ASU Foundation

Arizona State University

2021-22 Audited Financial Statements

ARIZONA STATE UNIVERSITY FOUNDATION

For A New American University and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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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 tenth 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.

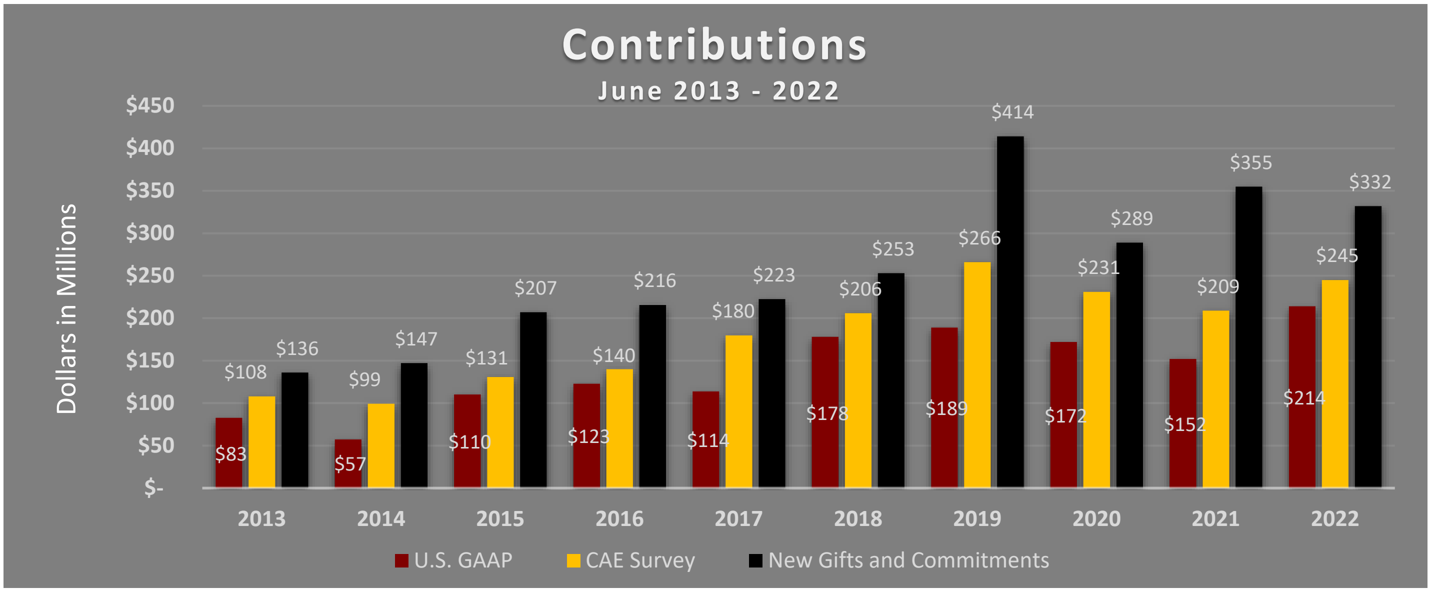
The Foundation is a membership organization with one member, ASU Enterprise Partners (EP). EP has organized its operations to focus on its business lines, which include philanthropy, technology, realty, research and global initiatives. For its administration and back office, the Foundation uses the supporting services provided by EP that include human resources, communications, technology and data management, investment, legal, and financial services. The Foundation's 2022 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.

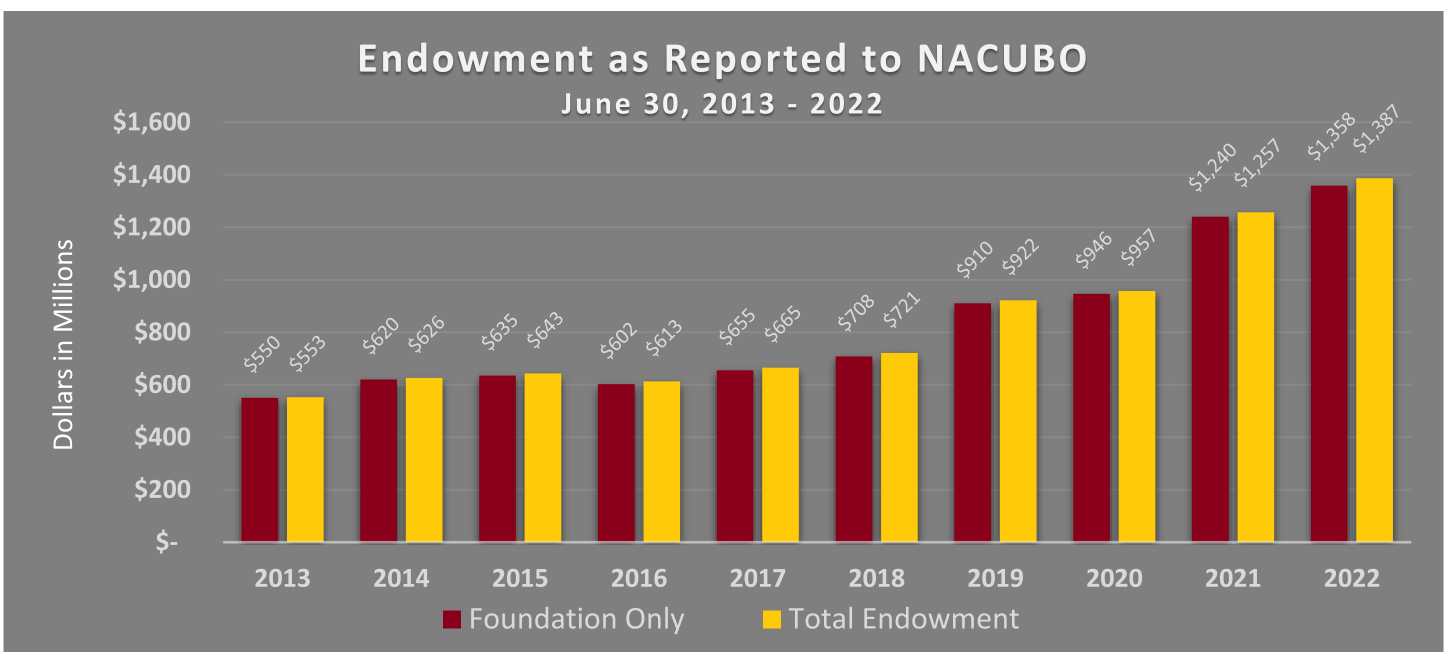
New Gifts and Commitments (NGC) is an internal productivity measure that provides the broadest possible view of the Foundation fundraising progress. Its contribution total includes new pledges, advised bequests, in-kind gifts, and deferred gifts for the entire University community.



ENDOWMENT VALUE

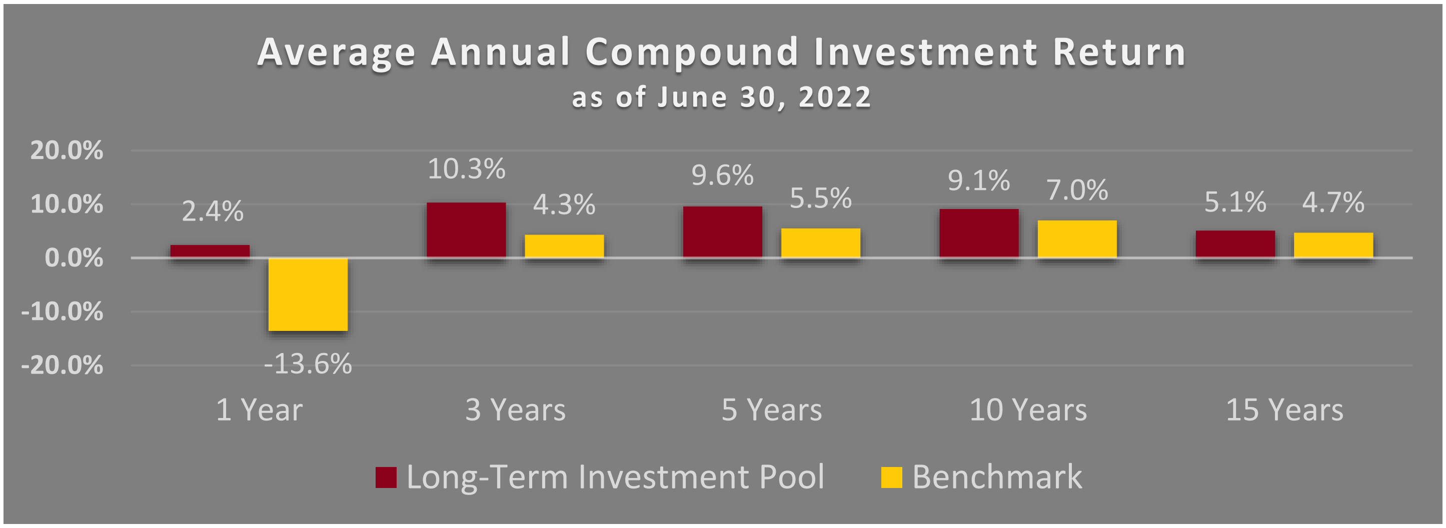
The Foundation reports its endowment value using two different measuring methods as well. The attached audited financial statements report the endowment value for assets held by the Foundation and a related liability for any assets held by the Foundation on behalf of other entities, such as the endowments 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.



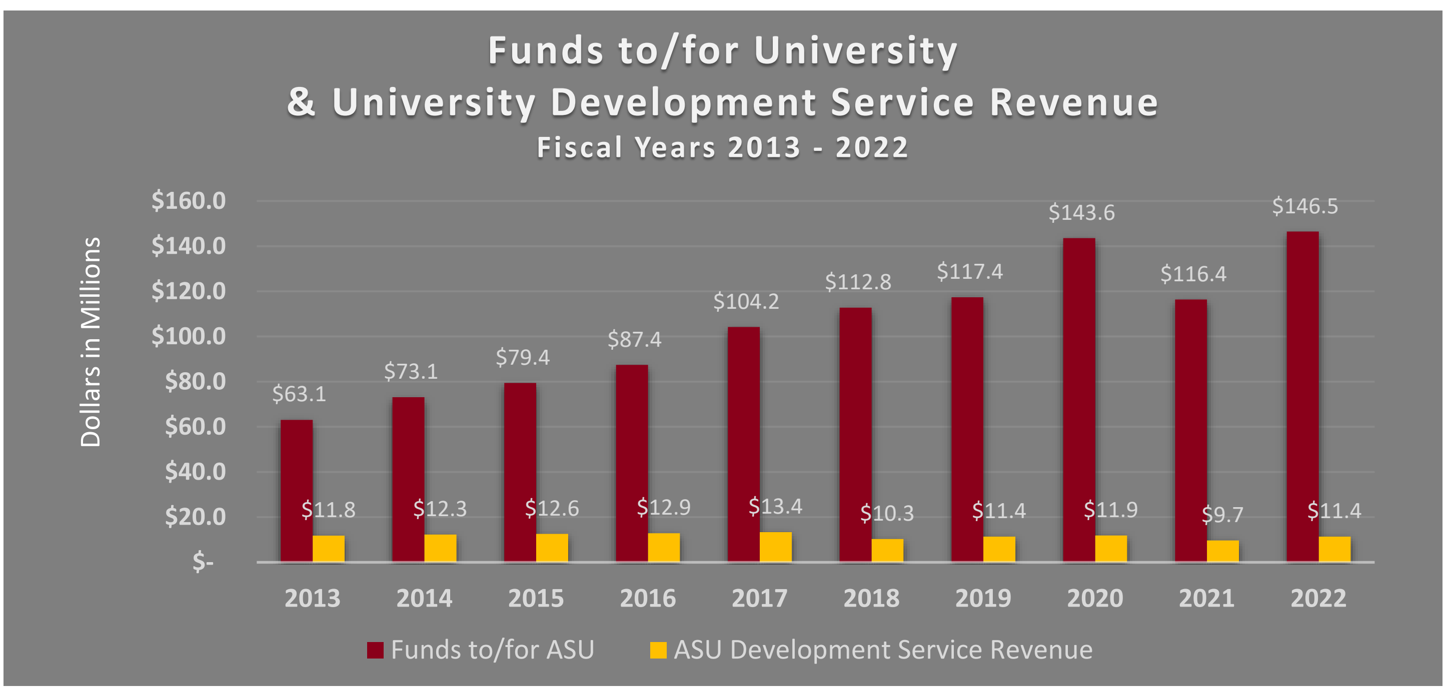
ENDOWMENT INVESTMENT

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 FY22, the Foundation generated over $330M in NGC, maintained high levels of university support, and grew its endowment by 10%, despite market volatility.

CONCLUSION

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

GRANT THORNTON LLP
2555 E. Camelback Road, Suite 500
Phoenix, AZ 85016

D +1 602 474 3400
F +1 602 474 3421

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2022, and the related 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, 2022, 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 audits. 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.

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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 opinion on the consolidated financial statements does 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.

Report on 2021 summarized comparative information

We have previously audited the Organization's 2021 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Phoenix, Arizona
August 31, 2022

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

June 30, 2022
(with comparative totals for June 30, 2021)

	June 30, 2022	June 30, 2021
ASSETS		
Cash and cash equivalents	$ 8,339,437	$ 2,814,167
Receivables		
Pledges receivable, net	155,822,330	144,040,885
Charitable trusts receivable	1,593,092	1,719,895
Other receivables, net	8,779,780	1,598,269
Total receivables	166,195,202	147,359,049
Investments	1,521,559,998	1,453,764,624
Land and buildings held for investment	663,182	676,030
Assets held under split-interest agreements	8,299,918	10,393,069
Property and equipment, net	1,488	2,978
Other assets	10,229,520	10,141,102
TOTAL ASSETS	$ 1,715,288,745	$ 1,625,151,019
LIABILITIES		
Accounts payable and other liabilities	$ 25,297,682	$ 2,931,880
Assets held for other entities	430,574,467	432,561,823
Obligations under split-interest agreements	3,896,431	4,955,173
TOTAL LIABILITIES	459,768,580	440,448,876
NET ASSETS		
Without donor restrictions	4,473,181	2,307,750
With donor restrictions		
Temporarily restricted	578,983,553	558,050,373
Permanently restricted	672,063,431	624,344,020
Total with donor restrictions	1,251,046,984	1,182,394,393
TOTAL NET ASSETS	1,255,520,165	1,184,702,143
TOTAL LIABILITIES AND NET ASSETS	$ 1,715,288,745	$ 1,625,151,019

See Notes to Consolidated Financial Statements

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

Year Ended June 30, 2022
(with comparative totals for year ended June 30, 2021)

	Year Ended June 30, 2022						
	Without Donor Restrictions	With Donor Restrictions					
		Temporarily Restricted	Permanently Restricted	Subtotal	Total	Year Ended June 30, 2021
SUPPORT AND REVENUES						
Contributions of cash and other financial assets	$ 21,936,885	$ 142,867,128	$ 48,463,488	$ 191,330,616	$ 213,267,501	$ 141,236,342
Contributions of nonfinancial assets	-	361,216	-	361,216	361,216	10,628,614
Change in estimate for uncollectible pledges	8,000	(1,235,000)	798,000	(437,000)	(429,000)	4,240,000
Change in present value discount	4,000	5,481,000	998,000	6,479,000	6,483,000	(3,007,000)
Net investment return (loss)	(73,896)	18,454,850	(3,860,483)	14,594,367	14,520,471	170,377,109
Service agreement revenue	11,381,646	-	-	-	11,381,646	9,747,566
Asset management fees	3,404,744	-	-	-	3,404,744	2,715,672
Program revenue and memberships	39,559	-	-	-	39,559	31,000
Other revenue	767,711	-	130	130	767,841	1,465,878
Reclassification of donor intent and transfers	(11,158,104)	9,837,828	1,320,276	11,158,104	-	-
Net assets released from restriction	154,833,842	(154,833,842)	-	(154,833,842)	-	-
TOTAL SUPPORT AND REVENUES	181,144,387	20,933,180	47,719,411	68,652,591	249,796,978	337,435,181
EXPENSES						
Payments for the benefit of the University:						
Directly to the University:						
Donations and reimbursements	123,585,515	-	-	-	123,585,515	95,331,692
Scholarships - ASU selected	14,202,001	-	-	-	14,202,001	12,293,801
To Vendors on behalf of the University	7,522,794	-	-	-	7,522,794	7,265,860
Subtotal	145,310,310	-	-	-	145,310,310	114,891,353
Scholarships - Non ASU selected	665,709	-	-	-	665,709	381,053
Payments to other charitable entities	532,147	-	-	-	532,147	1,112,619
Total payments for the benefit of the University	146,508,166	-	-	-	146,508,166	116,385,025
Operating expenses:						
Salaries and benefits	17,108,799	-	-	-	17,108,799	14,062,171
Depreciation	1,488	-	-	-	1,488	1,489
Professional services	2,875,968	-	-	-	2,875,968	2,805,921
Other expense	4,181,305	-	-	-	4,181,305	5,405,350
Shared services	8,303,230	-	-	-	8,303,230	9,788,964
Total operating expenses	32,470,790	-	-	-	32,470,790	32,063,895
TOTAL EXPENSES	178,978,956	-	-	-	178,978,956	148,448,920
CHANGE IN NET ASSETS	2,165,431	20,933,180	47,719,411	68,652,591	70,818,022	188,986,261
NET ASSETS, BEGINNING OF PERIOD	2,307,750	558,050,373	624,344,020	1,182,394,393	1,184,702,143	995,715,882
NET ASSETS, END OF PERIOD	$ 4,473,181	$ 578,983,553	$ 672,063,431	$ 1,251,046,984	$ 1,255,520,165	$ 1,184,702,143

See Notes to Consolidated Financial Statements

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

Year Ended June 30, 2022
(with comparative totals for year ended June 30, 2021)

	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

	Year Ended June 30, 2021			
	Program	Management & General	Fundraising	Total
EXPENSES				
Payments for the benefit of the University:				
Directly to the University:				
Donations and reimbursements	$ 95,331,692	$ -	$ -	$ 95,331,692
Scholarships - ASU selected	12,293,801	-	-	12,293,801
To vendors on behalf of the University	7,265,860	-	-	7,265,860
Subtotal	114,891,353	-	-	114,891,353
Scholarships - Non ASU selected	381,053	-	-	381,053
Payments to other charitable entities	1,112,619	-	-	1,112,619
Total payments for the benefit of the University	116,385,025	-	-	116,385,025
Operating expenses:				
Salaries and benefits	107,479	225,136	13,729,556	14,062,171
Depreciation	-	1,489	-	1,489
Professional services	7,436	468,978	2,329,507	2,805,921
Other expense	2,016,357	14,529	3,374,464	5,405,350
Shared services	-	9,788,964	-	9,788,964
Total operating expenses	2,131,272	10,499,096	19,433,527	32,063,895
TOTAL EXPENSES	$ 118,516,297	$ 10,499,096	$ 19,433,527	$ 148,448,920

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

Year Ended June 30, 2022
(with comparative totals for year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 70,818,022	$ 188,986,261
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in present value discount on pledges receivable	(6,483,000)	3,007,000
Change in estimate for uncollectible pledges	429,000	(4,240,000)
Net realized and unrealized investment (gains) or losses	(14,520,471)	(170,377,109)
Depreciation	1,488	1,488
Contributions restricted for long-term investment	(50,259,488)	(15,362,206)
(New) or terminated split-interest agreements	(588,962)	(2,359,303)
Change in present value of split-interest agreements	64,825	2,019,994
Changes in operating assets and liabilities:		
(Increase) / decrease in:		
Pledges receivable	(14,578,711)	10,423,114
Other receivables	(7,181,511)	1,754,807
Other assets	(88,418)	(8,590,038)
Increase / (decrease) in:	-	
Accounts payable and other liabilities	22,365,802	(1,737,516)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(21,424)	3,526,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	827,479,889	503,228,312
Proceeds from sales of land and buildings held for investment	12,848	6,250
Purchases of investments	(907,280,730)	(596,826,250)
Change in assets held for other entities	26,223,932	60,597,901
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(53,564,061)	(32,993,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	59,110,755	27,484,874
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	59,110,755	27,484,874
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,525,270	(1,982,421)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,814,167	4,796,588
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,339,437	$ 2,814,167
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Disposal of property and equipment	$ 57,903	$ 3,823,144

See Notes to Consolidated Financial Statements

(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. Effective October 15, 2021, the Foundation incorporated a new subsidiary to help achieve its strategic goals. The subsidiary is 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.

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 underwater policy each year to consider changes to the policy. No changes to the policy occurred in FY22.

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

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, 2021, from which the summarized information was derived.

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.

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.

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 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.

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

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 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

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

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, 2022 and 2021.

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 recognition criteria.

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

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 provides various supporting services to the Organization and charges a proportionate share of its actual costs. This is reflected as shared services in the consolidated statement of activities.

Reserves subsidy – EP may provide a subsidy to the Organization to help fund operations and for strategic new initiatives. These subsidies are determined annually through the budgeting process. This is reflected as a reserves subsidy in the consolidated statement of activities.

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 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.

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

The tax years ending June 30, 2022, 2021, 2020, and 2019 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, 2022 and 2021.

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842).* The guidance redefines the term “lease” to mean “conveys the right to control the use of identified property, plant and equipment for a period of time in exchange for consideration.” The customer has the right to control if it receives both 1) the right to obtain substantially all economic benefits from using an asset and 2) the right to direct the use of that asset.

- Lessee Impact: The key impact to lessees is the requirement to show operating leases on the statement of financial position through recognizing a Right of Use (ROU) asset and liability, with the lease liability measured at the present value of the future lease payments and the asset measured at the lease liability adjusted for payments made before lease commencement and initial indirect costs. The leases would be classified into financing leases (recognize interest expense and amortization based on the interest method) and operating leases (recognize rent expense on a straight-line basis over the lease term).

- Lessor Impact: The impact to lessors is minimal, remaining similar to today’s standards. For direct financing leases, the lessor recognizes any loss up front, defers profit and accounts for investment in the lease using the interest method and for operating leases, recognizes an asset sale and accounts for the investment in the lease using the interest method of the lease term.

The new guidance is effective for annual reporting periods beginning after December 15, 2019. In July 2018 FASB further amended this standard to allow for a transition method that offers the option to use the effective date as the date of initial application and not adjust the comparative-period financial information. The Organization utilized this transition method, as well as a package of practical expedients that allowed the Organization to i) not reassess prior conclusions related to contracts that are or contain leases; ii) not reassess prior conclusions related to lease classifications; and iii) not reassess initial direct costs. The Organization adopted the new standard effective July 1, 2020. There is no impact of this implementation on the Foundation financial statements.

In September 2020, the FASB issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The guidance requires that a Not-for-Profit (NFP) 1) presents contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash and other assets and 2) discloses a disaggregation of the contributed nonfinancial assets by category with qualitative information about a) whether the contributed nonfinancial assets were monetized or utilized during the reporting period; b) the NFP’s policy regarding monetization or utilization; c) a description of any donor-imposed restrictions; d) a description of valuation techniques and inputs used to arrive at fair value; and e) the principal market used to arrive at fair value if it is a market in which the NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The new guidance is effective for annual reporting periods beginning after June 15, 2021; however, early adoption is permitted and the Organization has elected early adoption as of July 1, 2020.

(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:

	2022	2021
Cash and cash equivalents	$ 7,991,857	$ 2,263,917
Unrestricted portion of net pledges receivable within one year	2,595,708	2,577,991
Other receivables, net within one year	1,428,661	1,265,826
Total liquidity and availability	$ 12,016,226	$ 6,107,734

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:

	2022	2021
Gross pledges receivable	$ 216,827,330	$ 211,099,885
Present value discount	(13,293,000)	(19,776,000)
Allowance for uncollectible pledges	(47,712,000)	(47,283,000)
Pledges receivable, net	$ 155,822,330	$ 144,040,885

Gross pledges are receivable as follows:

	2022	2021
Receivable in one year	$ 71,913,735	$ 73,555,742
Receivable in two to five years	80,854,501	79,478,447
Receivable after five years	64,059,094	58,065,696
Total gross pledges receivable	$ 216,827,330	$ 211,099,885

The Organization had conditional pledges receivable totaling approximately $167.8 million and $112.2 million as of June 30, 2022 and 2021, 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:

	2022	2021
Accounts receivable, affiliate	$ 7,351,119	$ 332,443
Accounts receivable, trade	1,428,661	1,265,436
Payroll and benefits	-	390
Total other receivables	$ 8,779,780	$ 1,598,269

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, 2022 and 2021 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:

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	2,378,462	15,369,731	260,833	176,995,478
Private capital	301,863,678	-	-	-	301,863,678
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

2021	LTIP	SRIP	ITIP	Other	Total
Global equities	$ 390,221,384	$ 132,144,851	$ 41,625,159	$ 20,266,265	$ 584,257,659
Global fixed income	190,792,135	42,871,617	122,671,238	717,352	357,052,342
Diversifying strategies	131,632,216	-	21,214,159	-	152,846,375
Real assets	149,312,704	592,387	-	245,963	150,151,054
Private capital	175,307,927	-	-	-	175,307,927
Cash and cash equivalents	1,471,689	-	31,305,130	1,372,448	34,149,267
Total investments	$ 1,038,738,055	$ 175,608,855	$ 216,815,686	$ 22,602,028	$ 1,453,764,624

(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:

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	-	125,591,217	-	176,995,478
Private capital	817,662	-	301,046,016	-	301,863,678
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

2021	Level 1	Level 2	Level 3	NAV	Total
Global equities	$ 460,291,143	$ -	$ 113,930,609	$ 10,035,907	$ 584,257,659
Global fixed income	215,512,201	6,121,444	33,329,450	102,089,247	357,052,342
Diversifying strategies	186,693	2,000,000	20,850,772	129,808,910	152,846,375
Real assets	46,335,548	-	103,815,506	-	150,151,054
Private capital	519,712	-	174,788,215	-	175,307,927
Cash and cash equivalents	34,119,056	-	30,211	-	34,149,267
Total investments	$ 756,964,353	$ 8,121,444	$ 446,744,763	$ 241,934,064	$ 1,453,764,624

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, 2022, 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	$ 7,739,210	$ -	Monthly to quarterly	Daily - 60 days
Global fixed income	65,768,578	-	Monthly to quarterly	Daily - 60 days
Diversifying strategies	164,590,429	-	Monthly to not available	3 - 90 days
Total	$ 238,098,217	$ -		

Level 3 investments have unfunded commitments of approximately $185.4 million as of June 30, 2022.

(5) Investments (continued)

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

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	4,247,081	33,201,563	(15,672,933)	125,591,217
Private capital	174,788,215	99,536,128	75,449,645	(48,727,972)	301,046,016
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

2021	Beginning Balance	Realized or Unrealized Gains or (Losses)	Purchases	Sales	Ending Balance
Global equities	$ 78,351,314	$ 35,579,286	$ 10,000,009	$ (10,000,000)	$ 113,930,609
Global fixed income	24,188,147	2,028,215	7,314,499	(201,411)	33,329,450
Diversifying strategies	15,453,588	3,201,863	5,911,674	(3,716,353)	20,850,772
Real assets	93,500,978	(864,516)	25,133,307	(13,954,263)	103,815,506
Private capital	101,298,120	47,358,647	49,625,442	(23,493,994)	174,788,215
Cash and cash equivalents	4,201	(158,990)	185,000	-	30,211
Total Level 3	$ 312,796,348	$ 87,144,505	$ 98,169,931	$ (51,366,021)	$ 446,744,763

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 includes

	2022	2021
Copper mine	$ 633,000	$ 633,000
Other gifted properties	30,182	43,030
Total land and buildings held for investment	$ 663,182	$ 676,030

(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, 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.

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

2022	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ 157,880,903	$ 616,822,182	$ 774,703,085
Quasi-endowments	110,294,103	-	110,294,103
Total funds	$ 268,175,006	$ 616,822,182	$ 884,997,188

2021	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ 175,176,835	$ 560,251,506	$ 735,428,341
Quasi-endowments	110,649,080	-	110,649,080
Total funds	$ 285,825,915	$ 560,251,506	$ 846,077,421

(7) Endowment and net asset classifications (continued)

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. The Trust's and the Alumni'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 and the Alumni 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 and the Alumni.

Assets held for other entities consists of:

	2022	2021
ASU Trust	$ 384,080,623	$ 371,177,633
ASU Alumni Association	22,149,331	23,394,742
Total assets held for other entities	$ 406,229,954	$ 394,572,375

The associated consolidated financial statements include a non-endowed asset held for others in the amount of $24,344,513 and $37,989,448 as June 30, 2022 and 2021, respectively that is not included in the above totals.

With the exception of 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, 2022, 90 deficiencies of this nature exist in donor-restricted endowment funds with an original gift value of $45,226,929, a current fair value of $42,930,000 and a deficiency of $2,296,929. As of June 30, 2021, there was one deficiency totaling $246 from an original gift value of $31,796 and a fair value of $31,550.

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 2022 was 7.0% and for 2021 was 1.4%. The cap and floor were based on 4.25% and 3.25% for both 2022 and 2021, 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.

(7) Endowment and net asset classifications (continued)

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

	With Donor Restrictions		
2022	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, June 30, 2021	$ 285,825,915	$ 560,251,506	$ 846,077,421
Contributions and other additions	3,079,018	59,110,883	62,189,901
Investment return:			
Interest and dividends	24,808,499	347,771	25,156,270
Net realized and unrealized gains or (losses)	(43,493,713)	(3,040,333)	(46,534,046)
Assets due to others	28,211,288	-	28,211,288
Total investment return	$ 9,526,074	$ (2,692,562)	$ 6,833,512
Appropriation for expenditure	(43,942,428)	(1,167,921)	(45,110,349)
Reclassification of donor intent	13,686,427	1,320,276	15,006,703
Endowment net assets, June 30, 2022	$ 268,175,006	$ 616,822,182	$ 884,997,188

	With Donor Restrictions		
2021	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, June 30, 2020	$ 144,463,516	$ 526,437,247	$ 670,900,763
Contributions and other additions	9,600,578	28,560,775	38,161,353
Investment return:			
Interest and dividends	13,759,592	444,200	14,203,792
Net realized and unrealized gains or (losses)	212,355,878	4,596,911	216,952,789
Assets due to others	(71,167,559)	-	(71,167,559)
Total investment return	$ 154,947,911	$ 5,041,111	$ 159,989,022
Appropriation for expenditure	(26,429,452)	(943,852)	(27,373,304)
Reclassification of donor intent	3,243,362	1,156,225	4,399,587
Endowment net assets, June 30, 2021	$ 285,825,915	$ 560,251,506	$ 846,077,421

(8) 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.

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

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 3.6% for 2022 and 1.2% for 2021, and is based on mortality expectations found in the IRS Actuarial Valuations Publication.

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 consists of:

	2022	2021
Charitable gift annuities		
Equities	$ 4,251,239	$ 6,189,447
Fixed income	1,864,119	2,162,617
Other	552,753	60,496
	6,668,111	8,412,560
Charitable remainder trusts		
Equities	805,143	1,191,743
Fixed income	622,517	638,522
Other	79,698	22,150
	1,507,358	1,852,415
Life insurance	124,449	128,094
Total assets held under split-interest agreements	$ 8,299,918	$ 10,393,069

Obligations under split-interest agreements consists of:

	2022	2021
Charitable gift annuities	$ 3,138,983	$ 3,991,084
Charitable remainder trusts	757,448	964,089
Total obligations under split-interest agreements	$ 3,896,431	$ 4,955,173

(9) Property and equipment, net

Property and equipment consists of:

	2022	2021
Building fixtures	$ 24,918	$ 24,918
Equipment	203,033	260,937
Total cost	$ 227,951	$ 285,855
Accumulated depreciation	(226,463)	(282,877)
Total property and equipment, net	$ 1,488	$ 2,978

(9) Property and equipment, net (continued)

Depreciation expense charged to operations totaled $1,490 and $1,489 for the years ended 2022 and 2021, respectively.

(10) Accounts payable and other liabilities

Accounts payable and other liabilities consists of:

	2022	2021
Accrued expenses	$ 2,334	$ 21,694
General accounts payable	23,409,647	1,834,697
Payroll liabilities	2,520,909	1,819,956
Unallocated gift revenue	(642,730)	(746,840)
Deferred revenue/rent	7,522	2,373
Total accounts payable and other liabilities	$ 25,297,682	$ 2,931,880

(11) Net assets with donor restrictions

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

	2022		2021	
	With Donor Restrictions		With Donor Restrictions	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Academic support	$ 93,418,867	$ 169,183,970	$ 99,304,009	$ 168,757,853
Athletics	14,173,635	5,053,580	15,488,714	4,526,276
Capital	18,636,003	-	34,773,533	-
Discretionary use for ASU	24,522,984	17,819,880	24,146,063	18,819,557
Faculty	79,254,610	150,070,561	79,525,157	141,173,985
Financial aid	142,447,783	214,721,977	128,141,023	192,007,778
Library	1,814,026	2,962,383	1,901,327	2,956,349
Miscellaneous	8,394,196	137,557	6,594,384	137,557
Operations and maintenance	1,193,643	-	1,177,489	-
Research	74,973,546	48,150,922	60,520,112	43,511,702
Specific programs	148,706,260	96,415,601	139,276,562	86,701,963
Pledge reserve and discount	(28,552,000)	(32,453,000)	(32,798,000)	(34,249,000)
Total restricted net assets	$ 578,983,553	$ 672,063,431	$ 558,050,373	$ 624,344,020

(12) Net investment return (loss)

Net investment return (loss) consists of:

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

2021	Without Donor Restriction	With Donor Restrictions: Temporarily Restricted	With Donor Restrictions: Permanently Restricted	Total
Dividends and interest	$ 8,300	$ 13,762,981	$ 444,199	$ 14,215,480
Change in value of split interest agreements	176,280	1,263,564	-	1,439,844
Net realized gain/(loss)	24,460	61,130,614	664,163	61,819,237
Net unrealized gain/(loss)	30,237	163,576,666	4,056,224	167,663,127
Change in assets due to others	-	(70,490,870)	(943,851)	(71,434,721)
Investment management fees	(1,446)	(3,200,936)	(123,476)	(3,325,858)
Net investment return	$ 237,831	$ 166,042,019	$ 4,097,259	$ 170,377,109

(13) Contributed nonfinancial assets

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2022	2021
Cryptocurrency	$ 300,974	$ -
Fine art	-	9,047,000
Interest in private LP	-	1,537,000
Donated auction items	33,330	-
Precious metals	-	24,643
Donated books	21,912	13,368
Other	5,000	6,603
Total contributed nonfinancial assets	$ 361,216	$ 10,628,614

(13) Contributed nonfinancial assets (continued)

Valuation techniques:

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.

Donor restriction and contributed nonfinancial assets use:

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

	2022	2021
Faculty	$ -	$ 9,681,013
Research	5,000	
Financial aid	4,211	101,493
Other	352,005	839,624
Unrestricted	-	6,484
Total contributed nonfinancial assets	$ 361,216	$ 10,628,614

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 FY21, the fine art was not monetized by fiscal year-end, the interest in the private LP was monetized and the other contributed financial assets were utilized in accordance with donor purpose. In FY22, the contributions of cryptocurrency were monetized on the day of receipt and the other contributed nonfinancial assets were utilized in accordance with donor purpose.

(14) Net assets released from restrictions

Net assets were released from restriction for the following purposes:

	2022	2021
Academic support	$ 13,667,828	$ 16,041,071
Athletics	1,989,371	347,686
Capital	22,941,084	148,483
Discretionary use for ASU	568,328	1,469,456
Faculty	5,616,899	4,263,071
Financial aid	14,216,416	13,851,223
Library	165,282	57,836
Miscellaneous	18,758,650	17,239,808
Operations and maintenance	571,909	402,537
Research	49,125,299	41,358,955
Specific programs	27,212,776	28,060,595
Total net assets released from restrictions	$ 154,833,842	$ 123,240,721

(15) 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 $348,000 and $290,000 for the years ended June 30, 2022 and 2021, respectively.

The third component of the Plan provides for employer discretionary contributions by the Organization. The annual contribution for the year ended June 30, 2022 was 4% of compensation for all eligible employees. The Organization’s discretionary contributions were approximately $490,000 and $415,000 for the years ended June 30, 2022 and 2021, respectively.

Employer contributions vest evenly over five years.

(16) 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 $13,530,030 and $2,911,436 in fiscal years ended 2022 and 2021, respectively. Amounts due from related entities were $7,352,315 and $332,442 in 2022 and 2021, respectively. Donations to related entities are reflected in other expense and were $1,303,554 and $4,424,748 in 2022 and 2021, respectively. Services provided by a related entity were $250,000 and $289,406 in fiscal years ended 2022 and 2021, respectively. Amounts due to related entities were $6,796,744 and $389,460 in 2022 and 2021, respectively.

During fiscal years 2022 and 2021, the Organization recognized contribution revenue from the members of the Organization’s Board of Directors of $458,357 and $235,822, respectively. As of June 30, 2022 and 2021, net unconditional pledges receivable from the members of the Organization’s Board of Directors were $911,125 and $780,238, respectively.

(17) 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:

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

2021	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)			
Charitable trusts receivable	$ -	$ -	$ 1,719,895
Land and buildings held for investment	-	-	676,030
Assets held under split interest agreements	10,393,069	-	-
Total assets at fair value	$ 10,393,069	$ -	$ 2,395,925
Liabilities at fair value (recurring basis)			
Assets held for other entities	$ -	$ -	$ 432,561,823
Total liabilities at fair value	$ -	$ -	$ 432,561,823

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;
- Pledges receivable and obligations under split-interest agreements at initial recording because the risk-adjusted cash flows are discounted using applicable risk free rates; and
- Leases receivable and related unearned interest liability because the future cash flows are discounted using rates at which similar leases would be made to borrowers with similar credit ratings and for the same remaining maturities.

(17) 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:

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

2021	Beginning Balance	Total Realized or Unrealized Gains or (Losses)	Purchases or (Sales)	Ending Balance
Level 3 assets				
Charitable trusts receivable	$ 1,858,725	$ (138,830)	$ -	$ 1,719,895
Land/Buildings held for investment	682,280	-	(6,250)	676,030
Total Level 3 assets	$ 2,541,005	$ 138,830	$ (6,250)	$ 2,395,925
Level 3 liabilities				
Assets held for other entities	$ 300,796,363	$ 131,765,460	$ -	$ 432,561,823
Total Level 3 liabilities	$ 300,796,363	$ 131,765,460	$ -	$ 432,561,823

(18) Subsequent events

The Organization evaluated subsequent events through August 31, 2022, which is the date these consolidated financial statements were issued.