

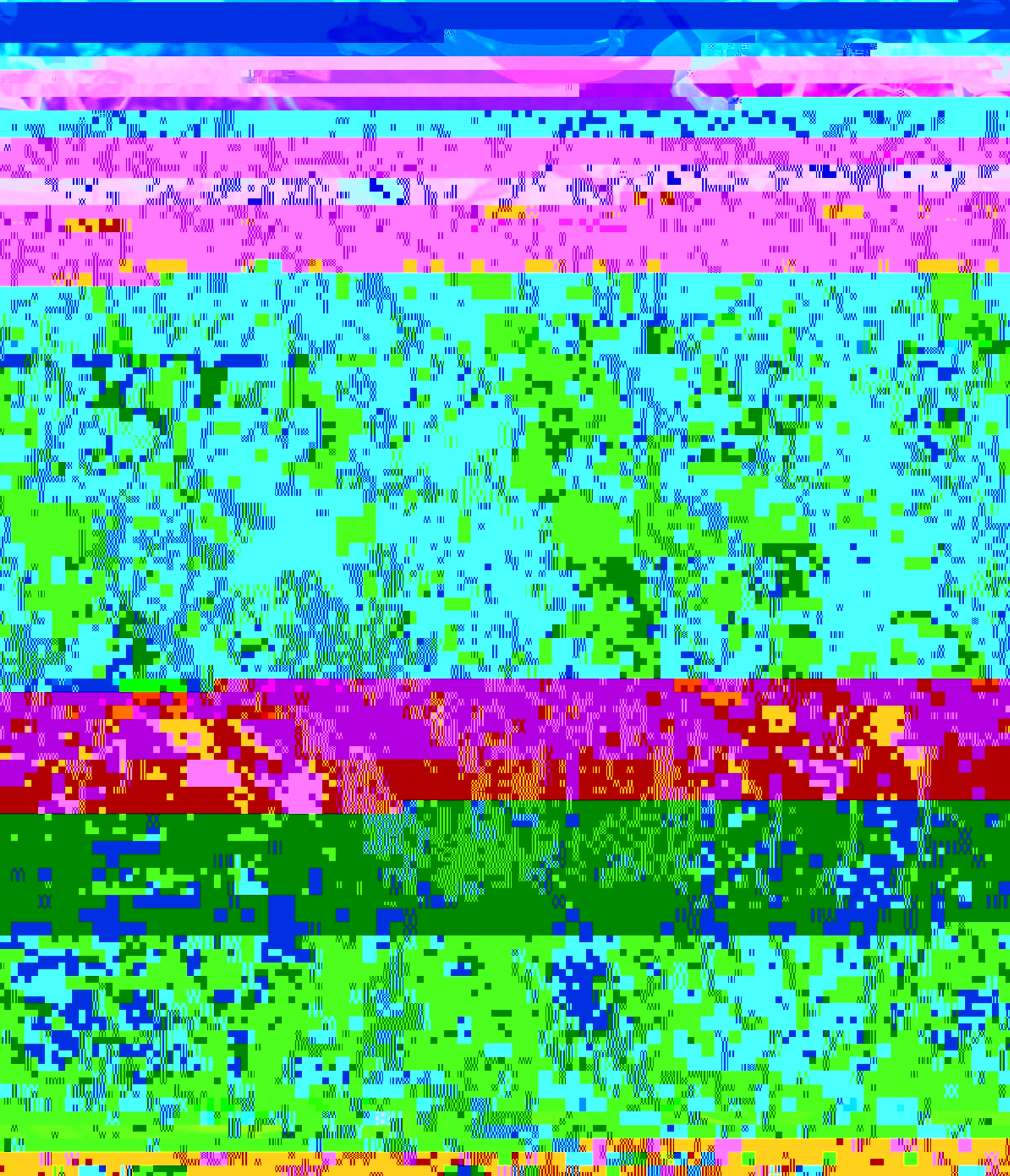


Comprehensive Annual Financial Report

Year Ended June 30, 2019



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Introductory Section

Message from President Michael Crow

As our Sun Devil family grows, so does our ability to innovate. Arizona State University's fall 2018 enrollment hit 111,291, marking our second fall semester in a row serving more than 100,000 registered students. Meanwhile, we received the tremendous honor of being named the most innovative school in the nation by U.S. News and World Report for the fifth consecutive year, ahead of Stanford, MIT and Georgia Tech. Based on a survey of peers and a comparison of more than 1,500 institutions, these rankings demonstrate our commitment to redefine higher education to meet students' and society's rapidly changing needs. I am honored to experience innovation firsthand every day as our faculty, researchers, students and staff consistently push boundaries and create solutions when faced with new challenges.

Our New American University model is continuing to generate master learner graduates, game-changing discoveries and powerful economic and societal impact. This year, U.S. News and World Report rated us in the top 10 nationwide, and fourth among public schools, for "first-year experience," recognizing our ability to make students feel supported and connect them with resources to help keep them on track to graduate. In addition, we remain the top public university chosen by international students and are in the top ten worldwide for patents issued in 2018. Also, Times Higher Education placed us among the top 100 universities in the world for research and teaching.

One of the areas where ASU is making its mark is in deep-dive investigations of our home planet and other worlds. The ! e students

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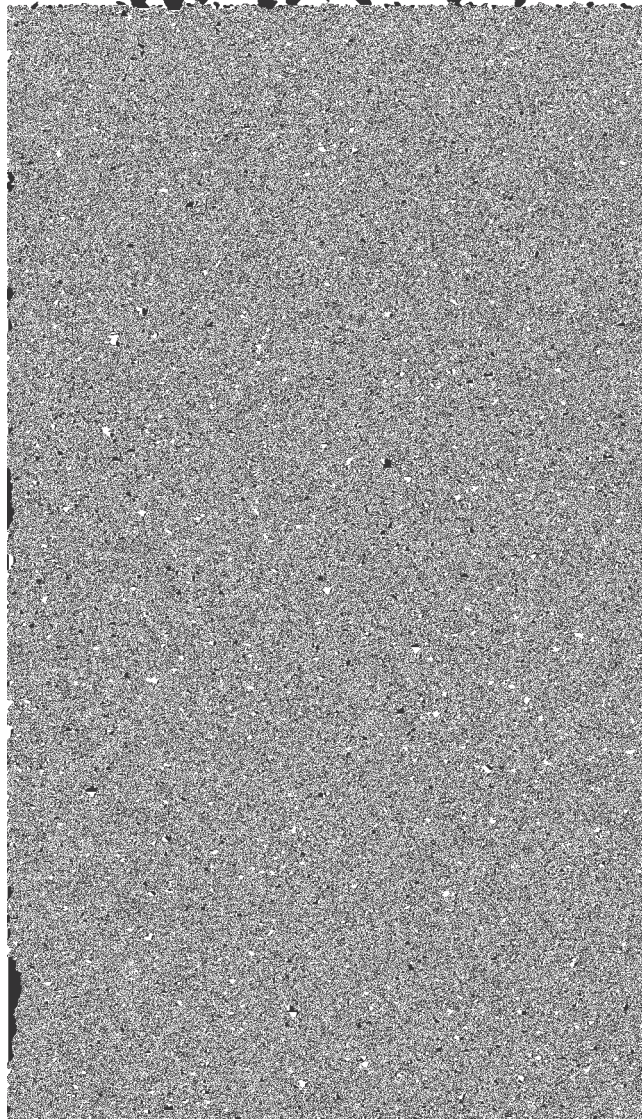
to our remarkable faculty, ASU's significant undergraduate online programs are rated number two by U.S. News & World Report and currently offer 89 undergraduate and 80 graduate degree programs online.

- In partnership with Amazon Web Services, ASU is embarking on the creation of the ASU Smart City Cloud Innovation Center

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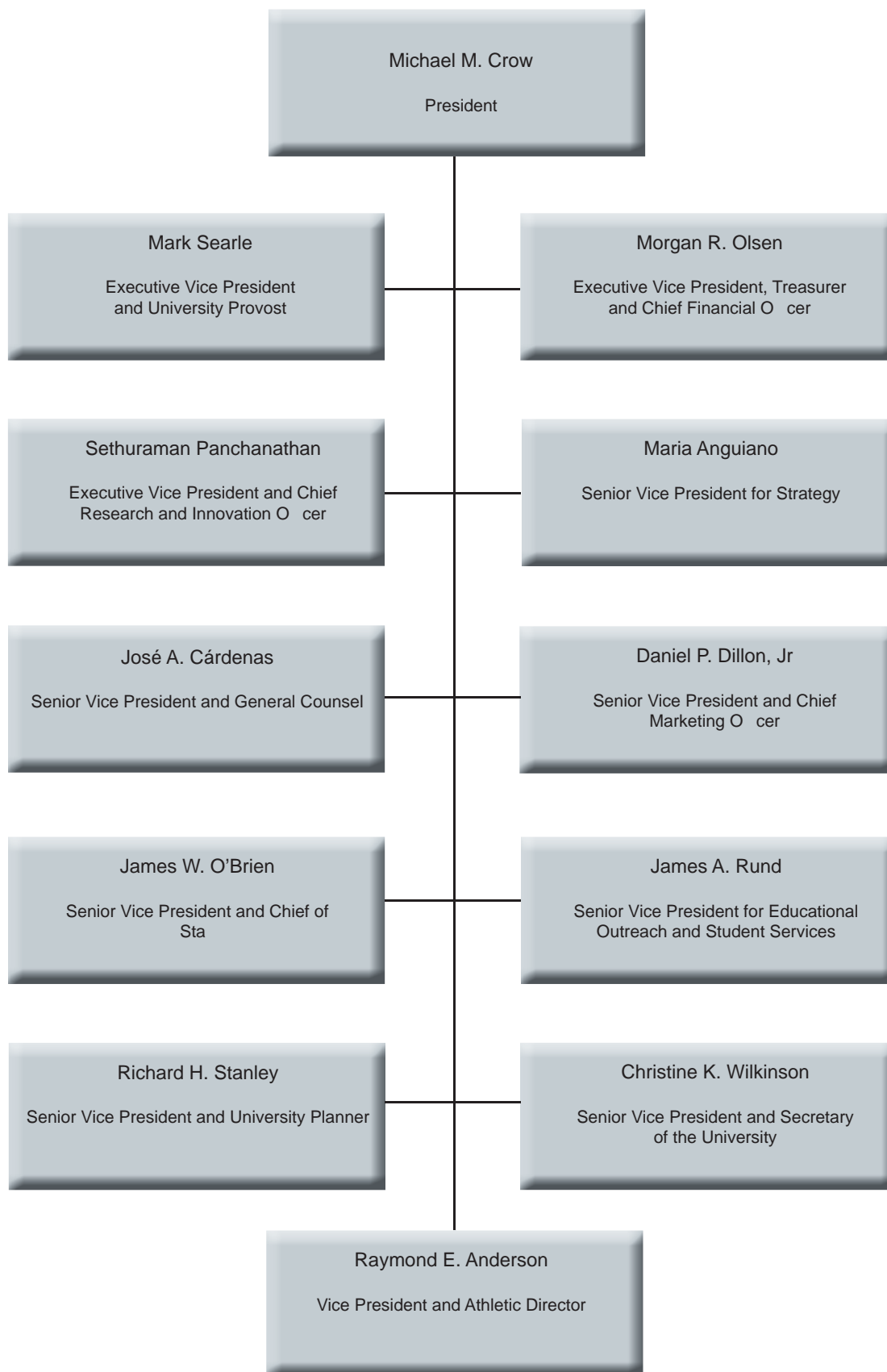
Government Finance Officers Association

Certificate of
Achievement



ASU Organizational Chart

As of June 30, 2019



Ex-O cio

Doug Ducey, *Governor of Arizona*

Kathy Ho man, *Arizona Superintendent of Public Instruction*

Appointed

William Ridenour, *Chair*
Paradise Valley

Ram Krishna, *Secretary*
Yuma

Jay Heiler, *Treasurer*
Paradise Valley

Fred DuVal
Phoenix

Lyndel Manson
Flagsta

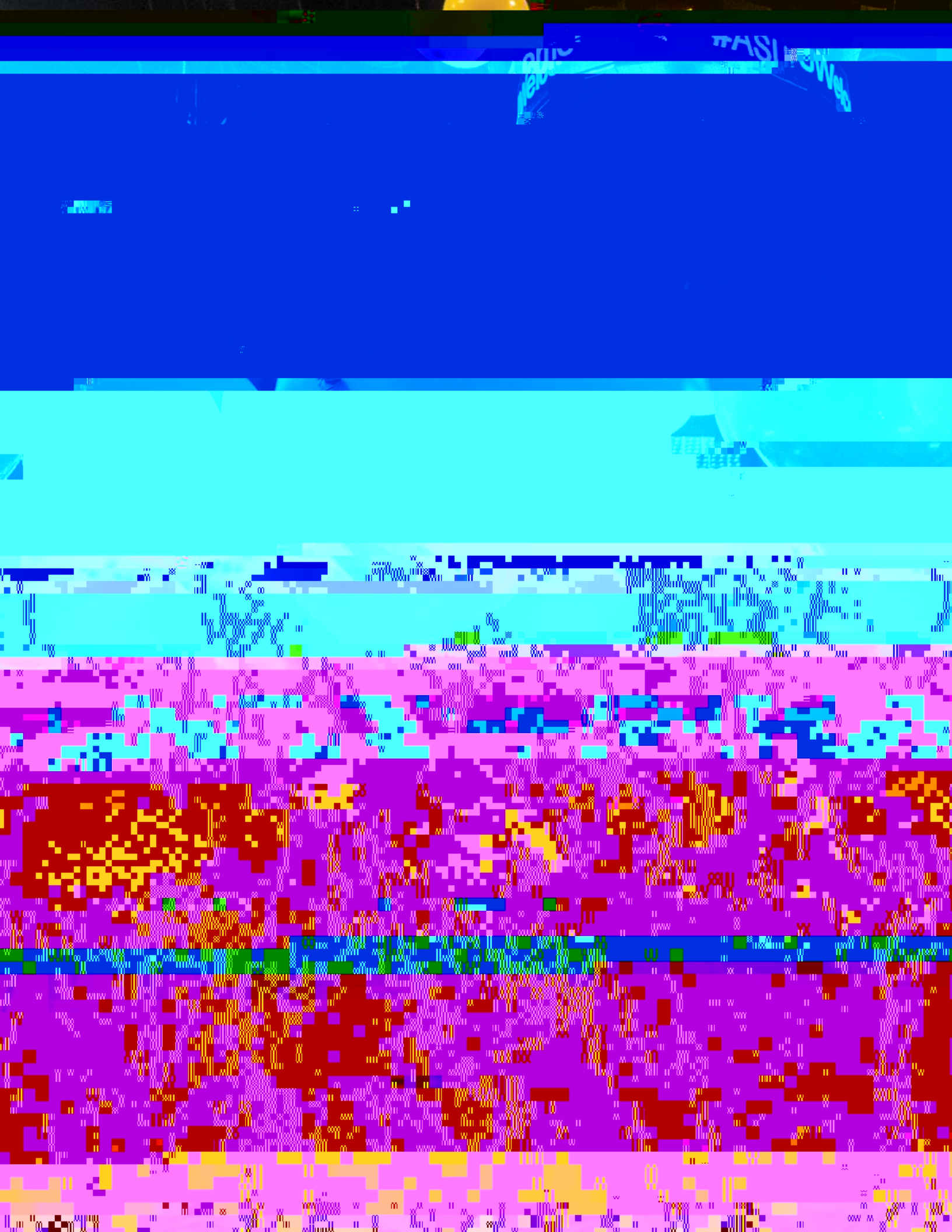
Larry Penley
Phoenix

Ron Shoopman
Tucson

Karrin Taylor Robson
Phoenix

Aundrea DeGravina, *Student Regent*
Arizona State University

Lauren L'Ecuyer, *Student Regent*
Northern Arizona University





Financial Section

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Arizona State University as of and for the year ended June 30, 2019, 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

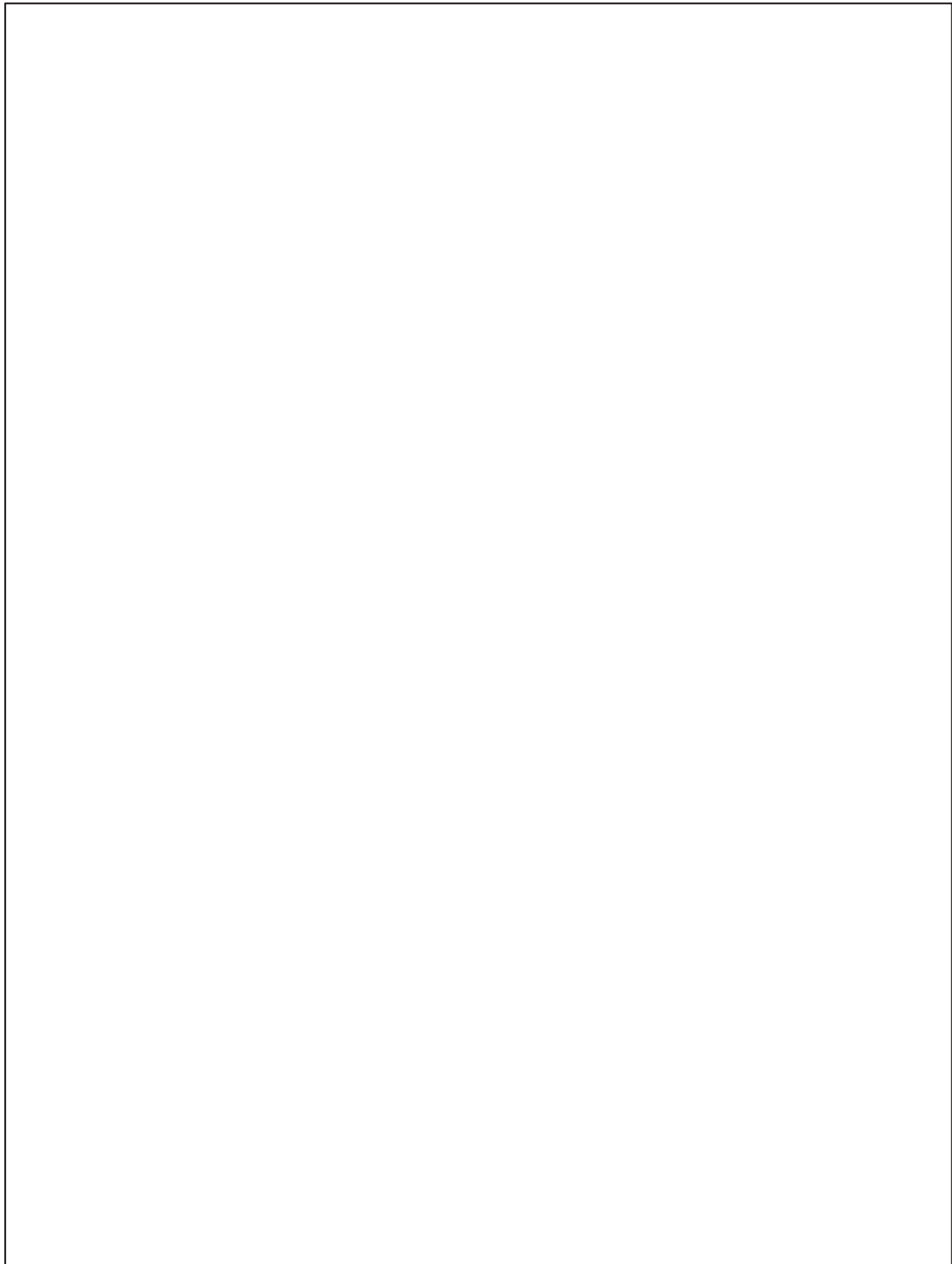
Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial 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 Thunderbird School of Global Management (TSGM) and the aggregate discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenses of the opinion units affected:

Opinion unit	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses
Business-type activities—TSGM	0.45%	0.12%	0.42%	0.84%
Aggregate discretely presented component units	100%	100%	100%	100%

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 TS



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 on pages 70 and 71 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 management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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or worsened during the fiscal year.

A summary comparison of the University's financial position as of June 30, 2019 and June 30, 2018 follows.

Condensed Summary of Net Position <i>(Dollars in millions)</i>		
	FY 2019	FY 2018
Assets		
Current assets	\$ 553.9	\$ 258.6
Noncurrent assets	1,134.2	1,176.2
Noncurrent capital assets, net	2,749.3	2,634.8
Total assets	\$ 4,437.4	\$ 4,069.6
Deferred outflows of resources	\$ 160.2	\$ 146.6
Liabilities		
Current liabilities	\$ 544.1	\$ 408.2
Noncurrent liabilities	759.5	773.8
Noncurrent long-term obligations	1,835.8	1,690.7
Total liabilities	\$ 3,139.4	\$ 2,872.7
Deferred inflows of resources	\$ 1-S 3	\$ 773.9

Management's Discussion and Analysis

- 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, 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 2019 and FY 2018 follows.

Condensed Summary of Revenues, Expenses, and Changes in Net Position (Dollars in millions)		
	FY 2019	FY 2018
Operating revenues		
Tuition and fees, net	\$ 1,423.1	\$ 1,323.3
Research grants and contracts	344.1	313.5
Auxiliary enterprises, net	183.5	166.1
Other operating revenues	97.9	112.9
Total operating revenues	\$ 2,048.6	\$ 1,915.8
Operating expenses	2,634.7	2,450.2
Operating loss	\$ (586.1)	\$ (534.4)
Net nonoperating revenues (expenses)		
State appropriations	\$ 303.4	\$ 306.8
Other nonoperating revenues	403.5	332.2
Nonoperating expenses	(85.8)	(70.5)
Income before other revenues, expenses, gains, or losses	\$ 35.0	\$ 34.1
Capital appropriations and other revenues	50.4	29.0
Increase in net position	\$ 85.4	\$ 63.1
Net position at beginning of year	1,270.0	1,206.9
Net position at end of year	\$ 1,355.4	\$ 1,270.0

Operating Revenues

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

Operating revenues increased \$133 million, or seven percent, to over \$2.0 billion in FY 2019 with the most significant increase occurring in net tuition and fees and research grants and contracts. The \$100 million increase in tuition and fee revenues is primarily the result of a seven percent increase in enrollment including nonresident enrollment growth of twelve percent and a modest increase in M

to \$133

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 \$67 million between years, primarily due to a \$48 million increase in net investment income, a \$16 million increase in financial aid grants and a \$7 million increase in private gifts. The University had significant unrealized gains due to decreases in the federal funds rate during the year which increased returns for the University's fixed income securities. Additionally, investment balances

increased due to revenue growth and a policy change allowing the University to directly invest all collected tuition.

Combined Sources and Uses (Dollars in millions)					
	FY 2019		FY 2018		Percentage Change
Sources					
Tuition and fees, net	\$ 1,423.1	51%	\$ 1,323.3	51%	8%
Grants and contracts	401.5	14%	372.3	14%	8%
State appropriations (includes capital appropriations)	328.8	12%	320.3	13%	3%
Financial aid grants	168.2	6%	152.5	6%	10%
Auxiliary enterprises, net	183.5	7%	166.1	6%	10%
Private and capital gifts	97.7	3%	81.6	3%	20%
Sales and services	78.5	3%	94.1	4%	(17%)
Share of state sales tax (TRIF)	34.6	1%	32.5	1%	6%
Other sources	89.9	3%	41.1	2%	118%
Total sources	\$ 2,805.8	100%	\$ 2,583.8	100%	9%
Uses					
Instruction and academic support	\$ 1,266.2	46%	\$ 1,180.9	47%	7%
Research and public service	359.8	13%	335.0	13%	7%
Scholarships and fellowships and student services	398.4	15%	347.9	14%	15%
Institutional support and operation of plant	293.5	11%	278.5	11%	5%
Auxiliary enterprises	179.6	7%	175.1	7%	3%
Depreciation	137.1	5%	132.8	5%	3%
Interest on debt and other expenses	85.8	3%	70.5	3%	22%
Total uses	\$ 2,720.4	100%	\$ 2,520.7	100%	8%

Management's Discussion and Analysis

Statement of Cash Flows

A summary comparison of cash flows for the University's FY 2019 and FY 2018 activities follows.

and Lease Obligations. In April 2019 the University issued \$195 million in system revenue bonds to fund the Hayden Library Reinvention project, classroom and laboratory renovations and to partially fund the construction of the Interdisciplinary Science and Technology Building 7 and the Health Futures Center.

ASU's current bond ratings are Aa2 by Moody's Investor Services and AA by Standard and Poor's.

ASU's Component Units

Beginning in FY 2017 ASU has blended financial activity for two of its component units, The Thunderbird School of Global Management (TSGM) and the ASU Athletic Facilities District. There was no financial activity for the ASU Athletic Facilities District during FY 2019.

For its discretely presented component units, the University presents the financial statements on separate pages from the University's basic financial statements. These 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 discretely presented in these statements are ASU Enterprise Partners (ASUEP), Arizona Capital Facilities Finance Corporation (ACFFC), ASU Alumni Association, Arizona State University Research Park, Inc., Sun Angel Foundation, and ASU Preparatory Academy, Inc. 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 P – Summary Financial Information for ASU Component Units*.

	\$ 1,109.4	\$ 938.0		
	421.9	408.4	With Donor Restrictions - Permanently restricted	FY 2019 FY 2018
Revenues				
	\$ 662.0	\$ 551.9	Net assets	Without Donor Restrictions - U
Contributions	\$ 1,771.0	\$ 1,489.9	Liabilities	Long-term debt
	240.5	239.0	Net Total assets	\$ 333.8
Receivables, net				

Management's Discussion and Analysis

End of the Year Net Position of ASU and Net Assets of ASU Component Units on a Combined Basis (Dollars in millions)						
	FY 2019			FY 2018		
	ASU	ASU Component Units	Combined	ASU	ASU Component Units (restated)	Combined
Net investment in capital assets	\$ 985.1		\$ 985.1	\$ 956.2		\$ 956.2
Unrestricted net position/net assets without donor restrictions	167.0	\$ 119.7	286.7	115.6	\$ 50.4	166.0
Restricted net position/net assets with donor restrictions:						
Expendable/Tem						
	R	δ				
		M	M	MC		

Economic Outlook

ASU exists to serve its students and to work collectively to ensure their success.

Over 14,000 first-time freshmen began their higher education at ASU in the Fall 2019 semester, a 10% increase in the size of ASU's first-year class compared with Fall 2018. Demand for higher education from resident students, as well as out-of-state students, has driven Fall 2019 enrollment to nearly 119,000 undergraduate and graduate students, an almost 8% increase from Fall 2018. This continued trend in increased enrollment at ASU is counter to an overall national trend of declining college and university enrollment.

ASU continues to put significant effort and resources into improving the college attendance rate in the state of Arizona, with the 2019 enrollment growth a reflection of that commitment and of the demonstrated high-quality of educational outcomes at an affordable cost. ASU was recently recognized by the *Fiske Guide to Colleges* for the quality of its educational programs in relation to cost and student debt.

ASU has also seen an increase in first-year enrollment from families with lower to moderate income levels. A deep and sustained commitment to accessibility and affordability for Arizona resident students, demonstrated by family and student outreach programs and access to financial aid, has led to a 10% increase in enrollment of students from families earning below \$40,000 per year.

The number of students returning to ASU in Fall 2019 for their second year is also higher than at any time in the past. That so-called "one-year retention rate," which measures students who stay at the university after their first year,

is an important predictor of eventually earning a degree. ASU's retention rate is nearly 86% overall, and nearly 88% for Arizona resident students.

The recognition of ASU's academic, public service and research efforts are keystones to the university's reputation among its peers as a leader in innovation and academic quality. Recent recognition for ASU's innovation and educational efforts from external sources include:

- #1 university in the U.S. for innovation, for the fifth year in a row; (*U.S. News and World Report*)
- Top 10 in U.S. patents across universities worldwide; (*U.S. National Academy of Inventors and the Intellectual Property Owners Association*);
- A Top 10 "Best Buy" of public universities; (*Fiske Guide to Colleges*)
- A top producer of Fulbright scholars; (*Chronicle of Higher Education*)
- A top university for undergraduate education; (*U.S. News and World Report, Princeton Review*)
- #2 online undergraduate program in the nation; (*U.S. News and World Report*)
- #7 public university for graduate education school, #15 of public and private universities; (*U.S. News and World Report*)

Looking to the future, the transformation of higher education will need to accelerate and learning options will need to diversify in order to keep pace with rapidly changing workforce needs. ASU is excited to collaborate with other forward thinking organizations that recognize these needs and are ready to advance new solutions.

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Statement of Net Position

Assets

Component Units Statement of Financial Position

June 30, 2019 (Dollars in thousands)

Assets	
Cash and cash equivalents	\$ 35,517
Pledges receivables, net	192,727
Other receivables, net	47,768
Investments in securities	1,169,718
Other investments	83,167
Net direct financing leases	56,808
Property and equipment, net	165,601
Other assets	20,109
Total Assets	\$ 1,771,415
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Liabilities	
Accounts payable and accrued liabilities	\$ 24,767
Deferred revenue	13,385
ASU endowment trust liability	250,356
Other liabilities	39,693
Long-term debt	333,784
Total Liabilities	\$ 661,985
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Net Assets	
Without Donor Restrictions - Unrestricted	\$ 119,675
With Donor Restrictions - Temporarily restricted	421,912
With Donor Restrictions - Permanently restricted	567,843
Total Net Assets	\$ 1,109,430
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See Notes to Financial Statements.

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019 (Dollars in thousands)

Operating Revenues

Student tuition and fees, net of scholarship allowances of \$402,554	\$ 1,423,052
Research grants and contracts, including \$274,061 in federal funding and \$62,559 in nongovernmental funding	344,128
Sales and services -	
Auxiliary enterprises, net of scholarship allowances of \$20,304	183,534
Educational departments	78,508
Other revenues	19,347
Total Operating Revenues	\$ 2,048,569

Operating Expenses (Note J)

Educational and general -	
Instruction	\$ 961,580
Research	323,623
Public service	36,140
Academic support	304,645
Student services	151,295
Institutional support	171,016
Operation and maintenance of plant	122,567
Scholarships and fellowships	247,194
Auxiliary enterprises	179,578
Depreciation	137,064
Total Operating Expenses	\$ 2,634,702
Operating Loss	\$ (586,133)

Nonoperating Revenues (Expenses)

State appropriations	\$ 303,370
Share of state sales tax - technology and research initiatives fund	34,604
Financial aid grants, including \$167,931 in federal funding	168,230
Grants and contracts, including \$30,442 in federal funding	57,365
Private gifts	82,731
Net investment return	60,603
Interest on debt	(63,413)
Other expenses	(22,341)
Net Nonoperating Revenues	\$ 621,149

Income Before Other Revenues, Expenses, Gains, or Losses	\$ 35,016
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Capital appropriations - Research Infrastructure and University Capital Infrastructure	\$ 25,406
Capital commitment - Arizona Lottery revenue	9,532
Capital private gifts	14,961
Capital grants	62
Additions to permanent endowments	426

Increase in Net Position	\$ 85,403
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Net Position at Beginning of Year, restated (Note A)	1,269,985
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Net Position at End of Year	\$ 1,355,388
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See Notes to Financial Statements.

June 30, 2019

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 four campuses across metropolitan Phoenix, ASU had fall 2018 enrollment of 111,291 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) and the Downtown Phoenix campus, and the University's online degree programs, as well as its component units.

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Notes to Financial Statements

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

Spending rate is determined by the Board of Regents based on the investment performance of the endowment funds. The spending rate is based on the average annual return of the endowment funds over a 10-year period, less inflation. The spending rate is applied to the endowment fund balance as of the beginning of the fiscal year.

Pensions. For purposes of measuring the net pension

Notes to Financial Statements

To the extent that revenues from programs such as Pell grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.

Not included in scholarship allowances is \$25.0 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)

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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*; and fair value of investment assets, as required by GASB Statement No. 72, *Fair Value Measurement and Application*.

Included in the University's deposits and investments are \$280.2 million in capital projects and bond debt service funds, which are held in trust and invested with the bond trustee, \$239.2 million in cash and cash equivalents, and \$666.4 million in short-term and other investments.

In addition, \$250.4 million in endowment funds is managed by the ASU Foundation, an Arizona nonprofit corporation, whose sole member is ASU Enterprise Partners. These funds are held in pooled endowment funds managed under a service contract with the ASU Foundation and f

Notes to Financial Statements

At Arizona State University, the Investment Committee is responsible for advising on the definition, development and implementation of investment objectives, policies, and

Notes to Financial Statements

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2019 follows:

Capital asset activity for the year ended June 30, 2019 (Dollars in thousands)				
	Balance 07/1/2018	Additions/ Increases	Retirements/ Decreases	Balance 06/30/2019
Non-depreciated capital assets				
Land and Land improvements -				
University operations	\$ 92,002	\$ 13,873	\$ (401)	\$ 105,474
Available for commercial purposes	40,613		(3,586)	37,027
Construction in progress -				
Buildings	271,738	95,159	(253,595)	113,302
Software	22,090		(22,090)	
Works of art and historical treasures	21,574	1,125	(369)	22,330
Total	\$ 448,017	\$ 110,157	\$ (280,041)	\$ 278,133
Depreciated capital assets				
Infrastructure	\$ 172,527	\$ 29,312	\$ (5,770)	\$ 196,069
Buildings	3,006,735	356,929	(58,476)	3,305,188
Equipment	487,773	20,371	(29,771)	478,373
Software	26,894	22,090		48,984
Library books	125,293	11,941	(1,163)	136,071
Less accumulated depreciation				
Infrastructure	(67,471)	(4,464)	4,117	(67,818)
Buildings	(1,129,870)	(84,922)	41,203	(1,173,589)
Equipment	(345,650)	(32,168)	29,480	(348,338)
Software	(25,437)	(4,112)		(29,549)
Library books	(63,992)	(11,399)	1,125	(74,266)
Total	\$ 2,186,802	\$ 303,578	\$ (19,255)	\$ 2,471,125
Capital assets, net	\$ 2,634,819	\$ 413,735	\$ (299,296)	\$ 2,749,258

Construction in progress additions reflected above represent expenses for new projects net of capital assets placed in service. It is estimated \$346.9 million in additional expenses will be required to complete projects under construction at June 30, 2019. Construction in progress encumbrances committed through purchase orders at June 30, 2019, totaled \$152.3 million.

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 and subordinated bonds outstanding at June 30, 2019. 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, 2019, pledged revenues totaled \$1.78 billion of which 5.8 percent (\$103.9 million, net of federal direct payments) was required to cover current year debt service.

In April 2019, the University issued \$194.5 million of system revenue bonds, Series 2019 A and B, with an average maturity of 17.4 years and an average interest rate of 3.32 percent. The bonds were issued to partially fund the construction of Interdisciplinary Science and Technology Building 7 and the Health Futures Center, and to fully fund the Hayden Library renovation project and classroom and laboratory renovations. In addition to using pledged revenues to pay the debt service, the University will pay half the debt service of the 2019A bonds from the Capital Infrastructure Fund (CIF) established by the State pursuant

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Note H - Unrestricted Net Position

As discussed in the Summary of Significant Accounting Policies, the University follows accounting standards

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 on page 51. The University also contributes to the Public Safety Personnel Retirement

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.

The \$45.0 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, 2020. 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, positive amount indicates an increase in pension expense):

Year ending June 30,	
2020	\$ 20,520
2021	(2,077)
2022	(18,654)
2023	(5,514)

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7% - 7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future

are combined to produce the long-term expected rate of return. The long-term expected rate of return is based on the historical returns of the investment assets, adjusted for inflation, and best estimates of future inflation. The long-term expected rate of return is based on the historical returns of the investment assets, adjusted for inflation, and best estimates of future inflation.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future returns are combined to produce the long-term expected rate of return. The long-term expected rate of return is based on the historical returns of the investment assets, adjusted for inflation, and best estimates of future inflation.

Notes to Financial Statements

the applicable insurance and annuity companies.

Funding Policy. The Arizona State Legislature establishes the contribution rates for active plan members and the

The total OPEB liability as of June 30, 2018 reflects the following changes in benefit terms and actuarial assumptions:

- The discount rate increased due to changes in the bond index.
- Per capita costs and contributions and related trend rates were adjusted to reflect updated experience.
- Assumed retirement rates, turnover rates, disability incidence rates, and mortality rates for healthy and disabled lives were updated to be the same as those used for ASRS annual actuarial valuation.

The University's proportion measured as of June 30, 2017 was 15.95 percent and as of June 30, 2018 was 16.16 percent.

OPEB Expense and Deferred Outflow/Inflows of Resources. For the year ended June 30, 2019, the University recognized ADOA OPEB expense of \$10.3 million. At June 30, 2019, the University reported deferred outflows of resources and inflows of resources related to OPEB from the following sources (Dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
University benefit payments subsequent to the measurement date	\$ 4,408	
Changes in assumptions or other inputs		\$ 30,773
Difference between expected and actual experience in the Total OPEB Liability		4,894
Total	\$ 4,408	\$ 35,667

The \$4.4 million reported as deferred outflows of resources related to ADOA OPEB resulting from University benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to ADOA OPEB will be recognized in pension expense as follows (Dollars in thousands):

Year ending June 30,	
2020	\$ (6,424)
2021	(6,424)
2022	(6,424)
2023	(6,424)
2024	(6,424)
Thereafter	(3,547)

Actuarial Assumptions. Projections of ADOA Plan benefits for financial reporting purposes include the types of benefits provided at the time of each valuation and the pattern of sharing of cost between the employer and the ADOA Plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The ADOA Plan's actuarial methods and significant assumptions for the most recent actuarial valuation are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age
Projected salary increases	2.70% - 7.2% varying by years of service
Healthcare cost trend rates:	
Medical (pre-65)	6.0% graded to 4.5% by .5%
Medical (post-65)	4.5%
Prescription drug	8.5% graded to 4.5% by .5%
Administrative costs	3.0%
Discount rate	3.87%
Mortality rates:	Level dollar, open
Employees	RP-2014 Employee Mortality Tables projected generationally from 2014 with 1% improvement rate per year
Healthy retirees and spouses	ables project ÷ from 2014 wis\$ ables project ÷ from 2014 wis\$

Note O - Privatized Student Housing

American Campus Communities. The University has entered into ground lease agreements with American

Notes to Financial Statements

Note P - Summary Financial Information for ASU Component Units

Arizona State University's discretely presented component units are comprised of two major component units, ASU Enterprise Partners (ASUEP), and Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units consisting of the ASU Alumni Association, Arizona State University Research Park, Inc., Sun Angel Foundation, and ASU Preparatory Academy, Inc. For additional information refer to *Note B – ASU Component Units*.

Summary of Significant Accounting Policies

Basis of presentation. The component unit financial statements have been prepared on the accrual basis of accounting according to generally accepted accounting principles (GAAP). Information regarding their financial position and an

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Investments

ASUEP investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to Financial Statements

Investments consist of		

Direct Financing Lease Agreements

ASU Enterprise Partners. ASUEP leases a portion of the Fulton Center building (ASUEP headquarters) to the University under a direct financing lease. At the end of the lease, ASUEP will gift their portion of the building to the University and the University will receive title to the building. ASUEP net investment in this direct financing lease at June 30, 2019 is \$20.0 million.

Arizona Capital Facilities Finance Corporation (ACFFC). Pursuant to a sublease agreement, dated April 7, 2004 and amended on December 1, 2017 (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 2009B and 2017 Bonds. The Sublease has successive annual renewals without action from either party through March 31, 2034. The Sublease is subject to early termination by Nano or the University upon the payment in full of the Series 2009B and 2017 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 \$26.7 million at June 30, 2019.

In December 2017, Nano issued \$24.4 million in Tax-

Required Supplementary Information

Pension and Other Postemployment Benefits Liability

Schedule of the University's Proportionate Share of the Net Pension Liability Arizona State Retirement System (Dollars in thousands)						
	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014) (as restated)	2010 through 2014
University's proportion of the net pension liability	3.67%	3.48%	3.39%	3.19%	3.05%	

Supplementary Information

Nonmajor Discretely Presented Component Units

Nonmajor Component Units Combining Statement of Financial Position June 30, 2019 (Dollars in thousands)						
	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Sun Angel Foundation	Total	
Assets						
Cash and cash equivalents	\$ 561	\$ 3,223	\$ 4,086	\$ 5,990	\$	13,860
Pledges receivables, net	20	5,093		31,078		36,191
Other receivables, net	146	1,052	38,634	281		40,113





Statistical Section

Net Position

Statement of Net Position⁽¹⁾ (Dollars in thousands)

June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assets										
<i>Current Assets</i>										
Cash and cash equivalents	\$ 239,203	\$ 78,147	\$ 167,188	\$ 72,543	\$ 47,316	\$ 33,551	\$ 49,964	\$ 125,473	\$ 265,139	\$ 177,628
Short-term investments	70,908	43,789	45,739	68,527	30,775	71,760	118,330	103,282	34,186	4,019
Accounts receivables, net	238,119	134,045	143,601	120,235	110,561	92,554	72,510	62,826	49,459	44,359
Receivables from State of Arizona					90,575	90,575	90,575	90,575	90,575	90,578
Other assets	5,714	2,623	4,282	3,344	3,377	8,863	2,188	2,020	2,822	8,410
Total Current Assets	\$ 553,944	\$ 258,604	\$ 360,810		\$ 150,40	137,134	422,34	953,41	1	1,34,821

Other investments

Principal Revenue Sources

Principal Revenue Sources (Dollars in thousands)										
Fiscal year ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuition and Fees, net of scholarship allowance	\$ 1,423,052	\$1,323,268	\$1,250,828	\$1,157,535	\$1,021,014	\$ 896,921	\$ 802,965	\$ 757,217	\$ 639,324	\$ 566,319
percent of total revenue	51%	51%	51%	51%	48%	46%	45%	44%	37%	35%
percent increase from prior year	8%	6%	8%	13%	14%	12%	6%	18%	13%	13%
State of Arizona Government										
State appropriations	\$ 303,370	\$ 306,778	\$ 296,913	\$ 281,385	\$ 338,042	\$ 314,493	\$ 297,402	\$ 307,765	\$ 380,914	\$ 380,914
Technology and research initiative fund	34,604	32,540	31,326	31,075	26,526	27,785	25,225	23,799	21,770	21,303
Capital appropriations and capital commitments	34,938	24,434	20,731	20,959	20,121	17,204	16,642	16,118	15,462	14,472
State grants and contracts	14,529	11,640	12,328	8,536	6,848	3,055	1,514	9,136	6,386	10,800
Financial aid trust fund	5,986	5,989	5,899	5,724	5,483	5,350	4,920	5,242	5,322	5,569
Capital grants										
State of Arizona Government	\$ 393,427	\$ 381,381	\$ 367,197	\$ 347,679	\$ 397,020	\$ 367,887	\$ 345,703	\$ 362,060	\$ 429,854	\$ 433,058
percent of total revenue										



Demographic Data

Demographic Data										
Fiscal Year Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Arizona Population	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158	6,343,154
Arizona Personal Income (<i>in millions</i>)	313,040	292,108	278,925	266,756	255,089	244,011	235,781	227,287	216,590	212,873
Arizona Per Capita Personal Income	43,650	41,633	40,243	39,060	37,895	36,823	35,979	35,062	33,773	33,560
Arizona Unemployment Rate	4.80%	4.90%	5.30%	6.10%	6.90%	8.00%	8.30%	9.50%	10.50%	9.90%

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

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Faculty and Sta

Faculty and Sta										
Fall employment of fiscal year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
FACULTY										
Full-time	3,483	3,367	3,225	3,108	2,963	2,777	2,635	2,612	2,644	2,611
Part-time	291	310	330	394	515	375	276	253	231	380
Total Faculty	3,774	3,677	3,555	3,502	3,478	3,152	2,911	2,865	2,875	2,991
Percentage Tenured	54.5%	55.0%	55.4%	55.9%	54.2%	58.0%	61.1%	61.2%	63.7%	61.6%
STAFF										
Full-time	7,551	7,189	6,734	6,443	5,966	5,693	5,487	5,485	5,561	5,523
Part-time	4,819	4,519	4,414	4,168	4,183	3,565	3,684	3,699	3,838	3,628
Total Sta	12,370	11,708	11,148	10,611	10,149	9,258	9,171	9,184	9,399	9,151
Total Faculty and Sta	16,144	15,385	14,703	14,113	13,627	12,410	12,082	12,049	12,274	12,142

Sources: Arizona State University Fact Book and Institutional Analysis.

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets										
Fiscal Year Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
CAPITAL ASSETS <i>(Number of Facilities)</i>										
Academic/Support Facilities	227	249	251	252	248	224	223	221	235	240
Auxiliary Facilities	149	159	164	166	172	153	153	149	152	157
Total	376	408	415	418	420	377	376	370	387	397

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 2008 - 2013 have been restated to include ASU partnership facilities.

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