ASU Foundation
Arizona State University

FY23

Audited Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION

For A New American University and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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Arizona State University

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INTRODUCTION

The Arizona State University Foundation for A New American University (Foundation) was incorporated in 1955 to use philanthropy to help meet the needs of Arizona State University (ASU or University), the largest public university in the United States under a single administration, and one ranked as the most innovative by *U.S. News & World Report*. The University has established itself as the model for a New American University, whose charter describes it as a comprehensive public research university, measured not by whom it excludes, but rather by whom it includes and how they succeed, by advancing research and discovery of public value, and by assuming fundamental responsibility for the economic, social, cultural and overall health of the community it serves.

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

- the Foundation's model of donor relations identifies each investor's passion and facilitates a sustainable affiliation between the investor and the University college or institute that shares that passion;

- the Foundation supports the activities of the University through fundraising activities and investment management services; and

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

The Foundation continues to be recognized as a top-scoring nonprofit among the foundations related to universities, graduate schools and technological institutes ranked by Charity Navigator, the country's largest and most-utilized evaluator of charities. The Foundation maintains Charity Navigator's premier four-star rating for the 11th consecutive year.

The University continues to provide access to education for qualified students from all walks of life while addressing global challenges and improving the economic and educational endeavors in Arizona and the Foundation remains dedicated to supporting this mission by identifying and securing new partners to invest in these goals, while focusing on controlling costs and generating revenue.

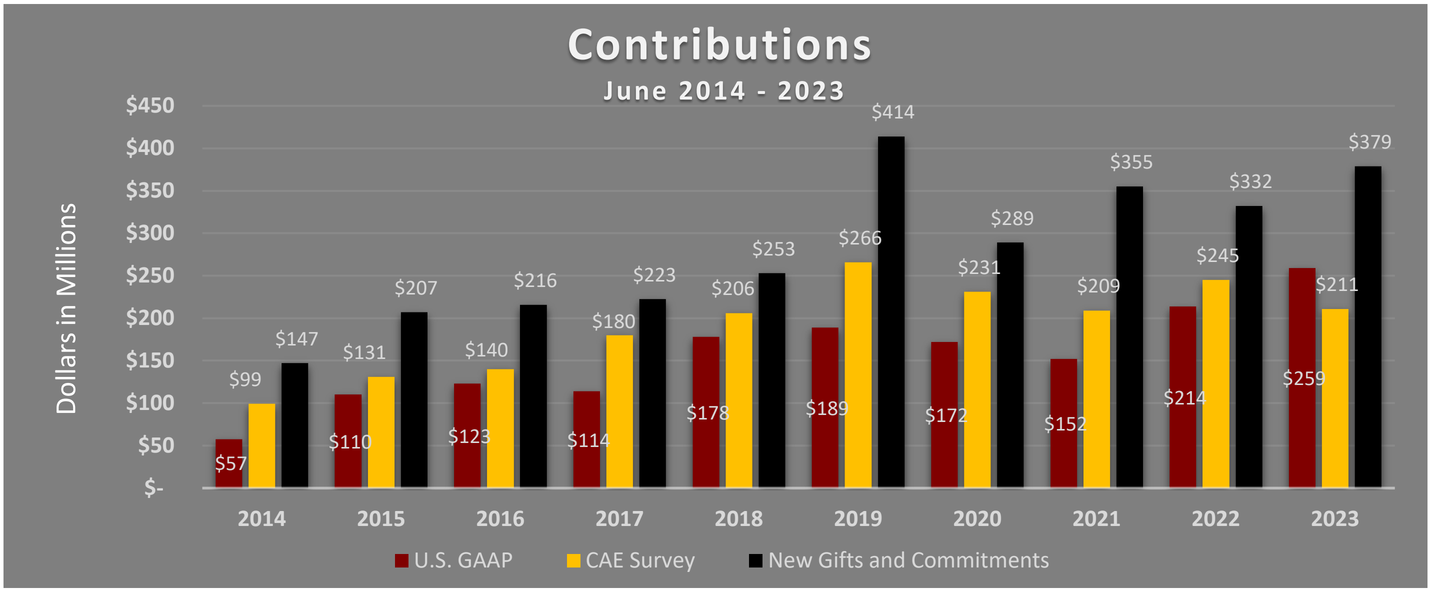
The Foundation is a membership organization with one member, ASU Enterprise Partners (EP). EP has organized its operations to focus on its business lines, which include philanthropy, technology, realty, research, outreach and global initiatives. For its administration and back office, the Foundation uses the supporting services provided by EP that include human resources, communications, technology and data management, investment, legal, and financial services. The Foundation's 2023 financial results are summarized in the graphs below.

FUNDRAISING PROGRESS

The Foundation reports its fundraising progress using a variety of measuring methodologies. The attached audited financial statements record contributions according to accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP requires contribution revenue to be recorded using a full accrual methodology. This methodology includes new pledges in contribution revenue and does not include pledge payments in contribution revenue.

However, the Council for Aid to Education (CAE) publishes a widely used survey called Voluntary Support of Education (VSE), recently acquired by the Council for Advancement and Support of Education using a measuring methodology that counts dollars in the door. This includes pledge payments received in the contribution total, but not new pledges. Another difference in the measuring methodologies is that the CAE survey counts contributions for the entire University enterprise (i.e., the CAE total includes gifts to the Alumni Association, the University, the Foundation itself and Sun Angel Foundation) while the attached audited financial statements include only gifts made to the Foundation.

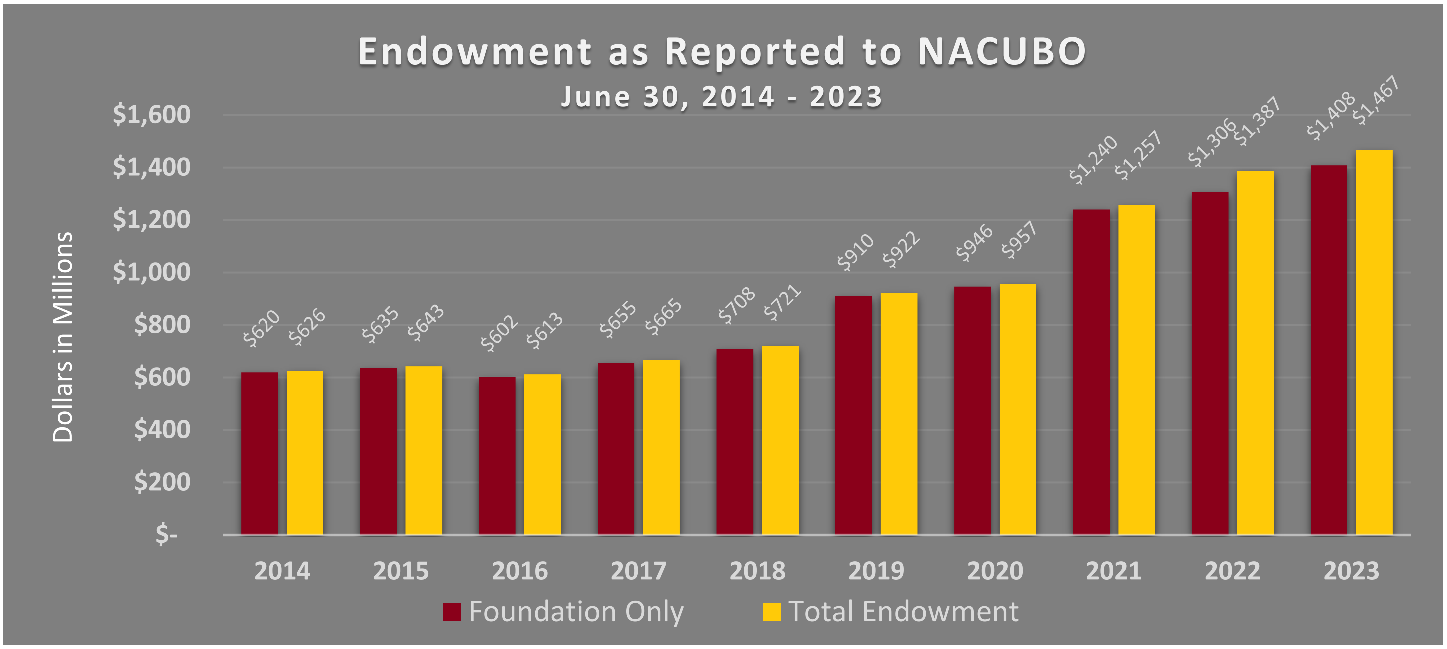
New Gifts and Commitments (NGC) is an internal productivity measure that provides the broadest possible view of the Foundation fundraising progress. Its contribution total includes new pledges, advised bequests, in-kind gifts, and deferred gifts for the entire University community.



ENDOWMENT VALUE

The Foundation reports its endowment value using two different measuring methods as well. The attached audited financial statements report the endowment value for assets held by the Foundation and a related liability for any assets held by the Foundation on behalf of other entities, such as the endowments held in trust for the University and others. The National Association of College and University Business Officers (NACUBO) partners with TIAA to publish the NACUBO-TIAA Study of Endowments (NTSE) survey. This survey counts the ASU endowment value for the entire University enterprise, including assets held by the Foundation, as well as other ASU affiliates. NTSE totals do not reflect a reduction for the corresponding liability for assets held for others that is reported in the U.S. GAAP financial statements.

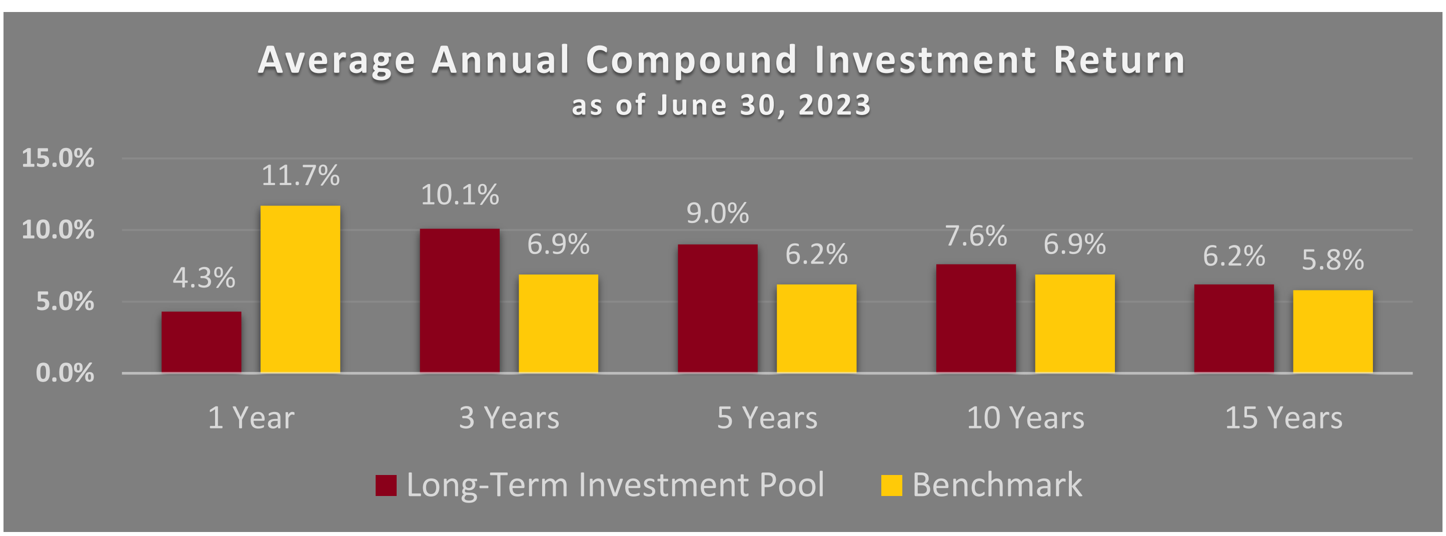
Endowment gifts are intended to be held in perpetuity with a portion of the income each year made available to spend on University needs. The Foundation's development staff continues to solicit endowment gifts to aid in the endowment's growth.



2023	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Endowment assets				
Donor-restricted endowments	$ -	$ 154,096,462	$ 651,502,459	$ 805,598,921
Quasi-endowments	-	124,585,643	-	124,585,643
Board-designated endowments	20,000,000	-	-	20,000,000
	$ 20,000,000	$ 278,682,105	$ 651,502,459	$ 950,184,564
Other assets intended for endowments				
Charitable trusts and annuities	-	5,727,179	-	5,727,179
Life insurance	-	52,913	-	52,913
Other assets	-	10,067,000	-	10,067,000
Total Organization endowment assets	$ 20,000,000	$ 294,529,197	$ 651,502,459	$ 966,031,656
Endowment assets held for other entities				
ASU Trust				
Donor-restricted endowments	$ -	$ 46,512,390	$ 97,851,900	$ 144,364,290
Quasi-endowments	-	261,632,465	-	261,632,465
ASU Trust total	$ -	$ 308,144,855	$ 97,851,900	$ 405,996,755
ASU Alumni Association	-	22,027,493	-	22,027,493
BIOS	-	3,376,200	10,193,891	13,570,091
Total endowment assets held for other entities	$ -	$ 333,548,548	$ 108,045,791	$ 441,594,339
Total endowment assets on financials	**$ 20,000,000**	**$ 628,077,745**	**$ 759,548,250**	**$ 1,407,625,995**
Other ASU affiliate endowment assets	$ 44,700,000	$ -	$ 15,124,911	$ 59,824,911
Total endowment assets per NACUBO	**$ 64,700,000**	**$ 628,077,745**	**$ 774,673,161**	**$ 1,467,450,906**

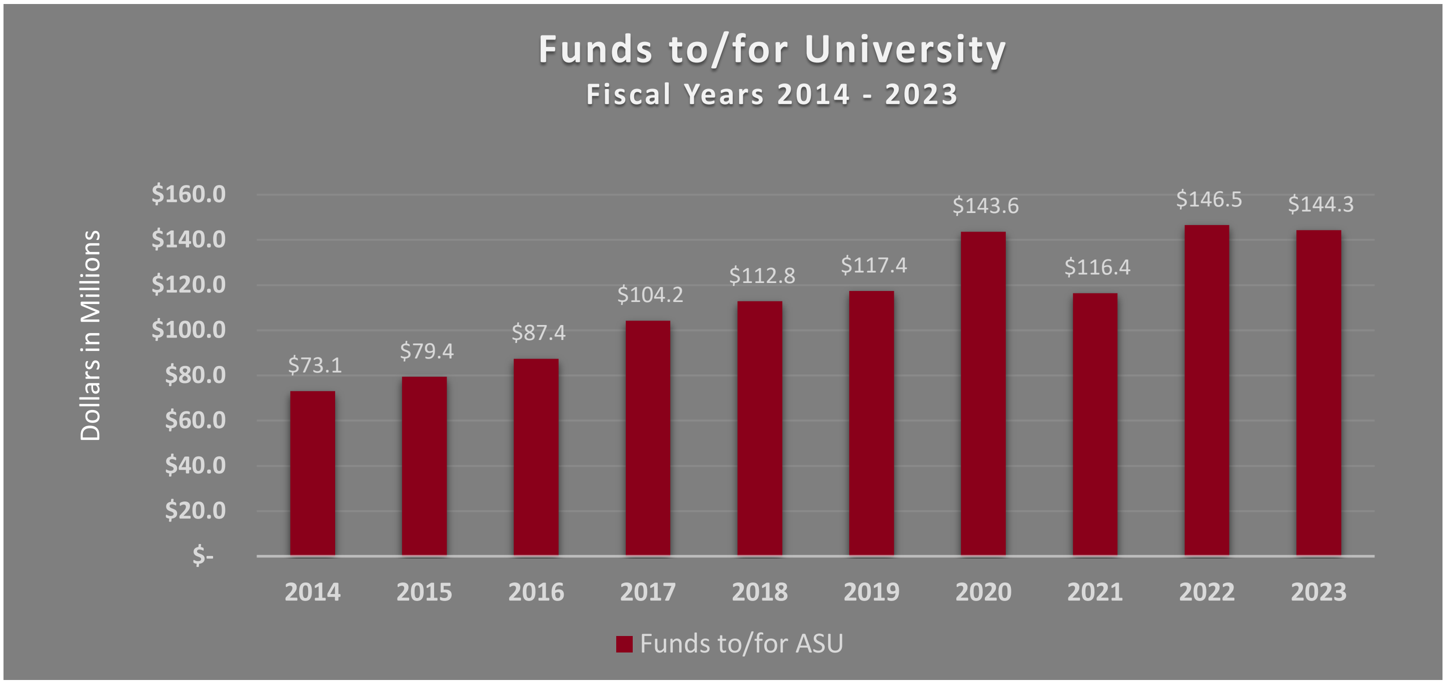
ENDOWMENT INVESTMENT

The Foundation invests the endowment funds under the direction of the Investment Committee of the Board of Directors and under the management of an Outsourced Chief Investment Officer, currently BlackRock, in collaboration with the EP Investment Office. The endowment investment performance is compared to the performance of the benchmark, which is a custom formulated passive index reflecting a similar asset allocation.



SUPPORT TO AND FOR ASU AND ITS STUDENTS AND FACULTY

The main purpose of the Foundation is to provide funding for University programs and activities and to support students and faculty. The sources of these funds are primarily gifts restricted for a period of time or a specific purpose. Many are endowment gifts that provide a portion of the income from the total endowment for each year's spending. Others are gifts received this year, or in previous years, to provide funding for a specific purpose designated by the donor.



FOUNDATION OPERATIONS

The Foundation funds its operations from four sources: 1) EP's Master Services Agreement with the University for development services; 2) asset management fees on the endowment; 3) subsidy from the enterprise reserves; and 4) unrestricted gifts. In FY23, the Foundation generated over $379M in NGC, while maintaining high levels of university support, and growing its endowment.

CONCLUSION

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ASU Enterprise Partners
And Arizona State University Foundation
for A New American University

Report on the financial statements

Opinion

We have audited the consolidated financial statements of Arizona State University Foundation for A New American University and subsidiaries (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other information
Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis but does not include the consolidated financial statements and our auditor's report thereon. Our opinions on the consolidated financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Grant Thornton

Report on 2022 summarized comparative information

We have previously audited the Organization's 2022 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Phoenix, Arizona
August 31, 2023

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023
(with comparative totals for June 30, 2022)

	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents	$ 8,741,544	$ 8,339,437
Receivables		
Pledges receivable, net	217,202,798	155,822,330
Charitable trusts receivable	728,283	1,593,092
Other receivables, net	2,367,092	8,779,780
Total receivables	220,298,173	166,195,202
Investments	1,609,519,790	1,521,559,998
Land and buildings held for investment	20,663,182	663,182
Assets with limited use	2,096,130	-
Assets held under split-interest agreements	9,386,447	8,299,918
Property and equipment, net	-	1,488
Other assets	10,997,930	10,229,520
TOTAL ASSETS	$ 1,881,703,196	$ 1,715,288,745
LIABILITIES		
Accounts payable and other liabilities	$ 4,519,531	$ 25,297,682
Assets held for other entities	460,874,418	430,574,467
Obligations under split-interest agreements	5,147,273	3,896,431
Bonds payable, net	26,119,181	-
TOTAL LIABILITIES	496,660,403	459,768,580
NET ASSETS		
Without donor restrictions	(1,814,233)	4,473,181
With donor restrictions		
Temporarily restricted	684,189,578	578,983,553
Permanently restricted	702,667,448	672,063,431
Total with donor restrictions	1,386,857,026	1,251,046,984
TOTAL NET ASSETS	1,385,042,793	1,255,520,165
TOTAL LIABILITIES AND NET ASSETS	$ 1,881,703,196	$ 1,715,288,745

See Notes to Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University and Subsidiaries
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2023
(with comparative totals for year ended June 30, 2022)

	Year Ended June 30, 2023					
	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	Permanently Restricted	Subtotal	Total	Year Ended June 30, 2022
SUPPORT AND REVENUES						
Contributions of cash and other financial assets	$ 22,145,377	$ 210,391,311	$ 21,445,669	$ 231,836,980	$ 253,982,357	$ 213,267,501
Contributions of nonfinancial assets	-	36,621	5,303,645	5,340,266	5,340,266	361,216
Change in estimate for uncollectible pledges	-	9,038,760	352,000	9,390,760	9,390,760	(429,000)
Change in present value discount	-	(8,443,156)	266,000	(8,177,156)	(8,177,156)	6,483,000
Net investment return (loss)	(1,183,434)	37,782,117	1,769,297	39,551,414	38,367,980	14,520,471
Service agreement revenue	3,492,497	-	-	-	3,492,497	11,381,646
Asset management fees	3,276,621	-	-	-	3,276,621	3,404,744
Program revenue and memberships	39,524	-	-	-	39,524	39,559
Other revenue	1,137,047	-	2,326	2,326	1,139,373	767,841
Reclassification of donor intent and transfers	(11,510,136)	10,045,056	1,465,080	11,510,136	-	-
Net assets released from restriction	153,644,684	(153,644,684)	-	(153,644,684)	-	-
TOTAL SUPPORT AND REVENUES	171,042,180	105,206,025	30,604,017	135,810,042	306,852,222	249,796,978
EXPENSES						
Payments for the benefit of the University:						
Directly to the University:						
Donations and reimbursements	117,770,396	-	-	-	117,770,396	123,585,515
Scholarships - ASU selected	13,933,736	-	-	-	13,933,736	14,202,001
To Vendors on behalf of the University	11,632,194	-	-	-	11,632,194	7,522,794
Subtotal	143,336,326	-	-	-	143,336,326	145,310,310
Scholarships - Non ASU selected	367,187	-	-	-	367,187	665,709
Payments to other charitable entities	571,447	-	-	-	571,447	532,147
Total payments for the benefit of the University	144,274,960	-	-	-	144,274,960	146,508,166
Operating expenses:						
Salaries and benefits	20,321,863	-	-	-	20,321,863	17,108,799
Depreciation	1,488	-	-	-	1,488	1,488
Professional services	2,739,722	-	-	-	2,739,722	2,875,968
Other expense	6,951,631	-	-	-	6,951,631	4,181,305
Shared services	9,958,545	-	-	-	9,958,545	8,303,230
Total operating expenses	39,973,249	-	-	-	39,973,249	32,470,790
TOTAL EXPENSES	184,248,209	-	-	-	184,248,209	178,978,956
CONTRIBUTIONS AND TRANSFERS						
Contributed shared services from affiliate	9,958,545	-	-	-	9,958,545	-
Restructure transfer	(3,039,930)	-	-	-	(3,039,930)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	6,918,615	-	-	-	6,918,615	-
CHANGE IN NET ASSETS	(6,287,414)	105,206,025	30,604,017	135,810,042	129,522,628	70,818,022
NET ASSETS, BEGINNING OF PERIOD	4,473,181	578,983,553	672,063,431	1,251,046,984	1,255,520,165	1,184,702,143
NET ASSETS, END OF PERIOD	$ (1,814,233)	$ 684,189,578	$ 702,667,448	$ 1,386,857,026	$ 1,385,042,793	$ 1,255,520,165

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University and Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023
(with comparative totals for year ended June 30, 2022)

	Year Ended June 30, 2023			
	Program	Management & General	Fundraising	Total
EXPENSES				
Payments for the benefit of the University:				
Directly to the University:				
Donations and reimbursements	$ 117,744,867	$ -	$ 25,529	$ 117,770,396
Scholarships - ASU selected	13,933,736	-	-	13,933,736
To vendors on behalf of the University	11,576,270	11,389	44,535	11,632,194
Subtotal	143,254,873	11,389	70,064	143,336,326
Scholarships - Non ASU selected	367,187	-	-	367,187
Payments to other charitable entities	569,447	-	2,000	571,447
Total payments for the benefit of the University	144,191,507	11,389	72,064	144,274,960
Operating expenses:				
Salaries and benefits	-	127,067	20,194,796	20,321,863
Depreciation	-	1,488	-	1,488
Professional services	11,305	79,189	2,649,228	2,739,722
Other expense	46,909	191,110	6,713,612	6,951,631
Shared services	-	9,958,545	-	9,958,545
Total operating expenses	58,214	10,357,399	29,557,636	39,973,249
TOTAL EXPENSES	$ 144,249,721	$ 10,368,788	$ 29,629,700	$ 184,248,209

	Year Ended June 30, 2022			
	Program	Management & General	Fundraising	Total
EXPENSES				
Payments for the benefit of the University:				
Directly to the University:				
Donations and reimbursements	$ 123,515,515	$ -	$ 70,000	$ 123,585,515
Scholarships - ASU selected	14,202,001	-	-	14,202,001
To vendors on behalf of the University	7,520,270	444	2,080	7,522,794
Subtotal	145,237,786	444	72,080	145,310,310
Scholarships - Non ASU selected	665,709	-	-	665,709
Payments to other charitable entities	532,147	-	-	532,147
Total payments for the benefit of the University	146,435,642	444	72,080	146,508,166
Operating expenses:				
Salaries and benefits	114,800	239,738	16,754,261	17,108,799
Depreciation	-	1,488	-	1,488
Professional services	1,983	384,515	2,489,470	2,875,968
Other expense	101,772	1,018,173	3,061,360	4,181,305
Shared services	-	8,303,230	-	8,303,230
Total operating expenses	218,555	9,947,144	22,305,091	32,470,790
TOTAL EXPENSES	$ 146,654,197	$ 9,947,588	$ 22,377,171	$ 178,978,956

See Notes to Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION
for A New American University and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2023
(with comparative totals for year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 129,522,628	$ 70,818,022
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in present value discount on pledges receivable	8,177,156	(6,483,000)
Change in estimate for uncollectible pledges	(9,390,760)	429,000
Net realized and unrealized investment (gains) or losses	(40,367,980)	(14,520,471)
Net realized and unrealized investment (gains) or losses on land and buildings held for investment	2,000,000	-
Depreciation	1,488	1,488
Contributions restricted for long-term investment	(27,367,314)	(50,259,488)
(New) or terminated split-interest agreements	(506,433)	(588,962)
Change in present value of split-interest agreements	580,543	64,825
Amortization of bond issuance costs	4,496	-
Restructure transfer	3,039,930	-
Changes in operating assets and liabilities:		
(Increase) / decrease in:		
Pledges receivable	(52,660,835)	(14,578,711)
Other receivables	7,461,036	(7,181,511)
Other assets	(768,410)	(88,418)
Increase / (decrease) in:		
Accounts payable and other liabilities	(21,025,155)	22,365,802
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,299,610)	(21,424)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	609,858,298	827,479,889
Proceeds from sales of land and buildings held for investment	-	12,848
Purchases of investments	(627,139,701)	(907,280,730)
Change in assets with limited use	(1,299,564)	-
Change in assets held for other entities	147,990	26,223,932
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(18,432,977)	(53,564,061)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	19,861,285	59,110,755
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	19,861,285	59,110,755
Cash from restructure	273,409	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	402,107	5,525,270
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,339,437	2,814,167
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,741,544	$ 8,339,437
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Disposal of property and equipment	$ 12,397	$ 57,903

(1) Operations and summary of significant accounting policies

Operations – **Arizona State University Foundation for A New American University (Foundation)** is an Arizona nonprofit corporation and is recognized as a 501(c)(3) tax-exempt organization by the Internal Revenue Service (IRS). ASU Enterprise Partners (EP) serves as the sole member and parent and holding company of the Foundation and is recognized as a 501(c)(3) tax-exempt organization by the IRS. The Foundation supports Arizona State University (ASU or University) through raising, investing and managing private philanthropic gifts and serving as an advisor to the University President. In addition, the Foundation serves as the sole member and parent of two subsidiary organizations. The subsidiaries are described below:

> **ASU Global Foundation UK Limited** is a private limited company incorporated in the United Kingdom and serves to facilitate philanthropic efforts in the UK.
>
> **ASUF DC, LLC** is an Arizona single member LLC with ASUF as its sole member and was formed to purchase and renovate a building in Washington, D.C., and to lease the entire building space to the University for several of its programs and research endeavors.

The significant accounting policies followed by the Foundation and its subsidiaries, collectively referred to in these consolidated financial statements as the “Organization”, are summarized below.

Basis of presentation – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting according to the accounting principles generally accepted in the United States of America (U.S. GAAP). The financial position and activities are reported according to two classes of net assets: without donor restrictions and with donor restrictions.

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

- *Without Donor Restrictions* – Includes net assets that are not subject to donor restrictions, as well as unrestricted reserves associated with the operating activities of the Organization and any funds designated by the boards for various purposes.

- *With Donor Restrictions* – Includes net assets that are subject to donor restrictions, which the Organization has defined into two categories.

  - *Temporarily restricted net assets* - Includes amounts for which donor-imposed purpose or time restrictions have not been met. Donor-restricted contributions for which restrictions are met within the same fiscal year as they are received are reported as temporarily restricted net assets within net assets with donor restrictions. Expenditures that fulfill the temporary restriction are shown as expenses in net assets without donor restrictions and a reduction in net assets with donor restriction revenue as a release from restriction.

  - *Permanently restricted net assets* - Includes amounts for which the donor-imposed restrictions state that the corpus is to be invested in perpetuity with the income to be made available for specified programs or uses. With the exception of certain permanently restricted contributions that the donor requires to be separately invested, all permanently restricted contributions are invested in a Long-Term Investment Pool (LTIP) or Sustainable Responsible Impact Pool (SRIP). Appreciation, depreciation, income and expense relative to the pooled investments are allocated to each endowment based upon the ratio of that endowment’s investment balance to the total investment pool and are shown as a change in temporarily restricted net assets or permanently restricted net assets, as governed by the terms of the endowment. If there are underwater endowments, the amount that the current value of the endowment is lower than corpus is shown as a reduction in net assets with donor restrictions. The Investment Committee analyzes the

(1) Operations and summary of significant accounting policies (continued)

underwater policy each year to consider changes to the policy. No changes to the policy occurred in FY23.

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

Comparative financial information – The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Since prior-year information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP, such information should be read in conjunction with the Organization's audited consolidated financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived.

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

Reclassifications – Certain prior year balances have been reclassified to conform to the current year presentation.

Cash and cash equivalents – For purposes of reporting cash flows and cash balances, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Cash deposits in qualifying financial institutions are insured up to the limits of the Federal Deposit Insurance Corporation (FDIC) and at times may exceed those limits. Some cash is held outside the United States and may not be subject to FDIC or other insurance.

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

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

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

Charitable trusts receivable – Periodically, the Organization learns it is the beneficiary of a charitable trust for which the Organization is not the trustee and the trust is held by others, such as banks, trust companies, or

(1) Operations and summary of significant accounting policies (continued)

investment firms. In accordance with U.S. GAAP, the Organization records the fair value of the assets and the related gift income when the Organization is notified of its existence and the value can be reasonably determined. Gains or losses resulting from changes in actuarial assumptions and amortization of discounts are recorded as gains or losses in the appropriate net asset category in the consolidated statement of activities.

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

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

- **Level 1 -** Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable in the market.

- **Level 2 -** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

- **Level 3 -** Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments measured using a Net Asset Value (NAV) per share, or its equivalent, are not classified in the fair value hierarchy above because they may or may not be redeemed at the NAV or because redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

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

The fair values of publicly traded securities are based on quoted market prices. The fair value of securities related to investments in limited partnerships is measured using the NAV per share of the investment. Certain of the Organization's investments consist of equity interests in private venture companies. These companies are not publicly traded or do not have readily available fair values. These investments are initially evaluated to determine whether they are required to be consolidated or to be accounted for under the equity method of accounting. Investments that are not required to be consolidated or accounted for under the equity method are valued using

(1) Operations and summary of significant accounting policies (continued)

the option pricing model. The option pricing model establishes a total equity value for the company and simultaneously allocates that total equity value among the company's various equity classes. The fair value of securities related to investments in commingled investment vehicles (Level 3) is generally based on price quotations for marketable securities or fair market value as determined by the external investment managers for non-marketable securities. Investment income is recorded on an accrual basis and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold.

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

The Organization has ownership of certain cash and cash equivalents held, along with other marketable securities, by outside investment managers for the benefit of the Organization. Although these cash and cash equivalents are readily available, it is the intent of the Organization to hold these cash and cash equivalents for investment purposes, and accordingly, these cash and cash equivalents are classified as investment assets in the accompanying consolidated financial statements.

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

Property and equipment and related depreciation – Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the fair value as of the date of donation to the Organization. Purchased property and equipment in excess of $5,000 are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

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

Impairment of long-lived assets – The Organization reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. Upon determining that an asset is impaired, the Organization reports the asset at the lower of the carrying amount or fair value less the costs to sell. Management does not believe there are any indications of impairment of any long-lived assets as of June 30, 2023 and 2022.

Contributions – Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

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

(1) Operations and summary of significant accounting policies (continued)

recognition criteria.

Revenue recognition – The Organization uses a five-step model set forth by U.S. GAAP to recognize revenue that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Revenue streams that are non-exchange transactions (e.g. contributions) are not subject to this recognition model.

Revenue from exchange transactions, investment activities, rental and property management activities, management fees, other fees and non-contribution revenue are recognized when the transfer of risks and rewards of ownership and control pass to the customer. The Organization recognizes revenue at the agreed-upon amount stated in the contract for the aforementioned revenue transactions. Payments from customers are typically due upon receipt. For contracts that span over a period of time, revenue is recognized ratably over the term of the agreement or as the Organization achieves specified milestones.

Shared services – EP contributes to each of its subsidiaries the services of certain employees and certain management and general support including but not limited to: finance, human resources, legal and technology, in addition to building space. The estimated fair value of the support and services provided is calculated annually based on estimated salaries and benefits of the employees providing the services, as well as other amounts paid on behalf of the subsidiaries for rent and other support and services.

All amounts are included as Shared Services within Operating Expenses in the period in which they are performed with a correlating Contributed Shared Services from Affiliate credit within Contributions and Transfers.

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

Reclassification of donor intent – From time to time, the Organization receives requests by donors or their designees to change the use for which the donor’s original gift was intended. These donor requests are considered by the Organization, and if approved, may result in the reclassification of net assets between without donor restrictions and with donor restrictions. These reclassifications are reflected in the consolidated statement of activities as a reclassification of donor intent and transfers.

Income taxes – The Foundation is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) and is further classified as a public charity as described in Sections 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code. Taylor Trust FBO ASU Foundation is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Code and is further classified as a public charity as a supporting organization controlled by the Foundation. ASU Global Foundation UK Limited is a foreign nonprofit organization, therefore it reports income and expenses separately from ASUF for tax purposes.

Each organization is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Each organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial

(1) Operations and summary of significant accounting policies (continued)

statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The tax years ending June 30, 2023 2022, 2021, and 2020 are still open to audit for both federal and state purposes. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements as of June 30, 2023 and 2022.

(2) Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	$ 8,741,544	$ 7,991,857
Unrestricted portion of net pledges receivable within one year	3,167,662	2,595,708
Other receivables, net within one year	1,023,259	1,428,661
Total liquidity and availability	$ 12,932,465	$ 12,016,226

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests cash in excess of daily requirements in the Intermediate-Term Investment Pool (ITIP).

In addition to available financial assets, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover all general expenditures.

(3) Pledges receivable, net

Pledges receivable, net, discounted using rates ranging from 0.6% to 6.0%, consist of the following unconditional promises to give:

	2023	2022
Gross pledges receivable	$ 276,994,194	$ 216,827,330
Present value discount	(21,470,156)	(13,293,000)
Allowance for uncollectible pledges	(38,321,240)	(47,712,000)
Pledges receivable, net	$ 217,202,798	$ 155,822,330

Gross pledges are receivable as follows:

	2023	2022
Receivable in one year	$ 90,600,629	$ 71,913,735
Receivable in two to five years	118,040,887	80,854,501
Receivable after five years	68,352,678	64,059,094
Total gross pledges receivable	$ 276,994,194	$ 216,827,330

The Organization had conditional pledges receivable totaling approximately $208.4 million and $167.8 million as of June 30, 2023 and 2022, respectively; no amounts are included in the above pledges receivable balance. Conditional pledges receivable are recorded when the conditions are substantially met.

(4) Other receivables

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

Other receivables relate to the following activities:

	2023	2022
Accounts receivable, affiliate	$ 1,343,832	$ 7,351,119
Accounts receivable, trade	1,023,260	1,428,661
Total other receivables	$ 2,367,092	$ 8,779,780

Management provides for uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual receivables. Management has determined that no allowance for uncollectible receivables as of June 30, 2023 and 2022 is needed.

(5) Investments

The Organization holds investment funds in the Long-Term Investment Pool (LTIP), the Sustainable Responsible Impact Pool (SRIP), the Intermediate-Term Investment Pool (ITIP) and Other Investments.

Investments consist of:

2023	LTIP	SRIP	ITIP	Other	Total
Global equities	$ 374,892,658	$ 134,662,173	$ 49,158,692	$ 18,772,112	$ 577,485,635
Global fixed income	157,411,537	56,769,842	107,723,715	1,010,653	322,915,747
Diversifying strategies	175,904,218	-	50,154,575	-	226,058,793
Real assets	99,626,931	2,897,770	16,380,933	210,509	119,116,143
Private capital	325,430,659	10,103,880	-	7,721,162	343,255,701
Cash and cash equivalents	5,060,042	10,175	14,676,618	940,936	20,687,771
Total investments	$ 1,138,326,045	$ 204,443,840	$ 238,094,533	$ 28,655,372	$ 1,609,519,790

2022	LTIP	SRIP	ITIP	Other	Total
Global equities	$ 336,960,361	$ 133,050,689	$ 53,794,280	$ 16,843,716	$ 540,649,046
Global fixed income	110,832,150	52,334,257	117,062,858	1,071,600	281,300,865
Diversifying strategies	166,055,322	-	44,907,956	-	210,963,278
Real assets	158,986,452	2,140,945	15,369,731	260,833	176,757,961
Private capital	301,863,678	237,517	-	-	302,101,195
Cash and cash equivalents	3,603,052	279,274	4,905,215	1,000,112	9,787,653
Total investments	$ 1,078,301,015	$ 188,042,682	$ 236,040,040	$ 19,176,261	$ 1,521,559,998

(5) Investments (continued)

Investment valuations are established and classified based on a variety of inputs. In accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position. The input classifications or levels by investment category are shown in the following table:

2023	Level 1	Level 2	Level 3	NAV	Total
Global equities	$ 430,143,006	$ -	$ 131,025,469	$ 16,317,159	$ 577,485,634
Global fixed income	221,377,784	4,389,634	19,107,136	78,041,193	322,915,747
Diversifying strategies	4,311,862	3,000,000	57,072,371	161,674,561	226,058,794
Real assets	2,859,451	-	116,256,692	-	119,116,143
Private capital	576,525	-	342,679,176	-	343,255,701
Cash and cash equivalents	20,687,771	-	-	-	20,687,771
Total investments	$ 679,956,399	$ 7,389,634	$ 666,140,844	$ 256,032,913	$ 1,609,519,790

2022	Level 1	Level 2	Level 3	NAV	Total
Global equities	$ 424,799,266	$ -	$ 108,110,570	$ 7,739,210	$ 540,649,046
Global fixed income	166,435,840	5,883,023	43,213,424	65,768,578	281,300,865
Diversifying strategies	3,390,356	3,000,000	39,982,493	164,590,429	210,963,278
Real assets	51,404,261	-	125,353,701	-	176,757,962
Private capital	817,662	-	301,283,532	-	302,101,194
Cash and cash equivalents	9,764,535	-	23,118	-	9,787,653
Total investments	$ 656,611,920	$ 8,883,023	$ 617,966,838	$ 238,098,217	$ 1,521,559,998

Certain investments are valued using NAV and are reported at the net asset values calculated by the investment manager. These investments, as of June 30, 2023, detailed in the following table, are subject to capital calls and specific redemption terms:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global equities	$ 16,317,159	$ -	Monthly to quarterly	Daily - 60 days
Global fixed income	78,041,193	-	Monthly to quarterly	Daily - 60 days
Diversifying strategies	161,674,561	-	Quarterly to not available	3 - 90 days
Total	$ 256,032,913	$ -		

Level 3 investments have unfunded commitments of approximately $295.7 million as of June 30, 2023.

(5) Investments (continued)

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

2023	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 108,110,570	$ 22,957,262	$ 5,000,000	$ (5,042,363)	$ 131,025,469
Global fixed income	43,213,424	(1,222,114)	2,740,571	(25,624,745)	19,107,136
Diversifying strategies	39,982,493	(316,606)	23,377,685	(5,971,201)	57,072,371
Real assets	125,353,701	(4,322,665)	15,524,288	(20,298,632)	116,256,692
Private capital	301,283,532	(11,421,236)	71,116,820	(18,299,940)	342,679,176
Cash and cash equivalents	23,118	(60,675)	75,000	(37,443)	-
Total Level 3	$ 617,966,838	$ 5,613,966	$ 117,834,364	$ (75,274,324)	$ 666,140,844

2022	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 113,930,609	$ (12,792,653)	$ 6,980,158	$ (7,544)	$ 108,110,570
Global fixed income	33,329,450	(2,600,346)	12,611,038	(126,718)	43,213,424
Diversifying strategies	20,850,772	466,066	24,272,147	(5,606,492)	39,982,493
Real assets	103,815,506	4,230,670	32,973,959	(15,666,434)	125,353,701
Private capital	174,788,215	99,552,539	75,677,249	(48,734,471)	301,283,532
Cash and cash equivalents	30,211	(187,093)	180,000	-	23,118
Total Level 3	$ 446,744,763	$ 88,669,183	$ 152,694,551	$ (70,141,659)	$ 617,966,838

The investments are diversified both by asset class and within asset classes. As a general practice, the endowment investments are managed by external investment management firms.

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

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

Diversifying strategies investments typically include hedge funds, but may include other diversifying strategies oriented investments that are more liquid than private capital investments. These diversifying strategies are meant to diversify in order to supplement traditional portfolios and are usually offered through partnership structures. Hedge funds may combine long positions with short positions to reduce overall market exposure, though, not all hedge funds “hedge” against market exposure. They also include diverse strategies that attempt to identify or exploit pricing inefficiencies between related securities or involve transaction-based strategies that tend to have lower statistical correlations to traditional equity and fixed income markets. Examples of these strategies are convertible arbitrage, event-driven arbitrage, fixed income arbitrage, distressed securities, and equity market-neutral. Investments in the underlying funds may include publicly traded securities, but may also include less liquid investments.

(5) Investments (continued)

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

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

(6) Land and buildings held for investment

Land and buildings held for investment are recorded at the fair value on the date of acquisition and are periodically revalued through the use of a third-party appraiser, comparable market analysis, or property tax valuation statement. Changes in fair value are included in net investment return on the consolidated statement of activities.

Land and buildings held for investment include:

	2023	2022
DC project	$ 20,000,000	$ -
Copper mine	633,000	633,000
Other gifted properties	30,182	30,182
Total land and buildings held for investment	$ 20,663,182	$ 663,182

(7) Endowment and net asset classifications

Management of the Organization’s endowments is governed by laws in the state of Arizona based on the Uniform Prudent Management of Institutional Funds Act (the statute). The Organization has interpreted the statute as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (within net assets with donor restrictions): (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. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required to be held in perpetuity. For these funds, like other funds, the change in value is shown as net investment return within net assets with donor restrictions and is reported in net assets with donor restrictions.

Included in the Organization’s endowments are the ASU Trust (Trust) assets held under a trust agreement with the University and the ASU Alumni Association’s (Alumni) assets held under an investment management agreement with the Alumni. Also included in the Organization's endowments are the Bermuda Institute of Ocean Sciences (BIOS) assets held under an investment services agreement. The Trust’s, the Alumni’s, and the BIOS's funds are maintained separately on the financial system of the Organization and receive a proportional share of the activity of the LTIP or SRIP as appropriate. As such, the Organization owns the assets of the LTIP and SRIP; the Trust, the Alumni, and the BIOS have a financial interest in the LTIP or SRIP but do not own any of the underlying assets. The Organization has recorded a liability at fair value to the Trust, the Alumni, and the BIOS.

(7) Endowment and net asset classifications (continued)

The Organization's endowments are shown by net asset category in the following table:

2023	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Endowment assets				
Donor-restricted endowments	$ -	$ 154,096,462	$ 651,502,459	$ 805,598,921
Quasi-endowments	-	124,585,643	-	124,585,643
Board-designated endowments	20,000,000	-	-	20,000,000
	$ 20,000,000	$ 278,682,105	$ 651,502,459	$ 950,184,564
Endowment assets held for other entities				
ASU Trust				
Donor-restricted endowments	$ -	$ 46,512,390	$ 97,851,900	$ 144,364,290
Quasi-endowments	-	261,632,465	-	261,632,465
ASU Trust total	$ -	$ 308,144,855	$ 97,851,900	$ 405,996,755
ASU Alumni Association	-	22,027,493	-	22,027,493
BIOS	-	3,376,200	10,193,891	13,570,091
Total endowment assets held for other entities	$ -	$ 333,548,548	$ 108,045,791	$ 441,594,339
Total endowment assets	$ 20,000,000	$ 612,230,653	$ 759,548,250	$ 1,391,778,903
Liability due to other entities	-	(333,548,548)	(108,045,791)	(441,594,339)
Endowment net assets	$ 20,000,000	$ 278,682,105	$ 651,502,459	$ 950,184,564

2022	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Endowment assets				
Donor-restricted endowments	$ -	$ 157,880,903	$ 616,822,182	$ 774,703,085
Quasi-endowments	-	110,294,103	-	110,294,103
	$ -	$ 268,175,006	$ 616,822,182	$ 884,997,188
Endowment assets held for other entities				
ASU Trust				
Donor-restricted endowments	$ -	$ 46,636,772	$ 91,269,966	$ 137,906,738
Quasi-endowments	-	245,689,972	-	245,689,972
ASU Trust total	$ -	$ 292,326,744	$ 91,269,966	$ 383,596,710
ASU Alumni Association	-	22,149,331	-	22,149,331
Total endowment assets held for other entities	$ -	$ 314,476,075	$ 91,269,966	$ 405,746,041
Total endowment assets	$ -	$ 582,651,081	$ 708,092,148	$ 1,290,743,229
Liability due to other entities	-	(314,476,075)	(91,269,966)	(405,746,041)
Endowment net assets	$ -	$ 268,175,006	$ 616,822,182	$ 884,997,188

(7) Endowment and net asset classifications (continued)

In addition, the associated consolidated financial statements include non-endowed assets held for others in the amount of $19,280,080 and $24,828,426 as June 30, 2023 and 2022, respectively that is not included in the above totals.

With the exception of board-designated endowments and certain endowed gifts that the donor requires to be separately invested, the Organization’s endowment is invested in the LTIP and SRIP. The Organization’s investment policies for the LTIP and SRIP are reviewed periodically. The long-term financial objectives are to produce a relatively predictable and stable payout stream that increases over time, at least as fast as the general rate of inflation, and to preserve inter-generational equity by achieving a growth rate that at least keeps pace with the general rate of inflation, net of spending.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the statute requires the Organization to retain as a fund of perpetual duration. For the year ended June 30, 2023, 69 deficiencies of this nature exist in donor-restricted endowment funds with an original gift value of $50,951,066, a current fair value of $48,517,410 and a deficiency of $2,433,656. As of June 30, 2022, there were 90 deficiencies totaling $2,296,929 from an original gift value of $45,226,929 and a fair value of $42,930,000.

The spending policy for the endowment follows the objectives of the investment policy and establishes the amount made available for spending from the endowment. The spending policy is based on a constant growth formula, in which the amount available for spending is based on the prior-year spending amount plus a current year inflation factor measured at mid-fiscal year, collared by a cap and floor based on a percentage of a 12-quarter moving average. The inflation rate used for 2023 was 6.5% and for 2022 was 7.0%. The cap and floor were based on 4.25% and 3.25% for both 2023 and 2022, respectively. In the event the current market value of the endowment is less than the historical gift value, spending will continue unless the gift agreement does not permit spending in this circumstance.

Changes in the Organization’s endowment net assets are shown in the following table:

		With Donor Restrictions		
2023	**Without Donor Restrictions**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment assets, June 30, 2022	$ -	$ 582,651,081	$ 708,092,148	$ 1,290,743,229
Contributions and other additions	22,000,000	6,297,809	47,373,035	75,670,844
Investment return:				
Interest and dividends	-	25,731,457	371,399	26,102,856
Net realized and unrealized gains or (losses)	(2,000,000)	28,309,403	2,121,033	28,430,436
Total investment return	$ (2,000,000)	$ 54,040,860	$ 2,492,432	$ 54,533,292
Appropriation for expenditure	-	(43,368,687)	(723,135)	(44,091,822)
Reclassification of donor intent	-	12,609,590	2,313,770	14,923,360
Endowment assets, June 30, 2023	$ 20,000,000	$ 612,230,653	$ 759,548,250	$ 1,391,778,903
Liability due to other entities	-	(333,548,548)	(108,045,791)	(441,594,339)
Endowment net assets, June 30, 2023	$ 20,000,000	$ 278,682,105	$ 651,502,459	$ 950,184,564

(7) Endowment and net asset classifications (continued)

2022	Without Donor Restrictions	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Endowment assets, June 30, 2021	$ -	$ 595,452,924	$ 645,196,873	$ 1,240,649,797
Contributions and other additions	-	53,134,230	64,689,261	117,823,491
Investment return:		-	-	-
Interest and dividends	-	24,808,500	347,770	25,156,270
Net realized and unrealized gains or (losses)	-	(46,820,587)	(3,040,333)	(49,860,920)
Total investment return	$ -	$ (22,012,087)	$ (2,692,563)	$ (24,704,650)
Appropriation for expenditure	-	(57,987,327)	(1,167,920)	(59,155,247)
Reclassification of donor intent	-	14,063,341	2,066,497	16,129,838
Endowment assets, June 30, 2022	$ -	$ 582,651,081	$ 708,092,148	$ 1,290,743,229
Liability due to other entities	-	(314,476,075)	(91,269,966)	(405,746,041)
Endowment net assets, June 30, 2022	$ -	$ 268,175,006	$ 616,822,182	$ 884,997,188

(8) Assets with limited use

The terms of the bonds require the Organization to maintain bond funds on deposit with a trustee. The funds consist of money market funds and U.S. Treasury obligations valued at fair value as follows:

	2023	2022
DC Project Series 2014 A bonds	$ 2,096,130	$ -
Total assets with limited use	$ 2,096,130	$ -

(9) Assets held under split-interest agreements

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

Investments held in the trusts and annuities are invested in equities and bonds and reported at fair value. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Adjustments to reflect the present value of the estimated annuity payments and changes in actuarial assumptions are included as a component of net investment return in the consolidated statement of activities. The present value of the estimated payments for the trusts and annuities, shown below, is calculated using a discount rate of 4.6% for 2023 and 3.6% for 2022, and is based on 2012 IAR mortality expectations.

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

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

Assets held under split-interest agreements consist of:

	2023	2022
Charitable gift annuities		
Equities	$ 4,887,786	$ 4,251,239
Fixed income	2,185,682	1,864,119
Other	683,029	552,753
	$ 7,756,497	$ 6,668,111
Charitable remainder trusts		
Equities	$ 863,416	$ 805,143
Fixed income	587,959	622,517
Other	58,166	79,698
	$ 1,509,541	$ 1,507,358
Life insurance	$ 120,409	$ 124,449
Total assets held under split-interest agreements	$ 9,386,447	$ 8,299,918

Obligations under split-interest agreements consist of:

	2023	2022
Charitable gift annuities	$ 4,241,515	$ 3,138,983
Charitable remainder trusts	905,758	757,448
Total obligations under split-interest agreements	$ 5,147,273	$ 3,896,431

(10) Property and equipment, net

Property and equipment, net consists of:

	2023	2022
Building fixtures	$ 12,521	$ 24,918
Equipment	203,033	203,033
Total cost	$ 215,554	$ 227,951
Accumulated depreciation	(215,554)	(226,463)
Total property and equipment, net	$ -	$ 1,488

Depreciation expense charged to operations totaled $1,488 and $1,488 for the years ended 2023 and 2022, respectively.

(11) Accounts payable and other liabilities

Accounts payable and other liabilities consist of:

		2023		2022
Accrued expenses	$	533,483	$	2,334
General accounts payable		2,285,760		23,409,647
Payroll liabilities		2,418,470		2,520,909
Unallocated gift revenue		(740,902)		(642,730)
Deferred revenue/rent		22,720		7,522
Total accounts payable and other liabilities	$	4,519,531	$	25,297,682

(12) Bonds payable, net

As part of an April 2023 restructure, the Organization acquired certain bond obligations previously held by University Realty, another subsidiary of EP. The obligations are described below:

In December 2014, ASUF DC, LLC (DC) issued, through the IDA of the City of Tempe, Arizona, $31,390,000 Tax-Exempt Series 2014 A and $3,610,000 Taxable Series 2014 B Lease Revenue Bonds. Interest is payable semi-annually on January 1 and July 1 of each year, and commenced July 1, 2015. The DC Project Series 2014 Bonds are collateralized by the DC office building and a 20-year lease with the University. The building was purchased in December 2014 to provide space for program and research endeavors for the University in Washington, D.C. Renovation was completed, and the building was placed in service in February 2018.

The balance outstanding, interest rates, final maturity dates, and associated unamortized bond issuance costs of the bonds are summarized as follows:

		2023		2022
DC Project Series 2014:				
Series 2014 – A (tax exempt), 3.54% interest rate, due July 1, 2035	$	26,335,000	$	-
Less unamortized bond issuance costs		(215,819)		-
Total bonds payable, net	$	26,119,181	$	-

Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the DC Project bonds. The issuance costs for the bonds are amortized over the life of the bonds using the straight-line method (which approximates the effective interest rate method).

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

Years Ending June 30,		Total
2024	$	1,630,000
2025		1,685,000
2026		1,745,000
2027		1,810,000
2028		1,875,000
Thereafter		17,590,000
Total principal payments	$	26,335,000

As of June 30, 2023 and 2022, the Organization was in compliance with all financial and non-financial bond covenants.

(13) Net assets with donor restrictions

Temporarily and permanently restricted net assets (within net assets with donor restrictions) are available for the following purposes:

	2023		2022	
	With Donor Restrictions		With Donor Restrictions	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Academic support	$ 93,647,295	$ 174,081,011	$ 93,418,867	$ 169,183,970
Athletics	15,600,531	5,692,173	14,173,635	5,053,580
Capital	20,968,635	-	18,636,003	-
Discretionary use for ASU	9,021,295	17,255,549	24,522,984	17,819,880
Faculty	79,856,023	148,316,064	79,254,610	150,070,561
Financial aid	154,804,811	222,916,435	142,447,783	214,721,977
Library	2,232,742	2,954,064	1,814,026	2,962,383
Miscellaneous	8,125,428	137,557	8,394,196	137,557
Operations and maintenance	1,332,179	-	1,193,643	-
Research	113,278,911	49,223,769	74,973,546	48,150,922
Specific programs	213,278,124	113,925,826	148,706,260	96,415,601
Pledge reserve and discount	(27,956,396)	(31,835,000)	(28,552,000)	(32,453,000)
Total restricted net assets	$ 684,189,578	$ 702,667,448	$ 578,983,553	$ 672,063,431

(14) Net investment return (loss)

Net investment return (loss) consists of:

		With Donor Restrictions		
2023	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 826,242	$ 25,772,259	$ 371,399	$ 26,969,900
Change in value of split interest agreements	50,407	(955,012)	-	(904,605)
Net realized gain/(loss)	-	6,984,719	(151,249)	6,833,470
Net unrealized gain/(loss)	(2,060,083)	38,371,025	2,464,304	38,775,246
Change in assets due to others	-	(29,428,826)	(723,135)	(30,151,961)
Investment management fees	-	(2,962,048)	(192,022)	(3,154,070)
Net investment return	$ (1,183,434)	$ 37,782,117	$ 1,769,297	$ 38,367,980

(14) Net investment return (loss) (continued)

2022	Without Donor Restriction	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Dividends and interest	$ 9,864	$ 24,808,827	$ 347,771	$ 25,166,462
Change in value of split interest agreements	(87,877)	(1,685,350)	-	(1,773,227)
Net realized gain/(loss)	(896)	42,593,345	3,962,913	46,555,362
Net unrealized gain/(loss)	5,027	(71,258,016)	(6,823,912)	(78,076,901)
Change in assets due to others	-	29,099,588	(1,167,921)	27,931,667
Investment management fees	(14)	(5,103,544)	(179,334)	(5,282,892)
Net investment return	$ (73,896)	$ 18,454,850	$ (3,860,483)	$ 14,520,471

(15) Contributed nonfinancial assets

Contributed nonfinancial assets recognized within the consolidated statement of activities includes:

	2023	2022
Cryptocurrency	$ -	$ 300,974
Donated auction items	-	33,330
Donated books	11,621	21,912
Interest in private LP	5,303,645	-
Other	25,000	5,000
Total contributed nonfinancial assets	$ 5,340,266	$ 361,216

Contributed real estate and fine arts are valued using appraisals conducted by professional appraisers certified in the respective industry. Cryptocurrency is sold on the same day received and is therefore valued at the cash amount received on the day of sale. Donated auction items and other contributed supplies are valued using estimated US retail prices of identical or similar products considering the goods' condition and utility for use at the time of contribution. Limited partnership interests in privately managed funds are valued using the market values provided by the general partner/fund manager.

All gifts were recognized in accordance with donor restrictions, when applicable.

	2023	2022
Research	$ -	$ 5,000
Student financial aid	5,303,645	4,211
Other restricted purposes	36,621	352,005
Total contributed nonfinancial assets	$ 5,340,266	$ 361,216

The Organization's general practice is to monetize real estate, cryptocurrency, fine art gifts and precious metals, depending upon current market conditions. Other donated items are utilized by the Organization or University to further support the donor purpose. In fiscal year 2023, the interest in the private LP was not monetized and the other contributed nonfinancial assets were utilized in accordance with donor purpose. In fiscal year 2022, the contributions of cryptocurrency were monetized on the day of receipt and the other contributed nonfinancial assets were utilized in accordance with donor purpose.

(16) Net assets released from restrictions

Net assets were released from restriction for the following purposes:

	2023	2022
Academic support	$ 14,257,275	$ 13,667,828
Athletics	1,686,089	1,989,371
Capital	858,371	22,941,084
Discretionary use for ASU	902,928	568,328
Faculty	7,146,601	5,616,899
Financial aid	15,752,032	14,216,416
Library	64,421	165,282
Miscellaneous	23,082,896	18,758,650
Operations and maintenance	617,302	571,909
Research	54,387,605	49,125,299
Specific programs	34,889,164	27,212,776
Total net assets released from restrictions	$ 153,644,684	$ 154,833,842

(17) Retirement plan

The Organization sponsors a 401(k) savings plan (Plan) that provides retirement benefits for employees who meet the following eligibility criteria: eligible for medical and dental insurance and a minimum age of 18 years. There are three components to the Plan: employee contributions, discretionary matching of employee contributions by the employer and employer discretionary contributions.

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

The second component of the Plan is the employer discretionary matching of employee contributions by the Organization. The Organization matches 50% of the employee's contribution, not to exceed 3% of the employee's compensation. The Organization’s matching contributions to the Plan were approximately $438,000 and $348,000 for the years ended June 30, 2023 and 2022, respectively.

The third component of the Plan provides for employer discretionary contributions by the Organization. The annual contribution for the year ended June 30, 2023 was 4% of compensation for all eligible employees. The Organization’s discretionary contributions were approximately $619,000 and $490,000 for the years ended June 30, 2023 and 2022, respectively.

Employer contributions vest evenly over five years.

(18) Related party transactions

From time to time, the Organization may receive or transfer cash to or from related entities. Contributions from these entities are reflected in contributions and were $15,164,524 and $13,530,030 in fiscal years ended 2023 and 2022, respectively. Amounts due from related entities were $1,343,832 and $7,351,119 in 2023 and 2022, respectively. Donations to related entities are reflected in other expense and were $3,013,296 and $1,303,554 in 2023 and 2022, respectively. Services provided by a related entity were $19,500 and $250,000 in fiscal years ended 2023 and 2022, respectively. Amounts due to related entities were $625,511 and $6,796,744 in 2023 and 2022, respectively.

(18) Related party transactions (continued)

During fiscal years 2023 and 2022, the Organization recognized contribution revenue from the members of the Organization's Board of Directors of $168,557 and $458,357, respectively. As of June 30, 2023 and 2022, net unconditional pledges receivable from the members of the Organization's Board of Directors were $5,443,625 and $911,125, respectively.

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

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

2023	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 728,283
Land and buildings held for investment	-	-	20,663,182
Assets with limited use	2,096,130	-	-
Assets held under split interest agreements	9,386,447	-	-
Total assets at fair value	$ 11,482,577	$ -	$ 21,391,465
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 460,874,418
Total liabilities at fair value	$ -	$ -	$ 460,874,418

2022	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 1,593,092
Land and buildings held for investment	-	-	663,182
Assets held under split interest agreements	8,299,918	-	-
Total assets at fair value	$ 8,299,918	$ -	$ 2,256,274
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 430,574,467
Total liabilities at fair value	$ -	$ -	$ 430,574,467

Disclosure related to the fair value hierarchy for investments is included in Note 5.

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

- Cash and cash equivalents, other receivables, accounts payable and other liabilities because of the short-term maturities of these instruments; and

- Pledges receivable and obligations under split-interest agreements at initial recording because the risk-adjusted cash flows are discounted using applicable risk free rates

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

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

2023	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases or (Sales)	Ending Balance
Level 3 assets				
Charitable trusts receivable	$ 1,593,092	$ (460,129)	$ (404,680)	$ 728,283
Land/Buildings held for investment	663,182	(2,000,000)	22,000,000	20,663,182
Total Level 3 assets	$ 2,256,274	$ (2,460,129)	$ 21,595,320	$ 21,391,465
Level 3 liabilities				
Assets held for other entities	$ 430,574,467	$ 30,299,951	$ -	$ 460,874,418
Total Level 3 liabilities	$ 430,574,467	$ 30,299,951	$ -	$ 460,874,418

2022	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases or (Sales)	Ending Balance
Level 3 assets				
Charitable trusts receivable	$ 1,719,895	$ (942,831)	$ 816,028	$ 1,593,092
Land/Buildings held for investment	676,030	-	(12,848)	663,182
Total Level 3 assets	$ 2,395,925	$ (942,831)	$ 803,180	$ 2,256,274
Level 3 liabilities				
Assets held for other entities	$ 432,561,823	$ (1,987,356)	$ -	$ 430,574,467
Total Level 3 liabilities	$ 432,561,823	$ (1,987,356)	$ -	$ 430,574,467

(20) Subsequent events

The Organization evaluated subsequent events through August 31, 2023, which is the date these consolidated financial statements were issued.