



ARIZONA
COMMERCE
AUTHORITY

ANNUAL REPORT FISCAL YEAR 2014



FISCAL YEAR 2014 ANNUAL REPORT
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MISSION

7th St
19th Ave
Jct I-10
2

7th St
↑ South
North ↓



MISSION

The mission of the Arizona Commerce Authority is to grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by supporting and attracting businesses in targeted, high-value base sectors throughout the state.



FROM THE
PRESIDENT AND CEO



FROM THE PRESIDENT AND CEO

In Fiscal Year 2014, the ACA made significant progress in its mission to advance strategies focused on growing and strengthening our state's economic future through the creation of high-quality jobs in high-value sectors.

The ACA worked aggressively to support the creation of 17,154 new jobs in Arizona this past fiscal year, attracting global giants that made large-scale expansions and securing capital investments for the state totaling \$3.32 billion.

Arizona's innovation ecosystem also was bolstered by the growth of locally-based Infusionsoft and IO, as well as through significant expansions from California-based technology companies including Gigya, Weebly and Prosper Marketplace. Additionally, Silicon Valley Bank chose Arizona for a second expansion and has committed to lend \$100 million in investment capital to Arizona's tech and life-science companies over the next five years.

The climate we have built for business success in Arizona is recognized nationally. The U.S. Chamber of Commerce, in its *Enterprising States Report*, ranks Arizona among the Top-10 Best States for Starting a Business. *Chief Executive Magazine* ranks Arizona as a Top-10 state in the nation in which to do business. These rankings were in addition to reports by respected publications such as *Forbes* and *Fast Company* that touted Arizona as a hotbed for entrepreneurial activity.

Our state is increasingly drawing recognition from across the country, and around the world, as a great place to expand a business or launch and invest in new ventures. In fact, we rank near the top on key measurements that are critical to business success - tax and regulatory environment, workforce development and quality of life.

Fostering the optimum business environment to attract high-growth innovators has been part of our success. For that, we can look to the visionary leadership of Governor Brewer who, with the support of our Legislature, created the game-changing Arizona Competitiveness Package. With a steadfast commitment to grow and strengthen Arizona's competitiveness, this legislation has ensured that Arizona is equipped to compete on a global stage.

Today, business leaders recognize Arizona as a platform for industry growth. They view our state as a hub of innovation, with a rich talent pool, streamlined regulations, and a low-cost model for doing business that helps drive their corporate success. There is no better place than Arizona for the world's premier businesses to locate, operate and thrive.

Sincerely,

A handwritten signature in black ink that reads "S. Watson". The signature is fluid and cursive.

Sandra Watson
President and CEO, Arizona Commerce Authority



BOARD OF DIRECTORS



Executive Members

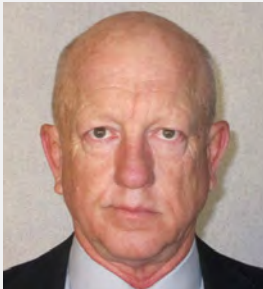


Governor Jan Brewer
Chairman

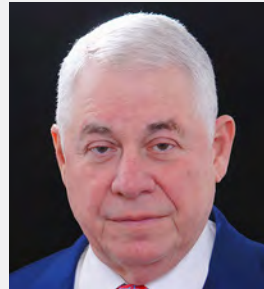


Jerry Colangelo
Co-Chairman
Principal Partner,
JDM Partners

The ACA is guided by a Board of Directors, with Governor Jan Brewer serving as Chairman and Jerry Colangelo serving as Co-Chairman. The Board represents an incredible collection of subject matter expertise and business and policy experience, all leveraged to advance the ACA's mission to strengthen the state's overall economy.



Gary Abrams
CEO and President,
Abrams Airborne
Manufacturing



Richard Adkerson
President and CEO,
Freeport McMoRan
Copper & Gold



Craig Barrett
Chairman of the Board
and CEO (*Retired*),
Intel



Michael Bidwill
President,
Arizona Cardinals



Paul Bonavia
Chairman, President
and CEO,
Tucson Electric Power



Richard Boals
President and CEO,
Blue Cross Blue Shield
of Arizona

Executive Members, continued



Drew Brown
Founder and Chairman
of the Board,
DMB Associates



Philip L. Francis
Executive Chairman,
PetSmart, Inc.



Mike Ingram
CEO and President,
El Dorado Holdings



Tim Jeffries
Founder,
P7 Enterprises



John Kaites
Owner,
Public Policy Partners, LLC



James Keeley
Founding Partner,
Colliers International
Scottsdale Office



Stephen Macias
President and CEO,
Pivot Manufacturing



Brian Mueller
President and CEO,
Grand Canyon University



Victor Smith
President and Owner,
JV Farms



Sandra Watson
President and CEO,
Arizona Commerce
Authority



Candace Hunter Wiest
President and CEO,
West Valley National
Bank

Ex-Officio Members



**Honorable President
Andy Biggs**
Arizona Senate



**Honorable Speaker
Andy Tobin**
Arizona House of
Representatives



Dr. Michael Crow
President,
Arizona State University



Mark Dobbins
Chariman,
Governor's Council on
Workforce Policy



Dr. Rufus Glasper
Chancellor,
Maricopa County
Community Colleges



Dr. John Haeger
President,
Northern Arizona
University



Dr. Ann Hart
President,
University of Arizona



Sherman Jennings
Chariman,
Governor's Council on
Workforce Policy



Eileen Klein
President,
Arizona Board of Regents



Julie Pastrick
CEO,
Greater Flagstaff
Chamber of Commerce



**Honorable
Doug Von Gausig**
Mayor,
Clarkdale



Judith Wood
President,
Contact One Call Center

A large, out-of-focus crowd of people is shown, filling the entire frame. The individuals are blurred into soft shapes and colors, creating a bokeh effect. The colors are varied, including blues, reds, and greys. The overall atmosphere is one of a busy, public gathering. The text 'CREATING QUALITY JOBS' is centered in the middle of the image in a white, sans-serif font.

CREATING QUALITY JOBS

CLIENTS, JOB CREATION AND CAPITAL INVESTMENT

The ACA is committed to connecting companies with technical assistance, financial assistance and strategic partnerships that will enhance their growth and strengthen our statewide economy. In Fiscal Year 2014, we worked with 97 companies that committed to creating 17,154 quality jobs over three years. These projects will create 24,343 more indirect and induced jobs, for a total of 41,497 direct, indirect and induced jobs. That represents a workforce larger than our state's top employer. These 97 company expansion and relocation projects represent more than \$3.32 billion in capital investment in Arizona. A third-party analysis indicates these projects will generate more than \$23.43 billion in economic output for the state over a five-year period.

(Details following).

FISCAL YEAR 2014 CLIENTS

Fiscal Year Totals	
Capital Investment	\$3.32 Billion
Jobs	16,454

Company

3-G Construction Company Inc.
Cerwood Custom Cabinetry
Chas Roberts Air Conditioning Inc.
ClearCall Solutions
Composite Mirror Applications, Inc.
Elevate Services
Gepack
Grand Canyon University
Jenco Inc.
JV Driver
Kirin Manufacturing
Modular Mining Systems
Niagara Bottling, LLC
Novo BioPower, LLC
Progrexion
ProMag Industries
Rural Electric, Inc.
Saint Xavier University
State Farm Insurance - Tempe Sunland
Stonegate Mortgage Corporation
Tri-Com Corporation
Western Industrial Resources Corporation
Zygo Corp.

Q1

Q1 Totals

Capital Investment	\$810,311,924
Jobs	7,629

Q2

Company

Accolade, Inc.
Alliance United Insurance Company
Apple Inc.
Ascent Aviation Services Corp
Barnhart Crane
Biscuits Leclerc
Clear2There
Curtiss-Wright Controls Inc.
Environmental Solutions Group
Gigya
GlobalTranz Enterprises
Go Daddy
Green Card Fund
Intrepid Tool Industries
IO Data Centers
SA Recycling, LLC
Schneider National
Traklight.com
Universal Bio Mining
University Mechanical & Engineering Contractors, Inc.
Zivelo

Q2 Totals

Capital Investment	\$1,887,670,500
Jobs	2,690



Q3

Company

Arizona General Hospital

Asurion

CAID Industries Inc.

Duralar Technologies

Faaco Consulting Group, LLC

Haskins Electric, LLC

Infusionsoft

JDT Construction

KomTek (Arizona Cast Turbine)

Metso Copperstate, Inc.

Moria Development, Inc. dba Peoples Mortgage Company

Northwest Medical Center

NPL Construction

Quik Tek Assembly

Red Mountain Lighting & Energy Inc.

San Mar

Shutterfly

Silicon Valley Bank

Sturm, Ruger & Company - Prescott

Windpower Innovations Inc.

Q3 Totals

Capital Investment	\$318,415,462
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Jobs	3,272
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Company

- Able Engineering & Component Services, Inc.
- Aetna
- Arizona Nutritional Supplements
- ASARCO, LLC
- Asset Technology
- ATOMdesign
- Aviation Communication Surveillance Systems
- Baker Financial Management, LLC
- Bargain Storage, LLC
- BKN Management, LLC
- Cactus Semiconductor
- Cash Flow Management, Inc.
- Cobalt Rehabilitation Hospital of West Phoenix
- CSW Contractors
- Cyrus One - Chandler
- DBSI, Inc.
- Edgenuity Inc.
- Forms + Surfaces
- Hexcel Corporation
- Inteplast Group, Ltd.
- IO Data Centers - Chandler/Manufacturing Facility
- Knight Transportation, Inc.
- Labcorp
- Lockheed Martin
- North Country Healthcare, Inc.
- Prosper Marketplace, Inc.
- Reynaers Aluminium
- Securaplane Technologies, Inc.
- Southern Arizona Kart Club, Inc.
- Southwest Renewable Resources
- THAT Brewing Company, LLC
- Weebly, Inc.
- Whiting Dental

Q4 Totals

Capital Investment	\$310,187,339
Jobs	2,863



[Click on headline to learn more.](#)

MASS MUTUAL
to bring
200 NEW JOBS
to Phoenix.

Progrexion expands
credit repair business
to Phoenix,
will hire 300.

Weebly to bring
250 new jobs.

Canada-Based Leclerc Foods
USA **Invests Nearly \$50M**
On Phoenix Manufacturing
Center.

Arizona General Hospital
Scheduled to
Open in Laveen in 2015.



Gigya bringing **200**
HIGH-WAGE JOBS
to Phoenix.

CELEBRATING INDUSTRY SUCCESS

5,000
new jobs adding State Farm, the largest insurance provider in the U.S., selected Arizona as the site of one of their four regional headquarters. It will occupy approximately 1.9 million square feet of office space in Tempe, Arizona, representing a capital investment of \$600 million.

Niagara Bottling is the largest and fastest-growing American-owned bottled water company. The company is expanding their Phoenix facility to enhance its manufacturing capabilities.

\$16.5
million
capital investment

Asurion, the global leader in technology protection services, plans to invest \$12 million by the end of the year in it's newly established Phoenix, Arizona technical support center. The company is recruiting candidates to fill the open positions within the Premier Support Solutions team. The Premier Support Solutions team is on the cutting edge of new technology and focuses on providing technical assistance for mobile and electronic devices.

500
positions fill over



STRATEGIC INITIATIVES

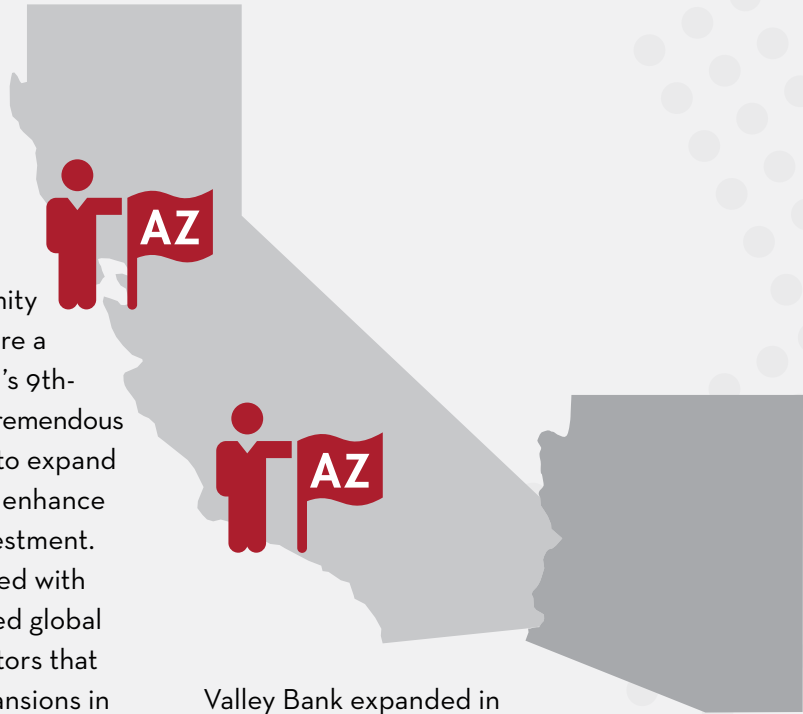
CALIFORNIA MARKETS

Arizona's geographic proximity to California - which if it were a country would be the world's 9th-largest economy - presents tremendous advantages for both states to expand business opportunities and enhance cross-border trade and investment. The ACA successfully worked with a number of California-based global giants and emerging innovators that announced large-scale expansions in Arizona that will result in thousands of new quality jobs and billions in capital investment. With two strategically-located offices supporting attraction efforts in the northern and southern regions of the state, the ACA continues to capture California opportunities.

These achievements are highlighted by significant expansions by emerging information technology companies Gigya, Weebly, and Prosper Marketplace. Additionally, Silicon

Valley Bank expanded in Arizona and committed to lend \$100 million in investment capital to Arizona's high-growth technology companies over the next five years, strengthening our entrepreneurial ecosystem.

More than 24% of projects in the ACA's business attraction pipeline originate from California, representing \$21.15 billion in capital investment with manufacturing, information technology and renewable energy among the largest industry sectors.



ACROSS THE STATE & AROUND THE COUNTRY



Print placement

- Wall Street Journal
- Bloomberg Businessweek
- Forbes
- Southwest Spirit
- Crains Chicago Business
- US Airways
- Business Journal: *Baltimore, Boston, Cincinnati, Columbus, Phoenix, Pittsburgh, Los Angeles, San Francisco and San Jose*
- Site Selection
- InBusiness
- Inside Tucson Business
- Biz Tucson
- AZ Tech Magazine
- Power Brokers
- C-Level Magazine
- Ritz Carlton Global
- USA Today



Digital execution

- Wall Street Journal
- Bloomberg
- Businessweek
- Forbes
- Business Insider
- Harvard Business Review
- Crains Chicago Business
- Ad Network
- Business Journal: *Phoenix, San Francisco and San Jose*
- USA Today
- LinkedIn
- AZ TechConnect

MARKETING AND PROMOTING ARIZONA

The strategic marketing and communications plan in Fiscal Year 2014 focused heavily on interactive marketing. In August, we completed extensive research and analysis to gauge and measure the strength of the ACA's existing web presence. From those results, we completed a comprehensive interactive strategy.

In Fiscal Year 2014, the ACA launched a new and fully optimized www.AZCommerce.com. This new website was designed and organized into three pathways: Locate, Expand, Startup. Each section of the site is customized with programs and incentives best suited for specific end users.

The results have been impressive; within the first 90 days after the new website launched, we experienced a 40% increase in site traffic and a 20% increase in the average time a user spends on the site.

In March, the ACA started an aggressive digital media campaign, which was layered on top of our national print campaign. The ACA website results exceeded expectations:

- 38,015,555 impressions
- 24,565 site visits
- .07% conversion of impressions to visits



TRANSPORTATION AND TRADE CORRIDOR ALLIANCE

THE ROADMAP

ARIZONA'S PATH TO GLOBAL MARKET EXPANSION



Transportation and Trade
Corridor Alliance



ADOT



THE TRANSPORTATION AND TRADE CORRIDOR ALLIANCE (TTCA) ROADMAP

The ACA made it a priority in Fiscal Year 2014 to sharpen Arizona's focus on capturing high-value trade and investment. After more than a year of work, the ACA, the Arizona Department of Transportation and the Arizona-Mexico Commission released the TTCA Roadmap, which established Arizona's long-term vision for maximizing Arizona's infrastructure assets and strategic advantages for global business.

The TTCA, created at the direction of Governor Jan Brewer, represents an alignment of the state's economic development and transportation efforts to create wealth and opportunity statewide. One of the key goals in the roadmap includes doubling Arizona's trade with Mexico and other global markets by 2025 with bold tactics to catalyze commerce and investment while strengthening international connectivity.

For the full publication: www.azttca.org/PDF/Roadmap.pdf

PROMOTING ARIZONA



CONFERENCES, TRADE SHOWS AND MISSIONS

AUGUST 2013

Western Canada: Sales Mission

Montreal and Toronto, Canada: Sales Mission

Bangalore and New Delhi, India: Governor's Delegation - Trade and Tourism Mission

Orange County, California: Sales Mission

San Francisco, California: InterSolar North America and SEMICON West conferences

Kansas City and St. Louis, Missouri, and Wisconsin: Midwest Sales Mission

Washington, District of Columbia: AUVSI's Unmanned Systems 2013 Conference

SEPTEMBER 2013

Amsterdam, Netherlands: CoreNet Global EMEA Summit

London, England/United Kingdom: Defense Security and Equipment International (DSEI) Convention

Monterrey, Mexico: Sales Mission and FDI Conference

OCTOBER 2013

New York, New York: C3 Summit

Philadelphia, Pennsylvania: IEDC Annual Conference

Washington, District of Columbia: Select USA

Annapolis, Maryland: National Governors Association (NGA) Policy Academy

Chicago, Illinois: Area Development Consultant Forum

Chicago, Illinois: SIOR Fall World Conference

San Diego, California: North American Competitiveness and Innovation Conference

San Diego, California: NAIOP National Conference

Washington, District of Columbia: A&D Policy Mission

NOVEMBER 2013

Taipei and Tainan, Taiwan: Governor's Delegation: Trade and Tourism Mission

Indianapolis, Indiana - Sales Mission

Dallas, Texas: Sales Mission

JANUARY 2014

New York, New York: Super Bowl, Business Marketing and Tourism

FEBRUARY 2014

San Francisco, California: U.S.-Israel Trade Summit

MARCH 2014

Vancouver, Canada: Sales Mission

San Francisco, California: Innovation is Great Forum

APRIL 2014

Vancouver, Canada: ULI Spring Meeting

Hannover, Germany: Hannover Messe

Santiago, Chile: FIDAE

MAY 2014

Atlanta, Georgia: Sales Mission

Las Vegas, Nevada: SIOR World Conference

Gaithersburg, Maryland - Manufacturing Extension Partnership (MEP) Conference

JUNE 2014

San Diego, California: BIO 2014 International Convention

Los Angeles, California: Advanced Manufacturing Outlook 2014

Hermosillo, Mexico: Arizona-Mexico Business Summit



**VANCOUVER, CANADA:
SALES MISSION - MARCH, 2014
ULI SPRING MEETING - APRIL 2014**

MARCH - In partnership with the Greater Phoenix Economic Council, the ACA conducted a sales mission with the mayors and leadership of Chandler, Scottsdale and Queen Creek, meeting with key economic development groups, elected officials, and 20 business executives in the region to drive awareness and understanding of the Arizona value proposition and programs available to Canadian companies interested in expanding to the U.S.

APRIL - The ACA attended the ULI National Spring meeting in Vancouver, engaging with nationally recognized leaders and key stakeholders in the brokerage and consulting communities. Attendance resulted in contact with more than 100 new consultants, brokers and potential clients.



**TORONTO AND MONTREAL, CANADA:
SALES MISSION
AUGUST 2013**

The ACA team met with a combination of key partners and current pipeline opportunity owners across Central Canada. In addition, meetings were held in Toronto and Montreal with U.S. Commercial Service - Select USA to better leverage the Canada/Arizona relationship.



**WESTERN CANADA:
SALES MISSION
AUGUST 2013**

The ACA conducted sales missions in Calgary, Edmonton and Red Deer County. Strategic meetings were held with key economic development groups from five communities and 20 business executives in the region to enhance awareness of Arizona and programs available to Canadian companies seeking to expand in the U.S.



**MONTERREY, MEXICO:
SALES MISSION AND FDI CONFERENCE
SEPTEMBER 2013**

In cooperation with the Green Card Fund, the ACA participated in a Sales Mission to Monterrey, Mexico, where the ACA presented the Arizona value proposition in conjunction with the Green Card Fund program and met with key stakeholders in the region.

The ACA also participated in an event hosted by the U.S. Chamber of Commerce which was attended by 150 key business leaders from the region. At the reception following the event, the ACA presented the Arizona value proposition to 25 of the stakeholders and the information was very well received.



**HERMOSILLO, MEXICO:
ARIZONA BUSINESS
RESOURCE LUNCHEON
JUNE 2014**

The ACA joined in launching the *Arizona-Sonora Business Resource Guide*, a comprehensive, statewide directory of the pivotal businesses, trade groups, economic development entities and government agencies on both sides of the border. The directory provides valuable information and economic data intended to bolster the \$11.9 billion Arizona-Sonora cross-border trade relationship.



**SANTIAGO, CHILE:
FIDAE - APRIL 2014**

The ACA led a delegation of AZ STEP companies to the most important Aerospace and Defense trade show in South America, FIDAE 2014, in Santiago, Chile.



**LONDON, ENGLAND/UNITED KINGDOM:
DEFENSE SECURITY AND EQUIPMENT INTERNATIONAL (DSEI)
CONVENTION
SEPTEMBER 2013**

The ACA attended the Defense Security and Equipment International (DSEI) in London, the world's leading Defense and Security Event, which included more than 1,500 exhibitors with a special focus on Cyber Security and Unmanned Aerial Systems. ACA representatives met with more than 20 business executives in defense and security. In addition, the ACA conducted strategic meetings with the U.S. Embassy and SelectUSA in London.



**AMSTERDAM, NETHERLANDS:
CORENET GLOBAL EMEA SUMMIT
SEPTEMBER 2013**

The ACA attended the CoreNet Global Conference in Amsterdam, which included more than 450 corporate real estate executives, site selectors, accounting firms and consultants.



**HANNOVER, GERMANY:
HANNOVER MESSE
APRIL 2014**

Hannover Messe is the world's largest fair for industrial technology. The ACA held meetings with 14 global companies to communicate the Arizona value proposition and enhance awareness of our pro-business environment.



**BANGALORE AND NEW DELHI, INDIA:
GOVERNOR'S DELEGATION - TRADE
AND TOURISM MISSION
AUGUST 2013**

Governor Brewer led a business delegation on a mission of commerce, trade and tourism to India to promote Arizona's increasingly-competitive business climate, expand investment opportunities and foster a long-term relationship with an emerging and valued trading partner. India is a Top-25 trading partner to Arizona, with more than \$81 million in trade in 2012.



**TAIPEI AND TAINAN, TAIWAN:
GOVERNOR'S DELEGATION -
TRADE AND TOURISM MISSION
NOVEMBER 2013**

Governor Jan Brewer led a delegation of Arizona business and tourism industry leaders to Taiwan as part of her continued effort to strengthen Arizona's economic ties with international trade partners and in targeted industries. Taiwan is Arizona's 9th largest trade partner and 13th largest export market for Arizona goods. The Taiwan market has key industry ties to Arizona in semiconductor and high-tech manufacturing, aerospace and defense, software and IT and renewable energy.

While in Taiwan, Governor Brewer signed an agreement of friendship with the southern Taiwanese city of Tainan. This agreement is intended to establish regular exchanges in business and tourism and includes pledges to work together on renewable energy, tourism promotion and academics.

The ACA signed a Memorandum of Understanding with the Taiwan External Trade Development Council to deepen bilateral industrial cooperation and exchange, specifically focusing on mutual strengths in targeted industries including semiconductors, medical equipment, information and communication and solar energy.

INTERNATIONAL TRADE SHOWS AND MISSIONS

**SAN FRANCISCO, CALIFORNIA:
INTERSOLAR NORTH AMERICA AND
SEMICON WEST - AUGUST, 2013
US-ISRAEL TRADE SUMMIT - FEBRUARY 2014
INNOVATION IS GREAT FORUM - MARCH 2014**

AUGUST - The ACA attended the InterSolar North America and SEMICON West conferences in San Francisco. The Intersolar North America event attracted 650 exhibitors with more than 30,000 attendees, including many manufacturers of clean energy products. The SEMICON West gathering attracted 680 exhibitors with more than 18,000 attendees, including many manufacturers of high-tech products related to the semiconductor industry.

FEBRUARY - The ACA was represented at a U.S.-Israel trade event in Northern California which included innovative startups in the mobile apps, security, power management and chip manufacturing sectors.

MARCH - The ACA made promising connections at "Innovation is Great," a British-American business forum in San Francisco. More than 30 contacts were made which included Red Hat, Genomics, and start ups iPresent and RaspberryPI.

**LAS VEGAS, NEVADA:
SIOR WORLD CONFERENCE
MAY 2014**

The ACA developed over 75 new contacts at the SIOR World Conference in Las Vegas, which was attended by more than 500 premier real estate brokers from around the globe.

**DALLAS, TEXAS:
SALES MISSION
NOVEMBER 2013**

Met with targeted stakeholders in the Dallas/Fort Worth area to increase leads in establishing and nurturing new relationships in this pipeline - one of our biggest economic development competitors, Texas.

**ORANGE COUNTY, CALIFORNIA:
SALES MISSION
AUGUST 2013**

The ACA met with key stakeholders and partners, strengthening relationships and bolstering the business pipeline. Arizona's new data center legislation was a key focus.

**LOS ANGELES, CALIFORNIA:
ADVANCED MANUFACTURING
OUTLOOK 2014
JUNE 2014**

The RevAZ team met with companies at the Advanced Manufacturing Outlook 2014 event in Los Angeles, where discussions focused on successful integration of technologies, future manufacturing technologies, growth opportunities and financing.

**SAN DIEGO, CALIFORNIA:
NORTH AMERICAN COMPETITIVENESS AND
INNOVATION CONFERENCE - OCTOBER 2013
NAIOP NATIONAL CONFERENCE - OCTOBER 2013
BIO 2014 INTERNATIONAL CONVENTION - JUNE 2014**

OCTOBER - The ACA participated in the North American Competitiveness and Innovation Conference in California, which focused on transportation and supply chain solutions for cross-border trade, fostering innovation and competitiveness in the aerospace, biotechnology, energy and automotive industries, and identifying cross-border economic development and job creation strategies.

The ACA attended the National Conference for NAIOP in San Diego. NAIOP is a national commercial real estate development association. During the conference, team members held highly successful meetings with the leading names in corporate real estate.

JUNE - The ACA marketed Arizona's bioscience and healthcare excellence and led a 30-person state delegation including Mayors Jim Lane (Scottsdale) and John Lewis (Gilbert) to San Diego for the world's largest annual biotechnology convention and exposition. BIO 2014 attracted more than 16,000 industry leaders, including nearly 2,500 CEO's, from 50 states and 70 countries.

**CHICAGO, ILLINOIS:
SOLAR POWER INTERNATIONAL
CONFERENCE AND EXPO - OCTOBER 2013
AREA DEVELOPMENT CONSULTANT FORUM -
OCTOBER 2013
SIOR FALL WORLD CONFERENCE - OCTOBER 2013**

Solar Power International Conference and Expo - the ACA held meetings with 25 business executives. The event attracted more than 15,000 renewable energy professionals and 700 manufacturers, service providers and vendors.

Area Development Consultant Forum - the ACA had exclusive access to eight nationally recognized site selectors which resulted in a number of new leads. The ACA team also had individual meetings with key brokers and site selectors.

The SIOR Fall World Conference attracts more than 5,000 brokers and agents in commercial real estate. The ACA marketed Arizona's pro-business value proposition to thousands of corporate influencers in a key geographic region.

**INDIANAPOLIS, INDIANA:
SALES MISSION
NOVEMBER 2013**

Met with targeted stakeholders in the area to increase leads in establishing and nurturing new relationships in this Midwest pipeline.

**PHILADELPHIA, PENNSYLVANIA:
IEDC ANNUAL CONFERENCE
OCTOBER 2013**

Participated in the conference, which attracted 1,500 economic development professionals. The ACA also participated in a panel that focused on best practices in transformational strategies to strengthen economic development.

**KANSAS CITY AND ST. LOUIS, MISSOURI,
AND WISCONSIN:
MIDWEST SALES MISSION
AUGUST 2013**

The ACA met with targeted stakeholders in the Midwest, primarily in Kansas City, St. Louis and throughout Wisconsin. There has been an increase in leads from the Midwest, specifically in advanced business services, and establishing and nurturing new relationships in this area increases lead generation and strengthens the pipeline.

**ATLANTA, GEORGIA:
SALES MISSION
MAY 2014**

The ACA led a sales mission to Atlanta, where the ACA was invited to present on the ACA charter and incentive programs to more than 250 brokers, site selectors and incentive managers at CoreNet Atlanta charter's largest event.

**NEW YORK, NEW YORK:
C3 SUMMIT - OCTOBER 2013
SUPER BOWL - JANUARY 2014**

OCTOBER - The ACA exhibited at the C3 Summit in New York City. The event attracted hundreds of business and government decision makers, focusing on strengthening relationships between the U.S. and Middle East, including enhancing trade opportunities. Six Arizona-based companies attended with the ACA.

JANUARY - Governor Brewer, ACA Board member and Arizona Cardinals President Michael Bidwill and the ACA met with executives during the 2014 game to share the Arizona value proposition. The Arizona delegation attending to promote our state included the Arizona Super Bowl Host Committee, the Arizona Office of Tourism, the City of Scottsdale, and the Convention and Visitor Bureaus of Phoenix, Tempe and Mesa.

**ANNAPOLIS, MARYLAND:
NATIONAL GOVERNORS ASSOCIATION (NGA)
POLICY ACADEMY - OCTOBER 2013**

The ACA was in Annapolis, Maryland at the NGA Policy Academy - Economic Development in the Clean Energy Sector. The NGA selected Arizona as one of four states to participate in this best practices academy.

**WASHINGTON, DISTRICT OF COLUMBIA:
AUVSI'S UNMANNED SYSTEMS 2013
CONFERENCE - AUGUST 2013
SELECT USA - OCTOBER 2013
A&D POLICY MISSION - OCTOBER 2013**

AUGUST - The ACA exhibited to more than 8,000 attendees of AUVSI's Unmanned Systems 2013 Conference in Washington, D.C., marketing Arizona as a recognized leader in Unmanned Aircraft Systems (UAS) training, testing and development.

OCTOBER - The ACA attended Select USA in Washington, D.C., which connects foreign and domestic investors to facilitate direct investment in the U.S. The ACA met with several international companies from a number of countries including Japan, Brazil, China, Guatemala and Norway.

The ACA, with Pima County, the City of Tucson, TREO, the UofA, Pima Community College, and representatives from private industry, spent two days in Washington, D.C., meeting with members of our Congressional Delegation, including Congresswoman Kirkpatrick, Congressman Barber, Congressman Gosar, Senator Flake and Senator McCain.

**GAITHERSBURG, MARYLAND:
MANUFACTURING EXTENSION PARTNERSHIP
(MEP) CONFERENCE - MAY 2014**

The ACA presented to a national audience representing the 60 Manufacturing Extension Partnership (MEP) centers around the country in Gaithersburg, Maryland.

DOMESTIC TRADE SHOWS AND MISSIONS



ENCORE

THE STORE

NORTH PALM

CHOOSE SCOTTSDALE
A COMMUNITY OF OPPORTUNITIES

LOCAL ADVANTAGE
www.choosescottsdale.org


PHOENIX

MEXICO

FOX

FOX

AS COURTE



Aviation Week: Participated in the Annual Aviation Week A&D Programs conference in Phoenix. Aviation Week is the largest information and services provider to the global commercial, defense, maintenance/repair/overhaul (MRO), space and business aviation communities, and it plays a critical role in connecting industry professionals worldwide.

Governor's Economic Development Conference: Hosted the ACA's annual Governor's Economic Development Conference in Flagstaff, which assembled Arizona's public and private-sector leadership to discuss economic development strategies and partnerships that strengthen Arizona's overall economy.

World Trade Forum: Participated in the Forum event in Scottsdale, which attracted companies engaged in foreign trade and investment, service providers, attorneys, economic developers and financiers.

CleanTech Future Conference: Assembled at the ACA nearly 30 global industry experts to speak at the second annual CleanTech Future Conference.

Governor's Celebration of Innovation: Governor Brewer, the ACA and the AZ Tech Council honored this year's award recipients at the Governor's Celebration of Innovation. The event attracted more than 1,000 attendees and honors technology leaders and innovators from across the state.

ARIZONA TRADE SHOWS AND MISSIONS

ENHANCING PROGRAMS AND SERVICES



ARIZONA STATE TRADE AND EXPORT PROMOTION (AZ STEP) PROGRAM

The [AZ STEP](#) program, which provides expertise to Arizona companies for operating in foreign markets, was extended by the U.S. Small Business Administration (SBA). The program continued to demonstrate significant success assisting Arizona small businesses grow their revenues and diversify their customer bases through international sales. AZ STEP leverages grant funding from the SBA with matching funds contributed by the ACA to assist companies as they export for the first time or export into new markets.

AZ STEP is ranked No. 2 in the country for enrollment with 240 companies from 30 cities and towns (urban and rural). AZ STEP companies are currently reporting over \$44 million in program-related export success - more than tripling the program's ambitious expectations. The program is now assisting companies exporting to 82 countries, with the Top 10 export success destinations being Mexico, Canada, UK, Germany, Australia, Japan, India, China, South Korea and Brazil.

AZ FAST Grant Program - Four Rounds of Grants since February 2012

- Awarded 87 Companies
 - Over \$244,000 Leveraged Funds,
 - \$666,512 Awarded Funds,
 - 9 Innovation in Manufacturing Scope of Work Awards
-

ARIZONA FEDERAL AND STATE TECHNOLOGY (AZ FAST) GRANT

The ACA selected 38 recipients for two rounds of the AZ FAST Grant, a highly competitive grant program that provides qualified Arizona-based, early stage technology companies with intensive training and technical assistance to help them commercialize their innovations, grow their businesses and create quality jobs. These awards totaled \$312,450 plus an additional \$244,000 in leveraged funds from participating partners.

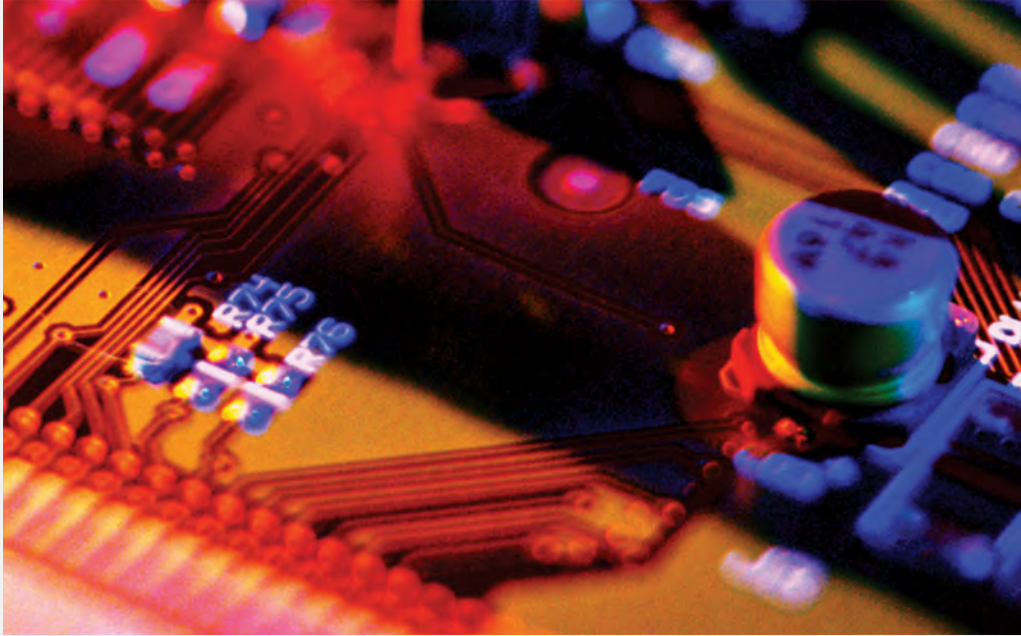
More than 110 Arizona small businesses applied for these rounds of the AZ FAST Grant program and awardees represented a variety of target industries.

“I can honestly say the AZ FAST Grant really helped us get over the hump. We used our last AZ FAST Grant for commercialization strategy development, and that went directly into our federal proposal.”

Joe Marvin, Founder and President, Prime Solutions Group

2014 AZ FAST Grant Recipients

- Arbsource, Tempe - Bio/Life Science (2)
- Avelis Biotech, Scottsdale - Bio/Life Science
- Aztera, Tucson - CleanTech
- Arizona Medical Systems, Peoria - Bio/Life Science
- Cyclone ADG, Tucson - Aerospace/Defense
- Elliptical Mobile, Chandler - Advanced Manufacturing
- Engineering Science Analysis Corp., Tempe - Aerospace/Defense
- GammaTile, Phoenix - Bio/Life Science
- Grannus, Tucson - Cleantech/Renewable Energy
- High Tech Materials Source, Chandler - Advanced Materials
- Hildeez Enterprises, Peoria - Bio/Life Science
- JanTes, Fountain Hills - Bio/Life Science
- Kulira, Peoria - Bio/Life Science
- MediCoventures, Peoria - Bio/Life Science
- Movement Interactive, Laveen - Bio/Life Science
- MSDx, Tucson - Bio/Life Science
- NeuroEM Therapeutics, Scottsdale - Bio/Life Science
- Poppy Pocket, Mesa - Bio/Life Science
- Power Gold, Phoenix - Advanced Manufacturing
- Prime Solutions Group, Goodyear - Aerospace/Defense (2)
- QuantTera, Scottsdale - Advanced Materials (2)
- Rarus Innovations, Scottsdale - IT-Software
- Rehnu, Tucson - CleanTech
- Saccadous, Scottsdale - Bio/Life Science
- Science Tomorrow, Phoenix - Advanced Manufacturing
- Score Algae, Scottsdale - Cleantech/Renewable Energy
- SiO₂ Nanotech, Phoenix - Advanced Materials (2)
- StatTransfers, Flagstaff - IT-Software (2)
- Sundial Energy, Tucson - CleanTech
- Traklight.com, Phoenix - IT-Software
- Verve, Peoria - Bio/Life Science
- Vicinity Health, Chandler - Bio/Life Science
- YourLabs, Tucson - IT-Software



P^{III} PLAYBOOK

The [P^{III} Playbook](#) is an ACA program providing training and technical assistance to enable high-growth potential, small technology firms to compete more effectively for federal SBIR/STTR Phase I and II awards and ultimately commercialize their innovations in Phase III.

The P^{III} Playbook prepares business owners – especially women, socially and economically disadvantaged and veteran owners – to compete more effectively through state-of-the-art proposal development workshops and one-on-one coaching. Four workshops have been held to date with 23 companies. Additional resources are under development through a 2013 SBA FAST Grant of \$95,000 with an additional \$80,000 available in matching funds and in-kind services. Future programming will include:

- Technology Roadmap and IP (SBIR Data Rights) training with top IP and SBIR experts in the country from Washington, D.C.
- SBIR/STTR Program Manager panel discussions
- Strategic partner workshops
- Webinars
- National SBIR/STTR Conference registration reimbursement
- Website Resource Center with supporting references to sites, consultants, library resources, training modules and more.

PARTNERS



ARIZONA INNOVATION ACCELERATOR FUND (AIAF) LOAN PARTICIPATION PROGRAM

The [AIAF Program](#) has deployed approximately \$9,500,000 in funding since its inception, providing loans to 26 companies while helping to create nearly 1,000 jobs. In Fiscal Year 2014, the AIAF Program funded a number of significant deals, including:



Kirin Manufacturing: prototype manufacturer that designs and fabricates products for medical companies and customers in the Aerospace and Defense industry. The company serves more than 50 OEMs in the U.S. and abroad. With the assistance of the AIAF Program, the company purchased a 15,500-square-foot commercial plant in Tucson where it added two production lines to keep pace with orders from B/E Aerospace and industry giant Airbus – work that was previously performed by overseas manufacturers. The company’s Tucson expansion has allowed it to sustain its quick turnaround advantage over manufacturers in China – and, therefore, attract more work that will be performed here in Arizona. Total lending consisted of two rounds of funding totaling \$1,250,000, with \$374,500 through the AIAF Program and an \$875,500 match from the private sector.

Composite Mirror Applications: specializes in the design, prototype, and manufacture of optical systems for the intelligence, surveillance, and reconnaissance optics and systems markets. The company has received an industry award for its super collider facility and one of its products is featured on board the international space station. Total lending consisted of \$499,000, with \$249,000 through the AIAF Program and a \$250,000 match from the private sector. This was the first loan collaboration with Arizona Multibank Community Development Corporation.

Traklight.com: provides online services and tools that help entrepreneurs, inventors, and small businesses understand, identify, and protect their intellectual property. The AIAF Program participated in a \$250,000 line of credit, which the company used to launch a new version of its software.

Atom Design: full service product development and design firm specializing in the commercialization of emerging technologies and markets, with clients including Honeywell, TASER International, Dial Corporation, Hamilton Beach, Herman Miller, HP, and Motorola. The company has received numerous international awards including the 2011 IDEA Award, 2012 Good Design Award, and the 2012 iF DESIGN AWARD. The AIAF Program participated in a \$100,000 line of credit, which the company is using to expand the business and hire new employees.



WORKFORCE COUNCIL/SECTOR STRATEGIES

The ACA's workforce team, together with the Arizona Workforce Council, have identified best practices and implemented strategies to ensure industry workforce needs are addressed throughout the state. The launch of Industry Sector Partnerships as a key strategic initiative has aligned state resources to help businesses and available talent connect to fulfill quality jobs in Arizona. Two of the most significant industry partnerships formed are in the manufacturing and healthcare sectors.



This fiscal year, the ACA held two Industry Summits to advance partnership development in additional sectors.

In December, an Aerospace & Defense Summit gathered over 60 companies, educators and community partners to discuss workforce needs. Resulting actions included:

- Establishing Arizona's Manufacturing Aerospace & Defense Sector Internship Connections - a LinkedIn platform to connect students and veterans.
- Launching a marketing campaign to promote a world-class image of manufacturing.
- Establishing Arizona Manufacturing Partnership (AMP) to connect education and industry.

In June, an Information Technology Summit assembled more than 60 companies, educators and community partners. Next steps include working with industry leaders to identify strategies to strengthen this industry to maximize its competitive potential for the state.



STRENGTHENING
ADVANCED MANUFACTURING

STRENGTHENING MANUFACTURING IN ARIZONA

The ACA launched RevAZ, the state's Manufacturing Extension Partnership center focused on strengthening Arizona's small- and medium-sized manufacturers by providing technical expertise to assist companies to innovate and grow. Additionally, in October, the ACA rolled out Arizona Manufacturers Month, an initiative with the Arizona Governor's Office and partners, to promote Arizona's manufacturing industry and demonstrate its impact to the statewide economy. To support export-based manufacturers, the ACA also launched its ExporTech program, which provides boot camps and coaching sessions to help companies develop an international export plan to enter new markets.



ADVANCED MANUFACTURING JOBS AND INNOVATION ACCELERATOR CHALLENGE (AMJAC) GRANT

The ACA continues to use its \$1.8 million multi-agency federal grant through the Advanced Manufacturing Jobs and Innovation Accelerator to catalyze and leverage private capital needed to advance Arizona’s well-established A&D cluster and to fuel job creation through public-private partnerships in Southern and Central Arizona. Over three years, the ACA will enhance coordination of industry, academic, military and public leadership efforts to:

- Strengthen the region’s A&D cluster
- Promote exports among existing aerospace companies to targeted international markets
- Help small-and medium-sized A&D manufacturers in the region.

ENERGY REDUCTION GRANT

The ACA Energy Reduction Grant Competition helps small- and medium-sized A&D manufacturing businesses reduce energy consumption in the manufacturing process and relate those energy consumption improvements to bottom-line savings.

In January, the ACA made awards totaling \$320,892 to Blackerby Associates for a lean energy project with Accuwright Industries (Gilbert), and to the University of Arizona (UofA) for its work with Sargent Aerospace (Tucson) to develop smart sensing controls and simulation programs.



ARIZONA MANUFACTURING ON THE AIRWAVES

ARIZONA HIGHWAYS TELEVISION

The ACA partnered with Arizona Highways Television to produce a 30-minute television episode highlighting Arizona's advanced manufacturing industry. The episode featured a variety of manufacturers including Nichols Precision, Kahtoola, Pivot Manufacturing, and Frito Lay.

To See the Full Episode:



COX COMMUNICATIONS

The ACA partnered with Cox Communications, Maricopa Community College, and the Arizona Manufacturing Partnership to underwrite the production and airtime of two television shows focused on advanced manufacturing: *LaunchPoint* and *The Edge Factor*.

LaunchPoint: A 12-episode series taking a close-up look at young adults working in the manufacturing industry includes features on three young adults in Arizona. The series focused on life stories, taking them from the time they were in high school, to working at a local company, and the trials and challenges they faced along the way. It directly addresses the “How do I pursue a career in manufacturing?” question, providing educators and guidance counselors a promotional tool demonstrating a clear pathway into the industry.

The Edge Factor: Comprised of 12 unique, innovative, and engaging episodes designed to excite students, parents, and young adults, as well as inspire them to pursue a career in manufacturing. It tracks individual stories, such as the thrilling tale of the manufacturer who developed the equipment necessary to extricate the 33 trapped miners at the Copiapó mine in Chile, along with two episodes that feature start up companies in Arizona. It shows how manufacturing isn't just the mundane assembly line style work of yesteryear, but stands on the cutting edge, creating products and solutions that shape our everyday lives.



- 790 thirty-second weekly sponsorship tune-ins on Cable, Direct TV and Dish Network
- Targeted add campaign, at key times, and on key networks, for households with families with children between the ages of 12-17
- 1.6 million impressions

An aerial photograph of a town at dusk, with warm orange and pink light from the setting sun illuminating the scene. The town is nestled in a valley, surrounded by lush green trees. In the background, large, rugged mountains with distinct red rock formations rise against a cloudy sky. The town's lights are visible, and the overall atmosphere is serene and picturesque.

STRENGTHENING RURAL ARIZONA

“The award to Coolidge couldn’t have come at a better time since a major local employer, Stinger Bridge and Iron, was contemplating an expansion or potential move. The grant funding provided a tremendous advantage to keeping the company and its 120 jobs in the city. As a result, Stinger will build a larger 125,000-square-foot steel girder fabrication facility in Coolidge with an anticipated capital investment of \$4.5 million and 20-30 additional jobs.”

Rick Miller, Growth Management Director, City of Coolidge

RURAL ECONOMIC DEVELOPMENT

Arizona's rural communities have varied and distinct needs that differ greatly from each other, and from those in urban areas. However, these communities share at least one commonality: the need for quality infrastructure. Recognizing that this is a key factor in job growth, the ACA administers the Rural Economic Development Grant (REDG) which is designed to help rural communities develop infrastructure that strengthens their capacity and competitiveness for economic growth. This ultimately improves economic conditions and quality of life in rural Arizona. To that end, REDG provides funding for qualifying rural infrastructure projects that will generate private sector job creation or retention and capital investment, particularly in base industries.

In Fiscal Year 2014, the ACA awarded \$2.73 million to six REDG recipients.

- **City of Coolidge** **\$369,156**
 - Randolph Road Improvement
- **City of Globe** **\$360,000**
 - Sewer Line Infrastructure
- **Mohave County** **\$500,000**
 - Griffith Industrial Park
- **City of Nogales** **\$500,000**
 - Extreme Water Pressure Zone Water Tank
- **Town of Prescott Valley** **\$500,000**
 - Enterprise Parkway Improvement
- **Yuma County** **\$500,000**
 - Magrino Industrial Park Road



ADVANCING INNOVATION
AND ENTREPRENEURSHIP



ARIZONA'S INNOVATION ECOSYSTEM

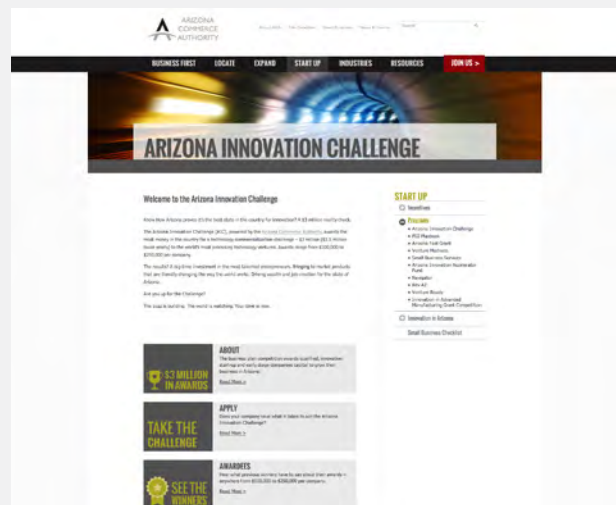
In Fiscal Year 2014, the ACA launched new programs to strengthen Arizona's innovation ecosystem, connecting the state's growing presence of startup accelerators, incubators, maker spaces and funding sources. The ACA is leading the charge to connect science and technology-based entrepreneurs and innovators with information regarding the suite of statewide programs that include the Arizona Innovation Challenge, Venture Ready, AIAF, AZ Fast and P^{III} Playbook.

It has enabled us to complete the SMARTDelivery™ Platform, finalize its patent application and take it to market throughout the western U.S. Without the grant and other programs offered by the ACA, **Delivery-IT would not be as successful as we are today.**”

Brian Houston, Co-founder and CEO, Delivery-IT

ARIZONA INNOVATION CHALLENGE (AIC)

In Fiscal Year 2014, the ACA announced a total of 12 recipients who are developing innovations with potential global impacts. The AIC is a highly competitive technology commercialization challenge that awards one of the largest sums of money in the country for a business plan competition – \$3 million annually (\$1.5 million in the spring and \$1.5 million in the fall). Awardees represent ACA-targeted industries that demonstrate the greatest potential for wealth and job creation, including the life sciences, information technology, advanced materials and advanced manufacturing industries. Awardees are required to commercialize their technology within 12 months.



Since the programs inception, the ACA's AIC **has awarded a total of 36 winning companies \$8.88 Million.**

- **ALL ROUNDS:** 1,130 applications received from 771 companies through 6 rounds of competition.
- **LAST 5 ROUNDS:** the following % of applications were received per industry segment:
 - > IT-Software: 50%
 - > Bio & Life Sciences: 21%
 - > Cleantech/Renewable Energy: 12%
 - > IT-Hardware: 6%
 - > Advanced Manufacturing: 6%
 - > Advanced Materials: 3%
 - > Aerospace & Defense: 2%

AIC AWARD RECIPIENTS

FALL 2013

[Clear Demand](#), Scottsdale, AZ (IT-Software): Clear Demand is the developer of a retail pricing solution that synchronizes and optimizes prices, promotions and markdowns of products online and in-store. This solution produces a consistent brand and shopping experience for customers and helps retailers establish competitive pricing to increase revenues and improve their operating margins.

[Contatta](#), Scottsdale, AZ (IT-Software): Contatta is the developer of a cloud-based software solution that brings together all the ways one makes contact into a single, intuitive email application that can be used anywhere, on any device. This solution streamlines how businesses sell, communicate, collaborate, work and make contact with their customers and clients.

[Delivery-IT](#), Phoenix, AZ (IT-Software): Delivery-IT is the developer of a same-day delivery management platform that enables brick-and-mortar retailers to provide their customers with same-day delivery services from their local stores or distribution centers.

[Photon Medical Communications](#), Phoenix, AZ (IT-Software): Photon Medical Communications is the creator of Photon, a HIPAA-compliant communication platform that uses push-notification technology to contact on-call physicians through their mobile smart devices. This platform securely delivers a complete package of electronic medical records, high-resolution images, diagnostics, ER notes and test results that allows physicians to share confidential patient information to improve patient outcomes.

[Recoleta Digital Media](#), Tucson, AZ (IT-Software): Recoleta Digital Media is the creator of a Personal Grocery Circular system designed to help grocers showcase their product offers to loyalty card members. This digital platform aggregates and presents 150 individually relevant discount offers to shoppers and allows them to access weekly deals and digital coupons via email link, mobile smart devices and grocer websites.

[Yolia Health](#), Peoria, AZ (Bio-Life Sciences): Yolia Health is the creator of a non-invasive, five-day eye treatment that corrects presbyopia, an age-related condition affecting people older than 40 from reading or doing close-up work without corrective lenses. The company's True Vision Treatment combines customized contact lenses with specially formulated eye drops to modify a patient's cornea, leading to corrected vision for up to one year per treatment.

SPRING 2014

[Amber Alert GPS](#), Scottsdale, AZ (IT-Hardware): Alert GPS is the developer of a Cellular/GPS Smart Locator, Smartphone Apps and a Cloud Service intended to keep families safe and connected anywhere in the world. The technology enables two-way cellular phone communication, continuous GPS tracking and customizable alerts.

[EndoVantage](#), Paradise Valley, AZ (Bio-Life Sciences): EndoVantage is the developer of a medical computer simulation platform that enables pre-surgery planning that improves treatment quality, patient care and decreases cost. The technology also can be used by medical device companies in product research, development and sales.

[LawLytics](#), Tucson, AZ (IT-Software): LawLytics is the creator of a software suite that empowers lawyers to maximize online marketing dollars in a safe, intuitive and fully supported environment. Designed by lawyers for the legal industry, it allows firms to control their websites, blogs and social media from a single control panel.

[Picmonic](#), Tempe, AZ (IT-Software): Picmonic is the developer of technology designed to help students master content through the use of an interactive online audiovisual learning system that delivers scientific memory techniques through art, audio instructions and textual overviews, brought together with cohesive stories.

[Triton Microtechnologies](#), Oro Valley, AZ (Advanced Manufacturing): Triton Microtechnologies designs and manufactures Through Glass Via (TGV) Technology that enables customers to integrate electronic circuits into glass, and allows them to scale from single quantities to millions of parts.

[World View Enterprises](#), Tucson, AZ (Aerospace-Defense): World View Enterprises is the developer of high-altitude balloon technology that will provide trips to near space for tourism, research, and industry uses. A sealed capsule carries eight people to 100,000 feet to see the earth from the edge of space or to perform research. The unmanned balloons can carry payloads for communications, surveillance, research, and can launch microsatellites.

VENTURE READY

The ACA has graduated five companies from its [Venture Ready](#) mentor program. Venture Ready connects Arizona talent with its incredibly rich resources, partnering an entrepreneur with a seasoned CEO to coach the entrepreneur through a series of rigorous panels that result in a stronger business model. The program is part of a collaborative effort to create winning companies while retaining and developing entrepreneurial talent in the state of Arizona.

The program has 14 companies in the pipeline, five of which are recipients of the ACA's AIC. The program anticipates that these companies will graduate by the end of Fiscal Year 2015. Infra-Tect, an AIC winner and a company in the Venture Ready pipeline, has completed the challenging panels of Intake, Marketing and Finance. This positions them to prepare for their dry-run and onto the final panel, graduation. Once graduated, the company will be considered "Venture Ready" suitable and ready for investment from venture capital, angel investors or corporate investors.

Venture Ready continues to attract participating early stage entrepreneurs as well as coaches from the CEO community.



“More than anything, *Venture Madness* gave us exposure. We haven’t had a lot of community marketing or outreach because we’ve been developing the business for the last three years and the event allowed us to increase the awareness of who we are and what we do.”

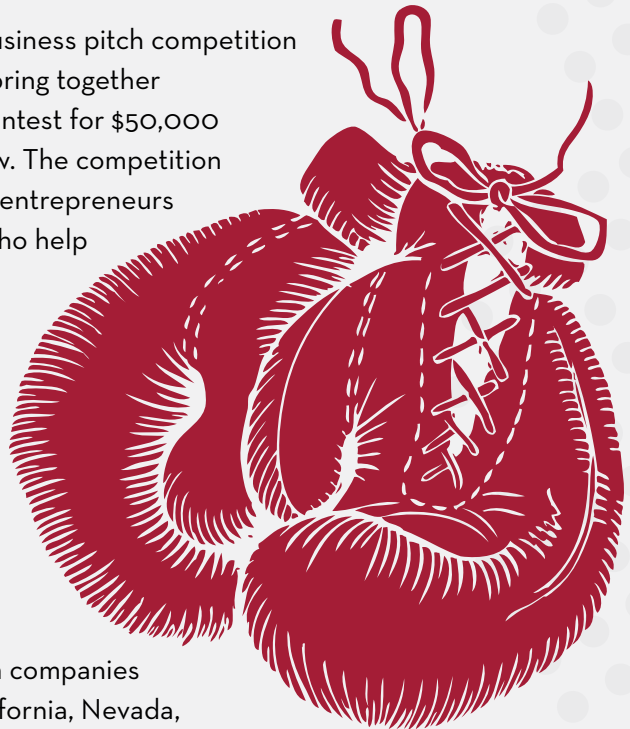
Gabriel Hyams, President and Executive Director, Pinnacle Transplant Technologies

VENTURE MADNESS

The ACA launched Venture Madness, a business pitch competition in coordination with Invest Southwest, to bring together the Southwest’s startup community in a contest for \$50,000 in cash prizes to help their businesses grow. The competition celebrates the intersection of our boldest entrepreneurs and the investors and business partners who help bring their dreams to market.

Venture Madness pitted 64 of the most promising startup companies against one another in a March Madness bracket-style, head-to-head business pitch competition. There are 32 spots in the competition reserved for companies that applied for the AIC.

- Venture Madness attracted interest from companies not only from Arizona, but also from California, Nevada, Utah, Colorado, New Mexico, Oklahoma and Texas.
- The final Venture Madness event was attended by more than 225 people representing startups, venture capital firms, angel investment groups, incubators/accelerators, and many supporting organizations.
- On March 7, the 2014 Venture Madness Champion and 3 runner-up finalists were announced.
 - > **2014 Champion:** Pinnacle Transplant Technologies
 - > **1st runner-up:** Contatta
 - > **2nd runner-up:** ReplyBuy
 - > **3rd runner-up:** Clear Demand



ARIZONA FURNACE

Five newly-formed startup companies were selected to participate in the [Arizona Furnace Technology Transfer Accelerator](#), a startup accelerator designed to launch new companies created from intellectual property licensed from Arizona's premier research institutions.

Arizona Furnace aims to improve the technology-transfer process for Arizona's public and private research institutions and make it easier for entrepreneurs to access research discoveries and intellectual property. It is a public-private partnership among the ACA, BioAccel and the technology transfer offices of Arizona State University (ASU), Dignity Health, UofA, Mayo Clinic and Northern Arizona University (NAU).

The companies in this cohort are commercializing technologies licensed from ASU, Mayo Clinic and NAU.

- **Mythril Bioplastics:** Turns sequestered CO₂ into bioplastic using sunlight and a modified strain of cyanobacteria. The company's mission is to help responsible industries eliminate CO₂ emissions at the source by transforming the emissions into a usable and trackable bioplastic product.
- **NextPotential:** Converts CO₂ emissions from utility companies into clean burning natural gas, which substantially decreases greenhouse gas emissions and provides a constant source of renewable energy. The technology provides a way for companies to continue to burn fossil fuels while saving billions of dollars and substantially mitigating the harmful environmental effects of CO₂ emissions.
- **Proximo Solar:** Offers a novel method to greatly reduce the cost of wafered single-crystal semiconductors. The company uses a high-powered laser processing technique called laser wafering, which replaces the time-consuming and high-waste method of wire sawing currently used in the laser-machining and semiconductor-wafering markets.
- **Saccadous:** Uses eye-movement technology to diagnose patients suffering from neurological diseases. This noninvasive technology enables physicians and clinical researchers to accurately diagnose, track and treat these diseases.
- **SCORE Algae:** Produces and sells crude oil made from algae using solar energy.

PARTNERS



SCIIVAL EXPERTS: EXPANDING ARIZONA'S R&D CAPACITY

The ACA partnered with the Arizona Board of Regents to unveil SciVal Experts, an online database providing real-time access to research occurring within Arizona's university system. This is part of a strategic effort to strengthen Arizona's global competitiveness by doubling total university research expenditures to \$2 billion annually by 2020.

SciVal is designed to attract additional R&D investment to the state, as well as spur new technology transfer and commercialization opportunities with private sector partners by encouraging collaboration between academia and private industry. It provides fresh opportunities to university researchers, students, innovative companies, industry leaders and entrepreneurs seeking to access the scholarly work taking place at ASU, NAU and UofA.



ARIZONA SCITECH FESTIVAL

The Arizona SciTech Festival, anchored at the ACA, held more than 400 events across the state in February and March, and is one of the nation's largest celebrations of science, technology and innovation. The ACA, with the support of foundational partners including the Arizona Board of Regents, Arizona Science Center, ASU, the Arizona Technology Council Foundation, and the UofA, in addition to contributions from industry, academia, arts, civic, and community leaders, continues to strengthen and broaden the statewide reach of the festival.

- 18 regional community initiatives (*125% increase year-over-year*)
- 450+ collaborators engaged (*20% increase year-over-year*)
- 320,000+ estimated total attendance (*20% increase year-over-year*)



MANAGING FINANCIAL
INCENTIVES



MANAGING FINANCIAL INCENTIVES

The ACA administers many of the state's bottom line-improving tax incentive programs available to Arizona businesses. From grants to tax credits to exemptions and refunds, Arizona boasts some of the most powerful economic development tools in the nation for attracting and retaining businesses. In Fiscal Year 2014, our team administered more than 900 new applications. The following includes a recap of the benefits provided to eligible businesses.

INCENTIVES

[Angel Investment Income Tax Credit Program](#)

[Arizona Competes Fund](#)

[Commercial/Industrial Solar Energy Tax Credit Program](#)

[Computer Data Center Program](#)

[Healthy Forest Program](#)

[Job Training Program](#)

[Military Reuse Zone Program](#)

[Private Activity Bonds](#)

[Qualified Facility Tax Credit Program](#)

[Quality Jobs Tax Credit Program](#)

[Refundable Research & Development Tax Credit Program](#)

[Renewable Energy Tax Incentives Program](#)

ANGEL INVESTMENT INCOME TAX CREDIT PROGRAM – FY14

Approved Investor Applications	99
Unique Investors Receiving Tax Credits	91
Companies Receiving Accreditation	58
Investors' Investment in Accredited Companies	\$9,406,639
Accredited Companies Receiving Investments	28
Tax Credits Approved	\$2,047,275
Fiscal Year End Cap Remaining for Allocation	\$3,866,113
Total Applications Processed	203

Note: Companies accredited under the Angel Investment Program in FY14 employ 336 FTEs with average annual wages of \$64,558.

¹ For purposes of this section (pp. 56 - 63) total applications processed represents the aggregate number of applications that were approved, denied, or are pending awaiting the receipt of additional information as well as, if applicable, required program progress reports that were submitted and reviewed.

ARIZONA COMPETES FUND

Companies Receiving ARS § 41-1545.02(A)(1) Grant Commitments	4
Programs and Projects Receiving ARS § 41-1545.02 (A)(2) Grant Commitments	2*
Total Grant Commitments (ARS §§ 41-1545.02(A)(1) and (A)(2) grant commitments payment of which is subject to achievement of performance standards)	\$10,029,156
Projected New Jobs (ARS § 41-1545.02(A)(1) Grants) (3 years)	2,217
Projected Average Annual Wages (ARS § 41-1545.02(A)(1) Grants)	\$66,152
Projected Capital Investment (ARS § 41-1545.02(A)(1) Grants) (3 years)	\$30,538,333

* ARS § 41-1545.02(A)(2) programs and projects receiving grant commitments during FY14, include(i) the Rural Economic Development Grant Program (\$2,729,156), and (ii) the Arizona Innovation Challenge Program (\$3,000,000).

COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT PROGRAM

Approved Applications	44
Unique Companies Receiving Tax Credits	34
Total Tax Credits Approved	\$781,261
Capital Investment (Total cost of solar devices)	\$29,473,231
Total Applications Processed	109

COMPUTER DATA CENTER PROGRAM

Computer Data Centers Certified	8
Projected Capital Investment	\$200,000,000*
Prior Years Capital Investment	\$1,239,176,088**
Projected New Jobs	83
Retained Jobs	1,892
Average Annual Wage	\$84,186
Colocation Tenant Certifications	16
Total Applications Processed	26

* A “new” CDC must make a capital investment of at least \$50 million within 5 years following certification in order to retain its certification; amount indicated does not reflect sums that would exceed the \$50 million minimum threshold.

** An “existing” CDC was required to make a capital investment of at least \$250 million between 2007 and 2013 in order to receive its certification; amount indicated does not reflect additional capital investment made after certification.

HEALTHY FOREST PROGRAM

Companies Receiving Accreditation	7
Incentives Received (TPT exemptions, property tax reclassification, and income tax credits)	\$43,559
Total Applications Processed	8

Note: Companies accredited under the Healthy Forest Program in FY14 employ 204 FTEs with average annual wages of \$34,603.

JOB TRAINING PROGRAM

Companies Receiving Grant Commitments	52
Aggregate Training Budgets of Grantees	\$36,096,593
New Employees to be Trained	5,820
Average Annual Wage of Employee-Trainees	\$50,918
Total Grant Commitments	\$14,643,451
Total Applications Processed	320

MILITARY REUSE ZONE PROGRAM

Companies Receiving Assistance	4
Incentives Received (TPT exemptions, property tax reclassification and income tax credits)	\$1,221,584
Capital Investment (TPT contract amount)	\$18,254,937
Total Applications Processed	7

Note: Companies receiving assistance under the MRZ Program in FY14 employ 837 FTEs with average annual wages of \$102,563.

PRIVATE ACTIVITY BONDS

Companies Approved for Allocation	3
Bond Capacity Allocated	\$105,763,832
Bond Capacity Closed	\$76,500,000
Total Applications Processed	10

QUALIFIED FACILITY TAX CREDIT PROGRAM*

Applications Receiving Pre-Approval	4
Projected Tax Credits	\$3,818,982
Applications Receiving Post-Approval	0
Total Tax Credits Receiving Post-Approval	0
Projected Capital Investment	\$48,574,824
Total Applications Processed	10

* By statute, this program reports on a calendar year. The information provided here represents data reflected in the program's calendar year 2013 report.

QUALITY JOBS TAX CREDIT PROGRAM

Applications Receiving Post-Approval	20
Unique Companies Receiving Tax Credits	19
Total Tax Credits Approved	\$6,339,000
New Jobs	1041
Retained Jobs (2nd and 3rd year continuing jobs)	1072
Post-Approval Capital Investment*	\$53,000,000
Average Annual Wage	\$53,316
Applications Receiving Pre-Approval	25
Unique Companies Receiving Pre-Approval	25
Total Tax Credits Pre-Approved	\$16,530,000
Projected New Jobs	5,510
Pre-Approval Projected Capital Investment*	\$96,000,000
Projected Average Annual Wage	\$58,102
Total Applications Processed	55

* By statute, a capital investment of at least \$5 million for metro area/\$1 million for rural area is required for eligibility in the Quality Jobs Tax Credit Program. The amount of the actual capital investment above that threshold is confidential.

REFUNDABLE RESEARCH & DEVELOPMENT TAX CREDIT PROGRAM

Companies Receiving Tax Credits	42
Total Tax Credits Approved	\$5,000,000
Aggregate R&D Expenditures of Companies Receiving Tax Credits	\$61,001,952
Total Applications Processed	63

Note: Companies receiving tax credits under the Refundable R&D Program in FY14 employ 1,082 FTEs with average annual wages of \$75,123.

RENEWABLE ENERGY TAX INCENTIVES PROGRAM*

Applications Receiving Pre-Approval	1
Projected Tax Credits	\$351,000
Applications Receiving Post-Approval	1
Total Tax Credits Post-Approved	\$1,633,333
Projected Capital Investment	\$24,864,439
Total Applications Processed	2

* By statute, this program reports on a calendar year basis. The information provided here represents data reflected in the program's calendar year 2013 report.

Financial Programs Eliminated by Statute
(in wind-down phase - closed to new applicants):

ENTERPRISE ZONE - INCOME TAX CREDITS	
Approved Applications	26
Unique Companies Receiving Tax Credits	15
Total Tax Credits Approved	\$984,607
Retained Jobs	786
Average Annual Wages	\$68,660
Capital Investment	\$38,759,745
Total Applications Processed	31

ENTERPRISE ZONE - PROPERTY TAX RECLASSIFICATION	
Accredited Locations	38
Unique Companies Receiving Accreditation	37
Capital Investment	\$473,557,917
Total Applications Processed	50

Note: Companies receiving property tax reclassification under the EZ program in FY14 employ 2,814 FTEs with average annual wages of \$34,583.

ENVIRONMENTAL TECHNOLOGY MANUFACTURER'S ASSISTANCE	
Accredited Companies Claiming Incentives	4
Total Incentives Reported (Tax credits, TPT and use tax exemptions and property reclassification)	\$22,853,683
Capital Investment	\$56,140,485
Total Applications Processed	7

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arizona Commerce Authority
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the The Arizona Commerce Authority (a component unit of the State of Arizona), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the The Arizona Commerce Authority (a component unit of the State of Arizona) as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, on our consideration of The Arizona Commerce Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arizona Commerce Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 21, 2014

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The following is a discussion and analysis of the Arizona Commerce Authority's ("Authority") financial performance for the fiscal year ended June 30, 2014. This discussion is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position.

The Management's Discussion and Analysis ("MD&A") focuses on the fiscal year activities from July 1, 2013 through June 30, 2014, resulting changes, and known facts. It is important to note that the period July 1, 2013 through June 30, 2014 represents only the third fiscal year for the Authority which replaced the now sunset Arizona Department of Commerce on July 1, 2011.

This MD&A is an introduction to the basic financial statements of the Authority, which are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

The Government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Authority as a whole using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables.

The Fund Financial Statements provide detailed information about the individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to keep track of specific sources of revenues and disbursements for specific purposes. The Special Revenue governmental funds are reported as separate columns in the Fund Financial Statements.

USING THIS FINANCIAL REPORT

This financial report consists of a series of financial statements. The Statement of Net Position, Statement of Activities, Balance Sheet - Governmental Funds, Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position, Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds, and Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities. Accordingly, the financial statements presented in this Annual Report are the required basic financial statements in accordance with the provisions of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

AUTHORITY HIGHLIGHTS

Arizona Commerce Authority Job Training Program - The Authority approved 52 new Job Training applications with a commitment base of \$14,643,451. These commitments will be used to fund the training of new employees, as well as, additional capital investments over the next two years.

Arizona Competes Fund - The Authority contractually committed Arizona Competes Fund grants totaling \$10,029,156 in the following three different grant programs; \$4,300,000 in attracting, expanding, or retaining Arizona basic enterprise, \$3,000,000 in supporting and advancing programs for rural businesses, and \$2,729,156 in supporting and advancing programs for small businesses. These commitments will be used to produce additional jobs, fund project location decisions, and increase capital investment over the next three years.

REVENUES

Intergovernmental Revenue - The Authority received \$20,163,314 in Intergovernmental revenue that consists of (a) \$12,637,422 from the Arizona Job Training Fund, (b) \$6,007,391 from the Federal government's State Small Business Credit Initiative as part of the Small Business Jobs Act of 2010, (c) \$1,503,501 from multiple other Federally awarded grants, and (d) \$15,000 from application fees earned from administering various State of Arizona incentive programs.

Transfers - In - The Authority received \$36,639,550 in transferred funds that consist of (a) \$31,500,000 from the Arizona Job Creation Withholdings Clearing Account, (b) \$3,500,000 from the Arizona Lottery Commission, and (c) \$1,639,550 from the Arizona Corporation Commission.

EXPENSES

Aid To Other Organizations - The Authority awarded \$10,114,153 to organizations based upon their achievement of program performance standards and incentive guidelines. The awarding of these grant dollars will allow companies to hire, train, and attract workers, as well as, make significant capital investments which will directly improve the economic development climate of the State of Arizona.

Professional & Outside Services - The Authority was very successful in securing expert technical and sector advisors to facilitate the execution of mission critical objectives on both a domestic and international front. More specifically, advisors and technical expert contractors were engaged in the areas of Aerospace and Defense, Science and Technology, Innovation and Entrepreneurship, and Renewable Energy. Also, included in this expenditure category was the continued development and execution of the Authority's "Arizona Know How" branding and marketing campaigns.

Salary Structure - The ability to attract and retain competent personnel requires the Authority to provide a competitive salary structure which is reviewed annually.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

STATEMENT OF NET POSITION

The period of July 1, 2013 through June 30, 2014 represents the Authority's third fiscal year in existence. The Authority's overall financial position and operations for the past two fiscal years are summarized, as follows, based on the information included in the Government-wide Financial Statements.

**Condensed Statement of Net Position
(In Thousands)**

	June 30,			
	2014	2013	Diff	%
Current Assets	\$ 134,188	\$ 103,674	\$ 30,514	29.4
Non-Current Assets	6,664	2,890	3,774	130.6
Capital Assets, Net	758	858	(100)	(11.7)
Total Assets	\$ 141,610	\$ 107,422	\$ 34,188	31.8
Current Liabilities	\$ 731	\$ 1,021	\$ (290)	(28.4)
Total Liabilities	731	1,021	(290)	(28.4)
Net Investment in Capital Assets	758	858	(100)	(11.7)
Restricted	81,189	59,633	21,556	36.1
Unrestricted	58,932	45,910	13,022	28.4
Total Net Position	140,879	106,401	34,478	32.4
Total Liabilities/Net Position	\$ 141,610	\$ 107,422	\$ 34,188	31.8

As can be seen above, the Authority's Total Assets increased to \$141.6 million in fiscal year 2014 compared to \$107.4 million in fiscal year 2013. This \$34.2 million increase resulted mainly from three areas; increased activity in the Arizona Innovation Accelerator Fund's loan program which resulted in additional non-current assets of \$3.9 million, an increase of \$29.5 million in additional current assets being held in local government investment pools awaiting distribution through the various programs managed by the Authority, and an increase of \$520 thousand cash being held in the Authority's bank account.

The Authority's Total Liabilities decreased from \$1.0 million in fiscal year 2013 to \$731 thousand in fiscal year 2014 due to a smaller amount of accrued payables outstanding at fiscal 2014 year end.

Total Net Position increased to \$140.9 million in fiscal year 2014 as compared to \$106.4 million in fiscal year 2013. \$21.3 million of the increase is attributed mainly to two programs restricted by enabling legislation, the Job Training Fund Program which increased Net Position by \$3.0 million and the Arizona Competes Fund program which increased Net Position by \$18.3 million. The remaining \$12.9 million increase is attributed mainly to multiple unrestricted programs administered by the Authority.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSETS

As of operating year-end, the Authority had \$757,633 invested in a variety of capital assets reflected in the following schedule, which represents a net decrease (additions less retirements and depreciation) of \$100,713 during operating year July 1, 2013 to June 30, 2014.

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Equipment	\$ 47,351	\$ 53,660
EDP/Computer Equipment	38,514	51,757
Furniture	12,171	-
Software/Website	44,533	58,438
Leasehold Improvements	615,064	694,491
Capital Assets, Net	<u>\$ 757,633</u>	<u>\$ 858,346</u>

The following reconciliation summarizes the change in Capital Assets, Net for the years ended June 30, 2013 and 2014.

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 858,346	\$ 980,068
Additions	36,085	11,710
Depreciation	(136,798)	(133,432)
Ending Balance	<u>\$ 757,633</u>	<u>\$ 858,346</u>

DEBT OUTSTANDING

The Authority incurred no debt during the fiscal year July 1, 2013 through June 30, 2014. As a result, the Authority had no debt outstanding at June 30, 2014. During the period July 1, 2012 through June 30, 2013 the Authority incurred no debt and thus, had no debt outstanding at June 30, 2013. Therefore, there is no prior period debt outstanding schedule shown for comparison purposes.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

STATEMENTS OF ACTIVITIES

The period of July 1, 2013 through June 30, 2014 represents the Authority's third fiscal year in existence. The Authority's overall financial position and operations for the past two fiscal years are summarized, as follows, based on the information included in the Government-wide Financial Statements.

Condensed Statement of Activities				
(In Thousands)				
June 30,				
	2014	2013	Diff	%
Expenses				
Fund Expenses	\$ 24,959	\$ 27,321	\$ (2,362)	(8.6)
Total Expenses	24,959	27,321	(2,362)	(8.6)
Revenue				
Program Revenue	8,916	1,964	6,952	354.0
General Revenue	50,521	51,071	(550)	(1.1)
Total Revenue	59,437	53,035	6,402	12.1
Change in Net Position	34,478	25,714	8,764	34.1
Net Position, Beginning	106,401	80,687	25,714	31.9
Net Position, Ending	\$ 140,879	\$ 106,401	\$ 34,478	32.4

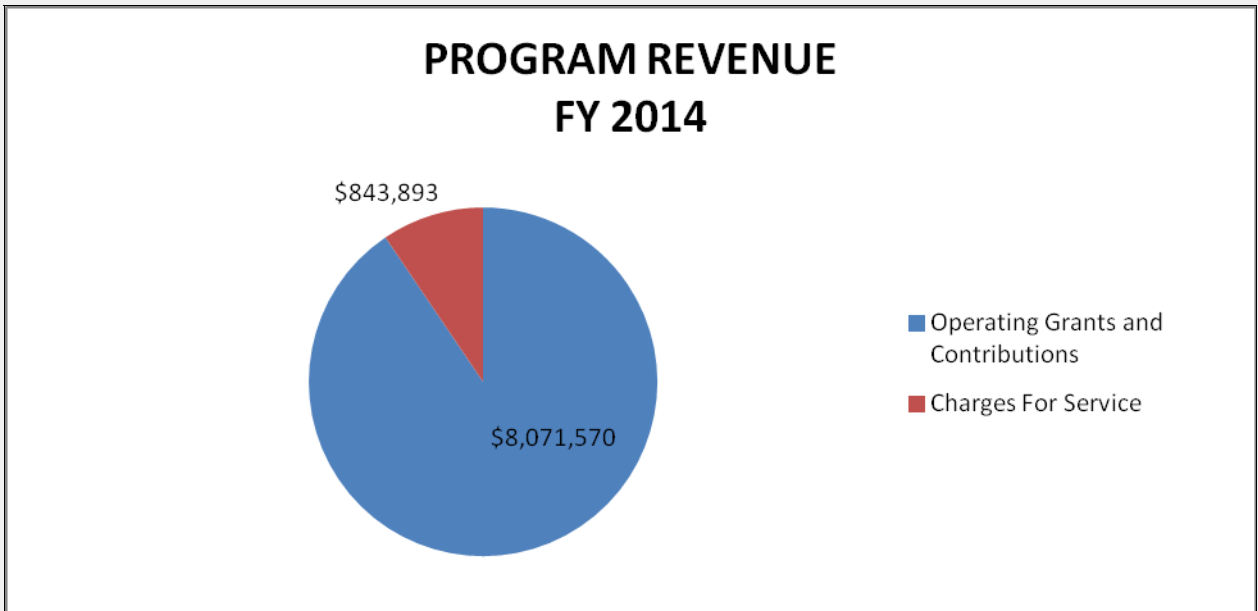
The Authority's Fund Expenses decreased by \$2.4 million in fiscal year 2014 as compared to fiscal year 2013 due primarily to a decrease in grant payments in two programs, the Job Training Program and the Arizona Competes Fund program. The Job Training Program saw an increase in contractual commitments of 52 contracts in fiscal year 2014; however, a smaller cumulative balance of program reimbursed expenditures occurred in fiscal year 2014 as compared to fiscal year 2013 which resulted in less overall fund expenditures. The Arizona Competes Fund completed its third year in existence on June 30, 2014. Primarily a milestone based program, the Arizona Competes Fund experienced a smaller cumulative balance of program reimbursed expenditures in fiscal year 2014 as compared to fiscal year 2013 which resulted in less overall fund expenditures.

The Authority's Total Revenues increased by \$6.4 million in fiscal year 2014 as compared to fiscal year 2013 due primarily to higher program revenues in the Arizona Innovation Accelerator Fund.

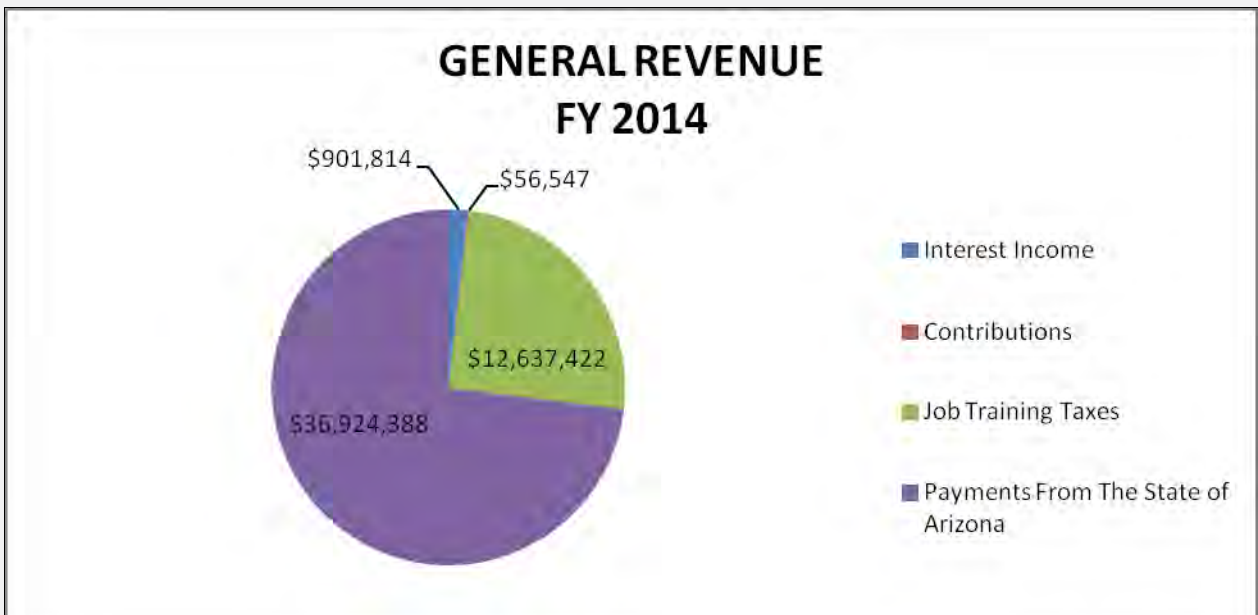
Under this initiative, revenues totaling \$18.3 million will be received by the Authority in three tranches of \$6.1 million each, the first of which was received in fiscal year 2012 and the second of which was received in fiscal year 2014. Per program guidelines, the Authority may receive tranche three once 80% or more of the previous tranche has been obligated. At June 30, 2014, the Authority had obligated 43.3% of the second tranche.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The following chart depicts the sources of Program Revenue for the fiscal year ended June 30, 2014.

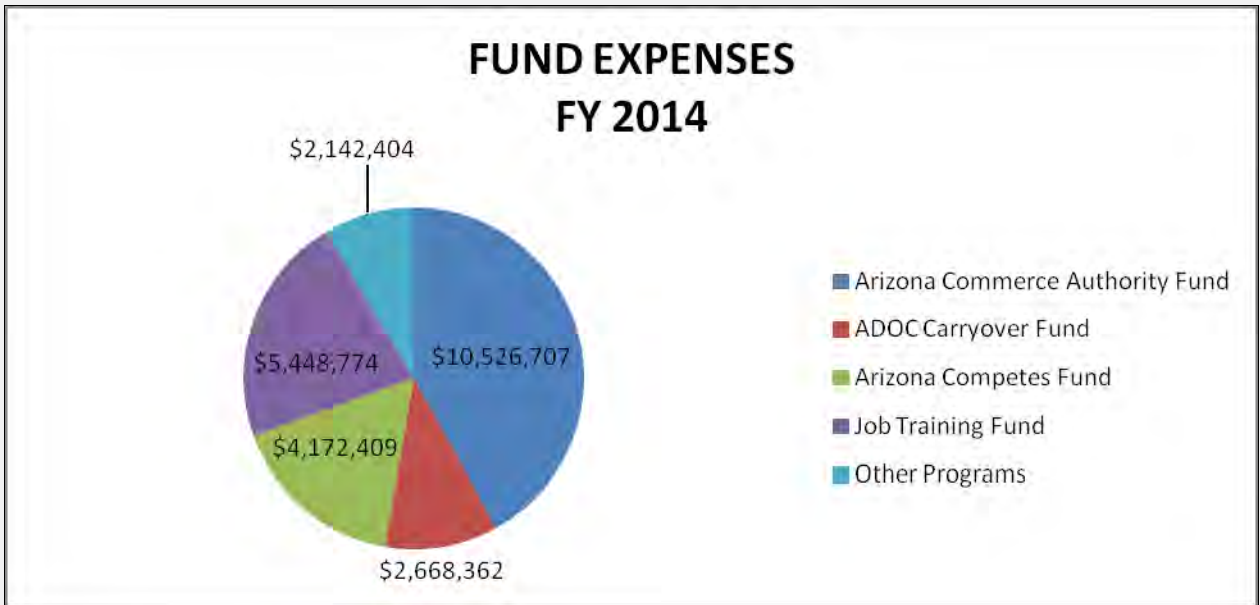


The following chart depicts the sources of General Revenue for the fiscal year ended June 30, 2014.



**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The following chart depicts the Fund Expenses for the fiscal period ended June 30, 2014.



REQUEST FOR FINANCIAL INFORMATION

The information contained in the Management's Discussion and Analysis is intended to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Arizona Commerce Authority, 333 N. Central Avenue, Suite 1900, Phoenix, AZ 85004.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
ASSETS	
Current	
Cash and Cash Equivalents	\$ 9,945,339
Investments	121,242,488
Notes Receivable, Current	1,672,507
Other Receivables	887,222
Other Assets, Current	440,451
Total Current	134,188,007
Non-Current	
Notes Receivable, Net of Current Portion	6,657,412
Other Assets	6,521
Capital Assets, Net	757,633
Total Non-Current	7,421,566
Total Assets	141,609,573
LIABILITIES	
Current	
Accounts Payable	299,477
Other Current Liabilities	431,945
Total Liabilities	731,422
NET POSITION	
Net Investment in Capital Assets	757,633
Restricted for:	
Job Training Fund	22,483,087
Arizona Competes Fund	58,592,747
Bond Fund	113,070
Unrestricted	58,931,614
Total Net Position	\$ 140,878,151

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities</u>
EXPENSES	
Arizona Commerce Authority Fund	\$ 10,526,707
ADOC Carryover Fund	2,668,362
Arizona Competes Fund	4,172,409
Job Training Fund	5,448,774
Other Programs	2,142,404
	<hr/>
Total Expenses	24,958,656
	<hr/>
PROGRAM REVENUE	
Operating Grants and Contributions	8,071,570
Charges for Services	843,893
	<hr/>
Total Program Revenue	8,915,464
	<hr/>
Net Expenses	(16,043,192)
	<hr/>
GENERAL REVENUE	
Interest Income	901,814
Contributions	56,547
Job Training Taxes	12,637,422
Payments From The State of Arizona	36,924,388
	<hr/>
Total General Revenue	50,520,171
	<hr/>
Change in Net Position	34,476,979
	<hr/>
NET POSITION, JULY 1, 2013	106,401,172
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NET POSITION, JUNE 30, 2014	\$ 140,878,151
	<hr/> <hr/>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Arizona Innovation Accelerator Fund</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 6,330,049	\$ 154,820	\$ 3,460,470	\$ 9,945,339
Investments	121,242,488	-	-	121,242,488
Notes Receivable, Net	21,812	-	1,650,695	1,672,507
Other Receivables	870,795	-	16,427	887,222
Other Assets	440,451	-	-	440,451
TOTAL ASSETS	<u>\$ 128,905,595</u>	<u>\$ 154,820</u>	<u>\$ 5,127,592</u>	<u>\$ 134,188,007</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 294,996	\$ -	\$ 4,481	\$ 299,477
Other Liabilities	390,195	41,750	-	431,945
Total Liabilities	<u>685,191</u>	<u>41,750</u>	<u>4,481</u>	<u>731,422</u>
FUND BALANCES				
Restricted	81,075,834	113,070	-	81,188,904
Committed	-	-	5,111,165	5,111,165
Assigned	42,469,570	-	-	42,469,570
Unassigned	4,675,000	-	11,946	4,686,946
Total Fund Balances	<u>128,220,404</u>	<u>113,070</u>	<u>5,123,111</u>	<u>133,456,585</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 128,905,595</u>	<u>\$ 154,820</u>	<u>\$ 5,127,592</u>	<u>\$ 134,188,007</u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances - total governmental funds	\$ 133,456,585
Amounts reported for governmental activities in the statement of net position are different because:	
Notes receivable, non-current are not due and receivable in the current period and, therefore, are not reported in the governmental funds.	6,657,412
Other assets, non-current are expected to be held longer than one year and, therefore, are not reported in the governmental funds.	6,521
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>757,633</u>
Net position of governmental activities	<u><u>\$ 140,878,151</u></u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Arizona Innovation Accelerator Fund</u>	<u>Total</u>
REVENUES				
Intergovernmental Revenue	\$ 14,651,281	\$ -	\$ 6,007,391	\$ 20,658,672
Sales and Charges for Services	602,708	32,512	53,154	688,374
Other Revenue	905,637	-	258,564	1,164,201
Payments from The State of Arizona	36,924,388	-	-	36,924,388
	<u>53,084,014</u>	<u>32,512</u>	<u>6,319,109</u>	<u>59,435,635</u>
EXPENDITURES				
Salary and Related Benefits	6,252,086	-	206,246	6,458,332
Professional and Outside Services	4,040,738	516	15,328	4,056,582
General and Administrative	14,034,342	-	4,082,217	18,116,559
	<u>24,327,166</u>	<u>516</u>	<u>4,303,791</u>	<u>28,631,473</u>
Net Change in Fund Balances	28,756,848	31,996	2,015,318	30,804,162
FUND BALANCES, JULY 1, 2013	<u>99,463,556</u>	<u>81,074</u>	<u>3,107,793</u>	<u>102,652,423</u>
FUND BALANCES, JUNE 30, 2014	<u><u>\$ 128,220,404</u></u>	<u><u>\$ 113,070</u></u>	<u><u>\$ 5,123,111</u></u>	<u><u>\$ 133,456,585</u></u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances	\$ 30,804,162
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as capital acquisitions exceeded depreciation expense. This is the amount by which capital acquisitions exceeded depreciation.	(100,713)
Notes receivable, non-current are reported as expenditures in the governmental funds, whereas the long-term notes receivable are reflected as long-term assets in the statement of net position in the government-wide financial statements.	3,971,530
Other assets, non-current are reported as expenditures in the governmental funds whereas the long-term other assets are reflected as long-term assets in the statement of net position in the governmental-wide financial statements.	<u>(198,000)</u>
Change in net position	<u><u>\$ 34,476,979</u></u>

See accompanying Notes to Financial Statements.

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Arizona Commerce Authority (a component unit of the State of Arizona) (the "Authority") was established through House Bill 2001 (Fiftieth Legislature, Second Special Session, 2011), and is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State of Arizona's economic development objectives.

Government-wide and Governmental Fund Financial Statements

The basic financial statements include the entity-wide financial statements, governmental fund financial statements, and the accompanying notes to these financial statements.

The entity-wide financial statements (Statement of Net Position and Statement of Activities) report on the Authority as a whole. All activities are reported in the entity-wide financial statements using the economic resources measurement focus using the accrual basis of accounting, which includes long-term assets and receivables. The entity-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The entity-wide Statement of Net Position reports all financial resources of the entity. It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, if any, that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net assets that do not meet the definition of "restricted net position" or "net investment in capital assets".

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority considers the following funds to be major funds:

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Governmental Fund Financial Statements (Continued)

General Fund

The general fund is used to account for all financial resources except those required to be accounted for in other funds.

Bond Fund

The Bond Fund houses the collection of security deposits for the allocation, expansion of allocations, and for the difference between allocations and principal amounts of federal tax exempt industrial development bonds and student loan bonds authorized by the Authority.

Arizona Innovation Accelerator Fund (AIAF)

The Arizona Innovation Accelerator Fund Program is an \$18.2 million loan participation program funded through the United States Department of Treasury's State Small Business Credit Initiative. The goal of the program is to stimulate financing to small businesses and manufacturers, in collaboration with private finance partners, to foster business expansion and job creation in Arizona.

Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Since the governmental fund financial statements are presented on a different basis than the entity-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the entity-wide financial statements.

Intergovernmental aids and grants are recognized as revenues in the period the Authority is entitled to the resources and the amounts are available. Amounts owed to the Authority which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include charges for services. Other general revenues such as fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Fund Balances

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned and Unassigned based on the extent to which the Authority is bound to observe constraints imposed on the use of resources in the governmental funds. The classifications are as follows:

**ARIZONA COMMERCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors through debt covenants, grantors, contributors, or laws or regulation of other governments or it's imposed by law through enabling legislation.

Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Authority's Board of Directors or the Authority's Chief Executive Officer. Those committed amounts cannot be used for other purposes unless the committing party removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund assigned amounts represent intended uses established by Authority Management.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, other than the general fund, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a fund deficit.

Generally, the Authority would first apply restricted resources and then assigned and unassigned resources when an expense is incurred for purposes for which more than one classification of fund balance is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Authority treats short-term temporary cash investments with original maturities, when purchased, of three months or less as cash equivalents.

Investments

The Authority places all of its investments with the Arizona Treasurer within the Local Government Investment Pool. All such investments are stated at fair value based upon quoted market prices.

Notes Receivable and Allowance for Credit Losses

Notes receivable consist of participation loans made to small businesses through the Arizona Innovation Accelerator Fund loan programs. The Authority will participate up to 49% of the entire loan. Notes receivable are stated at the amount the Authority expects to collect. Provisions for credit losses on notes receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, and current economic conditions. Subsequent recoveries, if any, are credited to the allowance.

The allowance for notes receivable is evaluated on a regular basis by management and is based on risk. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Due to the increase in the note issuances, and the relatively short collection history, the Authority has established an allowance for credit losses of 1% totaling \$84,150 at June 30, 2014.

Specific allowances for credit losses are established for impaired notes on an individual basis. A note is considered impaired when, based on current information, events, and adverse situations that may affect the borrower's ability to repay, it is probable that the Authority will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on a thorough analysis of payment history, including timeliness of payments and knowledge of the borrower's circumstances. Notes receivable credit losses are charged against the allowance when management believes the uncollectibility of a note receivable balance is determined.

Non-performing notes include all notes for which payment of principle and/or interest is more than 90 days past due. All non-performing notes receivable are placed on a nonaccrual status.

There were no identified impaired or non-performing notes receivable at June 30, 2014 as all borrowers were paying in accordance with contract terms. No loans were on a nonaccrual status, and there were no loans past due over 90 days and still accruing interest as of June 30, 2014.

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets are initially recorded at original cost and carried net of accumulated depreciation. Depreciation is provided on the straight-line method based on the estimated useful lives of the property items, which range from 3 to 10 years. The costs of additions and replacements are capitalized. Repairs and maintenance are charged to expense as incurred. Retirements, sales and disposals are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in general revenues within the statement of activities. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Subsequent Events

Management evaluated subsequent events through October 21, 2014, the date the financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS

Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposits during the year and at fiscal year-end were entirely covered by federal depository insurance or by collateral. The carrying amount of the Authority's deposits at June 30, 2014, was \$9,945,339 and the bank ledger balance was \$10,975,114.

Investments

The Authority's investment policy is to invest with the State of Arizona Treasurer. No policy exists for the following risks: custodial credit risk, credit risk, concentration of credit risk and interest rate risk.

Investments are maintained by the State of Arizona Treasurer within the Local Government Investment Pool ("LGIP"). The Arizona State Treasurer's Office operates this pool to provide professional short-term investment services to a wide array of public entities. By investing in the LGIP, participants are able to benefit from the substantial aggregate buying power of the state portfolio as well as a pool of monies from other participants. The LGIP is not registered with the Securities and Exchange Commission and investments are not subject to custodial credit risk. The State Board of Investment conducts monthly reviews of investment activity and performance. LGIP amounts are carried at fair value. Participant shares are purchased and sold based on the Net Asset Value ("NAV") of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding.

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The following is a summary of the Authority's cash and investments as of June 30, 2014:

Cash in Bank	\$ 9,945,339
Investments in LGIP	<u>121,242,488</u>
Total cash and investments	<u><u>\$ 131,187,827</u></u>

NOTE 3 NOTES RECEIVABLE

At June 30, 2014, the Authority had current and non-current notes receivable of \$1,672,507 and \$6,657,412, respectively.

The following is a composition of the notes receivable as of June 30, 2014.

<u>Borrower, Terms and Maturity</u>	<u>Original Principal</u>	<u>Outstanding Principal Balance</u>
<i>Commerce and Economic Development Commission Loan (CEDC).</i> Held over from the now sunset Arizona Department of Commerce, this loan is a non-interest bearing loan with a monthly payment of \$1,852 and a maturity date of April 10, 2016.	\$ 200,000	\$ 40,741
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 4.00% above the Prime Rate as published by the Wall Street Journal and a floor of 7.25% (7.25% at June 30, 2013). The loan has a maturity date of June 21, 2014.	450,000	450,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 7.50%. The loan requires monthly payments of \$4,127 and has a maturity date of July 23, 2018.	205,902	172,555
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 5.50%. The loan requires variable monthly interest only payments and has a maturity date of October 11, 2018.	1,500,000	1,500,000

**ARIZONA COMMERCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

<p><i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 3.50%. The loan requires monthly payments of \$2,836 and has a maturity date of May 23, 2019.</p>	445,900	444,298
<p><i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 5.95%. The loan requires monthly interest only payments of \$1,470 and has a maturity date of June 16, 2019.</p>	206,000	206,000
<p><i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 4.00%. The loan requires monthly payments of \$1,919 and has a maturity date of August 20, 2018.</p>	227,500	223,566
<p><i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 5.00%. The loan and has a maturity date of October 5, 2014.</p>	147,000	147,000
<p><i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 6.75%. The loan and has a maturity date of February 26, 2015.</p>	49,900	49,847
<p><i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 5.25%. The loan requires monthly payments of \$1,242 and has a maturity date of April 4, 2019.</p>	99,800	98,490

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 1.50% above the Prime Rate as published by the Wall Street Journal and a floor of 5.00% (5.00% at June 30, 2014). The loan has a maturity date of October 16, 2015.	50,000	50,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate set at 9.50%. The loan requires variable monthly payments and has a maturity date of September 12, 2018.	249,001	225,914
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate set at 10.00%. The loan requires variable monthly interest only payments and has a maturity date of April 18, 2019.	199,000	199,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 7.40%. The loan requires monthly payments of \$535 and has a maturity date of October 14, 2018.	66,875	63,268
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 7.50%. The loan requires monthly payments of \$556 and has a maturity date of April 4, 2019.	70,135	69,793
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 4.00% above the Prime Rate as published by the Wall Street Journal and a floor of 6.00% (6.00% at June 30, 2014). The loan has a maturity date of September 19, 2014.	49,000	49,000

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 4.75% above the Prime Rate as published by the Wall Street Journal and a floor of 6.50% (6.50% at June 30, 2014). The loan has a maturity date of May 7, 2015.	49,900	49,900
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate set at 5.00%. The loan requires monthly interest only payments of \$1,246 and has a maturity date of September 13, 2021.	206,250	206,250
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 4.0%. The loan requires monthly payments of \$4,268 and has a maturity date of April 16, 2019.	900,000	896,676
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments and an interest rate of 4.50%. The loan has a maturity date of May 13, 2014.	150,000	150,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 6.25%. The loan requires monthly interest only payments of \$37,334 and has a maturity date of June 10, 2018.	1,750,000	1,750,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 8.25%. The loan requires monthly payments of \$1,405 and has a maturity date of November 29, 2017.	110,000	102,637

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 3.48%. The loan requires monthly payments of \$5,387 and has a maturity date of July 23, 2018.	842,000	811,912
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 9.5%. The loan requires monthly payments of \$2,107 and has a maturity date of May 1, 2018.	100,000	82,222
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments with an interest rate of one month LIBOR plus 3.75% (3.94% at June 30, 2013). The loan has a maturity date of May 15, 2014.	375,000	<u>375,000</u>
Total		8,414,069
Allowance for Doubtful Accounts		(84,150)
Notes Receivable, Net		<u><u>\$ 8,329,919</u></u>

As of June 30, 2014 current and non-current notes receivable, after applying the allowance for doubtful accounts, consisted of the following:

Description	Current	Non-Current	Total
CEDC Loan	\$ 21,812	\$ 18,519	\$ 40,331
AIAF Loans	<u>1,650,695</u>	<u>6,638,893</u>	<u>8,289,588</u>
Total	<u><u>\$ 1,672,507</u></u>	<u><u>\$ 6,657,412</u></u>	<u><u>\$ 8,329,919</u></u>

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

The following table provides a summary of changes in total notes receivable for the year ended June 30, 2014:

<u>Description</u>	<u>Balances June 30, 2013</u>	<u>Note Issuances</u>	<u>Payments Received</u>	<u>Balances June 30, 2014</u>
CEDC Loan	\$ 62,963	\$ -	\$ (22,222)	\$ 40,741
AIAF Loans	<u>4,510,750</u>	<u>4,889,921</u>	<u>(1,027,343)</u>	<u>8,373,328</u>
Total	<u>\$ 4,573,713</u>	<u>\$ 4,889,921</u>	<u>\$ (1,049,565)</u>	<u>\$ 8,414,069</u>

NOTE 4 CAPITAL ASSETS

Capital assets at June 30, 2014, consist of the following:

	<u>Balances June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances June 30, 2014</u>
Capital Assets:				
Furniture and Equipment	\$ 320,625	\$ 29,757	\$ (38,085)	\$ 312,297
Leasehold Improvements	<u>849,704</u>	<u>6,328</u>	<u>-</u>	<u>856,032</u>
Total Depreciable Assets	<u>1,170,329</u>	<u>36,085</u>	<u>(38,085)</u>	<u>1,168,329</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(156,770)	(51,043)	38,085	(169,728)
Leasehold Improvements	<u>(155,213)</u>	<u>(85,755)</u>	<u>-</u>	<u>(240,968)</u>
Total Accumulated Depreciation	<u>(311,983)</u>	<u>(136,798)</u>	<u>38,085</u>	<u>(410,696)</u>
Capital Assets, Net	<u>\$ 858,346</u>	<u>\$ (100,713)</u>	<u>\$ -</u>	<u>\$ 757,633</u>

Depreciation expense was charged to the Arizona Commerce Authority Fund and ADOC Carryover Fund in the amounts of \$17,657 and \$104,060, respectively.

**ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 FUND BALANCES

Fund balances at June 30, 2014, consist of the following:

	<u>General</u>	<u>Bond Fund</u>	<u>AIAF Fund</u>	<u>Total</u>
Fund Balances				
Spendable				
Restricted for:				
Job Training Fund	\$ 22,483,087	\$ -	\$ -	\$ 22,483,087
Arizona Competes Fund	58,592,747	-	-	58,592,747
Bond Fund	-	113,070	-	113,070
Committed to:				
AIAF Fund	-	-	5,111,165	5,111,165
Assigned to:				
Job Training Fund	31,133,546	-	-	31,133,546
Arizona Competes Fund	10,212,543	-	-	10,212,543
ADOC Fund	1,123,481	-	-	1,123,481
Unassigned	4,675,000	-	11,946	4,686,946
Total Fund Balance	<u>\$ 128,220,404</u>	<u>\$ 113,070</u>	<u>\$ 5,123,111</u>	<u>\$ 133,456,585</u>

NOTE 6 COMMITMENTS

Grant activity payments were \$10,114,153 for the year ended June 30, 2014. Grant awards totaling approximately \$11,344,543 were not recorded as grants expense and grants payable due to significant conditions that were not satisfied before June 30, 2014. Management expects the conditions to be satisfied in fiscal year 2016.

**ARIZONA COMMERCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 OPERATING LEASES

The Authority is committed under four operating leases, which are reported in the General Fund for governmental activities. One of these leases is with a related party. Future minimum operating lease commitments are as follows:

	Governmental Activities (Related Party)	Governmental Activities (Non-Related Party)	Total
Years Ending June 30:			
2015	\$ 414,730	\$ 109,898	\$ 524,628
2016	443,508	89,496	533,004
2017	479,048	91,169	570,217
2018	480,895	92,874	573,769
2019-2022	956,246	215,212	1,171,458
Total Minimum Payments Required	<u>\$ 2,774,427</u>	<u>\$ 598,649</u>	<u>\$ 3,373,076</u>

Lease expense for fiscal year 2014 was \$545,081.

NOTE 8 RETIREMENT PLAN

1. **General.** The Plan is a 401(k) Safe Harbor defined contribution plan covering all full-time employees of the Authority who are age twenty-one or older. Eligibility to participate in the plan occurs on the first day of the first payroll period immediately following the date the participant completes the eligibility requirements. It is subject to the provisions of the Employee Retirement Income Security Act of 1976 (ERISA).
2. **Contributions.** Each year, participants may contribute up to the amount allowed by the Internal Revenue Code. In addition, participants over the age of 50 are permitted to make additional catch-up contributions. The Authority contributes a matching contribution equal to 100% of deferral contributions up to, but not exceeding, 4% of compensation. For the period ended June 30, 2014, the Authority contributed \$184,753 in contributions to the retirement plan.
3. **Participant Accounts.** Each participant's account is credited with (a) participant's contribution, (b) the Authority's contribution, (c) Plan earnings (losses), and charged with an allocation of administrative expenses. Allocations are based upon participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
4. **Vesting.** Participants are immediately 100% vested in (a) their contributions, (b) the Authority's matching contribution, and (c) earnings thereon.
5. **Withdrawals.** Participant withdrawals may be made from the Plan upon termination of employment, death, disability, attainment of age 59 1/2, Early Retirement Age, Normal Retirement Age, or in the case of a hardship as defined in the plan description.

**ARIZONA COMMERCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 CONTINGENCY

The Authority participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Authority's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Authority's management expects such amounts, if any, to be immaterial.

This information is an integral part of the accompanying financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors of the
The Arizona Commerce Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Arizona Commerce Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Arizona Commerce Authority's basic financial statements and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider Arizona Commerce Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arizona Commerce Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Commerce Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arizona Commerce Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 21, 2014



ARIZONA
COMMERCE
AUTHORITY

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