transfers	-	-	3,448	-	8,229
Gain on termination of postretirement benefit plan	-	-	-	-	3,777
Loss on lease revaluation due to bond refunding	-	-	(214)	-	(347)
Cost of bond refunding	-	-	(386)	(15)	-
Extraordinary Items (Primarily debt extinguishment)	-	1,890	-	-	3,233
Increase/(Decrease) in Net Assets, after Transfers and Losses	65,423	(2,926)	63,263	60,656	78,183
Net Assets at Beginning of Year	<u>472,548</u>	<u>537,971</u>	<u>535,045</u>	<u>598,191⁽²⁾</u>	<u>693,982⁽³⁾</u>
Net Assets at End of Year	<u>\$537,971</u>	<u>\$535,045</u>	<u>\$598,308⁽²⁾</u>	<u>\$658,847⁽³⁾</u>	<u>\$772,165⁽⁴⁾</u>
The breakdown of Net Assets is as follows:					
Unrestricted	(\$ 34,119)	(\$ 62,932)	(\$ 51,915)	(\$ 28,470)	\$ 29,112
Temporarily Restricted	214,130	232,312	260,101	286,599	323,456
Permanently Restricted	357,960	365,665	390,122	400,718	419,597
	<u>\$537,971</u>	<u>\$535,045</u>	<u>\$598,308</u>	<u>\$658,847</u>	<u>\$772,165</u>

(1) For fiscal years 2011 through 2015, based on audited financial statements of the University's component units as presented in the University's Financial Report.

(2) Fiscal year 2013 was restated, resulting in a decrease of the beginning balance of unrestricted net assets by \$117,000.

(3) Certain amounts were reclassified in the FY 2014 consolidated ASU Foundation's financial statements to conform to the presentation of the FY 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 FY 2014. These reclassifications resulted in no change in the total net assets reported for FY 2014.

(4) In January 2015 the Thunderbird School of Global Management, an Arizona non-profit corporation acquired by the University, was integrated into the University's knowledge enterprise. For comparison purposes, FY 2014 Component Unit net assets have been restated to include the Thunderbird School.

Source: Arizona State University, Financial Services.

Tuition and Fees

Resident and non-resident tuition collections are a significant source of revenue to the University. These amounts are included in both “Current Operating Revenues”, as reflected in the preceding pages and in Gross Revenues described under “Outstanding Indebtedness of the University – System Revenue Bonds.”

The following table summarizes undergraduate and graduate tuition charges for the fiscal years from 2011 through 2017.

ARIZONA STATE UNIVERSITY SCHEDULE OF TUITION PER STUDENT ⁽¹⁾

Fiscal Year	Resident Tuition				
	Undergraduate			Graduate	
	Full-Time (Per Semester) ⁽²⁾		Part-Time (Per Credit Hour) ⁽²⁾	Full-Time (Per Semester) ⁽²⁾	
	New Students	Continuing Students		New and Continuing Students	Part-Time (Per Credit Hour) ⁽²⁾
2011 ⁽³⁾	\$3,897	\$3,304	\$557	\$4,255	\$608
2012 ⁽⁴⁾	4,604	3,924	658	4,855	694
2013 ⁽⁴⁾	4,604	3,924	658	5,001	714
2014 ⁽³⁾⁽⁴⁾	4,742	4,410	677	5,150	736
2015 ⁽³⁾⁽⁴⁾	4,742	4,652	677	5,305	758
2016 ⁽⁴⁾⁽⁵⁾	4,742	4,742	677	5,305	758
2017 ⁽⁴⁾⁽⁵⁾	4,842	4,842	692	5,405	772

Fiscal Year	Nonresident Tuition			
	Undergraduate		Graduate	
	Full-Time (Per Semester) ⁽²⁾		Full-Time (Per Semester) ⁽²⁾	
	New and Continuing Students		New and Continuing Students	
2011	\$10,129		\$11,029	
2012 ⁽⁴⁾	10,904		11,917	
2013 ⁽⁴⁾	11,231		12,275	
2014 ⁽⁴⁾	11,568		12,643	
2015 ⁽⁴⁾	11,915		13,022	
2016 ⁽⁴⁾	12,392		13,543	
2017 ⁽⁴⁾	12,892		14,093	

Fiscal Year	International Tuition			
	Undergraduate		Graduate	
	Full-Time (Per Semester) ⁽²⁾		Full-Time (Per Semester) ⁽²⁾	
	New and Continuing Students		New and Continuing Students	
2016 ⁽⁶⁾	\$13,292		\$14,433	
2017	13,788		14,993	

(1) Certain graduate and undergraduate programs assess differential tuition or program tuition. Additionally, all students pay registration fees, such as a technology fee, financial aid trust fee, student program and facility fees, recreation fee, associated student fee and health and wellness fees.

(2) Resident students carrying seven or more hours pay full-time tuition. Nonresident students carrying 12 or more hours pay full-time tuition.

(3) For fiscal years 2011 through 2015, tuition rates vary for undergraduate resident students, depending upon whether the student is new or continuing. Tuition rates are set by the Board and whether a student is classified as a new student or continuing student is determined at the time of admission or readmission. The tuition rates shown above for undergraduate resident students are the highest undergraduate resident tuition rate (captioned as New Students) and the lowest undergraduate resident tuition rate (captioned Continuing Students) charged at the University. All undergraduate resident students pay a tuition rate that is equal to or between the two tuition rates shown above.

(4) For fiscal years 2012 through 2017, ASU Online tuition is \$425, \$442, \$460, \$480, \$490 and \$500 per credit hour for undergraduate students and \$445, \$463, \$482, \$482, \$492 and \$502 per credit hour for graduate students, respectively. ASU Online tuition is assessed per credit hour and not capped.

- (5) Resident undergraduate and graduate students were charged a surcharge in fiscal years 2016 and 2017, respectively, of \$160 per semester or \$23 per credit hour and \$135 per semester or \$19 per credit hour.
- (6) For fiscal year 2016 a new tuition rate was established for international students. Undergraduate international students pay \$1,108 per credit hour capped at \$13,292 for enrollment in 12 hours or more. Graduate international students pay \$1,204 per credit hour capped at \$14,443 for enrollment in 12 hours or more.

Source: Arizona State University, Financial Services.

The following table summarizes tuition collections for the University for fiscal years 2011 through 2015.

**ARIZONA STATE UNIVERSITY
TOTAL COLLECTED TUITION ⁽¹⁾
UNIVERSITY WIDE
(Dollars in Thousands)**

Fiscal Year	Resident		Nonresident		Total	
	Enrollment ⁽²⁾	Tuition	Enrollment ⁽²⁾	Tuition	Enrollment ⁽²⁾	Tuition
2011	51,128	\$270,286	19,312	\$231,793	70,440	\$502,079
2012	51,235	325,074	21,019	265,605	72,254	590,679
2013	50,400	328,269	22,978	294,437	73,378	622,706
2014	49,537	340,827	27,234	355,103	76,771	695,930
2015	49,940	343,821	33,361	435,566	83,301	779,387

- Tuition is net of scholarship allowances. Scholarship allowances are the difference between the stated charge for services provided by the University, and the amount that is paid by the students (and/or third parties making payments on a student's behalf). To the extent that revenues from programs such as Pell Grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.
- Fall semester enrollment includes students enrolled in degree programs offered completely online.

Source: Arizona State University, Office of the Registrar and Financial Services.

The following table summarizes fees received by the University for summer school and various other programs for fiscal years 2011 through 2015.

**ARIZONA STATE UNIVERSITY
SUMMER SCHOOL & OTHER FEES ⁽¹⁾
UNIVERSITY WIDE
(Dollars in Thousands)**

Fiscal Year	Summer School & Other Fees
2011	\$137,245
2012	166,538
2013	180,259
2014	200,991
2015	241,627

- (1) Consists of summer school registration, fees charged by certain undergraduate and graduate school programs, student activity/recreation center fees, and certain other miscellaneous fees and charges not included in tuition. Miscellaneous fees include fees for admission application, transcripts, graduation, late registration, course dropping, special fees for certain classroom activities, and non-credit courses and programs.

Source: Arizona State University, Financial Services.

State Budgeting and Appropriations Process

The State Constitution provides that the State Legislature shall appropriate moneys for the purpose of operating and maintaining all State universities. Such moneys are derived from taxation, as well as from other sources as determined by the State Legislature to insure the proper maintenance of the State universities. The direction and control of all moneys appropriated for the use and benefit of State universities is vested in the Board. Arizona Revised Statutes, Title 15, Chapter 13, sets forth the general powers of the Board, which include the expending of State funds for the support and maintenance of State universities, their buildings and grounds and for any other purpose the Board deems expedient, if not inconsistent with provisions of any appropriations.

The University derives its financial support primarily from tuition and fees, State-appropriated general funds, governmental and private grants and contracts, private gifts and income from the operation of auxiliary enterprises. The existing constitutional provisions relating to State support of educational institutions and the policies of the Board have ensured that the State universities have continued to be recipients of State appropriated general funds.

The University prepares its annual budget in two steps. A budget consisting of State General Fund monies and a portion of tuition revenues collected by the University is submitted through the Board to the Governor's Office of Strategic Planning and Budgeting with a copy concurrently submitted to the State Legislature's Joint Legislative Budget Committee. The State Legislature and the Governor subsequently enact an appropriation to the University of State General Fund monies in support of the University. While the approval of such appropriation is vested in the State Legislature and the Governor, once the appropriation has been enacted, the responsibility and authority for its allocation and expenditure is vested in the Board. Specifically, Section 35-173 of the Arizona Revised Statutes exempts State universities from the appropriation allocation and budget transfer process, thereby effectively converting the State's appropriation to a "lump sum" appropriation to the University. The remainder of the University's budget, consisting of Auxiliary, Unrestricted and Restricted revenues as well as the Non-Current Operating Budget for Plant Funds, is approved solely by the Board. The approval and allocation of expenditures of this portion of the budget is approved solely by the Board.

State appropriated funds represent a significant percentage of the University's total revenues. In the five completed fiscal years 2011 through 2015, this funding has represented 23%, 19%, 17%, 17% and 17% of the University's total revenues. The table below indicates State appropriations to the University for the fiscal years 2011 through 2017.

STATE APPROPRIATIONS TO THE UNIVERSITY UNIVERSITY WIDE (Dollars in Millions)

Fiscal Year	Operations Appropriation	Research Infrastructure	Building Renewal	Total Appropriation
2011 ⁽¹⁾⁽²⁾	\$380.9	\$14.5	\$ -	\$395.4
2012 ⁽¹⁾⁽²⁾⁽³⁾	307.8	14.5	-	322.3
2013 ⁽¹⁾⁽²⁾	297.4	14.5	-	311.9
2014 ⁽¹⁾⁽²⁾	314.5	14.5	-	329.0
2015 ⁽¹⁾⁽²⁾⁽⁴⁾	338.0	13.9	\$1.1	353.0
2016 ⁽²⁾⁽⁴⁾⁽⁵⁾	281.4	11.4	-	292.8
2017 ⁽²⁾⁽⁴⁾	296.9	11.2	-	308.1

⁽¹⁾ Figures shown for fiscal years 2011 through 2015 are from audited financial information.

⁽²⁾ State legislation deferred distribution of a portion of the University's appropriation until the first quarter of the following fiscal year, with \$90.6 million deferred in each of the fiscal years 2011 through 2015. In fiscal years 2016 and 2017, no deferral of the amount appropriated for such years has been enacted by the legislature.

⁽³⁾ Includes \$20.6 million for a one-time technical funding adjustment for fiscal year 2012 only.

⁽⁴⁾ The Research Infrastructure appropriation has been reduced to reflect debt service savings resulting from refinancing certain Research Infrastructure Certificates of Participation.

⁽⁵⁾ Reflects the appropriation amount enacted by the State Legislature and signed by the Governor, which can be adjusted during the fiscal year by action of the State Legislature and the Governor.

Source: Arizona State University, Financial Services.

NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE APPROPRIATIONS TO THE UNIVERSITY WILL NOT BE REDUCED BY THE STATE LEGISLATURE IN THE FUTURE, ESPECIALLY DURING PERIODS OF ECONOMIC UNCERTAINTY. ANY SUCH REDUCTIONS MAY BE SUBSTANTIAL.

To address a projected State budgetary shortfall for fiscal year 2016, the Legislature enacted a fiscal year 2016 budget for the State that includes, among other measures, various expenditure reductions and the reallocation of monies from certain separate agency funds to the State's general fund. Included in the enacted budget is a reduction of \$99 million in the appropriations to the State's universities (including the University, Northern Arizona University and The University of Arizona) for fiscal year 2016. Of this expenditure reduction amount, \$53.2 million is allocated to the University, which amounts to approximately 2.4% of the University's overall operating budget from all sources.

Gifts, Grants and Contracts

Gifts, grants and contracts are an important source of revenues to the University and direct revenues therefrom are reflected in the foregoing tables and in the Audited Financial Statements. A significant portion of the University's research programs (including graduate student participation therein) is supported by Federal grants and contracts. Agreements are principally with Federal government agencies but significant support of the University's research laboratories, students and faculty also comes in the form of research and education agreements with state and local government agencies, and private foundations and corporations.

The following summarizes the University's receipts from gifts, grants and contracts during fiscal years 2011 through 2015.

**ARIZONA STATE UNIVERSITY
SUMMARY OF GIFTS, GRANTS & CONTRACTS
UNIVERSITY WIDE
(Dollars in Thousands)⁽¹⁾**

Fiscal Year	Grants & Contracts	Financial Aid Grants⁽²⁾	Gifts	Total
2011	\$267,145	\$104,498	\$54,151	\$425,794
2012	279,038	110,222	62,535	451,795
2013	280,226	104,415	62,310	446,951
2014	280,156	106,855	73,236	460,247
2015	286,684	115,070	66,846	468,600

⁽¹⁾ See Appendix B for additional detailed information.

⁽²⁾ Includes Pell grants.

Source: Arizona State University, Financial Services.

Gross Revenues

Certain of the University's revenues, consisting primarily of tuition and facilities revenues, constitute "Gross Revenues" of the University, which have been pledged to the payment of the University's bonds and other obligations. The information below presents the Gross Revenues for the years indicated. The University apportions tuition and fee revenue and scholarship allowances among Resident Tuition, Non-Resident Tuition, and Summer School and Other Fees as shown in the table based on methodologies that are reviewed and modified periodically.

During Fiscal Year 2013, the methodology for the apportionment of revenue and scholarship allowances among Resident Tuition, Non-Resident Tuition and Summer School was revised. To provide consistent historical data, the table below presents the adjusted breakdown of Gross Revenues of the University for each of the fiscal years indicated based on the revised methodology. The revised methodology did not change any of the amounts shown in the table for Receipts from Other Major Revenue Sources or Total Gross Revenues.

ARIZONA STATE UNIVERSITY
SCHEDULE OF HISTORICAL GROSS REVENUES
(Dollars in Thousands)

Fiscal Year	Resident Tuition ⁽¹⁾	Non-Resident Tuition ⁽¹⁾	Summer School & Other Fees ⁽²⁾	Total Tuition and Fees	Receipts from other Major Sources (Facilities Revenues) ⁽³⁾	Total Gross Revenues
2011	\$270,286	\$231,793	\$137,245	\$639,324	\$237,446	\$876,770
2012	325,074	265,605	166,538	757,217	220,610	977,827
2013	328,269	294,437	180,259	802,965	244,696	1,047,661
2014	340,827	355,103	200,991	896,921	264,385	1,161,306
2015	343,821	435,566	241,627	1,021,014	279,610	1,300,624

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

(2) Consists of summer school tuition, fees charged by certain undergraduate and graduate school programs, student activity/recreation center fees, and certain other miscellaneous fees and charges not included in the tuition and registration fees columns. Miscellaneous fees include fees for admission applications, transcripts, graduation, late registration, course dropping, special fees for certain classroom activities, and non-credit courses and programs.

(3) For a further breakdown of receipts from other major revenue sources, see the schedule titled "Receipts from Other Major Revenue Sources" below.

Source: Arizona State University, Financial Services.

Receipts from Other Major Revenue Sources

A significant component of Gross Revenues are derived from a variety of revenue producing facilities and other activities, including enterprises which provide goods and services to the faculty, staff and students.

ARIZONA STATE UNIVERSITY
RECEIPTS FROM OTHER MAJOR REVENUE SOURCES
UNIVERSITY WIDE
(Dollars in Thousands)

Fiscal Year	Inter-collegiate Athletics ⁽¹⁾	Residential Life ⁽²⁾	Memorial Union/Food Service ⁽³⁾	Bookstore ⁽⁴⁾	Parking Operations ⁽⁵⁾	Conferences/Seminars/Facility Rentals	Indirect Cost Recovery ⁽⁶⁾	Investment Income ⁽⁷⁾	Other ⁽⁸⁾	Total
2011	\$28,943	\$13,504	\$29,897	\$34,959	\$18,517	\$16,041	\$55,325	\$2,066	\$38,194	\$237,446
2012	32,525	11,575	28,824	3,875	19,280	17,667	58,937	2,297	45,630	220,610
2013	36,804	16,482	32,544	3,502	19,378	17,925	62,445	3,792	51,824	244,696
2014	44,402	18,214	39,030	3,514	21,201	18,301	62,569	2,831	54,323	264,385
2015	45,010	15,355	44,060	3,982	21,693	18,952	62,202	5,170	63,186	279,610

(1) Inter-collegiate Athletics is comprised primarily of football related revenues. The increased levels in fiscal years 2014 and 2015 are due primarily to an increase in funding from the PAC-12 conference revenue sharing, including the PAC-12 Network (television) revenue.

(2) Residential Life revenues include revenues from facilities included in the System of Building Facilities. The fiscal year 2015 decrease in Residential Life revenue is due to an increase in financial aid payments applied to student accounts for housing charges, resulting in an increase in the scholarship allowance.

(3) Memorial Union revenues consist primarily of revenues from the University's food service contract. The increase in fiscal year 2015 is due to higher meal plan participation, students selecting higher cost meal options and increased commission revenue.

(4) In May 2011, the University outsourced management of its Bookstore. Beginning in fiscal year 2012, Bookstore revenues reflect contractual payments from the vendor.

- (5) Parking revenues include parking permit sales, pay lot and parking meter fees, and fines from parking violations.
- (6) Indirect Cost Recovery reflects amounts received as indirect cost reimbursements in conjunction with Federal, State, and other externally funded grants and contracts. The reimbursement rate is negotiated with Federal and State agencies and is based on audited allowable costs.
- (7) Investment income is generated on working capital cash balances invested on a short-term basis. The increase in fiscal year 2015 is due to an increase in the invested balance and higher investment returns.
- (8) Other revenue producing facilities include the Student Health Center, Student Publications, Student Recreation Center, Public Events, and other sales and services. Other sales and services revenues are the largest component and are comprised of a large number of individual cost centers. The increase in fiscal year 2015 is primarily due to new programs and partnerships offered by Global Launch, the University's language and cultural program which provides academic preparation services, training in multilingual communication and professional skills development.

Source: Arizona State University, Financial Services.

Arizona State University Pension and Retirement Plans

Substantially all permanent employees of the University are covered either by the State-administered retirement program, the Arizona State Retirement System, or by one of two private plans approved by the Board. The two private plans are sponsored by the Teachers Insurance and Annuity Association – College Retirement Equities Fund and Fidelity Investments. A brief description of the various retirement programs in which University employees participate is located in Footnote K – Retirement Plans in the 2016 Audited Financial Statements in Appendix B.

The Arizona State Retirement System (“ASRS”), a cost-sharing, multiple employer defined benefit plan in which the University participates, has reported an increase in its unfunded actuarial accrued liabilities. The most recent annual reports for ASRS may be accessed at: <https://www.azasrs.gov/>. The increase in the ASRS’ unfunded liabilities may result in an increase in the University’s and its employees’ annual contribution to the ASRS in future years. For the year ended June 30, 2016, active plan members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent retirement and 0.12 percent long-term disability) of the members’ annual covered payroll. The University was also required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium, and 0.12 percent long-term disability) of the members’ annual covered payroll. For fiscal year 2017 (starting July 1, 2016), the rate, including retirement and long-term disability, was increased to 11.48 percent for the University and to 11.48 percent for its employees. The University’s contributions to ASRS for fiscal years 2015 and 2016 were \$34.1 million and \$36.3 million, respectively, both of which were equal to the required contributions for the year.

Enacted State legislation made changes to how the ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate for retired members of the ASRS that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a study committee that will review the feasibility and cost to changing the current defined benefit plan to a defined contribution plan.

New Reporting Requirements. In June 2012, the Government Accounting Standards Board issued GASB Statement 68, effective for the University’s fiscal year ended June 30, 2015. This statement revises existing standards for measuring and reporting pension liabilities for pension plans provided to University employees and requires recognition of a liability equal to ASU’s proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan’s fiduciary net position. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan’s fiscal year end. For fiscal year 2015, the University reported a net pension liability of \$484.1 million, which included \$17.3 million of reclassified optional retirement plan liability, \$7.1 million of net deferred inflows, \$4.1 million of incremental pension expense, and a \$473.9 million reduction in unrestricted net position. Based on preliminary data provided by ASRS for fiscal year 2016, the University expects to report for such fiscal year a net pension liability of \$535.2 million, which includes \$20.9 million of reclassified optional retirement plan liability, \$41.9 million of net deferred outflows, \$5.6 million of incremental pension expense, and a \$5.7 million reduction in unrestricted net position.

Health Care Benefits for Retired Employees

Beginning with the fiscal year that commenced on July 1, 2008, the University implemented Governmental Accounting Standards Board – Statement Number 45, *Accounting by Employers for Other Post Employment Benefits* (“GASB 45”), which requires reporting the actuarially accrued cost of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees (“OPEB”). GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees and, to the extent such costs are not pre-funded, the reporting of such costs as a financial statement liability.

University employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided through the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all University employees that reach normal or early retirement age while working for the University will become eligible for such benefits. Currently, a retiree may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium available to all participants, whether retired or not, in the State’s health care program. The University makes no payments for OPEB costs for such retirees. Even though the retiree’s are paying 100% of the insurance premiums there is, however, according to GASB 45 an implicit rate subsidy because the retirees are paying a lower premium than what would be paid if the insurance premiums were based on the retiree’s age.

The State has commissioned actuarial valuations of the OPEB costs associated with the health care programs available to retirees through the State in order to meet the requirements of GASB 45. The actuarial firm has allocated the financial impacts to the State agencies having separately audited financial statements. The post-employment benefits beyond the health care programs are administered at the University level and include such benefits as reduced tuition, which are not material to the overall financial statements of the University.

Outstanding Indebtedness of the University

The following information sets forth the outstanding bonds payable and capitalized lease obligations of the University.

System Revenue Bonds

Pursuant to the laws of the State and the provisions of the Bond Resolution adopted by the Board, the Board is authorized to issue system revenue bonds (also referred to herein as the Parity Bonds) which are payable from and secured by a pledge of and a lien on the Gross Revenues of the University. The Gross Revenues, as defined in the Bond Resolution and used in this Official Statement, means and includes all: (1) Student Tuition and Fee Revenues, which means all tuition, registration, matriculation, laboratory, admission and other activities and service fees and charges paid by students matriculated, registered or otherwise enrolled at and attending the University, and (2) Facilities Revenues which means all fees, rentals and other charges from students, faculty, staff members and others using or being served by, or having the right to use or the right to be served by, or to operate, any revenue producing facility, building or project within the System of Building Facilities, or any auxiliary enterprise, including indirect cost recoveries from externally-funded grants and contracts for research or other sponsored projects and interest received on and profits realized from the sale of investments made with moneys derived from (i) any revenue-producing facility, building or project within the System of Building Facilities; (ii) Student Tuition and Fee Revenues and (iii) other University operating funds. The University has outstanding System Revenue Bonds secured by a first (or senior) lien on Gross Revenues and other obligations secured by a subordinate lien on Gross Revenues as shown below.

Parity Bonds

The following table sets forth the outstanding Parity Bonds of the Board:

System Revenue Bonds	Original Principal Amount	Final Maturity Date	Outstanding Principal Amount
Series 2007B Bonds	\$ 76,260,000	7-1-2036	\$ 5,965,000
Series 2008 Refunding Bonds	103,680,000	7-1-2034	85,930,000
Series 2008C Bonds	104,100,000	7-1-2028	5,170,000
Series 2009 Bonds	36,250,000	7-1-2029	6,570,000
Series 2010 Bonds	178,350,000	7-1-2039	161,495,000
Second Series 2010 Bonds	51,890,000	7-1-2031	16,140,000
Series 2012 Bonds	213,370,000	7-1-2042	151,065,000
Series 2013 Bonds	110,950,000	7-1-2043	99,810,000
Series 2015 Bonds	362,260,000	7-1-2046	357,815,000
Series 2015D Bonds	102,665,000	7-1-2046	102,665,000
Series 2016A Bonds	37,105,000	7-1-2031	37,105,000
Subtotal			\$1,029,730,000
Plus: Series 2016 Bonds			226,230,000
Total Outstanding Principal Amount of Parity Bonds			<u>\$1,255,960,000</u>

Subordinate Obligations

The Board has also pledged the Gross Revenues of the University on a subordinate basis to secure various Subordinate Obligations.

In May 2006, the Board entered into a debt service assurance agreement (the “Debt Service Assurance Agreement”) relating to \$12,975,000 original principal amount of Arizona State University Research Park, Inc. Development Refunding Bonds, Series 2006 (referred to herein as the “2006 ASU Research Park Bonds”) of which \$5,200,000 remains Outstanding. Payments by the Board under the Debt Service Assurance Agreement, which are pledged to pay debt service on the 2006 ASU Research Park Bonds, constitute Subordinate Obligations.

The Board has issued, and may in the future issue, SPEED Revenue Bonds (Stimulus Plan for Economic and Educational Development) (the “SPEED Bonds”) secured by a pledge of and lien on certain revenues of the Arizona State Lottery that are received by the Board and from unrestricted monies of the University. To the extent that these amounts are insufficient to make the required debt service payments on the SPEED Bonds, such SPEED Bonds are further secured by a pledge of Gross Revenues of the University on a basis subordinate to the Parity Bonds. Accordingly, the SPEED Bonds constitute Subordinate Obligations.

The following table sets forth the Outstanding principal amount of Subordinate Obligations of the University.

Subordinate Obligations	Original Principal Amount	Final Maturity Date	Outstanding Principal Amount
Series 2006 ASU Research Park Bonds	\$12,975,000	7-1-2021	\$ 5,200,000
Series 2010 SPEED Bonds	33,820,000	8-1-2030	32,075,000
Series 2011 SPEED Bonds	30,915,000	8-1-2031	29,520,000
Series 2014 SPEED Bonds	77,620,000	8-1-2044	75,240,000
Total Principal Amount of Subordinate Obligations			<u>\$142,035,000</u>

Certificates of Participation

The following table sets forth the outstanding certificates of participation of the Board, which are payable from annually appropriated unrestricted monies of the University, which may include payments from Gross Revenues:

Certificates of Participation	Original Principal Amount	Final Maturity Date	Outstanding Principal Amount
2002 Certificates	\$103,800,000	7-1-2018	\$ 200,000
2006 Certificates	15,810,000	6-1-2031	11,425,000
2006 Refunding Certificates	65,890,000	7-1-2026	50,025,000
2011A Refunding Certificates	8,465,000	7-1-2024	5,630,000
2013 Refunding Certificates	64,780,000	9-1-2026	62,620,000
2014 Refunding Certificates (Private Placement)	84,525,000	9-1-2030	72,970,000
Total Outstanding Principal Amount			<u>\$202,870,000</u>

[Remainder of page intentionally left blank.]

The following table sets forth the Board's total annual debt service requirements on its outstanding bonds and certificates of participation issued on behalf of the University, including the Series 2016 Bonds.

**ARIZONA STATE UNIVERSITY
DEBT SERVICE REQUIREMENTS (1)**

Fiscal Year	Outstanding Parity Bonds ⁽²⁾	Direct Payments ⁽³⁾	Series 2016 Bonds		Outstanding Subordinate Obligations ⁽⁵⁾	Direct Payments ⁽³⁾	Outstanding Certificates of Participation ⁽⁶⁾	Combined Total
			Principal	Interest ⁽⁴⁾				
2017	\$80,016,196	(\$3,379,952)	\$ 415,000	\$8,933,513	\$13,598,174	(\$533,707)	\$20,170,935	\$119,220,159
2018	78,771,708	(3,306,971)	3,130,000	11,193,350	13,599,014	(533,707)	22,470,940	125,324,334
2019	87,025,901	(3,226,045)	3,245,000	11,079,000	13,593,426	(533,707)	22,460,097	133,643,673
2020	87,713,321	(3,140,846)	3,400,000	10,938,000	13,597,126	(533,707)	22,451,666	134,425,560
2021	87,916,730	(3,050,298)	3,530,000	10,802,000	13,562,479	(498,970)	22,444,180	134,706,120
2022	88,976,159	(2,953,597)	5,030,000	10,625,500	12,344,669	(462,383)	18,723,688	132,284,036
2023	88,948,088	(2,851,102)	5,285,000	10,374,000	12,305,494	(421,284)	18,737,355	132,377,550
2024	88,893,470	(2,743,044)	5,555,000	10,109,750	12,269,919	(378,645)	18,744,639	132,451,088
2025	87,964,101	(2,629,091)	5,825,000	9,832,000	12,221,944	(334,467)	17,891,038	130,770,525
2026	86,786,318	(2,508,903)	6,115,000	9,540,750	12,171,319	(288,748)	17,879,673	129,695,408
2027	78,421,822	(2,373,842)	6,420,000	9,235,000	12,126,719	(235,461)	13,450,074	117,044,313
2028	72,173,288	(2,233,353)	6,745,000	8,914,000	12,062,781	(180,007)	13,436,233	110,917,943
2029	60,150,526	(2,087,217)	7,075,000	8,576,750	12,009,554	(122,387)	13,430,827	99,033,051
2030	59,070,926	(1,935,111)	7,435,000	8,223,000	11,947,456	(62,385)	13,423,536	98,102,422
2031	59,005,928	(1,776,924)	7,810,000	7,851,250	8,888,675		13,428,760	95,207,689
2032	58,135,523	(1,609,679)	8,190,000	7,460,750	6,169,250			78,345,844
2033	57,237,450	(1,435,594)	8,605,000	7,051,250	6,168,750			77,626,856
2034	56,299,618	(1,254,338)	9,045,000	6,621,000	6,165,750			76,877,030
2035	48,312,798	(1,065,691)	9,485,000	6,168,750	959,750			63,860,607
2036	40,383,394	(869,322)	9,955,000	5,694,500	955,250			56,118,822
2037	38,334,410	(664,899)	7,785,000	5,196,750	959,500			51,610,761
2038	38,126,140	(452,091)	8,170,000	4,807,500	957,000			51,608,549
2039	37,907,218	(230,569)	8,575,000	4,399,000	958,000			51,608,649
2040	26,794,700		9,010,000	3,970,250	957,250			40,732,200
2041	26,791,200		9,460,000	3,519,750	959,750			40,730,700
2042	26,800,450		9,930,000	3,046,750	955,250			40,732,450
2043	19,644,650		10,425,000	2,550,250	959,000			33,578,900
2044	15,446,500		10,950,000	2,029,000	955,500			29,381,000
2045	15,443,700		11,495,000	1,481,500				28,420,200
2046	15,445,300		12,075,000	906,750				28,427,050
2047			6,060,000	303,000				6,363,000

(1) Figures may not total due to rounding.

(2) Outstanding Bonds include the Series 2007B Bonds, the Series 2008 Refunding Bonds (which bear interest at a variable rate, assumed to be 4.00% annually for purposes hereof), the Series 2008C Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Second Series 2010 Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2015 Bonds, the Series 2015D Bonds and the Series 2016A Bonds.

(3) Direct Payments represent subsidy payments expected to be received by the University from the federal government with respect to its Build America Bonds. Such amounts are not pledged towards the repayment of any Parity Bonds and Subordinate Obligations, however, the University currently intends to expend the Direct Payments on debt service payments on such obligations. In addition, the amount of Direct Payments are subject to any reductions in such amounts made by the federal government. For Fiscal Year 2016-17, Direct Payments expected to be received by the University will be reduced by 6.9% or approximately \$233,217 due to sequestration reductions imposed by the federal government. Direct Payments received by the University for Fiscal Years 2014-15 and 2015-16 were reduced by similar amounts for each year. Such reductions in Direct Payments to issuers of Build America Bonds are expected to continue.

(4) The first Interest Payment Date on the Series 2016 Bonds is January 1, 2017.

(5) Consists of \$5,200,000 outstanding principal amount of Arizona State University Research Park, Inc. Development Refunding Bonds, Series 2006 and \$136,835,000 outstanding principal amount of Arizona State University SPEED Revenue Bonds (Stimulus Plan for Economic and Educational Development) Series 2010, Series 2011 and Series 2014.

(6) Includes payments on the University's Series 2002 Certificates, Series 2006 Certificates, Series 2006 Refunding Certificates, Series 2011A Refunding Certificates, Series 2013 Refunding Certificates and Series 2014 Refunding Certificates.

Component Units

For a description of bonds and other obligations of the University's component units, see footnote O in the June 30, 2015 audited financial statements in Appendix B.

Future Financing Transactions*System Revenue Bonds*

The Board, on behalf of the University, presently plans to issue approximately \$92 million in principal amount of Parity Bonds prior to the end of fiscal year 2018.

Component Units

The Board does not currently anticipate that any of its Component Units will issue any additional, new money obligations prior to the end of fiscal year 2017.

APPENDIX B

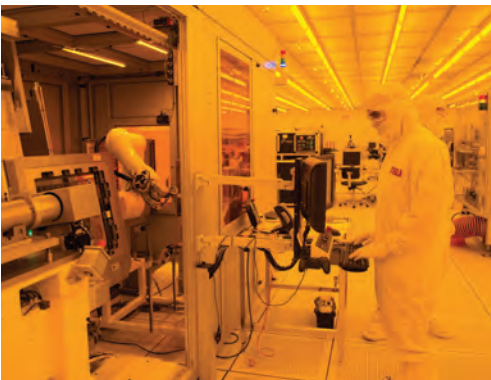
**ARIZONA STATE UNIVERSITY
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(THIS PAGE IS INTENTIONALLY LEFT BLANK)



Comprehensive Annual Financial Report

Year Ended June 30, 2015



An Enterprise Fund of the State of Arizona



Back Cover. Ira A. Fulton Schools of Engineering offers multiple degrees in aviation, including a bachelors of science in Professional Flight. Students in this program can acquire their training hours at the Polytechnic campus that is located on the former Williams Air Force Base in Mesa, Arizona.

Right. Paley Gates. The artist, Albert Paley, views his design for the gates as a foil to the formality of the surrounding architecture at the West campus.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015





"Forks Up" during the annual white washing on A Mountain.



TABLE OF CONTENTS

INTRODUCTORY SECTION	4
Message from President Michael Crow	6
Letter of Transmittal	7
Certificate of Achievement for Excellence in Financial Reporting	11
ASU Organizational Chart	12
Arizona Board of Regents	13
FINANCIAL SECTION	14
Independent Auditors' Report	16
Management's Discussion and Analysis	18
Basic Financial Statements	
Statement of Net Position	26
Statement of Financial Position - Component Units	27
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Activities - Component Units	29
Statement of Cash Flows	30
Notes to Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	58
Schedule of the University's Proportionate Share of the Net Pension Liability	60
Schedule of University Contributions	61
SUPPLEMENTARY INFORMATION	62
Combining Statement of Financial Position - Nonmajor Discretely Presented Component Units	64
Combining Statement of Activities - Nonmajor Discretely Presented Component Units	65
STATISTICAL SECTION	66
Narrative to the Statistical Section	68
Financial Trends	
Net Position by Component	69
Changes in Net Position	70
Operating Expenses by Natural Classification	73
Combined Sources and Uses	74
Revenue Capacity	
Principal Revenue Sources	75
Academic Year Tuition and Required Fees	76
Debt Capacity	
Summary of Ratios	77
Debt Coverage for Senior and Subordinate Lien Bonds	82
Long-term Debt	83
Demographic and Economic Information	
Admissions, Enrollment, and Degrees Earned	84
Demographic Data	86
Principal Employers	87
Operating Information	
Faculty and Staff	88
Capital Assets	89



Palm Walk at the Tempe campus

INTRODUCTORY SECTION



MESSAGE FROM PRESIDENT MICHAEL CROW



ARIZONA STATE UNIVERSITY



As a new prototype for the American public research university, Arizona State University is being recognized more and more for the outstanding innovative, transformative and unique ways we are impacting higher education. *U.S. News and World Report* recently named ASU the “most innovative” university, ahead of schools such as the Massachusetts Institute of Technology and Stanford University. In its inaugural year, the award is based on a survey of college presidents, provosts and admissions deans and recognizes the most innovative improvements in areas such as curriculum, faculty, students, campus life, technology, and facilities. ASU is proud of this recognition as it continues to demonstrate that academic excellence and inclusivity can exist within a single institution.

During the past academic year, ASU graduated over 20,000 students and was a leading producer of Truman and Fulbright scholars, Teach for America selectees, graduates going on to work for national security agencies and students admitted to medical and graduate schools. Fall 2015 enrollment across all locations and platforms exceeded 91,000 students, a new record and a 10 percent increase from last year. We also welcomed 12,000 freshman and more than 10,000 international students to a student body that is representative of the socioeconomic diversity of Arizona and the larger international landscape.

At ASU, we are committed to academic inclusion, student success and public service. Several new programs exemplify this commitment, including the Global Freshman Academy, the me3 program, and the Public Service Academy. ASU and edX, leaders in providing unprecedented access to education, joined forces to create the Global Freshman Academy. Learners anywhere in the world will have the opportunity to earn freshman-level university credit online for a modest fee paid only upon successful completion of each course. More than 12,000 students from 163 countries enrolled for the inaugural course offered fall 2015, *Introduction to Solar Systems Astronomy*. A total of eight courses will be offered in the series, taught by top ASU faculty such as Donald Johanson, famous for the discovery of the “Lucy” skeleton, who will teach *Human Origins*.

Recently launched, me3 aims to broaden the number of college-ready students by providing a clear pathway to college. In the online me3 game, students choose from a pair of images, which helps the program understand their interests. Based on those interests, me3 recommends several career paths and the most applicable college major. It then suggests a list of high school courses a student should take and tracks their academic progress ensuring students are prepared to complete all requirements for admission to college. The me3 app is a terrific tool for all students, but is especially important for students who are the first in their families to attend college.

I am particularly proud of the new Public Service Academy and recently appeared on the “Today” show with Tom Brokaw to discuss the Academy. This specialized program offers two tracks for developing tomorrow’s leaders and provides the tools needed to create solutions for society’s biggest challenges through effective collaboration. The Reserve Officer Training Corps is the existing university-based program to commission officers in the U.S. Armed Forces, and the Next Generation Service Corps is a new program for students from all majors to become civilian service leaders. Both tracks include a unique civilian-military collaboration, a series of seven leadership courses and a set of summer internships in nonprofit, government or private organizations. These graduates will be ready to meet the challenges we face with compassion, collaboration and character, the type of leaders our future requires.

ASU’s world class faculty continue to inspire us through academic excellence and real life solutions, with two notable members recently receiving recognition for innovativeness and real life impact. For his leadership role in developing the experimental drug ZMapp used to treat U.S. aid workers infected with the Ebola virus, Charles Arntzen, a Presidential Endowed Chair and Regent’s Professor, was named Fast Company’s top honoree of the “100 Most Creative People in Business” and received the Judge’s Award at the Governor’s Celebration of Innovation. Laura Tohe, a professor of English at ASU, was recently named the poet laureate of the Navajo Nation. In her duties as poet laureate, Tohe hopes to encourage generations of Navajo youth to continue the tradition of writing poetry in order to revitalize and save the Navajo language.

ASU faculty and staff encourage and guide our students to their greatest success and celebrate the impact our ASU community has on the world. There are many pathways to success in life and ASU continues to empower its students to achieve goals beyond their expectations.



November 3, 2015

Dear President Crow, Members of the Arizona Board of Regents, and University Stakeholders:

We are pleased to present the Arizona State University *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2015. The report includes the annual financial statements, Management's Discussion and Analysis (MD&A) and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. We believe our system of internal controls is robust and sufficient to disclose material deficiencies in controls and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

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

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The reports resulting from the audit are shared with University management and the Arizona Board of Regents. The audit of the University's federal assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. For the year ended June 30, 2015, the State of Arizona Office of the Auditor General has issued an unmodified opinion of Arizona State University's financial statements, the most favorable outcome possible of the audit process. The independent auditors' report is displayed in the front of the financial section of these statements.

ASU remains committed to effective budgetary planning and sound financial management as it pursues excellence in teaching, research and public service. We have prepared the Management's Discussion and Analysis (MD&A) in order to provide a narrative introduction, overview and analysis of the basic financial statements, as well as information regarding the University's financial position and results of operations for the year ended June 30, 2015. MD&A is located immediately following the independent auditors' report, complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

ASU's mission and goals demonstrate leadership in both academic outcomes and accessibility to our programs. ASU strives to establish national standing in academic quality and impact of all ASU colleges and schools; to establish ASU as a global center for interdisciplinary research, discovery and development; and to enhance our local impact and social embeddedness. These goals provide the framework for ASU's continued development as a leading, global research university.

ASU offers more than 600 undergraduate and graduate degree programs led by expert faculty from highly ranked colleges and schools. Each distinctive academic program exemplifies the hallmark of ASU-- an exceptional education inspired by vision, scholarship and creativity. All ASU graduate and undergraduate academic programs are fully

accredited by the North Central Association's Higher Learning Commission. Many programs also maintain additional accreditation through specialized accrediting agencies.

ASU was founded as the Territorial Normal School in 1885 by an act of the Thirteenth Territorial Legislature, in response to the growing demand for teachers and leaders in the region. In 1915, agriculture was added to the curriculum in response to the completion of the Roosevelt Dam and subsequent expansion of irrigated farming in the area. In 1958, after a series of name changes, the citizens of Arizona voted in favor of a ballot proposition to change the name of the institution to Arizona State University. ASU is comprised of five campuses in the metropolitan Phoenix area, ASU Online, and programs in Lake Havasu City, Arizona near the Arizona/California border.

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

The University is considered a part of the reporting entity for the State of Arizona's financial reporting purposes and is included in the State's *Comprehensive Annual Financial Report*. The financial reporting entity for ASU's financial statements is comprised of the University and nine component units. The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) reporting requirements. Separate financial statements for the nine component units are reported based upon GASB Statement Nos. 39 and 61, and include the ASU Foundation for A New American University; Arizona Capital Facilities Finance Corporation; ASU Alumni Association; Arizona State University Research Park, Inc.; Downtown Phoenix Student Housing, LLC; Sun Angel Endowment; Sun Angel Foundation; ASU Preparatory Academy, Inc. and Thunderbird School of Global Management. The component units are non-profit, tax-exempt organizations and are discretely presented component units based on the nature and significance of their relationship to the University.

The University is responsible for using its resources to fulfill its educational, research and public service mission. It also is responsible for planning, developing and controlling budgets and expenses within authorized allocations in accordance with University, Arizona Board of Regents, state, and federal policies and procedures. The University submits its annual operating budget, which includes revenue from state appropriations, student tuition and fees, auxiliary enterprises, grants and contracts, private gifts and other income, to ABOR for approval. The state legislature reviews the University's local funds budget and adopts and appropriates the general purpose budget through legislation. The University monitors budgets with controls incorporated into its enterprise financial system. In addition, colleges and departments utilize financial reports to review financial transactions and monitor budgets. The University also provides periodic financial reporting to the Arizona Board of Regents. The report includes a comparison of budget to actual, projections for revenues, expenses and net position for the fiscal year end, and variance explanations.

Arizona Economy

The following economic summary is based on the Arizona Department of Administration Employment Forecast, released on February 26, 2015.

The Office of Employment and Population Statistics within the Arizona Department of Administration is forecasting gradual gains in Arizona nonfarm employment for the 2015-2016 projection time period. A year-over-year gain of 56,600 nonfarm jobs is expected in 2015 and 63,100 for 2016. In the current forecast, the rate of growth projected for total nonfarm employment is 2.2 percent in 2015 and 2.4 percent in 2016, as the overall employment situation in Arizona continues to improve. Arizona's average nonfarm employment growth rate exceeded the national average in both 2013 and 2014.

Lower oil prices and the rising dollar are both economic factors that will impact the economy's growth rate. U.S. and Arizona households both are expected to have more disposable income as a result of lower oil prices. The rising dollar may hurt exports, but on the positive side, is expected to make imports cheaper and help control inflation.

Despite increases in disposable income from lower gas prices, constrained budgets persist for a large majority of households. Real median household income in the U.S. and Arizona remains below the peak level prior to the recession that began in 2007.

However, the following positive factors support Arizona's continued economic growth: Gross Domestic Product (GDP) and real personal income at the state and national levels continue to improve; the residential real estate markets in Arizona and the metropolitan area of Phoenix are showing improvement; construction of apartments, office buildings and single family homes is increasing; and commercial real estate is gradually strengthening with lower vacancy rates, higher rental rates and lower rates of default and delinquency in mortgage loans.

Planning and Initiatives

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

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

1. Leverage our place by embracing our cultural, socioeconomic and physical setting
2. Transform society by catalyzing social change and being connected to social needs
3. Value entrepreneurship by encouraging innovation
4. Conduct use-inspired research through research which has purpose and impact
5. Enable student success by committing to the success of each student
6. Fuse intellectual disciplines, by creating knowledge that transcends academic disciplines
7. Be socially embedded by connecting with communities through mutually beneficial partnerships
8. Engage globally through interaction with people and issues within Arizona, nationally and internationally

Recent achievements and ongoing initiatives which demonstrate advancement of ASU's design aspirations include the following:

- ASU received an \$18 million USAID grant to support the US-Pakistan Centers for Advanced Studies. ASU will partner with both the Pakistan National University of Sciences and Technology and the University of Engineering and Technology – Peshawar to create two centers for energy research. The five-year project will aim to boost energy production where as much as 80 percent of the population does not have a steady supply of electricity. This strategic alliance with two of Pakistan's leading universities is aligned with ASU's mission of helping solve global challenges, in this case promoting economic opportunity in Pakistan through education, training and research in energy.
- The *Starbucks College Achievement Plan*, announced in June 2014, offers Starbucks partners (employees) the opportunity to pursue top-rated degrees from world-class faculty, delivered by ASU Online through personalized instruction. In April 2015, Starbucks and ASU announced that eligible part-time or full-time partners can complete all four years of a bachelor's degree with full tuition cost coverage, expanding the original program that offered full tuition reimbursement for admitted juniors and seniors and partial reimbursement for freshmen and sophomores.

- The *Institute of International Education* in conjunction with the U.S. Department of State's Bureau of Education and Cultural Affairs ranked ASU eighth in the nation as a top university for international students. ASU attracts students from more than 120 countries across the globe with students from China, India and Saudi Arabia comprising the three largest countries of origin. International student enrollment has grown from 3,481 in 2007 to 10,039 as of Fall 2015.
- The *Thunderbird School of Global Management* became a part of the ASU knowledge enterprise, combining the strength of an acclaimed international business school with the resources of a world-class public research university. The Thunderbird School of Global Management will offer graduate degrees in global management and global affairs in immersion, online and executive formats, and began offering a new undergraduate degree in global management this fall. The new degree draws on Thunderbird's expertise in global management, intercultural communication and language development to provide undergraduates with an exciting new opportunity.

Earlier this year ASU announced the establishment of its first charter, "ASU is a comprehensive public research university measured not by whom it excludes, but by whom it includes and how they succeed; advancing research and discovery of public value; and assuming fundamental responsibility for the economic, social, cultural and overall health of the communities it serves." This charter serves as an enduring commitment to the citizens of Arizona that ASU will fulfill its responsibility to provide access to affordable public education and will continue to serve the State of Arizona through its research and economic development activities.

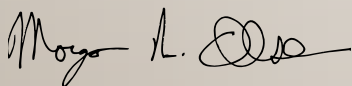
ASU has achieved steady increases in net assets over the past several years, while simultaneously pursuing new opportunities in furtherance of the *New American University*. For example, with the completion of the Thunderbird integration, we look forward to leveraging Thunderbird's extensive and well-respected executive education programs to expand executive education opportunities in fields of study offered across the University. ASU will continue to accelerate curriculum innovations through outreach opportunities made possible by ASU EdPlus, and will enhance our partnership with the State of Arizona to create a coalition of political support for investments in education, while pursuing investment partnerships to support economic development.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2014. To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, and must satisfy both generally accepted accounting principles and applicable legal requirements. The University will submit its CAFR for the fiscal year ended June 30, 2015 to the GFOA and anticipates this year's report will continue to meet the requirements to receive the Certificate of Achievement.

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

Sincerely,



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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Arizona State University

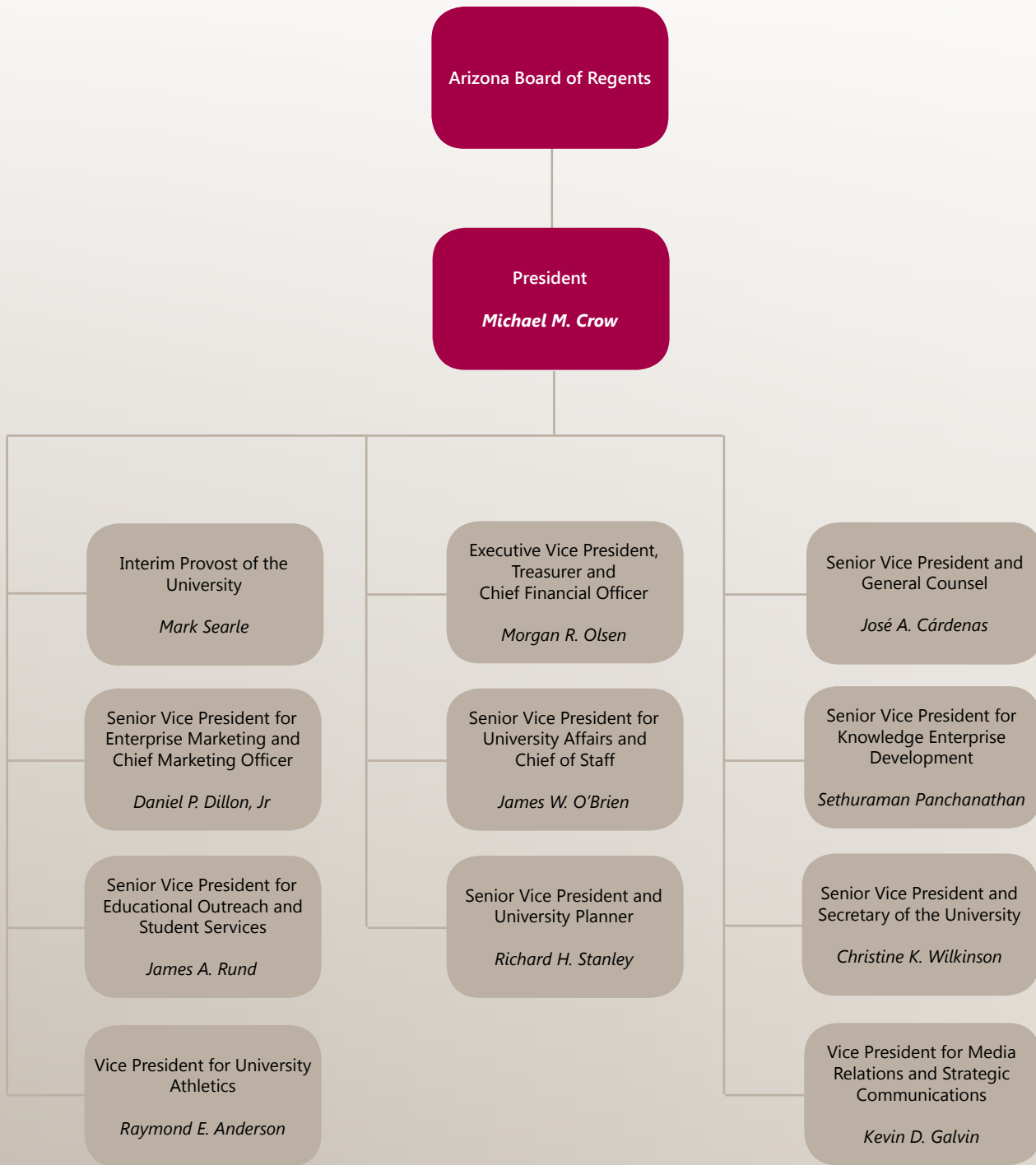
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

ASU ORGANIZATIONAL CHART

As of June 30, 2015



EX-OFFICIO

Doug Ducey, *Governor of Arizona*

Diane Douglas, *Arizona Superintendent of Public Instruction*

APPOINTED

Jay Heiler, *Chair*
Paradise Valley

Greg Patterson, *Vice Chair*
Scottsdale

Ram Krishna, *Secretary*
Yuma

Mark Killian, *Treasurer*
Mesa

LuAnn Leonard
Polacca

William Ridenour
Paradise Valley

Ron Shoopman
Tucson

Rick Myers
Tucson

Jared Gorshe, *Student Regent*
Northern Arizona University

Mark Naufel, *Student Regent and Assistant Treasurer*
Arizona State University



'The Continents' sculpture on the Thunderbird campus represents the communication between countries and cultures

FINANCIAL SECTION





DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Arizona State University as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Arizona State University as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note A to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note A to the financial statements, for the year ended June 30, 2015, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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

Debbie Davenport
Auditor General

November 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides readers of Arizona State University's financial statements an understanding of the financial position and revenue and expense activities for the year ended June 30, 2015. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes to the financial statements.

ARIZONA STATE UNIVERSITY REPORTING ENTITY

Arizona State University (ASU, University) is a comprehensive research university built on the foundation of achieving excellence in its academic and research programs while providing access to all qualified students. The University is comprised of an educational network of more than 600 academic undergraduate and graduate programs and majors across its campuses and online program. ASU's fall 2014 enrollment was over 83,000 students including 13,000 students enrolled in ASU Online, one of the keystones to ASU's efforts to provide accessible education. ASU is an agency of the State of Arizona and is included in the State's *Comprehensive Annual Financial Report* (CAFR).

The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Financial information for FY 2014 is included in Management's Discussion and Analysis (MD&A) in order to illustrate increases and decreases with FY 2015 data. The financial statements and notes along with MD&A have been prepared in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

The University's financial statements encompass the University and its discretely presented component units. MD&A focuses only on the University, unless otherwise stated. Information on the discretely presented component units can be found in the component units' Statement of Financial Position and Statement of Activities, as well as *Note B – ASU Component Units*, *Note O – Summary Financial Information for ASU Component Units*, and Combining Statements of the nonmajor discretely presented component units. Effective for FY 2015 ASU reported nine discretely presented component units. New for FY 2015 is the Thunderbird School of Global Management component unit.

In January 2015 the Thunderbird School of Global Management (Thunderbird), an Arizona non-profit corporation was integrated into ASU's knowledge enterprise. Thunderbird, located on almost 150 acres in Glendale, Arizona, has been a leader in global

management education since its founding in 1946 offering degree programs and executive education. In conjunction with the ASU integration, Thunderbird's degree programs transitioned to ASU and the Thunderbird School of Global Management (Thunderbird School of Global Management) was formed with the same stature as other ASU colleges and schools. Thunderbird students were able to transfer to ASU to complete their degrees and through calendar year 2015 have the option to earn degrees from both Thunderbird and ASU. As of January 1, 2015, all Thunderbird trustees are members of ASU's administration and continuing Thunderbird faculty and staff became ASU employees.

Thunderbird continues to exist as a separate legal entity and FY 2015 financial activity is presented as a discrete component unit of ASU and combined with ASU's other component units for presentation on separate pages in the University's financial statements. As of June 30, 2015, Thunderbird reported assets of \$65 million, liabilities of \$10 million, and \$55 million in unrestricted net assets, including a \$17 million equity interest from ASU made in consideration of the benefits to be realized from the integration. Thunderbird reported revenues of almost \$46 million in FY 2015, largely from its global executive education programs.

Effective for FY 2015 the University implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and GASB Statement No. 69, *Governmental Combinations and Disposals of Government Operations*. GASB Statement Nos. 68 and 71 revise standards for measuring and reporting pension liabilities for pension plans provided by the University to its employees. Recognition of a liability equal to ASU's proportionate share of the net pension liability is required, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based on discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Related to implementing GASB Statement No. 68, ASU has restated its FY 2014 ending net position by \$470 million as shown in *Note A – Basis of Presentation and Significant Accounting Policies*. *Note K – Retirement Plans* contains required disclosures related to GASB Statement No. 68 and GASB Statement No. 71.

FINANCIAL HIGHLIGHTS FOR FY 2015

The University strengthened its financial foundation in FY 2015 with an increase in net position of \$92 million, compared to a \$103 million increase in FY 2014. This was the tenth straight year in which ASU reported an increase in net position. At June 30, 2015 the University had total assets of over \$3.3 billion and net position of over \$1.0 billion. Overall, FY 2015 funding sources increased eight percent from FY 2014. Tuition and fees are ASU's primary revenue source (48 percent), with state appropriations, research grants and contracts and auxiliary enterprise activities also providing significant resources. Nearly one-half of the University's expenses were directly related to instruction and academic support, with research and public service comprising the second largest expense category. In order to compare FY 2015 and FY 2014 financial results, the University has presented FY 2014 information restated to the extent possible for GASB Statement No. 68.

STATEMENT OF NET POSITION

Condensed Summary of Net Position (Dollars in millions)		
	FY 2015	FY 2014 (as restated)
Assets		
Current assets	\$ 282.6	\$ 297.3
Noncurrent assets	964.1	766.0
Noncurrent capital assets, net	2,076.9	1,945.5
Total assets	\$ 3,323.6	\$ 3,008.8
Deferred outflows of resources	\$ 131.7	\$ 62.1
Liabilities		
Current liabilities	\$ 242.4	\$ 224.8
Noncurrent liabilities	553.6	577.8
Noncurrent long-term debt	1,525.0	1,305.8
Total liabilities	\$ 2,321.0	\$ 2,108.4
Deferred inflows of resources	\$ 79.6	
Net position		
Net investment in capital assets	\$ 718.6	\$ 695.6
Restricted:		
Nonexpendable	64.8	59.5
Expendable	109.7	113.9
Unrestricted	161.6	93.5
Total net position	\$ 1,054.7	\$ 962.5

A summary comparison of the University's financial position as of June 30, 2015 and June 30, 2014 is presented above. The statement of net position presents the financial position of the University at the end of the fiscal year and reports all assets, deferred outflows, liabilities and deferred inflows, and segregates assets and liabilities into current and non-current categories. Assets are resources controlled by ASU that can be used

to support its mission and goals. A deferred outflow of resources is a use of net position that is applicable to future reporting periods. Liabilities are obligations of the university. A deferred inflow of resources is the acquisition of net position in future periods. The change in net position (assets plus deferred outflows of resources less liabilities plus deferred inflows of resources) between years is one indicator of whether the overall financial condition of the University has improved or worsened during the fiscal year.

The primary impact of GASB Statement No. 68 is the recognition of ASU's proportionate share of certain pension liabilities and the related decrease in unrestricted net position. For FY 2015 ASU is reporting a net pension liability of \$484 million and restated beginning net position by \$470 million to reflect the prior year impact. Unrestricted net position is primarily under the control of the University's academic and research areas and is typically internally designated or committed for programs and initiatives. More information on GASB Statement No. 68 is included in *Note K – Retirement Plans*.

At June 30, 2015, ASU held total assets of \$3.3 billion, reflecting a ten percent increase from June 30, 2014. Current assets are used to support operations and include cash and cash equivalents, short-term investments and accounts receivables. Current assets decreased slightly between years due to the reallocation of short-term investments to investment vehicles with a longer maturity in order to increase rate of return.

Noncurrent assets increased \$330 million with restricted cash and other investments increasing by \$180 million and net capital assets increasing by \$131 million. There was a increase in restricted cash related to the April 2015 bonds issued to support construction of the Arizona Center for Law and Society to house the ASU law college and related programs, the first phase of renovations to Sun Devil Stadium, and other renovation and construction projects. There was a corresponding increase in net capital assets largely due to Arizona Center for Law and Society and Sun Devil Stadium construction costs, as well as a capital lease for an office building in Washington, D.C. to house ASU programs concentrated in the nation's capital.

Deferred outflows of resources increased \$70 million between years including \$42 million related to implementation of GASB Statement No. 68 and a \$25 million increase in unamortized loss of refunding debt, see *Note F - Long-Term Debt and Lease Obligations* for information regarding the economic gain from refundings which primarily represents the sale of the refunding bonds at a premium. Deferred inflows of resources increased \$80 million between years related to implementation of GASB Statement No. 68.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total liabilities increased \$213 million for the year ended June 30, 2015 to \$2.3 billion. Current liabilities increased \$18 million primarily due to increased accounts payable related to several construction projects. There was a \$219 million increase in noncurrent long-term debt primarily due to the issuance of the April 2015 system revenue bonds and the Washington, D.C. capital lease.

Net position increased \$92 million between years to almost \$1.1 billion. As noted above, over the past ten years the University has had modest but steady increases in net position allowing the University to accumulate unrestricted net position sufficient to absorb the reduction in net position related to implementation of GASB Statement No. 68 and still maintain positive unrestricted net position. Net position is reported as follows:

- Net investment in capital assets represents the University's investment in capital assets such as equipment, buildings, land and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- Restricted-nonexpendable net position primarily represents the University's permanent endowment funds received from donors for the purpose of creating permanent funding streams for specific programs or activities. These funds are held in perpetuity and are not available for expenditure by the University. The earnings on these funds support the programs and activities as determined by donors.
- Restricted-expendable net position is the resources which the University is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or other external parties.
- Unrestricted net position is composed of all other funds available to ASU for purposes related to its mission. Unrestricted net position is typically designated or committed for specific academic programs or research initiatives.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the University's operating results for the fiscal year. A positive increase in net position would typically indicate the financial condition of the University has improved over the prior year. In accordance with GASB, the University recognizes certain essential revenues such as state appropriations, financial aid grants, and private gifts and investment income, as nonoperating revenues even though those revenues are used to support the University's core instructional mission. A summary comparison of the University's activities for FY 2015 and FY 2014 follows.

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

	FY 2015	FY 2014 (as restated)
Operating revenues		
Tuition and fees, net	\$ 1,021.0	\$ 896.9
Research grants and contracts	237.5	244.3
Auxiliary enterprises, net	145.0	140.5
Other operating revenues	79.2	66.9
Total operating revenues	\$ 1,482.7	\$ 1,348.6
Operating expenses	1,961.8	1,796.8
Operating loss	\$ (479.1)	\$ (448.2)
Net nonoperating revenues (expenses)		
State appropriations	\$ 338.0	\$ 314.5
Other nonoperating revenues	267.0	268.1
Nonoperating expenses	(63.2)	(62.3)
Income before other revenues, expenses, gains, or losses	\$ 62.7	\$ 72.1
Capital appropriations and other revenues	29.5	27.3
Extraordinary and Special items		3.9
Increase in net position	\$ 92.2	\$ 103.3
Net position at beginning of year	962.5	859.2
Net position at end of year	\$ 1,054.7	\$ 962.5

Operating Revenues

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

Operating revenues increased \$134 million, or ten percent, to approximately \$1.5 billion in FY 2015 with the most significant increase occurring in net tuition and fees. The growth in tuition and fee revenues is primarily the result of a nine percent, 6,500 students increase in enrollment, including a 22 percent rise in nonresident enrollment, and a modest increase in tuition and fee rates. Grants and contracts revenues which is primarily funded by federal agencies, reflected a slight decrease between years, largely offset by an increase in nongovernmental (private) research grants and contracts revenue. Grants and contracts revenue varies from year to year for many reasons, including availability of funding from specific sponsors, the close-out of particularly large projects and the start-up process for new projects.

Operating Expenses

Expenses are also categorized as operating or nonoperating per GASB. The University reports operating expenses by functional category (instruction, research, etc.) in the statement of revenues, expenses, and changes in net position and displays expenses by their natural classification (personal services and benefits, supplies and services, etc.) in *Note J – Operating Expenses by Natural Classification*.

Operating expenses increased \$165 million or nine percent in FY 2015 with the increase largely reflecting the substantial growth in enrollment. Instruction and academic support expenses experienced the largest increase, \$91 million, spread across most academic areas of the University, with ASU Online and the Thunderbird School of Global Management experiencing the most notable increases between years. The increase in ASU Online reflects the continued growth of the program, including the impact of the Starbucks College Achievement Plan which allows all eligible Starbucks

employees to earn their bachelor's degree through ASU Online with full tuition coverage for four years. As of January 1, 2015 activity for the newly created Thunderbird School of Global Management academic unit is included in the instruction and academic support category.

Nonoperating Revenues and Expenses

Due to the required classification of key revenue sources such as state appropriations, financial aid grants, and private gifts as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Total nonoperating revenues increased by \$22 million between years with state appropriations increasing by \$24 million, including \$21 million in parity funding to address a base funding inequity among Arizona universities. Other activity included a \$13 million increase in nonoperating grants and contracts spread across several areas and a \$15 million decrease in net investment return due to lower investment returns.

Combined Sources and Uses (Dollars in millions)					
	FY 2015		FY 2014 (as restated)		Percentage Change
SOURCES					
Tuition and fees, net	\$ 1,021.0	48%	\$ 896.9	46%	14%
State appropriations (includes capital appropriations)	353.0	17%	329.0	17%	7%
Grants and contracts	286.7	14%	281.1	14%	2%
Financial aid grants	115.1	5%	106.9	5%	8%
Auxiliary enterprises, net	145.0	7%	140.5	7%	3%
Private and capital gifts	66.8	3%	74.1	4%	(10%)
Sales and services	67.2	3%	58.4	3%	15%
Share of state sales tax (TRIF)	26.5	1%	27.8	1%	(5%)
Other sources	35.9	2%	47.7	3%	(25%)
Total sources	\$ 2,117.2	100%	\$ 1,962.4	100%	8%
USES					
Instruction and academic support	\$ 934.1	46%	\$ 842.9	45%	11%
Research and public service	281.0	14%	275.9	15%	2%
Scholarships and fellowships and student services	235.1	12%	202.5	11%	16%
Institutional support and operation of plant	253.8	12%	232.6	13%	9%
Auxiliary enterprises	143.2	7%	130.6	7%	10%
Depreciation	114.6	6%	112.3	6%	2%
Interest on debt and other expenses	63.2	3%	62.3	3%	1%
Total uses	\$ 2,025.0	100%	\$ 1,859.1	100%	9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF CASH FLOWS

A summary comparison of cash flows for the University's FY 2015 and FY 2014 activities follows.

Condensed Summary of Cash Flows (Dollars in millions)		
	FY 2015	FY 2014
Cash provided by/(used for):		
Operating activities	\$ (367.8)	\$ (319.1)
Noncapital financing activities	604.2	580.0
Capital and related financing activities	(69.0)	(191.5)
Investing activities	(43.7)	(88.6)
Net increase/(decrease) in cash and cash equivalents	\$ 123.7	\$ (19.2)
Cash and cash equivalents at beginning of year	170.9	190.1
Cash and cash equivalents at end of year	\$ 294.6	\$ 170.9

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, research grants and contracts, and auxiliary enterprises revenues. Operating expenses include employee salaries and benefits and vendor payments for supplies. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes cash from state appropriations, financial aid grants, and private gifts. Cash flows from capital financing activities include all capital assets and related long-term debt activities, including proceeds from the issuance of debt, capital asset purchases, and principal and interest paid on long-term debt. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and income earned on those investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

ASU's capital assets continue to grow in order to provide facilities to support the University's instruction, research and public service missions. Overall the university's capital assets, net of accumulated depreciation and deletions, increased by \$131 million in FY 2015, a seven percent increase over FY 2014. Activity in FY 2015 primarily related to construction and renovation of academic facilities, as well as the initial phase of a multi-year construction project to renovate and structurally reinforce ASU's landmark football stadium, Sun Devil Stadium. Key FY 2015 capital asset projects included the following.

- Upon completion in summer 2016 of the **Arizona Center for Law and Society facility**, the Sandra Day O'Connor College of Law will move from the Tempe campus to the Downtown Phoenix campus. The facility will include classrooms, an auditorium, faculty offices, conference spaces, student collaboration areas, a law library and will house public policy think tanks to collaborate on issues of justice, public discourse, social policy and personal freedom. The \$129 million, 294,000 square-foot facility will primarily be funded by the 2015 system revenue bonds issued in April 2015, along with City of Phoenix support and private gifts.
- The **Psychology Building** renovation is a \$23 million project undertaken to support future growth in ASU's nationally ranked Psychology Department. The 82,000 gross square foot building was built in 1972 and requires upgrades to all building infrastructure systems to meet program requirements and current building and life safety codes. The renovated facility will support continued academic excellence in psychology programs and future research growth. Areas housed in the building include behavioral neuroscience, clinical psychology, cognitive science, development psychology, quantitative psychology and social psychology.
- With its iconic location between two buttes, the 57 year old **Sun Devil Stadium** is a Phoenix area landmark and the largest public assembly building on campus. The Sun Devil Stadium renovation project is planned in three phases to allow ASU football games to be scheduled in the stadium throughout the construction period without a significant impact on the fan experience. Phase I of the project was completed in summer 2015 and included construction of a new student section in the South end zone, infrastructure upgrades, enhanced concessions and food services, renovated and new restrooms, and ADA enhancements and elevators.
- During FY 2015 ASU entered into a capital lease for a facility in Washington, D.C. to consolidate current leased space. ASU programs currently in

Washington, D.C., include the McCain Institute for International Leadership, the Consortium for Science, Policy and Outcomes, select academic programs in the Walter Cronkite School of Journalism and Mass Communication, the Sandra Day O'Connor College of Law, and the School of Politics and Global Studies Capital Scholars Program, as well as administrative offices to support federal relations, university affairs and research.

A summary of the University's outstanding debt including average interest rates, final maturity and outstanding balances for its bonds, certificates of participation and capital leases, is presented in *Note F – Long-Term Debt and Lease Obligations*. In April 2015 the University issued \$362 million in system revenue bonds to fund the Arizona Center for Law and Society, renovation of the Psychology building, Sun

Devil Stadium phase one renovation and university wide information technology infrastructure improvements, as well as to refund various outstanding bonds of the University and one of its component units. In August 2014 the University issued \$85 million of refunding Certificates of Participation. The refunded debt is considered defeased and related liabilities are not included in the University's financial statements. Also in FY 2015 the University entered into a \$35 million capital lease for a Washington, D.C. facility.

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

Additional information about the University's capital assets is presented in *Note D – Capital Assets*.

ASU's opening home game at Sun Devil Stadium.



MANAGEMENT'S DISCUSSION AND ANALYSIS

ASU'S COMPONENT UNITS

Included in this financial report are the financial statements of the University's component units discretely presented on separate pages from the financial statements of the University. The component units are reported in distinct financial statements due to their use of different financial reporting models than the University and to emphasize their separation from the University. ASU component units included in these statements are the ASU Foundation for A New American University (ASU Foundation), Arizona Capital Facilities Finance Corporation (ACFFC), ASU Alumni Association,

Arizona State University Research Park, Inc., Downtown Phoenix Student Housing, LLC, Sun Angel Endowment, Sun Angel Foundation, ASU Preparatory Academy, Inc. and the Thunderbird School of Global Management (Thunderbird) corporate entity. Even though the component units support the University, they are not subsidiaries of the University. For more information on these component units, please refer to *Note B – ASU Component Units* and *Note O – Summary Financial Information for ASU Component Units*. For comparison purposes, FY 2014 information has been restated to include Thunderbird.

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

	FY 2015	FY 2014 (as restated)
Assets		
Cash and investments	\$ 902.5	\$ 876.6
Capital assets, net	296.3	324.7
Receivables, net	181.5	144.6
Other assets	117.9	107.9
Total assets	\$ 1,498.2	\$ 1,453.8
Liabilities		
Long-term debt	\$ 514.4	\$ 533.3
Other liabilities	211.6	226.5
Total liabilities	\$ 726.0	\$ 759.8
Net assets		
Unrestricted	\$ 29.1	\$ (19.9)
Temporarily restricted	323.5	295.5
Permanently restricted	419.6	418.4
Total net assets	\$ 772.2	\$ 694.0

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

	FY 2015	FY 2014 (as restated)
Revenues		
Contributions	\$ 156.5	\$ 81.9
Other revenues	156.6	250.1
Total revenues	\$ 313.1	\$ 332.0
Expenses		
Payments to the benefit of ASU	\$ 93.6	\$ 84.2
Other expenses	173.2	187.8
Total expenses	\$ 266.8	\$ 272.0
Transfers, interest, gains and losses	31.9	(0.3)
Increase in net assets	\$ 78.2	\$ 59.7
Net assets at beginning of year	694.0	634.3
Net assets at end of year	\$ 772.2	\$ 694.0

COMBINED ASU AND ASU COMPONENT UNITS

ASU and its component units combined for an increase in net position/net assets of \$170 million in FY 2015. University net position increased \$92 million in FY 2015 while component unit net assets increased \$78 million. The most notable increase in net revenues for the component units was a \$75 million increase in

contributions between years. Overall, restricted net assets of the component units increased by \$29 million between years, while component unit unrestricted net assets increased by \$49 million. Restricted net position/net assets must be spent in compliance with donor directions, and are typically restricted for use by a specific academic department or program.

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

	FY 2015			FY 2014		
	ASU	ASU Component Units	Combined	ASU (as restated)	ASU Component Units (as restated)	Combined (as restated)
Net investment in capital assets	\$ 718.6		\$ 718.6	\$ 695.6		\$ 695.6
Unrestricted net position/net assets	161.6	\$ 29.1	190.7	93.5	\$ (19.9)	73.6
Restricted net position/net assets:						
Expendable/Temporarily	109.7	323.5	433.2	113.9	295.5	409.4
Nonexpendable/Permanently	64.8	419.6	484.4	59.5	418.4	477.9
Net position/net assets at end of year	\$ 1,054.7	\$ 772.2	\$ 1,826.9	\$ 962.5	\$ 694.0	\$ 1,656.5

ECONOMIC OUTLOOK

After two years of increased State of Arizona investment in ASU, the State reduced its investment for FY 2016 in response to concerns over potential State revenue shortfalls. ASU proactively managed the \$53 million reduction in its FY 2016 operating budget through a combination of targeted tuition rate increases for non-resident and international students, a one-time tuition surcharge for resident students, and expense reductions, while continuing to make strategic investments in key academic and online programs. The State ended FY 2015 with a higher than projected balance and is currently forecasting a structural balance in FY 2016. The Arizona Board of Regents (ABOR) and three ABOR universities intend to build an investment relationship with the State based on the benefits that accrue from an educated workforce and the value of investing in the education of resident students.

ASU continues to experience strong enrollment growth, particularly in its online degree programs, and tuition revenues are expected to remain the University's largest funding source. Based on fall headcount, total enrollment increased 8.5 percent in fiscal year 2015 and almost 10 percent in fiscal year 2016 to over 91,000 students, driving strong tuition revenue growth in conjunction with modest rate increases. With competitive tuition rates, strong academic programs, and continued expansion of degrees offered completely online, enrollment is expected to grow in future years, albeit at a possibly slower rate.

Responding to continued enrollment expansion in a cost-effective manner is facilitated by acceleration of partnerships and development of new technology driven education modalities. Recent examples of successful ASU partnerships include continued development of the Downtown Phoenix campus with the City of Phoenix, expansion of nursing cohorts and biomedical

informatics programs as well as joint research activities with the Mayo Clinic, pathway programs for community college students in conjunction with Arizona community colleges, the Starbucks College Achievement Plan in conjunction with Starbucks, as well as various partnerships to expand ASU's student residential facilities. ASU continues to invest in its physical infrastructure and currently has construction and renovation projects underway to enhance the academic experience and expand research facilities.

ASU has also partnered with other universities to submit large scale research proposals allowing multiple universities to combine resources and knowledge to address key national and international problems. One recently announced project is the National Science Foundation funding of the Nanosystems Engineering Research Center for Nanotechnology Enabled Water Treatment Systems (NEWT). NEWT is a partnership of ASU, Rice University, Yale University and the University of Texas – El Paso to develop compact, mobile, off-grid water treatment systems that can provide clean water to millions of people who currently lack access in a reliable and affordable manner. Through proposals and partnerships such as NEWT, the University will continue to focus efforts on expanded research grant and contract funding.

ASU's charter is a commitment to the citizens of Arizona that ASU recognizes its responsibility to fulfill the requirements of the Arizona Constitution to provide public education. ASU has developed an enterprise model based upon resources from a wide range of activities, development of highly efficient and effective program delivery, partnerships of mutual benefit with like-minded public and private entities, and respect for its public purpose and responsibilities to the citizens of Arizona.

STATEMENT OF NET POSITION

June 30, 2015 (Dollars in thousands)

ASSETS

Current Assets:

Cash and cash equivalents (Note C)	\$ 47,316
Short-term investments (Note C)	30,775
Receivables:	
Accounts receivable, net	109,484
State appropriations	90,575
Student loans receivable, net	1,077
Other assets	3,377
Total Current Assets	\$ 282,604

Noncurrent Assets:

Restricted cash and cash equivalents (Note C)	\$ 247,270
Endowment investments (Note C)	116,252
Other investments (Note C)	572,558
Student loans receivable, net	10,668
Other assets	401
Equity interest in Thunderbird	17,000
Capital assets, net (Note D)	2,076,892
Total Noncurrent Assets	\$ 3,041,041

Total Assets \$ 3,323,645

DEFERRED OUTFLOWS OF RESOURCES

Interest rate swap (Note G)	\$ 16,772
Unamortized loss on refunding debt	42,475
Pensions related (Note K)	72,481

Total Deferred Outflows of Resources \$ 131,728

LIABILITIES

Current Liabilities:

Accounts payable	\$ 94,998
Compensated absences (Note I)	3,167
Unearned revenues	55,176
Funds held for others	18,270
Current portion of long-term debt (Note F) - Funded by:	
University operating revenues	54,904
State appropriations and other State monies	15,876
Total Current Liabilities	\$ 242,391

Noncurrent Liabilities:

Compensated absences (Note I)	\$ 26,847
Other liabilities	25,815
Derivative instrument - Interest rate swap (Note G)	16,772
Pension plans payable (Note K)	484,133
Long-term debt (Note F) - Funded by:	
University operating revenues	1,111,056
State appropriations and other State monies	413,981
Total Noncurrent Liabilities	\$ 2,078,604

Total Liabilities \$ 2,320,995

DEFERRED INFLOWS OF RESOURCES

Pensions related (Note K)	\$ 79,616
---------------------------	-----------

NET POSITION

Net investment in capital assets	\$ 718,642
Restricted (Total of \$174,497):	
Nonexpendable:	
Student aid	59,185
Academic department uses	5,648
Expendable:	
Student aid	44,109
Academic department uses	63,919
Capital projects and debt service	1,636
Unrestricted (Note H)	161,623

Total Net Position \$ 1,054,762

See Notes to Financial Statements.

COMPONENT UNITS

STATEMENT OF FINANCIAL POSITION

June 30, 2015 *(Dollars in thousands)*

ASSETS

Cash and cash equivalents	\$ 36,873
Pledges receivables, net	142,760
Other receivables, net	38,722
Investments in securities	814,723
Other investments	50,912
Net direct financing leases	65,697
Property and equipment, net	296,329
Other assets	52,156
Total Assets	\$ 1,498,172

LIABILITIES

Accounts payable and accrued liabilities	\$ 40,641
Deferred revenue	14,968
ASU endowment trust liability	116,254
Other liabilities	39,735
Long-term debt	514,409
Total Liabilities	\$ 726,007

NET ASSETS

Unrestricted	\$ 29,112
Temporarily restricted	323,456
Permanently restricted	419,597
Total Net Assets	\$ 772,165

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2015 (*Dollars in thousands*)

OPERATING REVENUES

Student tuition and fees, net of scholarship allowances of \$256,947	\$ 1,021,014
Research grants and contracts, including \$194,281 in federal funding and \$40,995 in nongovernmental funding	237,489
Sales and services -	
Auxiliary enterprises, net of scholarship allowances of \$12,556	145,008
Educational departments	67,230
Other revenues	12,001
Total Operating Revenues	\$ 1,482,742

OPERATING EXPENSES (Note J)

Educational and general -	
Instruction	\$ 686,397
Research	244,763
Public service	36,201
Academic support	247,700
Student services	98,491
Institutional support	151,613
Operation and maintenance of plant	102,167
Scholarships and fellowships	136,675
Auxiliary enterprises	143,184
Depreciation	114,617
Total Operating Expenses	\$ 1,961,808
Operating Loss	\$ (479,066)

NONOPERATING REVENUES (EXPENSES)

State appropriations	\$ 338,042
Share of state sales tax - technology and research initiatives fund	26,526
Financial aid grants, including \$114,816 in federal funding	115,070
Grants and contracts, including \$35,644 in federal funding	49,037
Private gifts	57,651
Financial aid trust funds, including \$5,483 in state trust fund appropriations	13,615
Net investment return	5,133
Interest on debt	(53,428)
Other expenses	(9,814)

Net Nonoperating Revenues	\$ 541,832
----------------------------------	-------------------

Income Before Other Revenues, Expenses, Gains, or Losses	\$ 62,766
---	------------------

Capital appropriations - Research Infrastructure Capital Financing	\$ 13,947
Capital appropriation	1,053
Capital commitment - Arizona Lottery revenues	5,121
Capital grants	158
Capital private gifts	7,106
Additions to permanent endowments	2,089

Increase in Net Position	\$ 92,240
---------------------------------	------------------

Net Position at Beginning of Year, restated (Note A)	962,522
---	----------------

Net Position at End of Year	\$ 1,054,762
------------------------------------	---------------------

See Notes to Financial Statements.

COMPONENT UNITS

STATEMENT OF ACTIVITIES

Year ended June 30, 2015 (*Dollars in thousands*)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUES				
Contributions	\$ 21,438	\$ 114,700	\$ 20,373	\$ 156,511
Rental revenues	36,526			36,526
Sales and services	68,421	110		68,531
Net investment return	2,952	8,137	(264)	10,825
Net assets released from restrictions	113,896	(94,997)	(18,899)	
Grants and aid	15,616			15,616
Tuition and fees	11,849			11,849
Other revenues	13,224			13,224
Total Revenues	\$ 283,922	\$ 27,950	\$ 1,210	\$ 313,082
EXPENSES				
Payments to the benefit of ASU -				
Cash donation transfers to ASU	\$ 75,866			\$ 75,866
Vendor payments	8,008			8,008
Scholarship fund transfers to ASU	6,480			6,480
Rent payments to ASU	3,223			3,223
Management and general	117,448			117,448
Interest expense	21,921			21,921
Depreciation/amortization	22,540			22,540
Other expenses	11,305			11,305
Total Expenses	\$ 266,791			\$ 266,791
Increase in Net Assets, before Transfers, Gains and Losses	17,131	27,950	1,210	46,291
Equity interest from ASU	17,000			17,000
Equity transfer	8,229			8,229
Gain on termination of postretirement benefit plan	3,777			3,777
Gain on extinguishment of debt	3,233			3,233
Loss on lease revaluation due to bond refunding	(347)			(347)
Increase in Net Assets, after Transfers, Gains and Losses	49,023	27,950	1,210	78,183
Net Assets at Beginning of Year	(19,911)	295,506	418,387	693,982
Net Assets at End of Year	\$ 29,112	\$ 323,456	\$ 419,597	\$ 772,165

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS

Year ended June 30, 2015 (*Dollars in thousands*)

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 990,288
Research grants and contracts	240,584
Sales and services of auxiliary enterprises	146,786
Sales and services of educational activities	65,754
Payments for employees' salaries and benefits	(1,092,216)
Payments to vendors for supplies and services	(575,679)
Payments for scholarships and fellowships	(155,843)
Student loans issued	(1,884)
Student loans collected	2,496
Other receipts	11,847
Net cash used for operating activities	\$ (367,867)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	\$ 338,042
Share of state sales tax - technology and research initiatives fund	28,333
Grants and contracts	162,514
Private gifts for other than capital purposes	62,721
Financial aid trust funds	13,540
Direct lending program receipts	517,614
Direct lending program disbursements	(517,355)
Funds held for others received	192,171
Funds held for others disbursed	(193,377)
Net cash provided by noncapital financing activities	\$ 604,203

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital appropriations - Research Infrastructure Capital Financing	\$ 15,000
Build America Bonds - federal subsidy	3,687
Capital commitments, including Arizona Lottery revenue	2,733
Capital gifts and grants	2,121
Proceeds from issuance of capital debt	223,176
Purchases of capital assets	(194,535)
Principal paid on capital debt and leases	(66,282)
Interest paid on capital debt and leases	(54,873)
Net cash used for capital and related financing activities	\$ (68,973)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments, net	\$ (35,317)
Equity interest in Thunderbird	(17,000)
Interest received on investments	8,646
Net cash used for investing activities	\$ (43,671)

Net increase in cash and cash equivalents 123,692

Cash and cash equivalents at beginning of year 170,894

Cash and cash equivalents at end of year \$ 294,586

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	\$ (479,066)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	114,617
Pension expense	37,658
Employer pension contributions	(33,589)
Other payments	(8,401)
Increases/decreases in assets and liabilities:	
Receivables, net	(18,375)
Accounts payable and accrued liabilities	15,562
Compensated absences	2,241
Unearned revenues	1,266
Other assets	220
Net cash used for operating activities	\$ (367,867)

SIGNIFICANT NONCASH TRANSACTIONS

Refinancing of long-term debt	\$ 280,159
Assets acquired through capital lease	35,000
Unrealized loss on endowment	(5,136)

See Notes to Financial Statements.

June 30, 2015

Note A - Basis of Presentation and Significant Accounting Policies

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

Reporting Entity

Arizona State University is one of the largest public research universities in the United States under a single administration. Located on five campuses across metropolitan Phoenix, ASU had fall 2014 enrollment of 83,301 students. The accompanying statements of the University include the activity of the Tempe campus, West campus (located in northwest Phoenix adjacent to Glendale), Polytechnic campus (located in Mesa), the Downtown Phoenix campus, Thunderbird campus (located in Glendale), and the University's extensive online programs, as well as its discretely presented component units. Information on component units can be found in *Note B - ASU Component Units* and *Note O - Summary Financial Information for ASU Component Units*. Also included is activity for the ASU Colleges at Lake Havasu City, which focuses on instruction in high-demand undergraduate degrees.

For financial reporting purposes, the University's portion of the statements includes those funds directly controlled by the University. Control by the University is determined on the basis of financial accountability. The University is classified as a state instrumentality per Internal Revenue Code Section 115. Since fiscal responsibility for the University remains with the State of Arizona, the University is considered a part of the reporting entity for the State's financial reporting purposes.

ASU's Basis of Presentation and Accounting

The accompanying financial statements of the University include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows, each of which provide a comprehensive, entity-wide perspective of the University. The statement of net position provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at the end of the fiscal year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions, or availability of assets to satisfy the University's obligations. The statement of revenues, expenses, and changes in net position provides information about the University's financial

activities during the fiscal year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital additions and additions to endowments. The statement of cash flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing activities.

For the year ended June 30, 2015, the University implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and GASB Statement No. 69, *Governmental Combinations and Disposals of Government Operations*.

GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit and defined contribution pension plans. In addition, GASB Statement No. 68 requires disclosure of information related to pension benefits. The recognition of prior period activity resulted in a restatement of net position as of July 1, 2014.

GASB Statement No. 69 provides accounting and financial reporting standards related to governmental combinations and disposals of government operations. The implementation of this standard has no effect on the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Restatement of Net Position

The implementation of GASB Statement Nos. 68 and 71 requires the inclusion of pension liability and related transactions which resulted in the following restatement to the University's net position reported as of June 30, 2014 (*Dollars in thousands*):

Net position at June 30, 2014,	
as previously reported	\$ 1,432,322
GASB 68 adjustments	(469,800)
Net position at July 1, 2014, as restated	<u>\$ 962,522</u>

Summary of Significant Accounting Policies

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

Endowment Spending Rate Policy. Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds, the University administration considers long and short-term needs, total investment return and price level trends, and general economic conditions. For FY 2015, the spending rate utilized the constant growth spending methodology which increases spending distributions by the trailing one-year inflation rate (as measured by CPI-U, Consumer Price Index for all Urban Consumers) annually, as long as distributions do not exceed 4.00 percent or fall below 3.00 percent of the trailing 12 quarter average market value of each endowment fund. Donor restricted endowments that are available for expenditure are reported as restricted expendable on the statement of net position.

Investments. Short-term, endowment, and other investments are stated at fair value at June 30, 2015. Fair value typically is the quoted market price for investments. Investment returns include realized and unrealized gains and losses on investments.

Receivables. Total receivables at June 30, 2015 were \$211.8 million, including \$90.6 million in FY 2015 State of Arizona general fund appropriations. Other significant amounts included in the receivable balance are \$69.9 million related to tuition and fee payments due from students and others making payments on behalf of students. Additionally, there are \$9.9 million in receivables from Federal grant sponsors, primarily

for the reimbursement of allowable expenses made pursuant to the University's grants and contracts.

The State of Arizona deferred payment of \$90.6 million in FY 2015 general fund rollover appropriations until FY 2016. The State was required to fund the FY 2015 rollover appropriations no later than October 1, 2015, and did so on September 23, 2015. The revenue associated with these deferred appropriations was recorded as FY 2015 state appropriations in accordance with the authorized FY 2015 ASU state expenditure authority.

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

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

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

The University utilizes the componentized depreciation method for its research buildings, which is consistent with the method used for government cost-reimbursement purposes. Under the componentized depreciation method, building costs are segregated into component categories with useful lives ranging from 10

to 50 years, and depreciated on a straight line method basis.

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

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

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Derivative instrument - Interest rate swap. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the University records the hedging derivative instrument on the statement of net position by presenting a liability for the fair value of the derivative instrument at fiscal year end and a deferred outflow of resources.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.

Not included in scholarship allowances is \$20.1 million in faculty and staff tuition waivers that are recorded as program expenses on the statement of revenues, expenses, and changes in net position and as personal services and benefits expenses, in *Note J - Operating Expenses by Natural Classification*.

Share of state sales tax - technology and research initiative fund (TRIF). As the governing board of the three state universities, the Arizona Board of Regents (ABOR) administers the portion of the Education 2000

(Proposition 301) sales tax which funds the universities' TRIF initiatives. ABOR receives funding requests from each university and determines the amount and duration of awards. The Governor and the Legislature receive an annual report from ABOR which includes a detailed set of performance measures used to determine the overall effectiveness of each TRIF funded initiative.

Other Disclosures

The University earned FY 2015 credit card rebates of \$1.1 million from JP Morgan and \$0.5 million from Commerce Bank.

Note B - ASU Component Units

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

ASU's component units, with the exception of the Thunderbird School of Global Management (Thunderbird), are nonprofit corporations controlled and governed by separate boards of directors whose goals are to support the University or have a close affiliation with the University. Even though these organizations support the University or have a close affiliation with the University, they are not subsidiaries of the University, nor are they directly or indirectly controlled by the University. The University does not have ownership of the financial and capital resources or assets of the component units and does not have the authority to mortgage, pledge, or encumber the assets of these organizations.

Thunderbird is a nonprofit corporation that is controlled by a board of directors appointed by the University and is closely affiliated with the University. The University has management of Thunderbird's operations and a fiscal dependency exists between Thunderbird and the University; however, services provided by Thunderbird are not solely for the benefit of the University.

Component units can be defined as legally separate entities for which the University is considered to be

financially accountable. GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement Nos. 14 and No. 34*, have set forth criteria to be considered in determining financial accountability. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion under GASB Statement No. 14, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them. GASB Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making that determination. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement No. 14*, provides additional criteria for determining whether certain organizations are component units. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should also be considered component units, with discrete presentation. These criteria are (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the University, its component units, or its constituents; (2) the University or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the University, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

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

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

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

- Arizona Capital Facilities Finance Corporation - provides facilities for use by students of the University or the University itself.
- Arizona State University Research Park, Inc. (Park) - manages a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.
- Thunderbird School of Global Management (Thunderbird) - offers non-degree programs focused on global business across cultural, ethical and multi-lingual curriculum.

Per GASB Statement No. 14, as amended by GASB Statement No. 61, a fiscal dependency and financial benefit/burden exists between the University and these three component units. ACFFC, the Park and Thunderbird do not meet the blending requirements since each component unit has a separate board of directors, services provided by the component units do

not exclusively benefit the University and the total debt outstanding of the component units is not expected to be paid entirely or almost entirely with University resources.

- Downtown Phoenix Student Housing, LLC - provides housing facilities for use by students of the University.
- ASU Preparatory Academy, Inc. (ASU Prep) - prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally and contribute to their communities.

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

For financial reporting purposes at the University level, only the discretely presented component units' statement of financial position and statement of activities are included in the University's financial statements as required by generally accepted accounting principles for public colleges and universities. In FY 2015, the ASU Foundation distributed \$63.9 million in cash donation transfers to the University for both restricted and unrestricted purposes. On July 20, 2015, Thunderbird transferred \$20.5 million to the University to support academic programs.

Financial statements of these component unit organizations are audited by independent auditors. All of the component units have a fiscal year end of June 30, 2015. Because the University's discretely presented component units use a nongovernmental generally accepted accounting principles (GAAP) reporting model, the University has chosen to present the discretely presented component units' aggregated financial information on pages separate from the financial statements of the University. To obtain individual audited financial statements for any of the University's component units, please contact ASU Financial Services at (480) 965-3601.

NOTES TO FINANCIAL STATEMENTS

Note C - Cash and Investments

General

The University's deposits and investments are discussed below in our analysis of deposit and investment risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.

Included in the University's deposits and investments are \$247.3 million in capital projects and bond debt service funds, which are held in trust and invested by various trustee banks, \$47.3 million in cash and cash equivalents, and \$603.3 million in short-term and other investments.

In addition, \$116.3 million in endowment funds managed by the ASU Foundation make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the ASU Foundation and invested in the ASU Foundation's Endowment Pool (Pool). The University's endowment assets are maintained separately on the financial system of the ASU Foundation and receive a proportional share of the Pool activity.

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

Statutory and Board of Regents' Policies

For nonendowment (operating) funds, Arizona Revised Statutes (Statutes) requires that deposits of the University not covered by federal deposit insurance be secured through participation in the State of Arizona Collateral Pool administered by the State Treasurer's Office which holds pledged collateral of at least 102 percent of uninsured deposits in eligible depositories. Further policy regarding deposits is provided by the Arizona Board of Regents (ABOR).

The Statutes do not specifically address investment policy of the universities, rather ABOR policy governs in this area. ABOR policy requires that each university

arrange for the safekeeping of securities by a bank or other financial institutions approved by ABOR. ABOR and University investment policies applicable to University investments are consistent with the Arizona State Treasurer's authorizing statutes and investment policy. Investment of capital project funds are governed by the financing indenture agreements. With regard to endowments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university.

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

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

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

Deposit and Investment Risk

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

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

The University does not have a formal policy that specifically addresses credit risk over endowment funds. The University's endowment funds are invested in an unrated external investment pool managed by the ASU Foundation, subject to the ASU Foundation's investment

policy. For endowment funds, the investment committee that directs the investments held in the Pool manages the credit risk associated with the Pool by following the credit quality and guideline restrictions stated in the investment policy.

Credit Quality Rating for Debt Securities at June 30, 2015 (Dollars in thousands)						
Investment Description	Fair Value	Not Rated	Standard and Poor's			
			AAA / AAA_m / AAA_f	AA	A	BBB
Corporate bonds	\$ 317,298		\$ 9,535	\$ 55,174	\$ 141,404	\$ 111,185
Federal agency securities	298,296			298,296		
Money market mutual funds	94,626		94,626			
Municipal bonds	27,911		8,886	19,025		
Asset backed securities	27,474	\$ 6,028	21,446			
State of Arizona LGIP (Pool 5)	1,466		1,466			
Total	\$ 767,071	\$ 6,028	\$135,959	\$ 372,495	\$ 141,404	\$ 111,185

Concentration of Credit Risk. Other than United States Treasury securities and other federal agency securities, which can represent greater than five percent of total investments, University policy limits investment in a single issuer to five percent or less of the fair value of the total portfolio. Except for those issuers allowed by policy, the University does not have an investment in any single issuer that exceeds five percent of the overall portfolio. At June 30, 2015, the University had investments in the Federal Home Loan Bank and Federal National Mortgage Association with a fair value of \$151.1 million and \$74.0 million or 14.9 and 7.3 percent of total investments, respectively.

Interest Rate Risk. ABOR and University policies do not limit the overall maturity of the investments held by the operating and endowment funds, however, the operating fund investment policy includes guidelines addressing diversification and liquidity. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

Interest Rate Risk for the University's Debt Investments at June 30, 2015 - utilizing the weighted average maturity method (Dollars in thousands)		
Investment Description	Fair Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 317,298	2.7
Federal agency securities	298,296	1.4
Money market mutual funds	94,626	0.1
Municipal bonds	27,911	1.4
Asset backed securities	27,474	3.5
State of Arizona LGIP (Pool 5)	1,466	0.2
Subtotal, before U.S. Treasury securities	\$ 767,071	
U.S. Treasury securities	130,436	1.7
Total	\$ 897,507	

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

NOTES TO FINANCIAL STATEMENTS

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2015 follows:

Capital asset activity for the year ended June 30, 2015 (Dollars in thousands)				
	Balance 07/01/2014	Additions/ Increases	Retirements/ Decreases	Balance 06/30/2015
Non-depreciated capital assets				
Land -				
University operations	\$ 81,818	\$ 15,817		\$ 97,635
Investment property	37,980			37,980
Construction in progress -				
Buildings	6,562	71,488		78,050
Works of art and historical treasures	20,114	188	\$ (74)	20,228
Total	\$ 146,474	\$ 87,493	\$ (74)	\$ 233,893
Depreciated capital assets				
Infrastructure	\$ 127,393	\$ 1,488		\$ 128,881
Buildings	2,331,150	118,086		2,449,236
Equipment	400,326	26,182	\$ (12,062)	414,446
Software	25,031	1,863		26,894
Library books	278,157	12,567	(518)	290,206
Less accumulated depreciation				
Infrastructure	(49,708)	(3,198)		(52,906)
Buildings	(813,107)	(67,600)		(880,707)
Equipment	(261,932)	(28,748)	10,434	(280,246)
Software	(18,381)	(3,396)		(21,777)
Library books	(219,871)	(11,675)	518	(231,028)
Total	\$ 1,799,058	\$ 45,569	\$ (1,628)	\$ 1,842,999
Capital assets, net	\$ 1,945,532	\$ 133,062	\$ (1,702)	\$ 2,076,892

Construction in progress additions reflected above represent expenses for new projects net of capital assets placed in service. It is estimated \$308.8 million in additional expenses will be required to complete projects under construction at June 30, 2015. Construction in progress encumbrances committed through purchase orders at June 30, 2015, totaled \$105.3 million.

Note E - Land Investment Property

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

The University's investment property includes the following:

Rio Salado Land. The Rio Salado land consists of 35.3 acres, not needed for University facilities, which are on the Rio Salado River along Tempe Town Lake. The property is divided with 25.8 acres west of Rural Road and 9.5 acres east of Rural Road, directly accessible from major streets. The highest and best use of this land is mixed commercial office, apartments, condominiums, and retail, not University use. In August 2013, the University acquired 10.6 acres of undeveloped land west of Rural Road and entered into a 99 year land lease for commercial development purposes which included the acquired parcel and an additional 9.7 acres (total of 20.3 acres).

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

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

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

ASU Research Park (Park). The Park consists of 237 leasable acres that are ground leased to the ASU Research Park, Inc., a component unit of the University. Other than one University facility occupying less than 10 percent of the leasable Park acres, the Park land is either occupied by or presently available for occupancy by commercial firms, with approximately 89 percent of the Park's leasable acres being presently leased. The primary present purpose of the Park is to generate revenue for the University with over \$2.7 million, after all costs, annually being generated for ASU.

Other Investment Property. Consists of:

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

Note F - Long-Term Debt and Lease Obligations

As of June 30, 2015 the University had issued a combination of fixed and variable rate bonds, fixed rate certificates of participation (COPs), and other lease obligations, of which \$1.6 billion is outstanding. The University's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue

bonds of the University have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the University's financial statements. The principal amount of defeased bonds outstanding at June 30, 2015 totaled \$178.0 million.

NOTES TO FINANCIAL STATEMENTS

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2015 (Dollars in thousands)

	Average Interest Rate	Final Maturity	Balance 07/01/2014	Additions	Reductions	Balance 06/30/2015	Current Portion
Bonds:							
2004 System Revenue and Refunding Bonds	4.45%	07/01/14	\$ 3,270		\$ (3,270)		
2005 System Revenue Refunding Bonds	4.38%	07/01/15	46,455		(43,235)	\$ 3,220	\$ 3,220
2007 A/B System Revenue Bonds	4.46%	07/01/36	60,825		(44,580)	16,245	3,345
2008 A/B Variable Rate Demand System Refunding Bonds	0.07%	07/01/34	94,280		(2,650)	91,630	2,775
2008C System Revenue Bonds	5.89%	07/01/19	96,400		(83,780)	12,620	2,270
2009A System Revenue Bonds	3.76%	07/01/29	25,135		(3,075)	22,060	3,165
2010 A/B System Revenue Bonds	5.99% ¹	07/01/39	174,360		(4,110)	170,250	4,270
2010 A/B SPEED Revenue Bonds	5.48% ²	08/01/30	33,820			33,820	
2010C System Revenue Bonds	4.51%	07/01/31	48,250		(2,520)	45,730	2,645
2011 SPEED Revenue Bonds	3.93%	08/01/31	30,915			30,915	
2012 A/B System Revenue and Refunding Bonds	3.64%	07/01/42	200,375		(18,410)	181,965	19,170
2013 A/B System Revenue and Refunding Bonds	3.47%	07/01/43	110,950		(1,750)	109,200	1,775
2014 SPEED Revenue Bonds	3.72%	08/01/44	77,620			77,620	
2015 A/B/C System Revenue and Refunding Bonds	3.34%	07/01/46		\$ 362,260		362,260	3,015
Subtotal: Par Amount of Bonds			\$ 1,002,655	\$ 362,260	\$ (207,380)	\$ 1,157,535	\$ 45,650
Certificates of Participation:							
2002 Certificates of Participation	4.76%	07/01/18	\$ 935		\$ (505)	\$ 430	\$ 200
2004 Certificates of Participation	4.89%	09/01/14	23,330		(23,330)		
2005A Certificates of Participation	4.36%	09/01/14	63,430		(63,430)		
2006 Certificates of Participation	4.53%	06/01/31	12,525		(540)	11,985	560
2006 Refunding Certificates of Participation	4.15%	07/01/26	64,580		(4,330)	60,250	4,900
2011A Mercado Refunding Certificates of Participation	4.27%	07/01/24	7,365		(565)	6,800	575
2013 A/B Refunding Certificates of Participation	3.09%	09/01/26	63,340			63,340	
2014 A/B Refunding Certificates of Participation	3.04%	09/01/30		\$ 84,525	(2,365)	82,160	5,020
Subtotal: Par Amount of COPs			\$ 235,505	\$ 84,525	\$ (95,065)	\$ 224,965	\$ 11,255
Capital Leases/Lease Purchases:							
Fulton Center	4.01%	06/15/34	\$ 24,545		\$ (855)	\$ 23,690	\$ 870
Flexible Display Center	5.27%	02/15/34	30,967		(913)	30,054	970
Hassayampa Academic Village	5.36%	06/10/39	12,073		(119)	11,954	138
Nursing and Health Innovation	4.84%	01/01/36	10,070		(285)	9,785	295
Washington, D.C. Facility	3.60%	06/15/35		\$ 35,000		35,000	
Other Lease Purchases	3.30% - 6%	02/07/22	4,098		(1,293)	2,805	691
Subtotal: Capital Leases/Other Lease Purchases			\$ 81,753	\$ 35,000	\$ (3,465)	\$ 113,288	\$ 2,964
Total Par Amount of Bonds, COPs, Capital Leases and Other Lease Purchases			\$ 1,319,913	\$ 481,785	\$ (305,910)	\$ 1,495,788	\$ 59,869
Premium/(Discount) on Sale of Bonds and COPs			52,736	56,245	(8,952)	100,029	10,911
Total Bonds Payable/COPs/ Capital Leases/ Other Lease Purchases			\$ 1,372,649	\$ 538,030	\$ (314,862)	\$ 1,595,817	\$ 70,780

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

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

System Revenue Bonds

The University has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2015. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include state appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2015, pledged revenues totaled \$1.3 billion of which 6.3 percent (\$82.3 million, net of federal direct payments) was required to cover current year debt service.

In April 2015, the University issued \$362.3 million of system revenue and refunding bonds, Series 2015A, B and C, with an average maturity of 14.8 years and an average interest rate of 3.34 percent. The bonds were issued to fund the new Downtown Phoenix campus Arizona Center for Law and Society facility, the Tempe campus Psychology Renovation project, Phase I of the Sun Devil Stadium Renovation project, IT Infrastructure Renewal, and to refund various outstanding bonds of the University and one of its component units, ACFFC (Las Casas Student Housing). The refunded debt is considered defeased and related liabilities are not included in the University's financial statements. The issuance of the refunding bonds, with an average maturity of 9.6 years and an average interest rate of 2.67 percent, resulted in a \$23.1 million reduction in future debt service payments, with an economic gain of \$21.2 million based upon the present value savings.

SPEED Revenue Bonds

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

Variable Rate Bonds

The University has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling \$91.6 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2015 was 0.08 percent for the Series 2008A bonds and 0.06 percent for the Series 2008B bonds. To provide credit and liquidity support for the bonds,

the University extended the Irrevocable Transferable Direct-Pay Letter of Credit (LOC) with JPMorgan Chase Bank, N.A. (JPMorgan) through March 18, 2016, under which the University has agreed to a commitment fee for the LOC of 0.49 percent per annum. Should the Series 2008A/B bond rating change, the commitment fee could increase according to the fee agreement. Assuming all of the \$45.8 million Series 2008A and \$45.8 million Series 2008B bonds are not resold within 365 days, the University would be responsible to make quarterly installment principal payments, with the last payment being on the fourth anniversary of JPMorgan acquiring the bonds, plus interest to be calculated as established in the LOC.

Certificates of Participation

In August 2014, the University issued \$84.5 million of refunding COPs to refund the remaining Series 2004 and 2005A COPs. The refunded debt is considered defeased and related liabilities are not included in the University's financial statements. The issuance of refunding COPs with an average maturity of 10.6 years and an average interest rate of 3.04 percent resulted in a \$14.3 million reduction in future debt service payments, with an economic gain of \$10.9 million based on the present value savings.

Capital Leases

In October 2003, the University entered into a 30-year lease agreement with Arizona State University Foundation, LLC, an Arizona limited liability company, of which the sole member is the ASU Foundation for A New American University (ASU Foundation), an Arizona nonprofit corporation and component unit of the University, to lease four floors of office space in the Fulton Center and the related parking structure. In April 2004, the University entered into a 30-year sublease agreement with Nanotechnology Research, LLC, an Arizona limited liability company, whose sole member is Arizona Capital Facilities Finance Corporation (ACFFC), to lease the Flexible Display Center located at the ASU Research Park. In July 2005, the University entered into a 34-year lease with McAllister Academic Village, LLC, an Arizona limited liability company, whose sole member is ACFFC, to lease the nonresidential portion of the McAllister Academic Village (MAV), which operates under the name of Hassayampa Academic Village. ACFFC has overall responsibility for the residential portion, comprising approximately 92 percent of the facility, with the University leasing the nonresidential portion of the facility. In November 2008, the University committed to a capital lease with the City of Phoenix related to construction of the fourth and fifth floors of the Nursing and Health Innovation building at ASU's Downtown Phoenix campus. In June 2011, the City of Phoenix (City) issued subordinated excise tax revenue bonds, a portion of which was used to fund the project.

NOTES TO FINANCIAL STATEMENTS

The University's lease payments are based on the City's actual borrowing cost of the bonds. In December 2014, the University entered into a 20-year lease with ASUF DC, LLC, an Arizona limited liability company, whose sole member is the ASU Foundation, to lease a multi-use office building in Washington, D.C. Buildings under capital lease are shown below.

Capital lease book value as of June 30, 2015 (Dollars in thousands)

	Book Value	Accumulated Depreciation	Net Book Value
Fulton Center	\$ 29,551	\$ (8,499)	\$ 21,052
Flexible Display Center	37,314	(10,179)	27,135
Hassayampa Academic Village	12,451	(2,738)	9,713
Nursing and Health Innovation	11,788	(1,517)	10,271
Washington, D.C. Facility	35,000	(372)	34,628

Future Payments

Future pledged revenues required to pay all remaining debt service for the University's senior and subordinate revenue bonds through final maturity of July 1, 2046 total \$1.9 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the University has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 Arizona State University Research Park, Inc. Development Refunding

Bonds. Research Park bonds outstanding at June 30, 2015 totaled \$6.1 million with annual debt service payments of approximately \$1.2 million through July 1, 2021.

The Taxable Series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the University is eligible to receive Federal Direct Payments from the United States Treasury equal to 35 percent of the interest owed on each interest payment date. The amount paid to the University by the Federal government may be reduced or limited due to such issues as failure by the University to submit the required information, offsets to reflect any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During FY 2015, ASU received Federal Direct Payments totaling \$3.7 million, net of a \$0.3 million or 7.3 percent reduction due to the federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

Securities and cash restricted for bonds and COPs debt service held by the trustee at June 30, 2015 totaled \$69.8 million and \$7.3 million, respectively. Payment commitments to investors, including interest, for bonds, COPs and other lease obligations, using the interest rate in effect at June 30, 2015 for variable rate issues, are shown below:

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2015 (Dollars in thousands)

FY	System Revenue Bonds				SPEED Revenue Bonds			Certificates of Participation		Capital Leases / Lease Purchases	
	Principal	Interest	Net Payments on Swap Agreement	Federal Direct Payments	Principal	Interest	Federal Direct Payments	Principal	Interest	Principal	Interest
2016	\$ 45,650	\$ 43,350	\$ 3,393	\$ (3,443)	\$ 5,520	\$ 6,896	\$ (530)	\$ 11,255	\$ 8,853	\$ 2,964	\$ 4,938
2017	40,155	41,924	3,281	(3,380)	5,710	6,728	(534)	11,420	8,426	4,348	4,804
2018	31,255	40,834	3,164	(3,307)	5,925	6,516	(533)	14,170	7,928	4,567	4,603
2019	28,525	39,869	3,042	(3,226)	6,120	6,312	(533)	14,695	7,385	4,786	4,392
2020	37,875	38,418	2,913	(3,141)	34,960	6,050	(533)	15,265	6,734	4,292	4,170
2021-2025	219,615	164,396	12,401	(14,227)	43,625	25,135	(2,112)	76,680	22,282	24,541	17,891
2026-2030	216,190	111,870	8,072	(11,138)	33,100	14,924	(912)	68,280	6,726	30,446	12,331
2031-2035	167,470	72,820	2,548	(7,142)	3,250	4,729	(6)	13,200	103	32,926	5,142
2036-2040	131,910	36,108		(2,217)	4,145	1,391				4,418	514
2041-2045	76,930	9,725				452					
2046-2047	19,605	400									
Total	\$ 1,015,180	\$ 599,714	\$ 38,814	\$ (51,221)	\$ 142,355	\$ 79,133	\$ (5,694)	\$ 224,965	\$ 68,437	\$ 113,288	\$ 58,785

Funding responsibility for the June 30, 2015 outstanding debt (Dollars in thousands)			
	Current Portion	Noncurrent Portion	Total
From Arizona State University operating revenues	\$ 54,904	\$ 1,111,056	\$ 1,165,960
From State of Arizona appropriations and other State monies	15,876	413,981	429,857
	\$ 70,780	\$ 1,525,037	\$ 1,595,817

Subsequent Events

The University presently plans to issue up to \$144.0 million in system revenue bonds during the next year.

Operating Leases

Brickyard. In July 2004, the ASUF Brickyard, LLC, an Arizona limited liability company of the ASU Foundation, a component unit of Arizona State University, purchased the Brickyard office building and parking facility in downtown Tempe for \$34.5 million, and is master leasing the entire facility to the University pursuant to a 25 year lease. This lease has no purchase options for the University. The majority of the facility is being used by the University for classrooms, offices, and research areas, with the remaining portion being leased by the University to various firms for retail and restaurant operations.

SkySong. In June 2006, the University entered in a 15 year lease, for approximately 80,000 square feet of office space within a development known as SkySong. SkySong is being developed by the ASU Foundation and its partners as a home for activities and organizations that co-mingle and stimulate new forms of global commerce, research, technology, art, education, and economic development. The University's use of the leased space

focuses on supporting entrepreneurial activities and interdisciplinary research programs in engineering-related fields and education technology. In July 2013, the University entered into a 12 year lease for an additional 15,000 square feet of office space within the SkySong development.

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

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

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

FY	Operating Lease Payments				
	Brickyard	SkySong	ACC	Other	Total
2016	\$ 2,773	\$ 3,440	\$ 20,192	\$ 7,060	\$ 33,465
2017	2,769	3,519	31	4,865	11,184
2018	2,779	3,599	6	2,687	9,071
2019	2,783	3,681		1,130	7,594
2020	2,783	3,766		646	7,195
2021-2025	13,915	12,154		795	26,864
2026-2030	11,132	2,014		1,263	14,409
Total	\$ 38,934	\$ 32,173	\$ 20,229	\$ 18,446	\$109,782

Note G - Interest Rate Swap Agreement

Effective January 1, 2007, the University entered into a \$103 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding \$91.1 million notional amount at June 30,

2015 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the University pays the counterparty interest calculated at a fixed rate of 3.91 percent and receives payments

NOTES TO FINANCIAL STATEMENTS

from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2015 was 0.07 percent. At June 30, 2015, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap:	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from the counterparty	SIFMA	(0.07)
Net interest rate swap payments		3.84
Variable rate bond coupon payments	Spread to SIFMA	0.07
Synthetic fixed interest rate on bonds		3.91

The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. If the counterparty defaults or if the swap is terminated, the University will revert to paying a variable rate. A termination of the swap agreement may also result in the University making or receiving a termination payment. The University is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty versus the variable rate paid to bondholders. The swap exposes the University to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds. As of June 30, 2015, the University was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change

and the fair value of the swap become positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Fitch, A by Standard & Poor's and A1 by Moody's Investor Services as of June 30, 2015. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the University's overall exposure exceeds predetermined levels.

Collateral may be held by the University or a third party custodian. As of June 30, 2015, the swap had a fair value of \$(16.8) million, which represents the cost to the University to terminate the swap. The June 30, 2014 fair value was \$(14.1) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the University's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources and a liability (derivative instrument).

Note H - Unrestricted Net Position

As discussed in the Summary of Significant Accounting Policies, the University follows accounting standards for external reporting purposes that require net position to be classified for accounting and reporting purposes into one of three net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB, is not subject to externally imposed stipulations; however, it is subject to internal

designations. For example, unrestricted net position may be designated for specific purposes by actions of management or may otherwise be limited by contractual purchase obligation agreements with outside parties. As of June 30, 2015, substantially all of the University's unrestricted net position was from University-generated revenues and was internally designated for academic and research programs and initiatives, and capital projects.

Note I - Compensated Absences

The University has recorded a liability for accruals of vacation leave earned, but not taken at fiscal year end. At fiscal year end the University accrued up to the maximum 22 days allowed by University policy for which an employee can be paid upon termination of employment. Changes in accrued compensated absences for the year ended June 30, 2015 consisted of the following (Dollars in thousands):

Beginning Balance	\$ 27,773
Additions	39,202
Reductions	(36,961)
Ending Balance	\$ 30,014
Current Portion	\$ 3,167

Note J - Operating Expenses by Natural Classification

Operating expenses by functional and natural classification for the year ended June 30, 2015, are summarized as follows (Dollars in thousands):

	Year ended June 30, 2015				
	Personal Services and Benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	\$ 549,129	\$ 134,219	\$ 3,049		\$ 686,397
Research	159,930	80,900	3,933		244,763
Public service	17,736	18,135	330		36,201
Academic support	156,374	90,003	1,323		247,700
Student services	64,488	29,504	4,499		98,491
Institutional support	89,119	60,616	1,878		151,613
Operation and maintenance of plant	25,585	76,582			102,167
Scholarships and fellowships	2,073	1,339	133,263		136,675
Auxiliary enterprises	56,066	85,047	2,071		143,184
Depreciation				\$ 114,617	114,617
Total Operating Expenses	\$ 1,120,500	\$ 576,345	\$ 150,346	\$ 114,617	\$ 1,961,808

Note K - Retirement Plans

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered agent multiple-employer defined benefit pension plan. Although a PSPRS net pension liability has been recorded at June 30, 2015, PSPRS has not been further disclosed due to its relative insignificance to the University's financial statements.

The University's net pension liability at June 30, 2015, was comprised of the following (Dollars in thousands):

ASRS	\$ 451,741
PSPRS	14,993
Defined contribution pension plans	17,399
Total net pension liability	\$ 484,133

Changes in the University's net pension liability during the fiscal year ended June 30, 2015, were as follows (Dollars in thousands):

Beginning balance	\$ 513,933
Increases	83,357
Decreases	(113,157)
Ending balance	\$ 484,133

Defined Benefit Plan

Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. Certain eligible staff categories are required and eligible University faculty and other staff categories have the option to participate in the ASRS defined benefit plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting www.azasrs.gov.

NOTES TO FINANCIAL STATEMENTS

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Years of service and age required to receive benefit	Retirement Initial Membership Date	
	Before July 1, 2011	On or after July 1, 2011
	Sum of years and age equals 80	30 years / age 55
	10 years / age 62	25 years / age 60
	5 years / age 50*	10 years / age 62
	Any years / age 65	5 years / age 50*
		Any years / age 65
Final average salary is based on	Highest 36 conservative months of last 120 months	Highest 60 conservative months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the University was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the University in positions that would typically be filled by an employee who contributes to the ASRS. The University's

contributions to the pension plan for the year ended June 30, 2015, were \$32.0 million. The University's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows (Dollars in thousands):

FY	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	\$ 1,714	\$ 352
2014	1,631	662
2013	1,674	626

Pension Liability. At June 30, 2015, the University reported a liability of \$451.7 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The University's proportion of the net pension liability was based on the University's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The University's proportion measured as of June 30, 2014 was 3.053 percent which was an increase of 0.1 percent from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the University recognized pension expense for ASRS of \$35.6 million. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,959	
Net difference between projected and actual earnings on pension plan investments		\$ 78,996
Changes in proportion and differences between University contributions and proportionate share of contributions	13,412	
University contributions subsequent to the measurement date	32,018	
Total	\$ 68,389	\$ 78,996

The \$32.0 million reported as deferred outflows of resources related to ASRS pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows: (Dollars in thousands):

Year ending June 30,	
2016	\$ (3,935)
2017	(3,935)
2018	(15,005)
2019	(19,749)

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3.00% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate (Dollars in thousands):

	University's proportionate share of the net pension liability
1% decrease (7%)	\$ 570,977
Current discount rate (8%)	451,741
1% increase (9%)	387,049

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Pension Contributions Payable. The University reported accrued payroll and employee benefits of \$0.9 million for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2015.

Defined Contribution Plans

Plan Description. In accordance with A.R.S. section 15-1628, University faculty and most University staff have the option to participate in defined contribution pension plans. For the year ended June 30, 2015, plans offered by the Teachers Insurance Annuity Association/ College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; University contributions vest after five years of full-time employment. Non-vested contributions held by the University earn interest. Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy. The Arizona State Legislature establishes the contribution rates for active plan members and the University. The Arizona Revised Statutes define the authority under which benefit terms are established or may be amended. For the year ended June 30, 2015, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability. At June 30, 2015, the University reported a liability of \$17.4 million for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

Pension Expense. For the year ended June 30, 2015, the University recognized pension expense for Defined Contribution Plans of \$24.6 million. FY 2015 forfeitures were \$1.4 million.

Pension Contributions Payable. The University's accrued payroll and employee benefits included \$0.7 million of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2015.

Note L - ASU at the Downtown Phoenix Campus

In June 2005, the University and the City of Phoenix (City) entered into an intergovernmental agreement related to the development of an ASU campus in downtown Phoenix. The ongoing development of the campus is seen as a partnership between the University, the City, and area neighborhoods and businesses to help with the revitalization of the historic urban core of Phoenix. Per the terms of the agreement, the City has acquired land and existing buildings which have been identified by the University as being within the boundaries of the Downtown Phoenix campus. All property, except the residential life facility and the fitness complex, are owned by the City until the property is conveyed to the University. ASU is responsible for all operating costs at the campus as well as maintaining a reserve and replacement fund.

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

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

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

Note M - Insurance Programs and Other Claims

Risk Management Insurance. Pursuant to A.R.S. section 41-621, the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations as theft, damage and destruction of property, buildings, and equipment; errors and omissions; injuries to employees; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. section 41-621. Loss risks not covered by the Risk Management Section and where the University has no insurance coverage are losses arising from contractual breaches

and losses that arise out of and are directly attributable to an act or omission determined by a court to be a felony. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University.

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

NOTES TO FINANCIAL STATEMENTS

Note N - Privatized Student Housing

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

- Vista del Sol, opened August 2008 on the Tempe campus, consists of approximately 1,800 apartment-style beds, with amenities such as a pool, community center, parking garage, and retail space. In FY 2014, the University entered into a three-year lease for retail space within Vista del Sol to be used as tutoring, study and meeting space to support the Barrett Honors College students living at Vista del Sol. In FY 2015, the University entered into an agreement to lease 601 beds to accommodate overflow from Barrett Honors College, with an option for four one-year renewals.
- Villas at Vista del Sol, an expansion of the Vista del Sol complex, opened in August 2012 and includes 400 beds intended for upper-classmen in a mix of apartment-style housing and townhome units. Residents will have access to existing Vista del Sol amenities, such as the pool and community center. In FY 2015, the University entered into an agreement to lease 400 beds to accommodate overflow from Barrett Honors College and fraternity housing, with an option for four one-year renewals.

- Barrett Honors College, opened August 2009 on the Tempe campus, provides housing and academic space for the Barrett Honors College including approximately 1,700 beds, classrooms, faculty offices, and dining facilities.
- Casa de Oro, a West campus housing project, was opened in August 2012 and includes 385 double occupancy suite-style beds for first-year students.
- Manzanita, a renovated Tempe campus facility, re-opened for the fall 2013 semester. The facility includes 816 double occupancy suite-style beds for first-year students.
- ASU entered into a ground lease on October 15, 2015 for a new facility on the Tempe campus scheduled to open Fall 2017. The new facility will provide approximately 1,600 double occupancy suite-style beds for first-year students on the current site of the almost 60 year old 555 bed Palo Verde Main residence hall.

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

Note O - Summary Financial Information for ASU Component Units

Arizona State University's discretely presented component units are comprised of two major component units, the ASU Foundation for A New American University (ASU Foundation) and Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units consisting of the ASU Alumni Association, Arizona State University Research Park, Inc., Downtown Phoenix Student Housing, LLC, Sun Angel Endowment, Sun Angel Foundation, Thunderbird School of Global Management, and ASU Preparatory Academy, Inc. For additional information refer to *Note B – ASU Component Units*.

Summary of Significant Accounting Policies

Basis of presentation. The component unit financial statements have been prepared on the accrual basis of

accounting according to generally accepted accounting principles (GAAP). Information regarding their financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

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

unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Pledges Receivable

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

The Sun Angel Foundation's pledges receivable are recorded at their net realizable value using a discount rate determined by management ranging from 2.20 percent to 5.14 percent for the year ended June 30, 2015.

Pledges receivable consist of <i>(Dollars in thousands)</i>				
	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Gross pledges receivable	\$ 163,949	\$ 35,519	\$ 408	\$ 199,876
Present value discount	(11,548)	(2,213)		(13,761)
Allowance for uncollectible pledges	(39,409)	(3,779)	(167)	(43,355)
Net pledges receivable	\$ 112,992	\$ 29,527	\$ 241	\$ 142,760

Members of the ASU Foundation's Board of Directors and Board of Trustees have made contributions and pledges to the Foundation in the current and prior years. At June 30, 2015 and 2014, net unconditional pledges receivable from these members included approximately

\$135 thousand and \$120 thousand, respectively. The Foundation had conditional pledges receivable totaling \$32.6 million at June 30, 2015; none are included in pledges receivable. Conditional pledges receivable are recorded when the conditions are substantially met.

Gross pledges are receivable as follows <i>(Dollars in thousands)</i>				
	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Receivable in one year	\$ 43,247	\$ 5,247	\$ 344	\$ 48,838
Receivable in two to five years	39,069	15,288	64	54,421
Receivable after five years	81,633	14,984		96,617
Total gross pledges to be received	\$ 163,949	\$ 35,519	\$ 408	\$ 199,876

Direct Financing Lease Agreements

ASU Foundation. ASU Foundation leases a portion of the Fulton Center building (ASU Foundation headquarters) to the University under a direct financing lease. At the end of the lease, ASU Foundation and Affiliates will gift their portion of the building to the University and the University will receive title to the building. ASU Foundation's net investment in this direct financing lease at June 30, 2015 is \$23.7 million.

Arizona Capital Facilities Finance Corporation (ACFFC). Pursuant to a sublease agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC (Nano), a wholly-owned subsidiary of ACFFC, leases its interest in the ASU Research Park to the University. The University will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and 2009B Bonds. The Sublease has successive annual renewals

NOTES TO FINANCIAL STATEMENTS

without action from either party through March 31, 2034. The Sublease is subject to early termination by Nano or the University upon the payment in full of the Series 2009A and 2009B Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the University without further consideration. ACFFC's net investment in the Nanotechnology facility direct financing lease is \$30.1 million at June 30, 2015.

Pursuant to a University lease agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the University which consists of the academic, tutorial, retail and food service facilities. The lease was amended effective September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 Bonds. Any right, title or interest of Hassayampa in and to the academic portions of the Hassayampa Project will pass to the University without further cost upon the payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is \$12.0 million at June 30, 2015.

Contingent Agreements

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

On December 9, 2011 the Sun Angel Endowment executed an agreement with the Sun Angel Foundation and the Arizona Board of Regents for and on behalf of Arizona State University. The agreement provides for the merger of the Sun Angel Endowment into the Sun Angel Foundation upon satisfaction of certain conditions. The conditions to the merger were met in the fiscal year ending June 30, 2013; however the legal process of merging Sun Angel Endowment into the Sun Angel Foundation is expected to occur sometime in the future.

Power Plant Agreements

Sun Devil Energy Center. In November 2004, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a co-generation power plant on the University's Tempe campus with the power plant providing to the University a portion of its energy (electrical, chilled water

and steam) needs. The contract with ACFFC is for 25 years, along with the related ground lease, and calls for minimum annual energy purchase obligations on the part of the University of approximately \$7.5 million to cover ACFFC's fixed management services and capital costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily natural gas.

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

Investments in Securities

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

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

- The current spending policy is based on a constant growth formula, in which the amount available for spending is based on the prior year spending amount plus an inflation factor (0.80 percent for 2015), collared by a cap and floor of 4.00 percent and 3.00 percent, respectively, of a 12-quarter moving average calculated mid-year.
- In the event the current market value of the endowment is less than the historical gift value, spending will continue, unless the gift agreement does not permit spending in this circumstance.

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

Foundation Endowment and Net Asset Classification

Management of the ASU Foundation's endowment is governed by laws in the State of Arizona based on the Uniform Prudent Management of Institutional Funds

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

ASU Foundation endowments by net asset category (Dollars in thousands)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ (3,517)	\$ 44,375	\$ 375,569	\$ 416,427
Quasi-endowments		73,622		73,622
Board-designated endowments	12,000			12,000
Total funds	\$ 8,483	\$ 117,997	\$ 375,569	\$ 502,049

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

From time to time, the fair value of assets associated with the individual donor-restricted endowment

funds may fall below the level required to be held in perpetuity.

Reclassifications

Certain amounts have been reclassified in the FY 2014 consolidated ASU Foundation's financial statements to conform to the presentation of the FY 2015 consolidated financial statements. The reclassifications include a change in permanently restricted donor restricted endowments and endowments net assets, permanently restricted contributions and other additions in FY 2014. These reclassifications resulted in no change in the total net assets reported for FY 2014.

Changes in endowment net assets (Dollars in thousands)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014, as reclassified	\$ 11,051	\$ 116,581	\$ 361,414	\$ 489,046
Contributions and other additions		15,306	15,649	30,955
Investment Return:				
Interest and dividends		7,200	389	7,589
Net realized and unrealized gains/(losses)	(2,568)	(3,021)	(202)	(5,791)
Changes in assets due to other entities		(1,894)		(1,894)
Total Investment Return	(2,568)	2,285	187	(96)
Appropriation for expenditure		(16,026)	(452)	(16,478)
Reclassification of donor intent		(149)	(1,229)	(1,378)
Endowment net assets, June 30, 2015	\$ 8,483	\$ 117,997	\$ 375,569	\$ 502,049

NOTES TO FINANCIAL STATEMENTS

Investment Summary

Investments consist of (Dollars in thousands)				
	ASU Foundation	ACFFC	Other Component Units	Total
Money market funds and cash equivalents	\$ 30,305	\$ 16,260	\$ 38,077	\$ 84,642
International equities	329,713			329,713
Fixed Income	115,370			115,370
Mutual funds:				
Equity mutual funds			5,368	5,368
Inflation hedge	219,641			219,641
Total mutual funds	219,641		5,368	225,009
Other securities	41,404		18,585	59,989
Other investments	50,208		704	50,912
Total investments	\$ 786,641	\$ 16,260	\$ 62,734	\$ 865,635

Property and Equipment

Property and equipment consist of (Dollars in thousands)				
	ASU Foundation	ACFFC	Other Component Units	Total
Cost or donated value:				
Buildings and improvements	\$ 17,397	\$ 174,045	\$ 173,337	\$ 364,779
Furniture, fixtures, and equipment	7,852	79,027	37,836	124,715
Leasehold improvements			19,649	19,649
Library books			1,163	1,163
Land			820	820
Total cost or donated value	25,249	253,072	232,805	511,126
Accumulated depreciation	(11,932)	(97,065)	(105,800)	(214,797)
Net property and equipment	\$ 13,317	\$ 156,007	\$ 127,005	\$ 296,329

Bonds and Obligations under Capital lease

Bonds payable consist of (Dollars in thousands)						
	Final Maturity	ASU Foundation	ACFFC	Downtown Phoenix Student Housing, LLC	Other Component Units	Total
Series 2014A Tax-Exempt Lease Revenue Bonds (DC Project)	2035	\$ 31,390				\$ 31,390
Series 2014B Taxable Lease Revenue Bonds (DC Project)	2019	3,610				3,610
Series 2014A Revenue Refunding Bonds (Fulton)	2034	39,050				39,050
Series 2014B Revenue Refunding Bonds (Fulton)	2016	2,465				2,465
Series 2011 Tax-Exempt Revenue Refunding Bonds (Energy Management Services)	2018		\$ 11,065			11,065
Series 2009 Revenue Bonds (Energy Management Services)	2024		32,035			32,035
Series 2009A Lease Revenue Refunding Bonds (Nanotechnology Research)	2034		22,955			22,955
Series 2009B Lease Revenue Refunding Bonds (Nanotechnology Research)	2022		7,415			7,415
Series 2008 Revenue Bonds (ASU Energy Center)	2028		13,375			13,375
Series 2008 Revenue Refunding Bonds (Hassayampa Academic Village)	2039		140,930			140,930
Series 2008 Variable Rate Demand Revenue Refunding Bonds (Sun Devil Energy Center)	2030		35,560			35,560
Series 2007 A&C Revenue Bonds	2042			\$ 117,530		117,530
Series 2007 D Tax-Exempt Revenue Bonds	2042			22,700		22,700
Series 2006 Development Refunding Bonds (ASU Research Park)	2021				\$ 6,120	6,120
Series 2004A Variable Rate Revenue Bonds (Brickyard)	2034	22,420				22,420
Series 2004B Variable Rate Revenue Bonds (Brickyard)	2022	6,755				6,755
Capital Lease	2015				94	94
Deferred Cost of Refunding			(225)			(225)
Unamortized bond premium (discount)			178	(1,013)		(835)
		\$ 105,690	\$ 263,288	\$ 139,217	\$ 6,214	\$ 514,409

The following schedule reflects future principal payment commitments to investors:

Future principal commitments consist of (Dollars in thousands)					
Year Ending June 30,	ASU Foundation	ACFFC	Downtown Phoenix Student Housing, LLC	Other Component Units	Total
2016	\$ 2,195	\$ 9,640	\$ 810	\$ 1,014	\$ 13,659
2017	3,590	10,300	1,025	955	15,870
2018	3,730	10,985	1,245	995	16,955
2019	3,900	11,715	1,480	1,040	18,135
2020	4,085	9,345	1,735	1,080	16,245
Thereafter	88,190	211,303	132,922	1,130	433,545
	\$ 105,690	\$ 263,288	\$ 139,217	\$ 6,214	\$ 514,409

NOTES TO FINANCIAL STATEMENTS

Financial Statement Information

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

Component Units Statement of Financial Position June 30, 2015 <i>(Dollars in thousands)</i>				
	ASU Foundation	ACFFC	Nonmajor Component Units	Total
Assets				
Cash and cash equivalents	\$ 15,696	\$ 4,244	\$ 16,933	\$ 36,873
Pledges receivables, net	112,992		29,768	142,760
Other receivables, net	6,691	350	31,681	38,722
Investments in securities	736,433	16,260	62,030	814,723
Other investments	50,208		704	50,912
Net direct financing leases	23,690	42,007		65,697
Property and equipment, net	13,317	156,007	127,005	296,329
Other assets	38,631	3,572	9,953	52,156
Total assets	\$ 997,658	\$ 222,440	\$ 278,074	\$ 1,498,172
Liabilities				
Accounts payable and accrued liabilities	\$ 9,297	\$ 7,957	\$ 23,387	\$ 40,641
Deferred revenue			14,968	14,968
ASU endowment trust liability	116,254			116,254
Other liabilities	28,167		11,568	39,735
Long-term debt	105,690	263,288	145,431	514,409
Total liabilities	\$ 259,408	\$ 271,245	\$ 195,354	\$ 726,007
Net Assets				
Unrestricted	\$ 32,557	\$ (48,805)	\$ 45,360	\$ 29,112
Temporarily restricted	287,938		35,518	323,456
Permanently restricted	417,755		1,842	419,597
Total net assets (deficit)	\$ 738,250	\$ (48,805)	\$ 82,720	\$ 772,165

Component Units
Statement of Activities
Year ended June 30, 2015
(Dollars in thousands)

	ASU Foundation	ACFFC	Nonmajor Component Units	Total
Revenues				
Contributions	\$ 109,391		\$ 47,120	\$ 156,511
Rental revenues	1,430	\$ 15,043	20,053	36,526
Sales and services	21,757	9,570	37,204	68,531
Net investment return	10,744	1	80	10,825
Grant and aid			15,616	15,616
Tuition and fees			11,849	11,849
Other revenues	3,766	8,545	913	13,224
Total revenues	\$ 147,088	\$ 33,159	\$ 132,835	\$ 313,082
Expenses				
Payments to the benefit of ASU -				
Cash and transfers to ASU	\$ 63,867		\$ 11,999	\$ 75,866
Vendor payments	8,008			8,008
Scholarship fund transfers to ASU	6,480			6,480
Rent payments to ASU		\$ 514	2,709	3,223
Management and general	32,941	9,662	74,845	117,448
Interest expense	1,592	12,659	7,670	21,921
Depreciation/amortization	763	12,448	9,329	22,540
Other expenses	8,656	127	2,522	11,305
Total expenses	\$ 122,307	\$ 35,410	\$ 109,074	\$ 266,791
Increase/(Decrease) in net assets, before transfers, gains and losses	24,781	(2,251)	23,761	46,291
Transfers, equity interest, gains and losses		7,882	24,010	31,892
Increase in net assets, after transfers, gains and losses	24,781	5,631	47,771	78,183
Net assets (deficit), beginning of year	713,469	(54,436)	34,949	693,982
Net assets (deficit), end of year	\$ 738,250	\$ (48,805)	\$ 82,720	\$ 772,165



Sun Devil Fitness Complex pool at the Downtown Phoenix campus

REQUIRED SUPPLEMENTARY INFORMATION



PENSION LIABILITY

Schedule of the University's Proportionate Share of the Net Pension Liability
Arizona State Retirement System
June 30, 2015
(Dollars in thousands)

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
University's proportion of the net pension liability	3.05%
University's proportionate share of the net pension liability	\$ 451,741
University's covered-employee payroll	\$ 276,606
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.32%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

Schedule of University Contributions
Arizona State Retirement System
Year ended June 30, 2015
(Dollars in thousands)

	Reporting Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 32,018	\$ 29,447	\$ 26,714	\$ 24,826	\$ 23,825	\$ 21,578	\$ 20,429	\$ 21,278	\$ 18,832	\$ 13,142
University's contributions in relation to the statutorily required contribution	32,018	29,447	26,714	24,826	23,825	21,578	20,429	21,278	18,832	13,142
University's contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
University's covered-employee payroll	\$ 297,275	\$ 276,606	\$ 262,923	\$ 258,178	\$ 269,291	\$ 264,710	\$ 259,520	\$ 264,213	\$ 255,740	\$ 232,480
University's contributions as a percentage of covered-employee payroll	10.77%	10.65%	10.16%	9.62%	8.85%	8.15%	7.87%	8.05%	7.36%	5.65%



Polytechnic Academic Complex at the Polytechnic campus

SUPPLEMENTARY INFORMATION



NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

Nonmajor Component Units Combining Statement of Financial Position June 30, 2015 (Dollars in thousands)

	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Downtown Phoenix Student Housing, LLC	Sun Angel Endowment	Sun Angel Foundation	Thunderbird School of Global Management	Total
Assets								
Cash and cash equivalents	\$ 43	\$ 4,499	\$ 2,481	\$ 1,384	\$ 211	\$ 4,297	\$ 4,018	\$ 16,933
Pledges receivables, net	41	200				29,527		29,768
Other receivables, net	227	722	21,838	52		284	8,558	31,681
Investments in securities	16,414		1,180	14,255	7,471		22,710	62,030
Other investments					704			704
Property and equipment, net		150	4,850	93,870		12	28,123	127,005
Other assets	76	40	2,455	5,562	32	186	1,602	9,953
Total assets	\$ 16,801	\$ 5,611	\$ 32,804	\$ 115,123	\$ 8,418	\$ 34,306	\$ 65,011	\$ 278,074
Liabilities								
Accounts payable and accrued liabilities	\$ 175	\$ 1,304	\$ 169	\$ 17,797	\$ 3	\$ 509	\$ 3,430	\$ 23,387
Deferred revenue	30	358	13,074	11		9	1,486	14,968
Other liabilities	18	171	2,209	797	3,000		5,373	11,568
Long-term debt		94	6,120	139,217				145,431
Total liabilities	\$ 223	\$ 1,927	\$ 21,572	\$ 157,822	\$ 3,003	\$ 518	\$ 10,289	\$ 195,354
Net Assets								
Unrestricted	\$ 16,287	\$ 2,342	\$ 11,232	\$ (42,699)	\$ 2,684	\$ 813	\$ 54,701	\$ 45,360
Temporarily restricted	291	1,342			889	32,975	21	35,518
Permanently restricted					1,842			1,842
Total net assets (deficit)	\$ 16,578	\$ 3,684	\$ 11,232	\$ (42,699)	\$ 5,415	\$ 33,788	\$ 54,722	\$ 82,720

Nonmajor Component Units
Combining Statement of Activities
Year ended June 30, 2015
(Dollars in thousands)

	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Downtown Phoenix Student Housing, LLC	Sun Angel Endowment	Sun Angel Foundation	Thunderbird School of Global Management	Total
Revenues								
Contributions	\$ 2,654	\$ 4,068				\$ 39,872	\$ 526	\$ 47,120
Rental revenues			\$ 9,594	\$ 10,459				20,053
Sales and services	2,280	1,356				534	33,034	37,204
Net investment return	175		5	11	\$ 91	8	(210)	80
Grant and aid		15,616						15,616
Tuition and fees							11,849	11,849
Other revenues	193	22	67	155	1	128	347	913
Total revenues	\$ 5,302	\$ 21,062	\$ 9,666	\$ 10,625	\$ 92	\$ 40,542	\$ 45,546	\$ 132,835
Expenses								
Payments to the benefit of ASU -								
Cash donation transfers to ASU						\$ 11,999		\$ 11,999
Rent payments to ASU			\$ 2,709					2,709
Management and general	\$ 5,082	\$ 18,353	1,123	\$ 3,025	\$ 139	1,318	\$ 45,805	74,845
Interest expense			295	7,206	169			7,670
Depreciation/amortization		174	404	4,587			4,164	9,329
Other expenses	329		150	830		1,213		2,522
Total expenses	\$ 5,411	\$ 18,527	\$ 4,681	\$ 15,648	\$ 308	\$ 14,530	\$ 49,969	\$ 109,074
Increase/(Decrease) in net assets, before gains	(109)	2,535	4,985	(5,023)	(216)	26,012	(4,423)	23,761
Equity interest and gains							24,010	24,010
Increase/(Decrease) in net assets, after gains	(109)	2,535	4,985	(5,023)	(216)	26,012	19,587	47,771
Net assets (deficit), beginning of year	16,687	1,149	6,247	(37,676)	5,631	7,776	35,135	34,949
Net assets (deficit), end of year	\$ 16,578	\$ 3,684	\$ 11,232	\$ (42,699)	\$ 5,415	\$ 33,788	\$ 54,722	\$ 82,720



The annual Pat's Run raises scholarship funds for the Tillman Scholars who are carrying forward Pat Tillman's legacy of service

STATISTICAL SECTION



NARRATIVE TO THE STATISTICAL SECTION

FINANCIAL TRENDS

69

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

- Net Position by Component
- Changes in Net Position
- Operating Expenses by Natural Classification
- Combined Sources and Uses

REVENUE CAPACITY

75

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

- Principal Revenue Sources
- Academic Year Tuition and Required Fees

DEBT CAPACITY

77

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

84

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

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

OPERATING INFORMATION

88

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

- Faculty and Staff
- Capital Assets

NET POSITION BY COMPONENT

Net Position by Component										
Fiscal year ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(Dollars in thousands)</i>										
Net investment in capital assets ⁽¹⁾	\$ 718,642	\$ 695,591	\$ 664,867	\$ 643,008	\$ 634,253	\$ 661,691	\$ 665,895	\$ 725,527	\$ 595,819	\$ 580,333
Restricted, Non-expendable	64,833	59,476	55,572	52,941	49,513	46,883	44,819	42,279	62,035	54,767
Restricted, Expendable	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854
Unrestricted ⁽²⁾	161,623	563,307	511,298	462,958	359,430	235,290	165,914	27,368	155,702	145,128
Total Net Position	\$1,054,762	\$1,432,322	\$1,336,617	\$1,251,568	\$1,130,440	\$1,036,795	\$952,012	\$894,388	\$890,464	\$843,082
<i>Expressed as a percent of the total</i>										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	68.1	48.5	49.7	51.4	56.1	63.8	70.0	81.1	66.9	68.8
Restricted, Non-expendable	6.2	4.2	4.2	4.2	4.4	4.5	4.7	4.7	7.0	6.5
Restricted, Expendable	10.4	8.0	7.8	7.4	7.7	9.0	7.9	11.1	8.6	7.5
Unrestricted	15.3	39.3	38.3	37.0	31.8	22.7	17.4	3.1	17.5	17.2
Total Net Position	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Percentage increase/(decrease) from prior year</i>										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	3.3	4.6	3.4	1.4	(4.1)	(0.6)	(8.2)	21.8	2.7	n/a
Restricted, Non-expendable	9.0	7.0	5.0	6.9	5.6	4.6	6.0	(31.8)	13.3	n/a
Restricted, Expendable	(3.8)	8.6	13.2	6.2	(6.1)	23.3	(24.0)	29.0	22.4	n/a
Unrestricted	(71.3)	10.2	10.4	28.8	52.8	41.8	506.2	(82.4)	7.3	n/a
Total Net Position	(26.4)	7.2	6.8	10.7	9.0	8.9	6.4	0.4	5.6	n/a

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

⁽²⁾ Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

CHANGES IN NET POSITION

Changes in Net Position (Dollars in thousands)										
Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	\$ 1,021,014	\$ 896,921	\$ 802,965	\$ 757,217	\$ 639,324	\$ 566,319	\$ 499,467	\$ 436,657	\$ 399,890	\$ 349,414
Research grants and contracts	237,489	244,293	238,031	229,801	217,012	199,901	168,557	162,178	145,851	133,207
<i>Sales and services</i>										
Auxiliary enterprises	145,008	140,535	122,453	105,510	136,540	134,899	131,010	135,590	118,237	106,707
Educational departments	67,230	58,449	56,006	53,866	43,514	37,625	37,094	49,007	45,517	37,098
Other revenues	12,001	8,447	8,018	8,947	9,093	10,295	12,226	10,645	7,230	7,033
Total Operating Revenues	\$ 1,482,742	\$ 1,348,645	\$ 1,227,473	\$ 1,155,341	\$ 1,045,483	\$ 949,039	\$ 848,354	\$ 794,077	\$ 716,725	\$ 633,459
Expenses										
<i>Operating Expenses</i>										
<i>Educational and general</i>										
Instruction	\$ 686,397	\$ 617,091	\$ 548,998	\$ 519,117	\$ 495,815	\$ 472,979	\$ 454,929	\$ 461,082	\$ 425,744	\$ 383,553
Research	244,763	235,720	225,453	211,569	201,255	189,599	180,901	166,271	144,781	127,343
Public service	36,201	40,209	44,860	46,938	48,208	41,196	43,121	43,071	42,992	40,038
Academic support	247,700	225,853	204,831	185,890	187,435	176,213	171,546	166,778	149,280	135,635
Student services	98,491	72,409	65,908	60,737	55,244	49,078	51,412	53,959	49,823	45,333
Institutional support	151,613	136,334	124,546	120,491	124,893	122,706	126,920	129,104	113,072	99,286
Operation and maintenance of plant	102,167	98,901	91,077	86,750	83,939	77,598	87,530	94,582	83,265	64,665
Scholarships and fellowships	136,675	127,468	112,363	113,171	120,428	109,404	88,335	68,006	63,223	56,726
Auxiliary enterprises	143,184	130,550	119,509	115,799	142,492	135,141	121,467	127,229	113,434	97,068
Depreciation	114,617	112,270	106,992	98,005	97,202	95,745	93,768	83,448	78,085	66,121
Total Operating Expenses	\$ 1,961,808	\$ 1,796,805	\$ 1,644,537	\$ 1,558,467	\$ 1,556,911	\$ 1,469,659	\$ 1,419,929	\$ 1,393,530	\$ 1,263,699	\$ 1,115,768
Operating Loss	\$ (479,066)	\$ (448,160)	\$ (417,064)	\$ (403,126)	\$ (511,428)	\$ (520,620)	\$ (571,575)	\$ (599,453)	\$ (546,974)	\$ (482,309)
Nonoperating Revenues (Expenses)										
State appropriations	\$ 338,042	\$ 314,493	\$ 297,402	\$ 307,765	\$ 380,914	\$ 380,914	\$ 402,452	\$ 468,406	\$ 423,120	\$ 368,568
Federal fiscal stabilization funds					867	32,502	69,822			
Share of state tax - TRIF	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113
Financial aid grants	115,070	106,855	104,415	110,222	104,498	84,998	49,969	42,198	36,176	36,310
Grants and contracts	49,037	35,863	42,195	49,237	50,133	48,390	50,892	34,905	34,741	40,392
Private gifts	57,651	64,928	59,807	55,329	50,584	45,847	49,211	42,620	39,222	40,155
Financial aid trust funds	13,615	12,393	11,114	11,027	9,279	9,249	8,812	8,680	6,606	3,754
Net investment return (loss)	5,133	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700	20,383
Interest on debt	(53,428)	(52,674)	(53,331)	(48,101)	(47,505)	(42,740)	(39,451)	(36,929)	(33,283)	(28,805)
Other expenses	(9,814)	(9,642)	(10,995)	(8,358)	(6,980)	(10,002)	(6,186)	(16,492)	(13,540)	(13,983)
Net Nonoperating Revenues	\$ 541,832	\$ 520,264	\$ 485,326	\$ 499,291	\$ 580,690	\$ 577,971	\$ 598,326	\$ 582,936	\$ 553,308	\$ 488,887
Income (loss) before other revenues, expenses, gains, or losses	\$ 62,766	\$ 72,104	\$ 68,262	\$ 96,165	\$ 69,262	\$ 57,351	\$ 26,751	\$ (16,517)	\$ 6,334	\$ 6,578
Capital appropriations	\$ 15,000	\$ 14,471	\$ 14,472	\$ 14,472	\$ 14,472	\$ 14,472	\$ 14,472	\$ 14,472	\$ 6,452	
Capital commitments	5,121	2,733	4,268	1,646	990					
Capital grants	158	893	761	1,636	1,371	2,086	1,432	2,283	2,190	1,548
Capital private gifts	7,106	8,308	2,503	7,206	3,567	3,351	4,961	7,576	9,614	4,447
Additions to permanent endowments	2,089	904	77	3	99	443	48	735	368	975
Property additions									22,424	
Special Items			(5,294)				7,240	(20,100)		(7,874)
Extraordinary Item - insurance recovery		3,900			3,884	7,080	2,720	15,475		
Increase (Decrease) in Net Position	\$ 92,240	\$ 103,313	\$ 85,049	\$ 121,128	\$ 93,645	\$ 84,783	\$ 57,624	\$ 3,924	\$ 47,382	\$ 5,674
Total Revenues	\$ 2,117,290	\$ 1,962,434	\$ 1,799,206	\$ 1,736,054	\$ 1,705,041	\$ 1,607,184	\$ 1,523,190	\$ 1,470,975	\$ 1,357,904	\$ 1,172,104
Total Expenses	\$ 2,025,050	1,859,121	1,714,157	1,614,926	1,611,396	1,522,401	1,465,566	1,467,051	1,310,522	1,166,430
Increase (Decrease) in Net Position	\$ 92,240	\$ 103,313	\$ 85,049	\$ 121,128	\$ 93,645	\$ 84,783	\$ 57,624	\$ 3,924	\$ 47,382	\$ 5,674

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

CHANGES IN NET POSITION *(continued)*

Changes in Net Position (Expressed as a percent of Total Revenues / Total Expenses)										
Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 <i>(as restated)</i>	2006 <i>(as restated)</i>
	%	%	%	%	%	%	%	%	%	%
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	48.2	45.7	44.6	43.6	37.5	35.2	32.8	29.7	29.4	29.8
Research grants and contracts	11.2	12.4	13.2	13.2	12.7	12.4	11.1	11.0	10.7	11.4
<i>Sales and services</i>										
Auxiliary enterprises	6.9	7.2	6.8	6.1	8.0	8.4	8.6	9.2	8.7	9.1
Educational departments	3.2	3.0	3.1	3.1	2.6	2.3	2.4	3.3	3.4	3.2
Other revenues	0.6	0.4	0.4	0.5	0.5	0.6	0.8	0.7	0.5	0.6
Total Operating Revenues	70.1	68.7	68.1	66.5	61.3	58.9	55.7	53.9	52.7	54.1
Expenses										
<i>Operating Expenses</i>										
<i>Educational and general</i>										
Instruction	33.9	33.2	32.0	32.1	30.8	31.1	31.0	31.4	32.5	32.9
Research	12.1	12.7	13.2	13.1	12.5	12.5	12.3	11.3	11.0	10.9
Public service	1.8	2.2	2.6	2.9	3.0	2.7	2.9	2.9	3.3	3.4
Academic support	12.2	12.1	11.9	11.5	11.6	11.6	11.7	11.4	11.4	11.6
Student services	4.9	3.9	3.8	3.8	3.4	3.2	3.5	3.7	3.8	3.9
Institutional support	7.5	7.3	7.3	7.5	7.8	8.1	8.7	8.8	8.6	8.5
Operation and maintenance of plant	5.0	5.3	5.3	5.4	5.2	5.1	6.0	6.4	6.4	5.5
Scholarships and fellowships	6.7	6.9	6.6	7.0	7.5	7.2	6.0	4.6	4.8	4.9
Auxiliary enterprises	7.1	7.0	7.0	7.2	8.8	8.9	8.3	8.7	8.7	8.3
Depreciation	5.7	6.0	6.2	6.1	6.0	6.3	6.4	5.7	6.0	5.7
Total Operating Expenses	92.7	91.5	91.4	89.8	91.3	91.4	93.2	94.7	93.1	95.2
Operating Loss	(22.6)	(22.8)	(23.3)	(23.3)	(30.0)	(32.5)	(37.5)	(40.8)	(40.4)	(41.1)
Nonoperating Revenues (Expenses)										
State appropriations	16.0	16.0	16.5	17.7	22.3	23.7	26.4	31.8	31.2	31.4
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.1	2.0	4.6	0.0	0.0	0.0
Share of state tax - TRIF	1.3	1.4	1.4	1.4	1.3	1.3	1.6	1.9	2.3	1.9
Financial aid grants	5.4	5.4	5.8	6.3	6.1	5.3	3.3	2.9	2.7	3.1
Grants and contracts	2.3	1.8	2.3	2.8	2.9	3.0	3.3	2.4	2.6	3.4
Private gifts	2.7	3.3	3.3	3.2	3.0	2.9	3.2	2.9	2.9	3.4
Financial aid trust funds	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.5	0.3
Net investment return (loss)	0.2	1.0	0.5	(0.1)	1.0	0.5	(0.7)	0.8	2.1	1.7
Interest on debt	(2.6)	(2.8)	(3.1)	(3.0)	(2.9)	(2.8)	(2.7)	(2.5)	(2.5)	(2.5)
Other expenses	(0.5)	(0.5)	(0.6)	(0.5)	(0.4)	(0.7)	(0.4)	(1.1)	(1.0)	(1.2)
Net Nonoperating Revenues	25.6	26.5	27.0	28.8	34.1	36.0	39.3	39.6	40.7	41.7
Income (loss) before other revenues, expenses, gains, or losses	3.0	3.7	3.7	5.5	4.1	3.5	1.8	(1.2)	0.3	0.6
Capital appropriations	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	0.5	0.0
Capital commitment	0.2	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Capital grants	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.1
Capital private gifts	0.4	0.4	0.1	0.4	0.2	0.2	0.3	0.5	0.7	0.4
Additions to permanent endowments	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Property additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0
Special Items	0.0	0.0	(0.3)	0.0	0.0	0.0	0.5	(1.4)	0.0	(0.7)
Extraordinary Item - insurance recovery	0.0	0.2	0.0	0.0	0.2	0.4	0.2	1.1	0.0	0.0
Increase (Decrease) in Net Position	4.4	5.3	4.7	7.0	5.5	5.3	3.8	0.3	3.5	0.5

Percent of Total Expense is italicized.

CHANGES IN NET POSITION *(continued)*

Changes in Net Position (Percentage increase (decrease) from prior year)										
Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
	%	%	%	%	%	%	%	%	%	%
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	13.8	11.7	6.0	18.4	12.9	13.4	14.4	9.2	14.4	n/a
Research grants and contracts	(2.8)	2.6	3.6	5.9	8.6	18.6	3.9	11.2	9.5	n/a
<i>Sales and services</i>										
Auxiliary enterprises	3.2	14.8	16.1	(22.7)	1.2	3.0	(3.4)	14.7	10.8	n/a
Educational departments	15.0	4.4	4.0	23.8	15.7	1.4	(24.3)	7.7	22.7	n/a
Other revenues	42.1	5.4	(10.4)	(1.6)	(11.7)	(15.8)	14.9	47.2	2.8	n/a
Total Operating Revenues	9.9	9.9	6.2	10.5	10.2	11.9	6.8	10.8	13.1	n/a
Expenses										
<i>Operating Expenses</i>										
<i>Educational and general</i>										
Instruction	11.2	12.4	5.8	4.7	4.8	4.0	(1.3)	8.3	11.0	n/a
Research	3.8	4.6	6.6	5.1	6.1	4.8	8.8	14.8	13.7	n/a
Public service	(10.0)	(10.4)	(4.4)	(2.6)	17.0	(4.5)	0.1	0.2	7.4	n/a
Academic support	9.7	10.3	10.2	(0.8)	6.4	2.7	2.9	11.7	10.1	n/a
Student services	36.0	9.9	8.5	9.9	12.6	(4.5)	(4.7)	8.3	9.9	n/a
Institutional support	11.2	9.5	3.4	(3.5)	1.8	(3.3)	(1.7)	14.2	13.9	n/a
Operation and maintenance of plant	3.3	8.6	5.0	3.3	8.2	(11.3)	(7.5)	13.6	28.8	n/a
Scholarships and fellowships	7.2	13.4	(0.7)	(6.0)	10.1	23.9	29.9	7.6	11.5	n/a
Auxiliary enterprises	9.7	9.2	3.2	(18.7)	5.4	11.3	(4.5)	12.2	16.9	n/a
Depreciation	2.1	4.9	9.2	0.8	1.5	2.1	12.4	6.9	18.1	n/a
Total Operating Expenses	9.2	9.3	5.5	0.1	5.9	3.5	1.9	10.3	13.3	n/a
Operating Loss	6.9	7.5	3.5	(21.2)	(1.8)	(8.9)	(4.7)	9.6	13.4	n/a
Nonoperating Revenues (Expenses)										
State appropriations	7.5	5.7	(3.4)	(19.2)	0.0	(5.4)	(14.1)	10.7	14.8	n/a
Federal fiscal stabilization funds	n/a	n/a	n/a	n/a	(97.3)	(53.5)	n/a	n/a	n/a	n/a
Share of state tax - TRIF	(4.5)	10.1	6.0	9.3	2.2	(10.2)	(15.7)	(10.8)	42.7	n/a
Financial aid grants	7.7	2.3	(5.3)	5.5	22.9	70.1	18.4	16.6	(0.4)	n/a
Grants and contracts	36.7	(15.0)	(14.3)	(1.8)	3.6	(4.9)	45.8	0.5	(14.0)	n/a
Private gifts	(11.2)	8.6	8.1	9.4	10.3	(6.8)	15.5	8.7	(2.3)	n/a
Financial aid trust funds	9.9	11.5	0.8	18.8	0.3	5.0	1.5	31.4	76.0	n/a
Net investment return (loss)	(74.7)	113.4	(682.8)	(109.5)	128.1	(168.7)	(196.0)	(60.3)	40.8	n/a
Interest on debt	1.4	(1.2)	10.9	1.3	11.1	8.3	6.8	11.0	15.5	n/a
Other expenses	1.8	(12.3)	31.6	19.7	(30.2)	61.7	(62.5)	21.8	(3.2)	n/a
Net Nonoperating Revenues	4.1	7.2	(2.8)	(14.0)	0.5	(3.4)	2.6	5.4	13.2	n/a
Income (loss) before other revenues, expenses, gains, or losses	(13.0)	5.6	(29.0)	38.8	20.8	114.4	(262.0)	(360.8)	(3.7)	n/a
Capital appropriations	3.7	0.0	0.0	0.0	0.0	0.0	0.0	124.3	n/a	n/a
Capital commitment	87.4	(36.0)	159.3	66.3	n/a	n/a	n/a	n/a	n/a	n/a
Capital grants	(82.3)	17.3	(53.5)	19.3	(34.3)	45.7	(37.3)	4.2	41.5	n/a
Capital private gifts	(14.5)	231.9	(65.3)	102.0	6.4	(32.5)	(34.5)	(21.2)	116.2	n/a
Additions to permanent endowments	131.1	1,074.0	2,466.7	(97.0)	(77.7)	822.9	(93.5)	99.7	(62.3)	n/a
Property additions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Special Items	n/a	n/a	n/a	n/a	n/a	n/a	(136.0)	n/a	n/a	n/a
Extraordinary Item - insurance recovery	n/a	n/a	n/a	n/a	(45.1)	160.3	(82.4)	n/a	n/a	n/a
Increase (Decrease) in Net Position	(10.7)	21.5	(29.8)	29.3	10.5	47.1	1,368.5	(91.7)	735.1	n/a

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating Expenses by Natural Classification										
Fiscal year ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(Dollars in thousands)</i>										
Personal services	\$ 830,440	\$ 761,778	\$ 711,641	\$ 679,715	\$ 692,246	\$ 664,755	\$ 666,331	\$ 666,673	\$ 617,620	\$ 567,723
Benefits	290,060	268,025	236,380	231,295	226,400	216,684	206,828	194,583	174,682	149,472
Personal services and benefits	1,120,500	1,029,803	948,021	911,010	918,646	881,439	873,159	861,256	792,302	717,195
Supplies and services	576,345	514,355	464,452	423,693	407,826	371,588	352,567	368,370	319,301	266,418
Student aid, net scholarship allowance	150,346	140,377	125,072	125,759	133,237	120,887	100,435	80,456	74,011	66,034
Depreciation	114,617	112,270	106,992	98,005	97,202	95,745	93,768	83,448	78,085	66,121
Total Operating Expenses by Natural Classification	\$1,961,808	\$1,796,805	\$1,644,537	\$1,558,467	\$1,556,911	\$1,469,659	\$1,419,929	\$1,393,530	\$1,263,699	\$1,115,768
<i>Expressed as a percent of the total</i>										
	%	%	%	%	%	%	%	%	%	%
Personal services	42.3	42.4	43.3	43.6	44.5	45.2	46.9	47.8	48.9	50.9
Benefits	14.8	14.9	14.4	14.8	14.5	14.8	14.6	14.0	13.8	13.4
Personal services and benefits	57.1	57.3	57.7	58.4	59.0	60.0	61.5	61.8	62.7	64.3
Supplies and services	29.4	28.6	28.2	27.2	26.2	25.3	24.8	26.4	25.3	23.9
Student aid, net scholarship allowance	7.7	7.8	7.6	8.1	8.6	8.2	7.1	5.8	5.8	5.9
Depreciation	5.8	6.3	6.5	6.3	6.2	6.5	6.6	6.0	6.2	5.9
Total Operating Expenses by Natural Classification	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Percentage increase/(decrease) from prior year</i>										
	%	%	%	%	%	%	%	%	%	%
Personal services	9.0	7.0	4.7	(1.8)	4.1	(0.2)	(0.1)	7.9	8.8	n/a
Benefits	8.2	13.4	2.2	2.2	4.5	4.8	6.3	11.4	16.9	n/a
Personal services and benefits	8.8	8.6	4.1	(0.8)	4.2	0.9	1.4	8.7	10.5	n/a
Supplies and services	12.1	10.7	9.6	3.9	9.8	5.4	(4.3)	15.4	19.8	n/a
Student aid, net scholarship allowance	7.1	12.2	(0.5)	(5.6)	10.2	20.4	24.8	8.7	12.1	n/a
Depreciation	2.1	4.9	9.2	0.8	1.5	2.1	12.4	6.9	18.1	n/a
Total Operating Expenses by Natural Classification	9.2	9.3	5.5	0.1	5.9	3.5	1.9	10.3	13.3	n/a
Scholarship allowance	\$ 269,503	\$ 231,124	\$ 211,919	\$ 203,501	\$ 180,646	\$ 155,161	\$ 113,874	\$ 95,315	\$ 83,665	\$ 75,919

COMBINED SOURCES AND USES

Combined Sources and Uses (Dollars in millions)										
Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
Sources										
Student Tuition and Fees, net	\$ 1,021.0	\$ 896.9	\$ 803.0	\$ 757.2	\$ 639.3	\$ 566.3	\$ 499.5	\$ 436.7	\$ 399.9	\$ 349.4
<i>Gross Tuition and Fees</i>	1,278.0	1,117.8	1,005.8	952.5	811.4	711.1	608.5	526.3	479.6	422.6
<i>Scholarship Allowance</i>	257.0	220.9	202.8	195.3	172.1	144.8	109.0	89.6	79.7	73.2
State Appropriation	353.0	329.0	311.9	322.2	395.4	395.4	416.9	482.9	429.6	368.6
<i>Capital Appropriation</i>	15.0	14.5	14.5	14.5	14.5	14.5	14.5	14.5	6.5	
Federal Fiscal Stabilization Funds					0.8	32.5	69.8			
Grants and Contracts	286.7	281.1	281.0	280.7	268.5	250.4	220.9	199.4	182.8	175.3
<i>Federally Funded</i>	229.9	247.9	225.4	232.3	219.8	191.9	151.8	148.6	150.0	139.8
Financial Aid Grants	115.1	106.9	104.4	110.2	104.5	85.0	50.0	42.2	36.2	36.1
<i>Federally Funded</i>	114.8	106.4	104.0	109.8	104.1	84.6	49.6	40.4	36.2	36.1
Auxiliary Enterprises, net	145.0	140.5	122.5	105.5	136.6	134.9	131.0	135.6	118.2	106.7
Private and Capital Gifts	66.8	74.1	62.3	62.6	54.2	49.6	54.2	50.9	49.2	45.6
<i>Capital Gifts</i>	7.1	8.3	2.5	7.2	3.6	3.4	5.0	7.6	9.6	4.4
Sales and Services	67.2	58.4	56.0	53.9	43.5	37.6	37.1	49.0	45.5	37.1
Technology and Research Initiatives Funds (TRIF)	26.5	27.8	25.2	23.8	21.8	21.3	23.7	28.1	31.6	22.1
Other Sources	35.9	47.7	32.9	20.0	40.4	34.2	20.1	46.1	64.9	31.2
Total Sources	\$ 2,117.2	\$ 1,962.4	\$ 1,799.2	\$ 1,736.1	\$ 1,705.0	\$ 1,607.2	\$ 1,523.2	\$ 1,470.9	\$ 1,357.9	\$ 1,172.1
Uses										
Instruction	\$ 686.4	\$ 617.1	\$ 549.0	\$ 519.1	\$ 495.8	\$ 473.0	\$ 454.9	\$ 461.1	\$ 425.7	\$ 383.6
Organized Research	244.8	235.7	225.5	211.6	201.3	189.6	180.9	166.3	144.8	127.3
Public Service	36.2	40.2	44.9	46.9	48.2	41.2	43.1	43.1	43.0	40.0
Academic Support	247.7	225.8	204.8	185.9	187.4	176.2	171.6	166.8	149.3	135.6
Student Services	98.4	72.4	65.9	60.7	55.2	49.1	51.5	54.0	49.8	45.3
Institutional Support	151.6	136.3	124.5	120.5	124.9	122.7	126.9	129.1	113.1	99.3
Operation and Maintenance of Plant	102.2	98.9	91.1	86.7	83.9	77.6	87.5	94.5	83.3	64.7
Scholarships and Fellowships	136.7	127.5	112.4	113.2	120.5	109.4	88.3	68.0	63.2	56.7
Auxiliary Enterprises	143.2	130.6	119.5	115.8	142.5	135.1	121.5	127.2	113.4	97.1
Depreciation	114.6	112.3	107.0	98.0	97.2	95.7	93.8	83.4	78.1	66.1
<i>Academic and Research Buildings</i>	67.6	63.9	60.0	52.1	50.3	50.1	48.7	45.7	44.4	39.7
Other Expenses	63.2	62.3	69.6	56.5	54.5	52.8	45.6	73.5	46.8	50.7
Total Uses	\$ 2,025.0	\$ 1,859.1	\$ 1,714.2	\$ 1,614.9	\$ 1,611.4	\$ 1,522.4	\$ 1,465.6	\$ 1,467.0	\$ 1,310.5	\$ 1,166.4

PRINCIPAL REVENUE SOURCES

Principal Revenue Sources (Dollars in thousands)

Fiscal year ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees, net of scholarship allowance	\$1,021,014	\$ 896,921	\$ 802,965	\$ 757,217	\$ 639,324	\$ 566,319	\$ 499,467	\$ 436,657	\$ 399,890	\$349,414
percent of total revenue	48%	46%	45%	44%	37%	35%	33%	30%	29%	30%
percent increase from prior year	14%	12%	6%	18%	13%	13%	14%	9%	14%	n/a
State of Arizona Government										
State appropriations	\$ 338,042	\$ 314,493	\$ 297,402	\$ 307,765	\$ 380,914	\$ 380,914	\$ 402,452	\$ 468,406	\$ 423,120	\$ 368,568
Technology and research initiative fund	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113
Capital appropriations and capital commitments	20,121	17,204	16,642	16,118	15,462	14,472	14,472	14,472	6,452	
Financial aid trust fund	5,483	5,350	4,920	5,242	5,322	5,569	5,412	5,322	3,723	1,102
State grants and contracts	6,848	3,055	1,514	9,136	6,386	10,800	11,143	7,958	3,267	7,033
Capital grants									150	
State of Arizona Government	\$ 397,020	\$ 367,887	\$ 345,703	\$ 362,060	\$ 429,854	\$ 433,058	\$ 457,214	\$ 524,319	\$ 468,278	\$398,816
percent of total revenue	19%	19%	19%	21%	25%	27%	30%	36%	34%	34%
percent increase (decrease) from prior year	8%	6%	(5%)	(16%)	(1%)	(5%)	(13%)	12%	17%	n/a
Federal Government										
Federal grants and contracts	\$ 229,925	\$ 247,015	\$ 224,603	\$ 230,747	\$ 218,704	\$ 189,909	\$ 150,683	\$ 146,758	\$ 147,798	\$ 138,278
Financial aid grants	114,816	106,360	103,965	109,779	104,057	84,574	49,588	40,397	36,176	36,101
Capital grants		859	761	1,517	1,142	2,031	1,067	1,826	1,752	1,548
Federal fiscal stabilization funds					867	32,502	69,822			
Federal Government	\$ 344,741	\$ 354,234	\$ 329,329	\$ 342,043	\$ 324,770	\$ 309,016	\$ 271,160	\$ 188,981	\$ 185,726	\$175,927
percent of total revenue	16%	18%	18%	20%	19%	19%	18%	13%	14%	15%
percent increase (decrease) from prior year	(3%)	8%	(4%)	5%	5%	14%	43%	2%	6%	n/a
Total from principal revenue sources	\$1,762,775	\$1,619,042	\$1,477,997	\$1,461,320	\$1,393,948	\$1,308,393	\$1,227,841	\$1,149,957	\$1,053,894	\$924,157
percent of total revenue	83%	83%	82%	85%	81%	81%	81%	79%	77%	79%
percent increase from prior year	9%	10%	1%	5%	7%	7%	7%	9%	14%	n/a

ACADEMIC YEAR TUITION AND REQUIRED FEES

Academic Year Tuition and Required Fees										
Fiscal year ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
RESIDENT UNDERGRADUATE										
Arizona State University	\$10,127	\$ 9,861	\$ 9,724	\$ 9,720	\$ 8,132	\$ 6,334	\$ 5,661	\$ 4,971	\$ 4,688	\$ 4,406
percent increase from prior year	2.7%	1.4%	0.0%	19.5%	28.4%	11.8%	13.9%	6.0%	6.4%	n/a
PAC-12 Public Average	\$10,972	\$10,729	\$10,484	\$ 9,831	\$ 8,990	\$ 7,803	\$ 6,811	\$ 6,322	\$ 5,809	\$ 5,539
percent increase from prior year	2.3%	2.3%	6.6%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%	n/a
ABOR Peers Average	\$11,871	\$11,675	\$11,440	\$10,846	\$10,146	\$ 9,443	\$ 8,904	\$ 8,356	\$ 7,902	\$ 7,418
percent increase from prior year	1.7%	2.1%	5.5%	6.9%	7.4%	6.1%	6.6%	5.7%	6.5%	n/a
NON-RESIDENT UNDERGRADUATE										
Arizona State University	\$24,503	\$23,654	\$22,977	\$22,319	\$20,596	\$18,919	\$17,949	\$17,003	\$15,847	\$15,095
percent increase from prior year	3.6%	2.9%	2.9%	8.4%	8.9%	5.4%	5.6%	7.3%	5.0%	n/a
PAC-12 Public Average	\$30,469	\$29,436	\$28,653	\$27,510	\$26,753	\$25,123	\$22,812	\$21,357	\$20,100	\$19,008
percent increase from prior year	3.5%	2.7%	4.2%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%	n/a
ABOR Peers Average	\$30,003	\$29,146	\$28,297	\$27,066	\$25,665	\$24,436	\$23,068	\$22,192	\$20,904	\$19,666
percent increase from prior year	2.9%	3.0%	4.5%	5.5%	5.0%	5.9%	3.9%	6.2%	6.3%	n/a
RESIDENT GRADUATE										
Arizona State University	\$11,303	\$10,818	\$10,517	\$10,220	\$8,848	\$ 7,465	\$ 7,041	\$ 6,377	\$ 6,027	\$ 5,561
percent increase from prior year	4.5%	2.9%	2.9%	15.5%	18.5%	6.0%	10.4%	5.8%	8.4%	n/a
PAC-12 Public Average	\$12,676	\$12,374	\$12,039	\$11,494	\$10,321	\$ 9,824	\$ 9,093	\$ 8,516	\$ 7,725	\$ 7,255
percent increase from prior year	2.4%	2.8%	4.7%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%	n/a
ABOR Peers Average	\$13,955	\$13,598	\$13,207	\$12,603	\$11,843	\$11,022	\$10,472	\$ 9,708	\$ 9,066	\$ 8,488
percent increase from prior year	2.6%	3.0%	4.8%	6.4%	7.4%	5.3%	7.9%	7.1%	6.8%	n/a
NON-RESIDENT GRADUATE										
Arizona State University	\$26,736	\$25,804	\$25,066	\$24,345	\$22,397	\$20,659	\$19,606	\$18,070	\$16,613	\$15,825
percent increase from prior year	3.6%	2.9%	3.0%	8.7%	8.4%	5.4%	8.5%	8.8%	5.0%	n/a
PAC-12 Public Average	\$26,281	\$25,597	\$24,952	\$24,051	\$22,722	\$21,823	\$20,513	\$19,002	\$17,936	\$17,625
percent increase from prior year	2.7%	2.6%	3.7%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%	n/a
ABOR Peers Average	\$27,958	\$27,206	\$26,485	\$25,552	\$24,435	\$23,437	\$22,457	\$21,292	\$20,268	\$19,289
percent increase from prior year	2.8%	2.7%	3.7%	4.6%	4.3%	4.4%	5.5%	5.1%	5.1%	n/a

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

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

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

SUMMARY OF RATIOS

Summary of Composite Financial Index Ratios ⁽¹⁾										
Fiscal year ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.27	0.45	0.43	0.40	0.35	0.27	0.22	0.23	0.33	0.29
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	2.03	3.38	3.23	3.01	2.63	2.03	1.65	1.73	2.48	2.18
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.71	1.18	1.13	1.05	0.92	0.71	0.58	0.61	0.87	0.76
+ Return on Net Position/Net Assets	10.3%	8.5%	8.3%	7.1%	10.5%	6.7%	(4.8%)	2.6%	11.8%	11.2%
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	5.15	4.25	4.15	3.55	5.25	3.35	(1.00)	1.30	5.90	5.60
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	1.03	0.85	0.83	0.71	1.05	0.67	(0.20)	0.26	1.18	1.12
+ Net Operating Revenues Ratio	3.4%	4.4%	3.9%	3.5%	4.9%	3.3%	(2.2%)	(2.7%)	0.0%	1.4%
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	2.62	3.38	3.00	2.69	3.77	2.54	(1.00)	(1.00)	0.00	1.08
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.26	0.34	0.30	0.27	0.38	0.25	(0.10)	(0.10)	0.00	0.11
+ Viability Ratio	0.3	0.5	0.5	0.4	0.4	0.3	0.2	0.3	0.4	0.3
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.72	1.20	1.20	0.96	0.96	0.72	0.48	0.72	0.96	0.72
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.25	0.42	0.42	0.34	0.34	0.25	0.17	0.25	0.34	0.25
Composite Financial Index	2.25	2.79	2.68	2.37	2.69	1.88	0.45	1.02	2.39	2.24

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

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

⁽¹⁾Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

SUMMARY OF RATIOS *(continued)*

Detail of Composite Financial Index Ratios⁽¹⁾ (Dollars in thousands)

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
PRIMARY RESERVE RATIO										
Unrestricted Net Position	\$ 161,623	\$ 563,307	\$ 511,298	\$ 462,958	\$ 359,430	\$ 235,290	\$ 165,914	\$ 27,368	\$ 155,702	\$ 145,128
Unrestricted Net Assets - Component Units	29,112	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802	38,154
Expendable Restricted Net Position	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854
Temporarily Restricted Net Assets - Component Units	323,456	286,599	260,101	232,312	214,130	182,878	174,586	233,668	219,495	115,184
Expendable Net Position/Net Assets	\$ 623,855	\$ 935,384	\$ 824,364	\$ 724,999	\$ 626,685	\$ 453,463	\$ 358,437	\$ 366,762	\$ 484,907	\$ 361,320
Operating Expenses	\$ 1,961,808	\$ 1,796,805	\$ 1,644,537	\$ 1,558,467	\$ 1,556,911	\$ 1,469,659	\$ 1,419,929	\$ 1,393,530	\$ 1,263,699	\$ 1,115,768
Nonoperating Expenses	63,242	62,316	64,326	56,459	54,485	52,742	45,637	53,421	46,823	42,788
Component Unit Total Expenses	266,791	201,738	186,523	202,475	182,983	171,174	163,219	158,433	137,843	103,421
Total Expenses	\$2,291,841	\$2,060,859	\$1,895,386	\$1,817,401	\$1,794,379	\$1,693,575	\$1,628,785	\$1,605,384	\$1,448,365	\$1,261,977
Expendable Net Position/Net Assets	\$ 623,855	\$ 935,384	\$ 824,364	\$ 724,999	\$ 626,685	\$ 453,463	\$ 358,437	\$ 366,762	\$ 484,907	\$ 361,320
Total Expenses	\$ 2,291,841	\$ 2,060,859	\$ 1,895,386	\$ 1,817,401	\$ 1,794,379	\$ 1,693,575	\$ 1,628,785	\$ 1,605,384	\$ 1,448,365	\$ 1,261,977
Ratio	0.27	0.45	0.43	0.40	0.35	0.27	0.22	0.23	0.33	0.29
<i>Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net position not be available. A positive ratio and an increase in the ratio over time denotes strength.</i>										
RETURN ON NET POSITION/NET ASSETS RATIO										
Change in Total Net Position/Net Assets	\$ 170,423	\$ 163,969	\$ 148,312	\$ 118,202	\$ 159,068	\$ 94,407	\$ (72,049)	\$ 37,286	\$ 153,438	\$ 130,457
Total Net Position/Net Assets (Beginning of Year)	\$ 1,656,504	\$ 1,927,200	\$ 1,786,613	\$ 1,668,411	\$ 1,509,343	\$ 1,414,936	\$ 1,486,985	\$ 1,449,699	\$ 1,296,682	\$ 1,165,922
Ratio	10.3%	8.5%	8.3%	7.1%	10.5%	6.7%	(4.8%)	2.6%	11.8%	11.2%
Return on Net Position/Net Assets Ratio calculation includes component unit information.										
<i>Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.</i>										

⁽¹⁾Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

SUMMARY OF RATIOS *(continued)*

Detail of Composite Financial Index Ratios⁽¹⁾ (Dollars in thousands)

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
NET OPERATING REVENUES RATIO										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$ 62,766	\$ 72,104	\$ 68,262	\$ 96,165	\$ 69,262	\$ 57,351	\$ 26,751	\$ (16,517)	\$ 6,334	\$ 6,578
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	17,131	23,577	8,169	(30,703)	23,517	(189)	(61,911)	(25,750)	(5,655)	10,904
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	\$ 79,897	\$ 95,681	\$ 76,431	\$ 65,462	\$ 92,779	\$ 57,162	\$ (35,160)	\$ (42,267)	\$ 679	\$ 17,482
Total Operating Revenues	\$ 1,482,742	\$ 1,348,645	\$ 1,227,473	\$ 1,155,341	\$ 1,045,483	\$ 949,039	\$ 848,354	\$ 794,077	\$ 716,725	\$ 633,459
State Appropriations and State Related Revenues	364,568	342,278	322,627	331,564	403,551	434,719	496,009	496,567	454,686	390,681
Non-capital Gifts and Grants, net	221,758	207,646	206,417	214,788	205,215	179,235	150,072	119,723	110,139	116,857
Financial aid trust	13,615	12,393	11,114	11,027	9,279	9,249	8,812	8,680	6,606	3,754
Investment Income (Loss), net	5,133	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700	20,383
Component Units Total Unrestricted Revenue	283,922	225,315	194,692	171,772	206,500	170,985	101,308	132,683	132,188	114,325
Adjusted Net Operating Revenue	\$ 2,371,738	\$ 2,156,540	\$ 1,971,817	\$ 1,882,863	\$ 1,887,158	\$ 1,750,737	\$ 1,593,625	\$ 1,563,117	\$ 1,449,044	\$ 1,279,459
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	\$ 79,897	\$ 95,681	\$ 76,431	\$ 65,462	\$ 92,779	\$ 57,162	\$ (35,160)	\$ (42,267)	\$ 679	\$ 17,482
Adjusted Net Operating Revenue	\$ 2,371,738	\$ 2,156,540	\$ 1,971,817	\$ 1,882,863	\$ 1,887,158	\$ 1,750,737	\$ 1,593,625	\$ 1,563,117	\$ 1,449,044	\$ 1,279,459
Ratio	3.4%	4.4%	3.9%	3.5%	4.9%	3.3%	(2.2%)	(2.7%)	0.0%	1.4%
<i>Measures whether the institution is living within available resources. A positive ratio and an increase in the ratio over time, generally reflects strength; a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.</i>										
VIABILITY RATIO										
Unrestricted Net Position	\$ 161,623	\$ 563,307	\$ 511,298	\$ 462,958	\$ 359,430	\$ 235,290	\$ 165,914	\$ 27,368	\$ 155,702	\$ 145,128
Unrestricted Net Assets - Component Units	29,112	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802	38,154
Expendable Restricted Net Position	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854
Temporarily Restricted Net Assets - Component Units	323,456	286,599	260,101	232,312	214,130	182,878	174,586	233,668	219,495	115,184
Expendable Net Position/Net Assets	\$ 623,855	\$ 935,384	\$ 824,364	\$ 724,999	\$ 626,685	\$ 453,463	\$ 358,437	\$ 366,762	\$ 484,907	\$ 361,320
University Long-Term Debt, net capital leases with Component Units	\$ 1,511,891	\$ 1,319,199	\$ 1,266,524	\$ 1,227,702	\$ 1,078,340	\$ 1,032,441	\$ 874,100	\$ 765,272	\$ 796,474	\$ 742,714
Component Unit Long-Term Debt	514,409	509,339	521,101	546,488	586,851	596,104	603,843	540,121	416,703	417,311
Total Adjusted University Debt	\$ 2,026,300	\$ 1,828,538	\$ 1,787,625	\$ 1,774,190	\$ 1,665,191	\$ 1,628,545	\$ 1,477,943	\$ 1,305,393	\$ 1,213,177	\$ 1,160,025
Expendable Net Position/Net Assets	\$ 623,855	\$ 935,384	\$ 824,364	\$ 724,999	\$ 626,685	\$ 453,463	\$ 358,437	\$ 366,762	\$ 484,907	\$ 361,320
Total Adjusted University Debt	\$ 2,026,300	\$ 1,828,538	\$ 1,787,625	\$ 1,774,190	\$ 1,665,191	\$ 1,628,545	\$ 1,477,943	\$ 1,305,393	\$ 1,213,177	\$ 1,160,025
Ratio	0.3	0.5	0.5	0.4	0.4	0.3	0.2	0.3	0.4	0.3
<i>Measures the ability of the institution to cover its debt as of the statement of net position date, should the institution need to do so.</i>										

⁽¹⁾Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

SUMMARY OF RATIOS *(continued)*

Summary of Ratios⁽¹⁾ (Dollars in thousands)

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	\$ 161,623	\$ 563,307	\$ 511,298	\$ 462,958	\$ 359,430	\$ 235,290	\$ 165,914	\$ 27,368	\$ 155,702	\$ 145,128
Expendable Restricted Net Position	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854
Expendable Net Position	\$ 271,287	\$ 677,255	\$ 616,178	\$ 555,619	\$ 446,674	\$ 328,221	\$ 241,298	\$ 126,582	\$ 232,610	\$ 207,982
Expendable Net Position	\$ 271,287	\$ 677,255	\$ 616,178	\$ 555,619	\$ 446,674	\$ 328,221	\$ 241,298	\$ 126,582	\$ 232,610	\$ 207,982
Total Bonds, COPS, and Capital Leases	\$ 1,553,342	\$ 1,354,886	\$ 1,321,417	\$ 1,275,403	\$ 1,140,423	\$ 1,094,882	\$ 949,063	\$ 840,228	\$ 872,278	\$ 807,109
Ratio	0.2	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.3	0.3
<i>Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date, should the institution need to do so.</i>										
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	\$ 161,623	\$ 563,307	\$ 511,298	\$ 462,958	\$ 359,430	\$ 235,290	\$ 165,914	\$ 27,368	\$ 155,702	\$ 145,128
Expendable Restricted Net Position	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908	62,854
Non-expendable Restricted Net Position	64,833	59,476	55,572	52,941	49,513	46,883	44,819	42,279	62,035	54,767
Total Financial Resources	\$ 336,120	\$ 736,731	\$ 671,750	\$ 608,560	\$ 496,187	\$ 375,104	\$ 286,117	\$ 168,861	\$ 294,645	\$ 262,749
Total Financial Resources	\$ 336,120	\$ 736,731	\$ 671,750	\$ 608,560	\$ 496,187	\$ 375,104	\$ 286,117	\$ 168,861	\$ 294,645	\$ 262,749
Total Bonds, COPS, and Capital Leases	\$ 1,553,342	\$ 1,354,886	\$ 1,321,417	\$ 1,275,403	\$ 1,140,423	\$ 1,094,882	\$ 949,063	\$ 840,228	\$ 872,278	\$ 807,109
Ratio	0.2	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.3	0.3
<i>A broader measure of the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so.</i>										
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	\$ (367,867)	\$ (319,052)	\$ (322,858)	\$ (346,453)	\$ (420,160)	\$ (441,550)	\$ (470,853)	\$ (482,720)	\$ (461,252)	\$ (417,216)
State Appropriations and Federal Stabilization Funds	338,042	314,493	297,402	307,765	381,781	413,416	472,274	468,406	423,120	368,568
Share of State Sales Tax - TRIF	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566	22,113
Non-capital Grants and Contracts, Gifts, Other ⁽¹⁾	235,373	220,039	217,531	225,815	214,494	188,484	158,884	128,403	116,745	120,611
Adjusted Cash Flow from Operations	\$ 232,074	\$ 243,265	\$ 217,300	\$ 210,926	\$ 197,885	\$ 181,653	\$ 184,040	\$ 142,250	\$ 110,179	\$ 94,076
Total Bonds, COPS, and Capital Leases	\$ 1,553,342	\$ 1,354,886	\$ 1,321,417	\$ 1,275,403	\$ 1,140,423	\$ 1,094,882	\$ 949,063	\$ 840,228	\$ 872,278	\$ 807,109
Adjusted Cash Flow from Operations	\$ 232,074	\$ 243,265	\$ 217,300	\$ 210,926	\$ 197,885	\$ 181,653	\$ 184,040	\$ 142,250	\$ 110,179	\$ 94,076
Ratio	6.7	5.6	6.1	6.0	5.8	6.0	5.2	5.9	7.9	8.6
⁽¹⁾ Includes financial aid grants, grants and contracts, private gifts, and financial aid trust funds.										
<i>Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.</i>										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	\$ 53,428	\$ 52,674	\$ 53,331	\$ 48,101	\$ 47,505	\$ 42,740	\$ 39,451	\$ 36,929	\$ 33,283	\$ 28,805
Principal Paid on Debt and Leases ⁽¹⁾	305,910	50,596	137,349	124,871	50,626	43,097	39,889	140,357	91,172	19,836
Principal Paid from Refinancing Activities ⁽²⁾	(243,340)		(90,955)	(82,130)	(8,090)			(103,000)	(65,385)	
Debt Service	\$ 115,998	\$ 103,270	\$ 99,725	\$ 90,842	\$ 90,041	\$ 85,837	\$ 79,340	\$ 74,286	\$ 59,070	\$ 48,641
Debt Service	\$ 115,998	\$ 103,270	\$ 99,725	\$ 90,842	\$ 90,041	\$ 85,837	\$ 79,340	\$ 74,286	\$ 59,070	\$ 48,641
Operating Expenses	\$ 1,961,808	\$ 1,796,805	\$ 1,644,537	\$ 1,558,467	\$ 1,556,911	\$ 1,469,659	\$ 1,419,929	\$ 1,393,530	\$ 1,263,699	\$ 1,115,768
Ratio	5.9%	5.7%	6.1%	5.8%	5.8%	5.8%	5.6%	5.3%	4.7%	4.4%

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

⁽²⁾ Obtained amount from refunding bonds official statements.

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

⁽¹⁾Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

SUMMARY OF RATIOS *(continued)*

Summary of Ratios *(Dollars in thousands)*

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	\$ 1,961,808	\$ 1,796,805	\$ 1,644,537	\$ 1,558,467	\$ 1,556,911	\$ 1,469,659	\$ 1,419,929	\$ 1,393,530	\$ 1,263,699	\$ 1,115,768
Scholarships and Fellowships	(136,675)	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)	(56,726)
Interest on Debt	53,428	52,674	53,331	48,101	47,505	42,740	39,451	36,929	33,283	28,805
Total Adjusted Operating Expenses	\$1,878,561	\$1,722,011	\$1,585,505	\$1,493,397	\$1,483,988	\$1,402,995	\$1,371,045	\$1,362,453	\$1,233,759	\$1,087,847
Research Expenses	\$ 244,763	\$ 235,720	\$ 225,453	\$ 211,569	\$ 201,255	\$ 189,599	\$ 180,901	\$ 166,271	\$ 144,781	\$ 127,343
Total Adjusted Operating Expenses	\$ 1,878,561	\$ 1,722,011	\$ 1,585,505	\$ 1,493,397	\$ 1,483,988	\$ 1,402,995	\$ 1,371,045	\$ 1,362,453	\$ 1,233,759	\$ 1,087,847
Ratio	13.0%	13.7%	14.2%	14.2%	13.6%	13.5%	13.2%	12.2%	11.7%	11.7%
<i>Measures the institution's research expense to the total operating expenses.</i>										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	\$ 1,021,014	\$ 896,921	\$ 802,965	\$ 757,217	\$ 639,324	\$ 566,319	\$ 499,467	\$ 436,657	\$ 399,890	\$ 349,414
Financial Aid Grants	115,070	106,855	104,415	110,222	104,498	84,998	49,969	42,198	36,176	36,310
Scholarships and Fellowships	(136,675)	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)	(56,726)
Net Tuition and Fees	\$ 999,409	\$ 876,308	\$ 795,017	\$ 754,268	\$ 623,394	\$ 541,913	\$ 461,101	\$ 410,849	\$ 372,843	\$ 328,998
Net Tuition and Fees	\$ 999,409	\$ 876,308	\$ 795,017	\$ 754,268	\$ 623,394	\$ 541,913	\$ 461,101	\$ 410,849	\$ 372,843	\$ 328,998
Student FTE	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900
Net Tuition per Student (whole dollars)	\$ 12,300	\$ 11,474	\$ 10,881	\$ 10,395	\$ 8,975	\$ 8,090	\$ 7,203	\$ 6,786	\$ 6,312	\$ 5,782
<i>Measures the institution's net student tuition and fees received per student.</i>										
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	\$ 338,042	\$ 314,493	\$ 297,402	\$ 307,765	\$ 380,914	\$ 380,914	\$ 402,452	\$ 468,406	\$ 423,120	\$ 368,568
Capital State Appropriations	15,000	14,471	14,472	14,472	14,472	14,472	14,472	14,472	6,452	
Adjusted State Appropriations	\$ 353,042	\$ 328,964	\$ 311,874	\$ 322,237	\$ 395,386	\$ 395,386	\$ 416,924	\$ 482,878	\$ 429,572	\$ 368,568
Adjusted State Appropriations	\$ 353,042	\$ 328,964	\$ 311,874	\$ 322,237	\$ 395,386	\$ 395,386	\$ 416,924	\$ 482,878	\$ 429,572	\$ 368,568
Student FTE	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900
Adjusted State Appropriations per Student (whole dollars)	\$ 4,345	\$ 4,307	\$ 4,269	\$ 4,441	\$ 5,692	\$ 5,902	\$ 6,513	\$ 7,976	\$ 7,272	\$ 6,477
<i>Measures the institution's dependency on state appropriations.</i>										

DEBT COVERAGE FOR SENIOR AND SUBORDINATE LIEN BONDS

Summary of Ratios (Dollars in thousands)

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)
----------------------------	------	------	------	------	------	------	------	------	-----------------------	-----------------------

Bond Resolution Covenant. The Board has covenanted in the Bond Resolution to fix, revise and collect tuition, registration, matriculation, health services, laboratory, and admission fees from students matriculated, registered or enrolled at or attending the University, and to fix, revise and collect all other fees, admissions, rentals and other charges received from students, faculty, staff members and others using or being served by the System of Building Facilities, in an aggregate amount so the Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year on all outstanding senior lien bonds and sufficient at all times to continually operate and maintain the System of Building Facilities and to make necessary deposits at the times and in the amounts specified in the Bond Resolution.

Bond Resolution Requirement. Pursuant to the Bond Resolution, the Board may issue additional Parity Bonds if the Gross Revenues of the University for the fiscal year preceding the issuance of such Parity Bonds are at least equal to 300% of the Maximum Annual Debt Service on all Outstanding Parity Bonds and the Parity Bonds proposed to be issued.

REVENUES AVAILABLE FOR DEBT SERVICE

Tuition and Fees, net of scholarship allowance	\$ 1,021,014	\$ 896,921	\$ 802,965	\$ 757,217	\$ 639,324	\$ 566,319	\$ 499,467	\$ 436,657	\$ 399,890	\$ 349,414
Receipts from Other Major Revenue Sources (Facilities Revenue)	279,610	264,385	244,696	220,610	237,446	216,408	203,329	202,050	180,212	156,476
Net Revenues Available for Debt Service	\$ 1,300,624	\$ 1,161,306	\$ 1,047,661	\$ 977,827	\$ 876,770	\$ 782,727	\$ 702,796	\$ 638,707	\$ 580,102	\$ 505,890

SENIOR LIEN MAXIMUM BONDS DEBT SERVICE

Interest on Debt	\$ 46,842	\$ 40,342	\$ 42,079	\$ 38,702	\$ 32,895	\$ 30,405	\$ 20,190	\$ 13,551	\$ 13,527	\$ 10,583
Principal Paid on Debt	40,155	42,635	44,770	43,020	39,670	37,150	33,040	27,805	27,780	24,555
Senior Lien Bonds Debt Service Requirement ⁽¹⁾	\$ 86,997	\$ 82,977	\$ 86,849	\$ 81,722	\$ 72,565	\$ 67,555	\$ 53,230	\$ 41,356	\$ 41,307	\$ 35,138

Coverage	14.95	14.00	12.06	11.97	12.08	11.59	13.20	15.44	14.04	14.40
-----------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

Debt Service Assurance Agreement and SPEED Bond Resolution Covenant. The Board has further covenanted in the Debt Service Assurance Agreement entered into in connection with the 2006 ASU Research Park Bonds and in the bond resolution for the Board's SPEED Revenue Bonds to fix, revise and collect Student Tuition and Fees Revenues and Facilities Revenues in an aggregate amount so that Gross Revenues of the University in any fiscal year will be at least equal to 100% of (i) the annual debt service due on all Outstanding Parity Bonds and the Subordinate Obligations in such fiscal year and (ii) the expense of operating and maintaining the System of Building Facilities.

SENIOR LIEN BONDS DEBT SERVICE

Interest on Debt	\$ 46,842	\$ 38,584	\$ 42,079	\$ 38,702	\$ 32,895	\$ 30,405	\$ 20,190	\$ 13,551	\$ 13,527	\$ 10,583
Principal Paid on Debt	40,155	42,640	44,770	43,020	39,670	37,150	33,040	27,805	27,780	24,555
Senior Lien Bonds Debt Service Requirement	\$ 86,997	\$ 81,224	\$ 86,849	\$ 81,722	\$ 72,565	\$ 67,555	\$ 53,230	\$ 41,356	\$ 41,307	\$ 35,138

SUBORDINATE LIEN BONDS DEBT SERVICE

Interest on Debt	\$ 7,154	\$ 7,154	\$ 3,441	\$ 3,441	\$ 2,110	\$ 328	\$ 328	\$ 328	\$ 328	\$ 328
Principal Paid on Debt	6,440	6,440	845	845	845	845	845	845	845	845
Subordinate Lien Bonds Debt Service Requirements	\$ 13,594	\$ 13,594	\$ 4,286	\$ 4,286	\$ 2,955	\$ 1,173	\$ 1,173	\$ 1,173	\$ 1,173	\$ 1,173

Combined Senior/Subordinate Lien Debt Service ⁽¹⁾	\$ 100,591	\$ 94,818	\$ 91,135	\$ 86,008	\$ 75,520	\$ 68,728	\$ 54,403	\$ 42,529	\$ 42,480	\$ 36,311
---	-------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Coverage	12.93	12.25	11.50	11.37	11.61	11.39	12.92	15.02	13.66	13.93
-----------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

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

Long-Term Debt <i>(Dollars in thousands)</i>										
Fiscal year ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
System Revenue Bonds	\$ 1,157,535	\$ 1,002,655	\$ 959,000	\$ 902,845	\$ 769,285	\$ 710,550	\$553,755	\$432,540	\$448,985	\$387,350
Unamortized Premium	91,298	42,844	37,946	29,399	8,585	7,265	7,825	8,537	10,082	8,798
Deferred Amount on Refundings	(32,255)	(10,094)	(11,829)	(8,880)	(3,724)	(4,017)	(4,284)	(4,546)	(4,161)	(4,401)
Net System Revenue Bonds	\$ 1,216,578	\$1,035,405	\$ 985,117	\$ 923,364	\$ 774,146	\$ 713,798	\$557,296	\$436,531	\$454,906	\$391,747
Certificates of Participation	\$ 224,965	\$ 235,505	\$ 248,385	\$ 261,910	\$ 271,920	\$ 281,965	\$297,265	\$312,090	\$327,835	\$335,595
Unamortized Premium	8,731	9,892	11,202	4,582	5,458	6,372	7,254	8,258	9,318	5,773
Deferred Amount on Refundings	(9,556)	(6,971)	(8,086)	(3,501)	(3,793)	(3,863)	(4,133)	(4,631)	(5,129)	(680)
Net Certificates of Participation	\$ 224,140	\$ 238,426	\$ 251,501	\$ 262,991	\$ 273,585	\$ 284,474	\$300,386	\$315,717	\$332,024	\$340,688
Total Bonds Payable	\$ 1,216,578	\$ 1,035,405	\$ 985,117	\$ 923,364	\$ 774,146	\$ 713,798	\$557,296	\$436,531	\$454,906	\$391,747
COPS Payable	224,140	238,426	251,501	262,991	273,585	284,474	300,386	315,717	332,024	340,688
Capital and Operating Leases Payable	112,624	81,055	84,799	89,048	92,692	96,610	91,381	87,980	85,348	74,674
Total	\$ 1,553,342	\$1,354,886	\$1,321,417	\$1,275,403	\$1,140,423	\$1,094,882	\$949,063	\$840,228	\$872,278	\$807,109
Long-Term Debt										
per Student FTE <i>(whole dollars)</i>	\$ 19,117	\$ 17,740	\$ 18,086	\$ 17,578	\$ 16,419	\$ 16,344	\$ 14,827	\$ 13,878	\$ 14,767	\$ 14,185
per Dollar of State Appropriations and State Capital Appropriations	\$ 4.40	\$ 4.12	\$ 4.24	\$ 3.96	\$ 2.88	\$ 2.77	\$ 2.28	\$ 1.74	\$ 2.03	\$ 2.19
per Dollar of Total Grants and Contracts	\$ 5.42	\$ 4.82	\$ 4.70	\$ 4.54	\$ 4.25	\$ 4.37	\$ 4.30	\$ 4.21	\$ 4.77	\$ 4.60
Data Used in Above Calculations										
Total Student FTE	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900
State Appropriations and State Capital Appropriations	\$ 353,042	\$ 328,964	\$ 311,874	\$ 322,237	\$ 395,386	\$ 395,386	\$416,924	\$482,878	\$429,572	\$368,568
Grants and Contracts	\$ 286,684	\$ 281,049	\$ 280,987	\$ 280,674	\$ 268,516	\$ 250,377	\$220,881	\$199,366	\$182,782	\$175,356

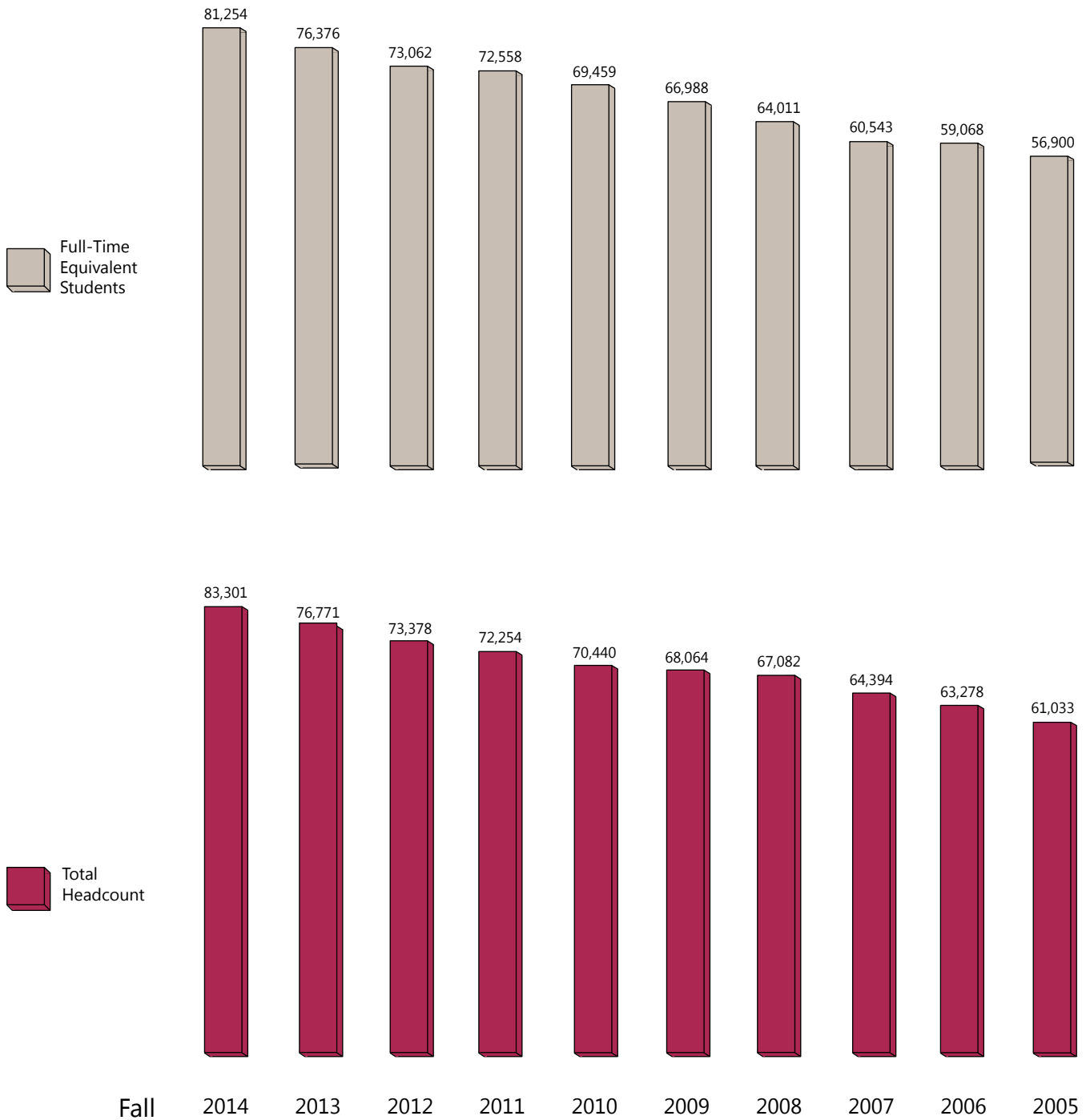
Student FTE based on fall enrollment of the fiscal year.

ADMISSIONS, ENROLLMENT, AND DEGREES EARNED

Admissions, Enrollment, and Degrees Earned (Fall Enrollment)										
Fall enrollment of fiscal year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADMISSIONS - FRESHMEN										
Applications ⁽¹⁾	38,280	35,294	37,982	37,225	35,449	32,188	30,809	28,644	27,877	24,727
Accepted	30,028	26,915	26,986	26,425	25,795	25,616	24,473	23,504	22,226	19,791
Enrolled	11,079	10,232	9,265	9,254	9,544	9,344	9,707	9,274	9,052	8,467
Accepted as Percentage of Application	78%	76%	71%	71%	73%	80%	79%	82%	80%	80%
Enrolled as Percentage of Accepted	37%	38%	34%	35%	37%	36%	40%	39%	41%	43%
Average SAT scores - Total	1112	1108	1111	1107	1100	1083	1082	1077	1083	1103
Verbal	549	546	547	546	542	535	534	532	534	547
Math	563	562	564	561	557	547	548	545	549	556
ENROLLMENT										
Student FTE	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068	56,900
Student Headcount	83,301	76,771	73,378	72,254	70,440	68,064	67,082	64,394	63,278	61,033
Men (Headcount)	42,194	38,580	36,401	35,758	34,491	33,005	32,318	30,856	29,899	28,735
Percentage of Total	50.7%	50.3%	49.6%	49.5%	49.0%	48.5%	48.2%	47.9%	47.3%	47.1%
Women (Headcount)	41,107	38,191	36,977	36,496	35,949	35,059	34,764	33,538	33,379	32,298
Percentage of Total	49.3%	49.7%	50.4%	50.5%	51.0%	51.5%	51.8%	52.1%	52.7%	52.9%
African American (Headcount)	4,002	3,663	3,491	3,521	3,452	3,257	2,914	2,489	2,391	2,211
Percentage of Total	4.8%	4.8%	4.8%	4.9%	4.9%	4.8%	4.4%	3.9%	3.8%	3.6%
White (Headcount)	45,407	43,713	43,494	43,774	43,291	42,728	42,742	40,709	40,430	39,537
Percentage of Total	54.5%	56.9%	59.3%	60.6%	61.5%	62.8%	63.7%	63.2%	63.9%	64.8%
Other (Headcount)	33,892	29,395	26,393	24,959	23,697	22,079	21,426	21,196	20,457	19,285
Percentage of Total	40.7%	38.3%	35.9%	34.5%	33.6%	32.4%	31.9%	32.9%	32.3%	31.6%
DEGREES EARNED										
Bachelor's	14,842	14,381	13,913	13,210	12,194	11,810	11,229	10,706	10,137	9,855
Master's	5,268	4,584	4,163	4,007	4,150	3,914	3,615	3,082	2,900	2,631
Doctoral	687	596	636	611	545	490	587	418	394	389
Professional	223	200	204	217	201	166	179	238	198	180
Total Degrees Earned	21,020	19,761	18,916	18,045	17,090	16,380	15,610	14,444	13,629	13,055

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

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



Enrollment (Fall Enrollment)										
Fall enrollment of fiscal year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ENROLLMENT (Headcount)										
Undergraduate	67,507	62,089	59,382	58,404	56,562	54,277	53,298	51,311	50,755	48,955
Graduate	15,794	14,682	13,996	13,850	13,878	13,787	13,784	13,083	12,523	12,078
Resident (Arizona)	49,940	49,537	50,400	51,235	51,128	50,374	49,055	46,217	46,538	45,046
Non-Resident	33,361	27,234	22,978	21,019	19,312	17,690	18,027	18,177	16,740	15,987

DEMOGRAPHIC DATA

Demographic Data										
Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Arizona Population	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681	6,029,141	5,839,077
Arizona Personal Income (<i>in millions</i>)	255,089	244,011	235,781	227,287	216,590	212,873	226,465	218,588	206,958	188,152
Arizona Per Capita Personal Income	37,895	36,823	35,979	35,062	33,773	33,560	36,059	35,441	34,326	32,223
Arizona Unemployment Rate	6.90%	8.00%	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%

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

PRINCIPAL EMPLOYERS

Principal Employers						
Employer	Calendar Year Ended December 31, 2014			Calendar Year Ended December 31, 2005		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	48,910	1	1.58%	49,958	1	1.73%
Wal-Mart Stores, Inc.	32,438	2	1.05%	28,246	2	0.98%
Banner Health	30,266	3	0.98%	19,250	3	0.67%
City of Phoenix	14,875	4	0.48%	13,844	4	0.48%
Wells Fargo	14,126	5	0.46%	11,533	6	0.40%
Maricopa County	13,341	6	0.43%	13,002	5	0.45%
Arizona State University	12,229	7	0.40%	11,202	7	0.39%
Intel Corp.	11,700	8	0.38%			
Scottsdale Lincoln Health Network	10,500	9	0.34%			
Honeywell	10,000	10	0.32%	10,700	9	0.37%
U.S. Postal Service				11,000	8	0.38%
Raytheon Co.				10,300	10	0.36%
	198,385		6.42%	179,035		6.21%

Sources: *Phoenix Business Journal, Book of Lists 2015 and 2006 for employers; Arizona Department of Administration website, www.workforce.az.gov for annual state employment.*

FACULTY AND STAFF

Faculty and Staff										
Fall employment of fiscal year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
FACULTY										
Full-time	2,963	2,777	2,635	2,612	2,644	2,611	2,671	2,529	2,471	2,419
Part-time	515	375	276	253	231	380	424	441	391	159
Total Faculty	3,478	3,152	2,911	2,865	2,875	2,991	3,095	2,970	2,862	2,578
Percentage Tenured	54.2%	58.0%	61.1%	61.2%	63.7%	61.6%	60.3%	61.4%	63.2%	63.0%
STAFF										
Full-time	5,966	5,693	5,487	5,485	5,561	5,523	5,957	5,690	5,416	5,872
Part-time	4,183	3,565	3,684	3,699	3,838	3,628	3,624	3,776	3,940	1,600
Total Staff	10,149	9,258	9,171	9,184	9,399	9,151	9,581	9,466	9,356	7,472
Total Faculty and Staff	13,627	12,410	12,082	12,049	12,274	12,142	12,676	12,436	12,218	10,050

Source: Arizona State University Fact Book and Institutional Analysis.

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets										
Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
CAPITAL ASSETS <i>(Number of Facilities)</i>										
Academic/Support Facilities	248	224	223	221	235	240	239	235	237	219
Auxiliary Facilities	172	153	153	149	152	157	133	111	112	117
Total	420	377	376	370	387	397	372	346	349	336

Source: Arizona State University Capital Improvement Plans

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

PAGE INTENTIONALLY BLANK





Compiled and edited by the ASU Financial Services Office.

Cover design by Office of Knowledge Enterprise Development and the ASU Enterprise Marketing Hub.

© 2015 Arizona Board of Regents. All rights reserved. Printed in the U.S.

The sunburst logo is a registered trademark, and the Arizona State University word mark is a trademark of the Arizona Board of Regents. All other brand or product names, company names, trademarks and service marks used herein are the property of their respective owners.

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

**Arizona State University
Financial Services**

University Services Building
1551 South Rural Road
PO Box 875812
Tempe, Arizona 85287-5812
480.965.3601

cfo.asu.edu/fs



SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following are certain definitions and a summary of certain provisions contained in the Bond Resolution, but do not purport to be complete and reference is made to the Bond Resolution for the complete definitions and provisions thereof.

Definitions. The following words and terms have the meanings set forth below when used in the Bond Resolution and in the summary thereof which follows.

“Board” means the Arizona Board of Regents.

“Bond” means any one of the Bonds.

“Bond Register” means the registration books of the Board kept by the Trustee or the Trustee’s agent to evidence the registration and transfer of the Bonds.

“Bond Registrar” means The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, or any successor appointed and acting in such capacity with respect to any Bonds or Parity Bonds.

“Bond Resolution” means, collectively, the Master Resolution, as thereafter supplemented and amended through and including resolutions adopted on November 20, 2015, April 8, 2016 and June 10, 2016, together with any amendatory or supplementary resolution hereafter adopted pursuant to Article XI of the Master Resolution.

“Bonds” means the Series 2007B Bonds, the Series 2008 Refunding Bonds, the Series 2008C Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Second Series 2010 Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2015 Bonds, the Series 2015D Bonds, the Series 2016A Bonds and the Series 2016 Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and any references to specific sections of the Internal Revenue Code of 1954, as amended, or the Internal Revenue Code of 1986, as amended, shall mean and include the corresponding or counterpart sections of the other.

“Construction Fund” means the fund of that name established pursuant to the Bond Resolution and the accounts therein.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Enhanced Indebtedness” means any series of Parity Bonds the debt service on which is fully secured by an irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement or any series of Parity Bonds which provides an option on the part of the holders thereof to tender all or a portion of such Parity Bonds for purchase or payment prior to their specified maturity date.

“Escrow Obligations” means obligations issued or guaranteed by the United States of America, or any department, agency or instrumentality thereof, and evidences of ownership of proportionate interests therein, or certain municipal obligations which have been advance refunded by an escrow of obligations of the United States of America or which are insured by a policy of municipal bond insurance or a surety bond and are rated in the highest investment grade rating by S&P or Moody’s.

“Facilities Revenues” means all fees, rentals and other charges from students, faculty, staff members and others using or being served by, or having the right to use or the right to be served by, or to operate, any revenue producing facility, building or project within the System of Building Facilities or any auxiliary enterprise, including

indirect cost recoveries from externally-funded grants and contracts for research or other sponsored projects and interest received on and profits realized from the sale of investments made with moneys derived from (i) any revenue producing facility, building or project within the System of Building Facilities, (ii) Student Tuition and Fee Revenues and (iii) other University operating funds.

“Fiscal Year” means each annual period commencing on July 1 and ending on June 30 of the succeeding calendar year.

“Gross Revenues” means and includes all Student Tuition and Fees Revenues and all Facilities Revenues.

“Interest Payment Date” with respect to the Series 2016 Bonds means each January 1 and July 1 until maturity or prior redemption of the Series 2016 Bonds, commencing January 1, 2017.

“Master Resolution” means the resolution of the Board adopted on November 7, 1985, as amended and restated December 13, 1985, together with any amendment thereto.

“Maximum Annual Debt Service” means, at the time of computation, the greatest amount required to be paid in any Fiscal Year ending then or thereafter for payment of principal of and interest on the Parity Bonds. Certain provisions are made for computing Maximum Annual Debt Service on Variable Rate Indebtedness, Enhanced Indebtedness and Parity Bonds having term maturities with mandatory scheduled sinking fund redemptions.

“Outstanding,” when used with reference to the Parity Bonds, means Parity Bonds which are outstanding and unpaid; provided, however, that such term shall not include Parity Bonds (a) which have matured and for which moneys are on deposit with the Trustee or Paying Agent, or are otherwise properly available, in an amount sufficient to pay all principal and interest then due and payable thereon, or (b) provisions for the payment of which have been made by the Board in accordance with Article X of the Master Resolution.

“Parity Bonds” means and includes all Bonds authorized, issued and Outstanding pursuant to the Bond Resolution, including the Series 2016 Bonds, and any other bonds or other obligations hereafter issued meeting the requirements of Section 5.02(b) of the Master Resolution, which share equally and ratably in the pledge of, lien on and security interest in the Gross Revenues of the University.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, or any successor appointed and acting in such capacity with respect to any Bonds or Parity Bonds.

“Project” means, for purposes of the Thirty-First Supplemental Resolution, (i) construction and equipping of the Student Pavilion, (ii) construction and equipping of the Biodesign C building, (iii) Phase III renovations to Sun Devil Stadium and (iv) renovations to research laboratories, classrooms, buildings and infrastructure on all of the University’s campuses.

“Redemption Fund” means the fund of that name established pursuant to the Bond Resolution and the accounts therein.

“Registered Owner” means the Registered Owner of any Bonds as shown on the Bond Register.

“Regulations” means regulations issued by the United States Department of the Treasury, as in effect from time to time, interpreting Sections 103, 54 through 54F, 141 through 149, 1391 through 1400U-3 and 6431 of the Code

“Revenue Fund” means the fund of that name established pursuant to the Bond Resolution and the accounts therein.

“Second Series 2010 Bonds” means the \$51,890,000 Arizona State University System Revenue Bonds, Series 2010C, authorized pursuant to the Twenty-Third Supplemental Resolution.

“Series 2007B Bonds” means the Arizona State University System Revenue Bonds, Taxable Series 2007-B, in the aggregate principal amount of \$7,025,000, authorized pursuant to the Seventeenth Supplemental Resolution.

“Series 2008 Refunding Bonds” means collectively the Arizona State University Variable Rate Demand System Revenue Refunding Bonds, Series 2008A, in the aggregate principal amount of \$51,840,000 and the Arizona State University Variable Rate Demand System Revenue Refunding Bonds, Taxable Series 2008B, in the aggregate principal amount of \$51,840,000, authorized pursuant to the Nineteenth Supplemental Resolution.

“Series 2008C Bonds” means the Arizona State University System Revenue Bonds (Polytechnic Campus Project), Series 2008C, in the original aggregate principal amount of \$104,100,000 authorized pursuant to the Twentieth Supplemental Resolution.

“Series 2009 Bonds” means the Arizona State University System Revenue Bonds (Tempe Campus Projects), Series 2009A, in the original aggregate principal amount of \$36,250,000 authorized pursuant to the Twenty-First Supplemental Resolution.

“Series 2010 Bonds” means the \$165,980,000 Arizona State University System Revenue Bonds, Taxable Series 2010A (Federally Taxable – Build America Bonds – Direct Payment), and \$12,370,000 Arizona State University System Revenue Bonds, Tax-Exempt Series 2010B authorized pursuant to the Twenty-First Supplemental Resolution and Twenty-Second Supplemental Resolution.

“Series 2012 Bonds” means the \$207,130,000 Arizona State University System Revenue and Refunding Bonds, Tax-Exempt Series 2012A and \$6,240,000 Arizona State University System Revenue and Refunding Bonds, Taxable Series 2012B authorized pursuant to the Twenty-Fourth Supplemental Resolution and Twenty-Fifth Supplemental Resolution.

“Series 2013 Bonds” means the \$84,855,000 Arizona State University System Revenue and Refunding Bonds, Tax-Exempt Series 2013A and the \$26,095,000 Arizona State University System Revenue Bonds, Taxable Series 2013B authorized pursuant to the Twenty-Sixth Supplemental Resolution

“Series 2015 Bonds” means the \$182,645,000 Arizona State University System Revenue and Refunding Bonds, Series 2015A (Green Bonds), the \$164,615,000 Arizona State University System Revenue and Refunding Bonds, Series 2015B and the \$15,000,000 Arizona State University System Revenue Bonds, Taxable Series 2015C authorized pursuant to the Twenty-Seventh Supplemental Resolution, Twenty-Eighth Supplemental Resolution and Twenty-Ninth Supplement Resolution.

“Series 2015D Bonds” means the \$102,665,000 Arizona State University System Revenue Bonds, Series 2015D, authorized pursuant to the Thirtieth Supplemental Resolution.

“Series 2016A Bonds” means the Arizona State University System Revenue Refunding Bonds, Series 2016A, in the original aggregate principal amount of \$37,105,000 authorized pursuant to a resolution adopted by the Board on June 14, 2012.

“Series 2016 Bonds” means the Arizona State University System Revenue Bonds, Series 2016B (Green Bonds), in the original aggregate principal amount of \$130,485,000, and the Arizona State University System Revenue Bonds, Series 2016C, in the original aggregate principal amount of \$95,745,000, authorized pursuant to the Thirty-First Supplemental Resolution.

“State” means the State of Arizona.

“Student Tuition and Fees Revenues” means all tuition, registration, matriculation, health services, laboratory, admission and other activities and service fees and charges from students matriculated, registered or otherwise enrolled at and attending the University.

“System of Building Facilities” means, collectively, the projects, buildings, structures and facilities of any university under the jurisdiction and control of the Board, including administrative offices, exhibition and lecture halls, dormitories and residence facilities that generate revenues that are not subject to a pledge to secure payment of any bonds of the Board other than the Parity Bonds, classrooms, auditoriums, libraries, infirmaries, laboratories, museums, observatories, gymnasiums, activity centers, parking facilities, dining halls, stadiums, student unions and any and all improvements thereto, together with any building, structure or facility hereinafter authorized and designated for inclusion in the System of Building Facilities by the Arizona Legislature or the Board.

“Treasurer” means the Treasurer of the Board from time to time duly appointed by the Board and holding such office.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, or any successor appointed and acting in such capacity with respect to such Bonds.

“University” means Arizona State University.

“Variable Rate Indebtedness” means any series of Parity Bonds as to which a fixed rate or rates of interest applicable throughout the term thereof are not established at the time of issuance.

Pledge. The Bonds and all Parity Bonds are payable from a pledge of and secured by a lien on the Gross Revenues of the University to the extent necessary for the prompt and punctual payment of the Parity Bonds.

Application of Proceeds. Upon receipt of the proceeds from the sale of the Series 2016 Bonds, the Treasurer shall:

(a) transfer any capitalized or accrued interest received in connection with the sale of the portion of the Series 2016 Bonds issued to finance the Phase III renovations to Sun Devil Stadium to the Trustee for deposit in the applicable account of the Redemption Fund to be used solely for the purpose of paying the first interest due on the portion of the Series 2016 Bonds issued to finance the Phase III renovations to Sun Devil Stadium;

(b) transfer the balance of the proceeds of the Series 2016 Bonds to the Trustee for deposit in the applicable accounts of the Construction Fund to be used to pay the costs of the Project and costs of issuance of the Series 2016 Bonds.

Flow of Funds. The following funds and accounts have been established by the Treasurer with the Trustee and shall be maintained so long as any of the Parity Bonds are Outstanding:

(a) **Revenue Fund.** The Treasurer shall remit to the Trustee at or before the end of each six month period for deposit into the Revenue Fund such amounts of the Gross Revenues of the University received in each such period as are available and necessary to maintain the funds and accounts established in the Bond Resolution and to make the payments required with respect to the Bonds and any Parity Bonds. To the extent sufficient amounts of the Gross Revenues of the University have been deposited with the Trustee to satisfy the requirement set forth at the end of each six month period, the remaining Gross Revenues of the University that have been collected in any such period shall be surplus revenues and shall be available to the Board for any lawful purposes.

(b) **Redemption Fund.** Prior to each January 1st and July 1st, the Trustee shall transfer from the Revenue Fund to the Redemption Fund an amount which, together with any monies on deposit in the

Redemption Fund, is equal to the next ensuing interest payment on the Bonds and any other Parity Bonds plus an amount equal to one-half of the principal amount coming due in the next ensuing Fiscal Year with respect to the Bonds and any other Parity Bonds.

(c) Construction Fund. Monies in the Construction Fund, and any income or gain realized from the investment thereof shall be utilized solely to construct or acquire improvements, expansions and replacements of the System of Building Facilities, to pay interest on the applicable series of Parity Bonds during the period of construction, or any combination of such purposes. Any proceeds deposited in any account within the Construction Fund, and investment proceeds therefrom, that exceed the cost of constructing and acquiring the corresponding project may be used by the Board for the payment of the costs of constructing and/or acquiring any other project or, at the direction of the Board, deposited in the Redemption Fund.

(d) Investments. Any money held by the Trustee in any account established pursuant to the Bond Resolution shall be invested and reinvested by the Trustee, except as otherwise permitted by law and directed by the Board, in obligations issued or guaranteed by the United States of America, or any department, agency or instrumentality thereof, or any other obligations in which the Board may lawfully invest in accordance with State law.

General Covenants. The Board covenants and agrees with the holders of any Parity Bonds as follows:

(a) That it holds title to the sites of the System of Building Facilities and that it will not sell, lease, mortgage, pledge or otherwise dispose of or encumber the System of Building Facilities of the University, or the sites thereof, or any part or facility necessary to the operation or use thereof, nor voluntarily cause or permit to be created any debt, lien, pledge, assignment or any other charge against the Gross Revenues of the University pledged for payment of the Parity Bonds. The Board reserves the right to dispose of any building or facility comprising a part of the System of Building Facilities of the University; provided, however, that if any such building or facility and related site to be disposed of has a fair market value equal to or greater than five percent (5%) of the principal amount of the Outstanding Parity Bonds (i) the Board must determine that such building or facility and related site is not necessary to the efficient operation of the System of Building Facilities of the University and will not adversely affect the production of revenues to meet the requirements of the Bond Resolution or (ii) the Board must simultaneously lease back such building or facility and related site from the purchaser or transferee pursuant to a lease treated as a capital lease in accordance with generally accepted accounting principles;

(b) That it will maintain, preserve and keep the System of Building Facilities of the University in good repair, working order and usable condition such that the System of Building Facilities of the University will at all times be available for maximum use and occupancy;

(c) That it will keep the System of Building Facilities of the University continuously insured against loss;

(d) That it will at all times fix, revise from time to time and collect tuition, registration, matriculation, health services, laboratory and admission fees from students matriculated, registered or enrolled at or attending the University, and fix, revise from time to time and collect all fees, admissions, rentals and other charges received from students, faculty, staff members and others using or being served by, or having the right to use or be served by the System of Building Facilities of the University in the aggregate amounts such that the Gross Revenues of the University for each fiscal year shall at least be equal to one hundred fifty percent (150%) of the Maximum Annual Debt Service on the Parity Bonds then Outstanding, and shall be sufficient at all times continually to operate and maintain the System of Building Facilities of the University;

(e) That it will not use or permit at any time or times any of the proceeds of the Parity Bonds or any monies of the Board to be used directly, or indirectly, to acquire any securities or obligations, the acquisition of which, or manner thereof, will cause any of the Parity Bonds to be "arbitrage bonds," as defined in the Code and the Regulations; and

(f) That it will take all actions permitted by law and necessary at any time hereafter in order to assure that interest paid on any Parity Bonds, which was exempt from Federal income taxation as of the date of issuance, shall remain exempt from Federal income taxation under any valid provision of law.

Issuance of Parity Bonds. The Board shall have the right to issue Parity Bonds which shall be on complete equality with, and shall have a pledge of and a lien on Gross Revenues of the University equal to the Parity Bonds previously issued and shall share ratably and equally in the Gross Revenues of the University with any Parity Bonds now or hereafter Outstanding, provided the following conditions are met:

(a) All deposits in or obligations with respect to all funds and accounts created pursuant to the Bond Resolution are current;

(b) The aggregate amount of Gross Revenues of the University received by the Board during the fiscal year next preceding the date of issuance of any such Parity Bonds was at least equal to three hundred percent (300%) of the Maximum Annual Debt Service on all Outstanding Parity Bonds and on the Parity Bonds proposed to be issued; and

(c) If the Parity Bonds proposed to be issued constitute Variable Rate Indebtedness, as defined in the Bond Resolution, the resolution or other proceedings authorizing the issuance of such Parity Bonds shall specify a maximum interest rate which may be borne by such Parity Bonds.

Events of Default and Remedies. The following constitute Events of Default pursuant to the Bond Resolution:

(a) Default in payment of the principal of, interest on, or redemption premiums, if any, applicable to any Parity Bond as and when the same becomes due and payable;

(b) Default in remittance to the Trustee of any amounts required to be placed in the Revenue Fund pursuant to the Bond Resolution, which failure continues for a period of ten (10) days following receipt of written notice thereof by designated representatives of the University;

(c) Default in performance or observance of the terms of any of the covenants and agreements which are contained in the Bond Resolution, which default continues for a period of thirty (30) days following receipt of written notice thereof; provided, however, that such default shall not constitute an Event of Default thereunder, if and so long as, in the judgment of the Trustee, the Board and the University have initiated and are diligently pursuing appropriate corrective action.

Upon the occurrence and continuance of an Event of Default under the Bond Resolution, the Trustee may, and upon request of registered owners of twenty-five percent (25%) of the aggregate principal amount of Parity Bonds then Outstanding, and upon receipt of indemnity as provided in the Bond Resolution, shall proceed to protect and enforce the rights of the registered owners of the Parity Bonds then Outstanding by suit, action or proceeding, at law or in equity, either for the specific performance of any covenant or agreement therein contained, or for the execution of any power herein granted or for the enforcement of any legal or equitable remedy, including application to any court of competent jurisdiction for the appointment of a receiver, who may be the trustee, with respect to the Gross Revenues of the University securing the Parity Bonds then Outstanding and having such powers and authority as the court may direct. No registered owner of any Parity Bonds shall have any right to institute or defend any such action, suit or proceeding unless written demand therefor and reasonable indemnity shall have been provided to the Trustee pursuant to the Bond Resolution and the Trustee shall have refused to institute or defend such action.

Defeasance. Any Parity Bonds, and the pledge of and lien on Gross Revenues securing such Parity Bonds, as the case may be, may be defeased and discharged as follows:

(a) by payment of the principal thereof and interest thereon when due, either at maturity or upon redemption prior to maturity, or

(b) by irrevocably depositing in trust with the Trustee moneys sufficient to make all payments of principal of and interest on such Parity Bonds, as the case may be, and/or Escrow Obligations maturing at such times and payable in such amounts as necessary to make such payments.

Trustee. The Board may appoint as trustee for any series of Parity Bonds a trust company or a bank having trust powers, which is a member of the Federal Deposit Insurance Corporation and of the Federal Reserve System with an officially-reported combined capital stock account, paid-in surplus and undivided profits of not less than \$100 million. The Trustee is required to exercise the rights and duties vested in it by the Bond Resolution and to demonstrate the degree of skill and care in their exercise as a prudent person would employ in the conduct of his or her own affairs, with no liability in connection therewith except for its own negligence or willful misconduct.

The Trustee may resign or may be removed by holders of sixty-five percent (65%) or more of the aggregate principal amount of Outstanding Parity Bonds or by action of the Board, provided the Board is current in all deposits and payments required, and not in default, pursuant to the Bond Resolution. The holders of a majority of the aggregate principal amount of Outstanding Parity Bonds may appoint a successor Trustee, pending which the Board covenants to appoint an interim Trustee, in either case meeting the requirements set forth above, and each successor Trustee shall accept in writing, and thereupon become fully vested with, the rights, powers, duties and obligations of the predecessor Trustee.

Amendments and Supplements to the Bond Resolution. The Board may adopt, and the Trustee may accept, subject to restrictions and conditions contained in the Bond Resolution, without notice to or the consent of any registered owners of the Parity Bonds, but, in certain cases, with the consent of any credit facility provider, bond insurer, and any Reserve Fund Guarantor, a resolution amending or supplementing the Bond Resolution for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission or correct any inconsistent provisions in the Bond Resolution or make any other provisions which do not materially and adversely affect the interests of the registered owners of the Parity Bonds then Outstanding, or to confer ratably upon all the bondholders any additional rights or remedies or add to the Board's covenants such further covenants, restrictions or conditions as the Board and the Trustee may consider necessary for the protection of the registered owners of the Parity Bonds or to add additional Events of Default and conditions thereof;

(b) To qualify the Bond Resolution under applicable Federal securities laws from time to time in effect; and

(c) To authorize and provide for the issuance of a series of Parity Bonds as provided in the Bond Resolution.

Otherwise, the registered owners of not less than sixty-five percent (65%) in aggregate principal amount of the Parity Bonds then Outstanding, and any bond insurer or credit facility provider, shall jointly have the right, from time to time, to consent to and approve the adoption by the Board and acceptance by the Trustee of such supplementary or amendatory resolutions as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to, or rescinding any of the particular terms or provisions contained in the Bond Resolution, with the exception of extending the date of maturity of or time for paying interest or reducing the rate of interest on any Parity Bond without the consent of the required owner of such Parity Bond, permitting the preference or priority of any Parity Bond over any other without the consent of the registered owner of such Parity Bond, or reducing the aggregate principal amount of Parity Bonds the consent of the registered owners of which is required to authorize such supplementary or amendatory resolution without the consent of the registered owners of all Parity Bonds then Outstanding.

Opinion of Bond Counsel. Certain terms, requirements and procedures contained or referred to in the Bond Resolution may be changed and certain actions may be taken under the circumstances and subject to the terms

and conditions set forth in the Bond Resolution. The opinion of Ballard Spahr LLP, Phoenix, Arizona, bond counsel, that interest on the Series 2016 Bonds is excludable from gross income for purposes of Federal income tax, is qualified to the extent that bond counsel expresses no opinion as to whether, following any such change or the taking of any such action, interest on the Series 2016 Bonds will continue to be excludable from the gross income of the owners of the Series 2016 Bonds for Federal income tax purposes.

FORM OF APPROVING OPINION OF BOND COUNSEL

[Closing Date]

Arizona Board of Regents
Phoenix, Arizona

Re: \$130,485,000 Arizona State University System Revenue Bonds, Series 2016B (Green Bonds) and
\$95,745,000 Arizona State University System Revenue Bonds, Series 2016C

Ladies and Gentlemen:

We are members of the Arizona Bar and have acted as Bond Counsel in connection with the authorization, issuance and sale, and the initial delivery on the date hereof, by the Arizona Board of Regents, acting for and on behalf of Arizona State University (the “*Board*”), of \$130,485,000 in aggregate principal amount of Arizona State University System Revenue Bonds, Series 2016B (Green Bonds) (the “*Series 2016B Bonds*”) and \$95,745,000 in aggregate principal amount of Arizona State University System Revenue Bonds, Series 2016C (the “*Series 2016C Bonds*,” and together with the Series 2016B Bonds the “*Series 2016 Bonds*”), dated [Closing Date], pursuant to the laws of the State of Arizona, and a resolution adopted by the Board on November 7, 1985, as thereafter supplemented and amended, including by resolutions adopted by the Board on November 20, 2015, April 8, 2016 and June 10, 2016 (collectively, the “*Bond Resolution*”).

Capitalized terms used, and not otherwise defined, herein have the respective meanings set forth in the Bond Resolution.

In connection with our engagement, we have examined the law, the Bond Resolution and such certified proceedings and other documents and matters as we deemed necessary to render this opinion. We have assumed and have not verified (i) the genuineness of the signatures on all documents, the authenticity of documents submitted to us as originals and the conformity to the originals of documents submitted to us as copies, and (ii) the legal capacity of each individual signing the documents and the Series 2016 Bonds. As to questions of fact material to our opinion, we have relied upon and assumed compliance with the provisions of the documents and have assumed the accuracy of the certified proceedings and other certifications and representations of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, it is our opinion, and we herewith advise you, as follows:

1. The Series 2016 Bonds have been duly authorized, issued, sold and delivered by the Board and are valid and binding special obligations of the Board, payable, together with any bonds issued and outstanding on a parity therewith, solely from and secured solely by a pledge of, a lien on and a security interest in the Gross Revenues (as defined in the Bond Resolution), consisting generally of student tuition and fees and fees, rents and charges from the operation of the System of Building Facilities (as defined in the Bond Resolution) at Arizona State University.

2. Interest on the Series 2016 Bonds is excludable from the gross income of the owners for Federal income tax purposes under existing laws as enacted and construed on the date of initial delivery of the Series 2016 Bonds. Interest on the Series 2016 Bonds is not an item of tax preference for either individual or corporate Federal alternative minimum tax purposes; however, interest on the Series 2016 Bonds held by certain corporations (other

than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to Federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

The opinions set forth in paragraph 2 above assume the accuracy of the certifications of the Board relating to the Series 2016 Bonds and are subject to the condition that the Board comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied in order for interest on the Series 2016 Bonds to be, or continue to be, excludable from the gross income of the owners thereof for Federal income tax purposes. The Board has covenanted to comply with such requirements. Failure to comply with such requirements may cause the interest on the Series 2016 Bonds to be included in the gross income of the owners for Federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds.

3. Interest on the Series 2016 Bonds is exempt from taxable income for State of Arizona tax purposes.

Bond Counsel does not express any opinion regarding any other tax consequences of ownership or disposition of, or the accrual or receipt of interest, on the Series 2016 Bonds.

The rights of the holders of the Series 2016 Bonds and the enforceability thereof is subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the rights of creditors generally and general principles of equity.

Certain terms, requirements and procedures contained or referred to in the Bond Resolution may be changed and certain actions may be taken under the circumstances and subject to the terms and conditions set forth in the Bond Resolution. The opinions set forth above are qualified to the extent that we express no opinion as to whether, following any such change or the taking of any such action, interest on the Series 2016 Bonds will continue to be excludable from the gross income of the owners of the Series 2016 Bonds for Federal income tax purposes.

The opinions set forth above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory or administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and current interpretations thereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or any such events do occur. Our engagement with respect to the Series 2016 Bonds and the opinions set forth herein concludes with the delivery of this opinion, and we disclaim any obligation to update this letter.

This opinion is addressed to and is solely for the benefit of the Board and may not be relied upon by any other person without our express written consent.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

ARIZONA BOARD OF REGENTS
ARIZONA STATE UNIVERSITY

\$130,485,000
SYSTEM REVENUE BONDS
SERIES 2016B
(GREEN BONDS)

\$95,745,000
SYSTEM REVENUE BONDS
SERIES 2016C

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Disclosure Undertaking*”) is executed and delivered by the Arizona Board of Regents (the “*Board*”), in connection with the issuance, sale and delivery by the Board of its \$130,485,000 Arizona State University System Revenue Bonds, Series 2016B (Green Bonds) (the “*Series 2016B Bonds*”) and \$95,745,000 Arizona State University System Revenue Bonds, Series 2016C (the “*Series 2016C Bonds*,” and together with the Series 2016B Bonds the “*Series 2016 Bonds*”), for and on behalf of Arizona State University (the “*University*”). The Series 2016 Bonds are issued pursuant to a resolution of the Board adopted on November 7, 1985, as thereafter amended and supplemented, including by resolutions adopted by the Board on November 20, 2015, April 8, 2016 and June 10, 2016 (collectively, the “*Bond Resolution*”). Certain other terms are defined in Section 10 hereof.

The Board undertakes and agrees as follows:

SECTION 1 Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Board for the benefit of the Bondholders and in order to assist each Participating Underwriter in complying with the Rule.

SECTION 2 Annual Information and Audited Financial Statements. Subject to the provisions of Section 12 hereof, the Board agrees to provide or cause to be provided to the MSRB through its Electronic Municipal Market Access (EMMA) system at <http://emma.msrb.org> in a format required by the MSRB:

(a) Annual Information for the preceding Fiscal Year not later than the Filing Date for each Fiscal Year; and

(b) Audited Financial Statements for the preceding Fiscal Year not later than the later of the Filing Date for each Fiscal Year or promptly after becoming available to the Board.

Any or all of the items listed above may be included by specific reference to other documents; provided that if the document included by reference is not a final official statement, it must have been provided previously to the MSRB or the Securities and Exchange Commission, and if the document included by reference is a final official statement, it must be available from the MSRB.

SECTION 3 Notice of Listed Events and Failure to Provide Annual Information. The Board agrees to provide or cause to be provided to the MSRB, in a timely manner:

(a) notice of the occurrence of any of the Listed Events with respect to the Series 2016 Bonds within ten (10) business days of the occurrence of such Listed Event; and

(b) notice of its failure to provide or cause to be provided the Annual Information on or before the applicable Filing Date.

Notwithstanding the foregoing, notice of Listed Events consisting of bond calls or defeasances need not be given pursuant to this subsection any earlier than the date on which notice of the underlying event is given to the registered owners of affected Series 2016 Bonds pursuant to the Bond Resolution, and notice of the occurrence of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, is not required if the terms of the redemption pursuant to which the redemption is to occur are set forth in detail in the Official Statement and the only open issue is which Series 2016 Bonds will be redeemed in the case of a partial redemption.

SECTION 4 Termination of Reporting Obligation. The obligations of the Board pursuant to this Disclosure Undertaking will terminate at such time as no Series 2016 Bonds remain Outstanding (within the meaning of the Bond Resolution), all of the Series 2016 Bonds have been legally defeased, redeemed or paid in full or the Rule is no longer applicable to the Series 2016 Bonds. The Board will give prompt notice to the MSRB if this Section becomes applicable.

SECTION 5 Dissemination Agent. The Board may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations pursuant to this Disclosure Undertaking, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

SECTION 6 Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Board may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived; if:

(a) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an “obligated person” (within the meaning of the Rule) with respect to the Series 2016 Bonds, or the type of business conducted;

(b) this Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of counsel of national reputation selected by the Board and experienced in bond or Federal securities law selected by the Board, have complied with the requirements of the Rule at the time of the original issuance of the Series 2016 Bonds, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver either (i) is approved by the registered owners of the Series 2016 Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of registered owners of the Series 2016 Bonds, or (ii) does not materially impair the interests of the Bondholders as determined by the opinion of counsel of national reputation experienced in bond or Federal securities law unaffiliated with the Board but which may be selected by the Board, or as determined by another party unaffiliated with the Board but which may be selected by the Board.

SECTION 7 Additional Information. Nothing in this Disclosure Undertaking will be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Information or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Board chooses to include any such other information in any Annual Information or notice of the occurrence of any Listed Event or any other event, in addition to that which is specifically required by this Disclosure Undertaking, the Board will have no obligation pursuant to this Disclosure Undertaking to update the information or include it in any future Annual Information or notice of the occurrence of any Listed Event.

SECTION 8 Failure to Perform. Any Bondholder may enforce the Board's obligation to provide or cause to be provided information or notice pursuant to this Disclosure Undertaking by commencing an action for specific performance in a court of competent jurisdiction to compel the Board to provide or cause to be provided such information or notice; provided, however, that as a condition precedent to commencing any such action, a Bondholder must first provide at least thirty (30) days prior written notice to the Board of its failure to perform, giving reasonable detail of such failure, following which notice the Board will have 30 days to perform. Failure by the Board to perform its obligations pursuant to this Disclosure Undertaking will not be deemed an event of default with respect to the Series 2016 Bonds or the Bond Resolution or any other agreement or document and the sole remedy pursuant to this Disclosure Undertaking in the event of any failure of the Board to comply with this Disclosure Undertaking will be an action to compel performance.

SECTION 9 Beneficiaries. This Disclosure Undertaking is solely for the benefit of the Board and the Bondholders from time to time, and will create no rights in any other person or entity.

SECTION 10 Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Disclosure Undertaking, the following capitalized terms will have the following meanings:

(a) *"Annual Information"* means:

(1) quantitative financial information and operating data concerning the operations of the University of the type set forth in Appendix A to the Official Statement under the headings:

(i) "Arizona State University – Student Enrollment

– Total Headcount – University Wide";

– Full Time Equivalent (FTE) – University Wide"; and

(ii) "FINANCIAL CONDITION OF THE UNIVERSITY

– ARIZONA STATE UNIVERSITY – Statement of Revenues, Expenses and Changes in Net Position";

– ARIZONA STATE UNIVERSITY – Schedule of Historical Gross Revenues";

– ARIZONA STATE UNIVERSITY – Receipts from Other Major Revenue Sources – University Wide"; and

– ARIZONA STATE UNIVERSITY – Debt Service Requirements".

(2) unaudited annual Financial Statements of the University unless Audited Financial Statements are provided at the same time.

In addition to the information described above, (A) if any part of the Annual Information described in (1) can no longer be generated because the operations to which it relates have been materially changed or discontinued, the Board will include a statement to that effect as part of the Annual Information for the year in which the change or discontinuation occurs, and (B) the Annual Information for the year in which any amendment or waiver of a provision of this Disclosure Undertaking occurs will describe and explain the amendment or waiver, the reason for it and its impact on the type of information being provided, and if the amendment relates to the accounting principles to be followed in preparing financial statements, the Annual Information for the year in which the change is made will present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(b) *"Audited Financial Statements"* means audited annual Financial Statements of the University.

(c) *"Bondholder"* means a beneficial owner of a Series 2016 Bond, with beneficial ownership determined on a basis consistent with the provisions of Rule 13d-3 adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or, if those provisions do not adequately address the situation in question (in the opinion of counsel of national reputation experienced in bond or Federal securities law selected by the Board), with beneficial ownership determined on the basis of ownership for

Federal income tax purposes. Any assertion of beneficial ownership must be established by evidence in writing with full documentary support filed with the Board.

(d) “*Filing Date*” means the first business day of the eighth month following the end of each Fiscal Year, beginning February 1, 2017.

(e) “*Financial Statements*” means annual financial statements of the University prepared in conformity with generally accepted accounting principles as reflected in the governmental accounting standards promulgated from time to time by the Government Accounting Standards Board of the American Institute of Certified Public Accountants.

(f) “*Fiscal Year*” means each fiscal year of the University, commencing with the fiscal year that began July 1, 2015, and ends on June 30, 2016.

(g) “*Listed Events*” means any of the following events:

- i) principal and interest payment delinquencies;
- ii) non-payment related defaults, if material;
- iii) unscheduled draws on debt service reserves reflecting financial difficulties*;
- iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- v) substitution of credit or liquidity providers, or their failure to perform;
- vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds;
- vii) modifications to rights of holders of the Series 2016 Bonds, if material;
- viii) bond calls, if material, and tender offers;
- ix) defeasances;
- x) release, substitution, or sale of property securing repayment of the Series 2016 Bonds, if material;
- xi) rating changes;
- xii) bankruptcy, insolvency, receivership or a similar event of the Board;
- xiii) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board other than in the ordinary course of business, the entry into a definitive agreement to undertake any such action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and
- xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

** As of the date of this Disclosure Undertaking, there exists no, and the Board has no obligation or intention to provide, obtain or maintain any, debt service reserves with respect to the Series 2016 Bonds.*

(h) “MSRB” means the Municipal Securities Rulemaking Board.

(i) “Official Statement” means the final Official Statement dated August 30, 2016, with respect to the initial offering of the Series 2016 Bonds.

(j) “Participating Underwriter” means each broker, dealer, or municipal securities dealer acting as an underwriter in the primary offering of the Series 2016 Bonds, including, Wells Fargo Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Goldman, Sachs & Co. and J.P. Morgan Securities LLC.

(k) “Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, as applicable to the Series 2016 Bonds.

(l) “State” means the State of Arizona.

SECTION 11 Governing Law; Forum. This Disclosure Undertaking will be governed by the law of the State. Any action to enforce this Disclosure Undertaking against the Board may be brought only in a State court located in Maricopa County, Arizona.

SECTION 12 Budget Requirement. In accordance with the law of the State, no expenditures may be made by the Board in any Fiscal Year for a purpose not included in the budget, and no expenditure may be made or obligation or liability incurred or created by the Board in any Fiscal Year in excess of the amount specified for each purpose in the budget, for that Fiscal Year, except as otherwise provided by law, and the Board’s undertaking in this Disclosure Undertaking is subject to this limitation of State law on expenditures by the Board for costs of performing its obligations in accordance with this Disclosure Undertaking. In the event of non-compliance by the Board with its covenants herein due to a failure to budget for and appropriate the necessary funds, the Board agrees to provide prompt notice of such fact to the MSRB.

Dated: [Closing Date].

ARIZONA BOARD OF REGENTS

By: _____
Joanne Wamsley
Vice President for Finance and Deputy Treasurer,
Arizona State University

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE BOARD OR THE UNIVERSITY AS TO THE ACCURACY OR ADEQUACY OF THE INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC, New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2016 Bond certificate will be issued for each maturity of each series of the Series 2016 Bonds, each in the principal amount of such maturity of the Series 2016 Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry-only system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2016 Bonds of a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2016 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Board, the University or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Board and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

The Board or the Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered.

THE BOARD AND UNIVERSITY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2016 BONDS PURSUANT TO THE BOND RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2016 BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2016 BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2016 BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the Series 2016 Bonds (other than under the caption "TAX MATTERS" herein) will mean Cede & Co., as aforesaid, not the Beneficial Owners of such Series 2016 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Board or the Trustee to DTC only.