



ARIZONA  
COMMERCE  
AUTHORITY

ANNUAL REPORT FISCAL YEAR 2013



2013 ANNUAL REPORT  
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MISSION



**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

The mission of the Arizona Commerce Authority (ACA) is to grow and strengthen Arizona's economy by facilitating the creation of quality jobs. How do we do it? Our team meets with corporate decision makers around the country and around the world selling Arizona's pro-business, competitive value proposition. We work closely with companies within Arizona, connecting them with our programs and resources to facilitate their expansion and strengthen their foothold in our state. We also focus on the most promising, high-tech, early stage entrepreneurs, advancing product commercialization that will ultimately drive our state's future wealth and job creation.

I'm pleased to report that our hard work is making a difference. In fiscal year 2013, we assisted 104 companies – companies committed to creating 15,262 quality jobs with an overall capital investment of \$1.25 billion. Companies such as General Motors. GM selected Arizona as the location of its fourth Innovation Center after a multi-state, highly competitive process. And Go Daddy. The Arizona-grown global technology powerhouse also chose Arizona when considering the location of its Global Technology Center. These companies could have selected any city, any state, any country, but they understand the enormous benefit of doing business in Arizona.

We owe our success to Governor Brewer's visionary leadership, and the support from our state lawmakers has been instrumental in the achievement of our accomplishments. Arizona is now resourced to compete for these high-quality, high growth-potential, corporate projects. Our Competitiveness Package gives us the tools we need to win – and to win big. Coupled with the private sector savvy and leadership ability found on our prestigious Board of Directors, Arizona is an unstoppable force.

I am proud of our results, but the hard work continues. We will remain focused on reaching corporate decision makers coast to coast and around the world educating them on Arizona's "Know How" – fewer burdensome government regulations; government, academia and private industry joining forces to advance corporate success; low taxes; affordable real estate; a highly skilled talent pool and a superb quality of life because these corporate decision makers must know what we know – that ours is the best state in the nation for companies to startup, to expand, to relocate and to thrive.

Sincerely,

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

Sandra Watson

President and CEO, Arizona Commerce Authority





BOARD OF DIRECTORS





## Board of Directors

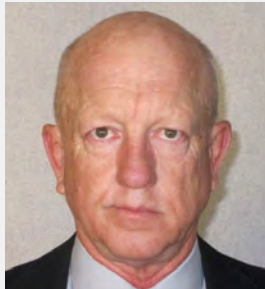


**Governor Jan Brewer\***  
Chairman

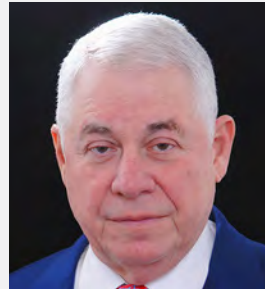


**Jerry Colangelo**  
Co-Chairman  
Principal Partner,  
JDM Partners

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



◀  
**Tom Anderes**  
President,  
Arizona Board of Regents



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



◀  
**Michael Bidwill**  
President,  
Arizona Cardinals



◀  
**Paul Bonavia**  
Chairman, President  
and CEO,  
Tucson Electric Power



**Drew Brown**  
Founder and Chairman  
of the Board,  
DMB Associates



**Dr. Michael Crow**  
President,  
Arizona State University



**Philip L. Francis**  
Executive Chairman,  
PetSmart, Inc.



**Dr. Rufus Glasper**  
Chancellor,  
Maricopa County  
Community Colleges



**John Haeger**  
President,  
Northern Arizona  
University



**Dr. Ann Hart**  
President,  
University of Arizona



**Mike Ingram**  
CEO and President,  
El Dorado Holdings



**Tim Jeffries**  
Founder,  
P7 Enterprises



**Sherman Jennings**  
Human Resources  
Site Manager,  
Boeing



**Stephen Macias**  
President and CEO,  
Pivot Manufacturing



**Michael Manson**  
Co-Founder and  
Executive Chairman,  
Motor Excellence



**Mary Peters**  
President,  
Mary E. Peters  
Consulting Group





<  
**Honorable President  
 Steve Pierce**  
 Arizona Senate



<  
**Doug Pruitt**  
 Chairman and CEO,  
 Sundt Construction



<  
**Victor Smith**  
 President and Owner,  
 JV Farms



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



<  
**Roy Vallee\***  
 Executive Chairman  
 (Retired), Avnet



<  
**Honorable  
 Doug Von Gausig**  
 Mayor,  
 Clarkdale



<  
**Sandra Watson\***  
 President and CEO,  
 Arizona Commerce  
 Authority



<  
**Candace Hunter Wiest**  
 President and CEO,  
 West Valley National  
 Bank



<  
**Max Wilson**  
 Maricopa County  
 Supervisor



<  
**Judith Wood**  
 President,  
 Contact One Call Center

\* Executive Committee Members



# CREATING QUALITY JOBS



## CLIENTS, JOB CREATION AND CAPITAL INVESTMENT

The ACA is committed to connecting companies with the technical assistance, financial assistance and strategic partnerships that will enhance their individual growth and strengthen our statewide economy. In fiscal year 2013, we worked with 104 companies that committed to creating 15,262 quality jobs in three years. And while 15,262 jobs is equivalent to the 26th-largest labor force in the state, and is 300 jobs more than replicating the state's fourth-largest employer, these direct jobs are just the beginning. When examining

the multiplier effect, these projects will create thousands more indirect and induced jobs, together, totaling 32,261 jobs. That's a larger workforce than our state's top employer.

Further, these 104 company expansion and relocation projects represent more than \$1.25 billion in capital investment in Arizona. A third-party analysis indicates these projects will generate more than \$15.73 billion in economic output for the state over a five-year period (*Quarterly detail following*).

## FISCAL YEAR 2013 CLIENTS

<b>Fiscal Year Totals</b>	
Capital Investment	<b>\$1.25 Billion</b>
Jobs	<b>15,262</b>

### Company

Accelr8 Technologies Corp.  
BHP Copper Inc.  
Bridgestone Americas, Inc  
Convey Health Solutions  
Entrust Companies, LLC  
Hydro Aluminum  
iFactor Consulting  
Integrated Technologies Group  
Intel Corporation (*two projects*)  
LivingSocial, Inc.  
Phacil, Inc.  
Preferred Home Health Care  
QBE  
Quantenna  
Southwest Products Corporation  
Teikoku Taping Systems  
Tri-Com Corporation  
UPS  
WebPT, Inc.

### Q1 Totals

Capital Investment	<b>\$488,933,703</b>
Jobs	<b>3,660</b>

# Q1





**Company**

AKO Engineering  
Alcantara Vineyard & Winery  
American Furniture Warehouse  
Arizona Stronghold Vineyards, LLC  
Atlas Holdings, LLC  
Caduceus Cellars  
CSI/City of Peoria  
Cobham (two projects)  
Commonwealth Dairy  
Dalsin Industries, Inc.  
Datepac, LLC  
FilterMag, Inc  
Franklin Foods  
Freitas Vineyard  
i-Frame Building Solutions  
Inovalon  
Javelina Leap Vineyard & Winery  
Joy Cone Co.  
Laser Options  
Markham Contracting Co., Inc.  
Overseas Aircraft Support Inc.  
Page Springs Vineyards  
Phoenix Technology Works  
Ports America  
Ryan  
The Industry Hair Studio, LLC  
Terra Verde Services  
Triax Turbine Components  
Younger Brothers Companies

**Q2 Totals**

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Capital Investment	<b>\$200,837,577</b>
Jobs	<b>2,000</b>

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# Q3

**Company**

- Ace Vending
- BestIT
- Brokers Alliance Inc.
- Consultant Engineering, Inc.
- Cummings Engineering Conslt, Inc.
- Direct Energy
- ELRUS Aggregate Systems
- General Motors Corporation
- Hard Dollar Corporation
- Harter Industries, Inc
- Hester, Heitel & Associates, Inc.
- Kitchell Corporation
- Onyx Drafting
- Performance Steel
- Safety Services Company
- San Tan Brewing Company
- Sargent Aerospace & Controls
- Sitewire MarketSpace Solutions, LLC
- Specialized Loan Servicing (SLS)
- Stealth Software I.P. BV
- The Orthopedic Clinic Association
- Union Bank, N.A.
- Villa Dolce Gelato
- WTEC
- ZocDoc
- ZyTech Building Systems L.P.

**Q3 Totals**

Capital Investment	<b>\$61,281,699</b>
Jobs	<b>3,998</b>



A large, bold, red 'Q4' logo is positioned in the upper right corner of the page.

**Company**

Arizona B&GC Solar Holdings, LLC

Asurion

CableOne, Inc.

Continental Residential Invt., LLC

Dynamic Manufacturing & Engineering, LLC

Garmin International, Inc.

GoDaddy

Grand Canyon University

HJ3 Composite Technologies, LLC

HotChalk, Inc.

JP Morgan Chase & Co.

Lovitt & Touche

Massachusetts Mutual Life Ins. Co.

Matrix Absence Management

Nationstar Mortgage

Nestle Purina PetCare Company

Northern Arizona Healthcare

Old School Motorcycle Co., LLC

Preferred Sands Processing

Pride Group, LLC

S.S.T. Solar System Technic

Serious Integrated, Inc.

Shamrock Foods Company

Suntec Concrete

US Foods, Inc

Vieste Energy, LLC

WinCo

Waste Management Corporate Services Inc.

**Q4 Totals**

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Capital Investment	<b>\$501,794,562</b>
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Jobs	<b>5,604</b>
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ALL STREET **Forbes**  
JOURNAL **Bloomberg**  
**nc. FAST COMPANY**  
**NEWS STORIES**

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

Garmin expanding in Chandler with nearly 150 new jobs, **\$11 million investment.**



Scottsdale-based GoDaddy to build new Tempe facility.

ZocDoc is opening Arizona office.

Software firm to open US office in metro Phoenix.

GM to hire **1,000** for high-tech Chandler innovation center.

WinCo Foods plans massive Phoenix warehouse, **300 new jobs.**

Nationstar Mortgage could hire as many as **1,200** in Chandler.



## CELEBRATING INDUSTRY SUCCESS

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**\$25**  
**million**  
state-of-the-art  
activated carbon  
reactivation  
center

Calgon Carbon held a ribbon cutting for its new reactivation facility in Gila Bend. The ACA had been working with Pennsylvania-based Calgon Carbon since 2009 to bring this facility to Arizona. The \$25 million state-of-the-art activated carbon reactivation center recycles carbon utilized by municipalities in filtering and purifying potable water.

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With Mesa Mayor Scott Smith and Bridgestone's top executives, the ACA celebrated the groundbreaking of the Bridgestone Biorubber Process Research Center in Mesa. The ACA had been working closely with Bridgestone and jointly announced the project in 2012. This facility has the goal to expand to more than 200 employees. The project represents \$32 million in capital investment.

expand to  
more than **200**  
**EMPLOYEES**

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**4<sup>th</sup>**  
**largest**  
utility-  
scale solar project

With Governor Brewer serving as the keynote speaker, the ACA celebrated the Arlington Valley Solar Energy II opening. This opening was a celebration of its first power being delivered to the electric grid. Located near the Palo Verde Generating Station, this opening represented Arizona's fourth-largest utility-scale solar project. At full build-out it will generate 125 MW, which is equivalent to the energy to power 30,000 homes.

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# MANAGING FINANCIAL INCENTIVES



## **MANAGING FINANCIAL INCENTIVES**

The ACA administers a vast array of bottom line-reducing tax incentives for businesses operating in this state. From grants to tax credits to exemptions and refunds, Arizona boasts some of the most powerful economic development tools for attracting and retaining businesses. Fiscal year 2013 was a record-breaking year, in that we evaluated more than one thousand 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](#)

[Healthy Forest](#)

[Job Training Program](#)

[Military Reuse Zone](#)

[Private Activity Bonds](#)

[Qualified Energy Conservation Bonds](#)

[Qualified Facility Tax Credit Program](#)

[Quality Jobs Tax Credit Program](#)

[Renewable Energy Tax Incentives Program](#)

[Research & Development Tax Credit](#)

### ANGEL INVESTMENT INCOME TAX CREDIT PROGRAM (Preliminary Data)

Approved Investor Applications	<b>146</b>
Unique Investors Receiving Tax Credits	<b>115</b>
Companies Receiving Accreditation	<b>48</b>
Investors' Investment in Accredited Companies	<b>\$9,347,435</b>
Unique Companies Receiving Investments	<b>28</b>
Tax Credit Approved	<b>\$2,816,846</b>
Cap Available for Allocation	<b>\$8,108,344</b>
Total Number of Applications Processed	<b>218</b>

*Note: Companies accredited under the Angel Investment Program in FY13 employ 224 FTEs with average annual wages of \$66,343.*



### ARIZONA COMPETES FUND

Companies Receiving Grant Commitments	<b>3</b>
Programs & Projects Receiving Grant Commitments	<b>2</b>
Total Grant Commitments <i>(subject to achievement of performance standards)</i>	<b>\$7,953,000</b>
Projected New Jobs <i>(3 years)</i>	<b>741</b>
Projected Average Annual Wages	<b>\$61,991</b>
Projected Capital Investment <i>(3 years)</i>	<b>\$46,500,000</b>
Cumulative Grant Available	<b>\$50,000,000</b>
Total Number of Applications Processed	<b>9</b>

Note: Programs and projects receiving grant commitments during FY13, include: 1) Rural Economic Development Grant Program (\$1,321,000.00), and 2) the Arizona Innovation Challenge Program (\$2,982,000). A synopsis of activity for each of these programs is reported separately in 1) Supporting Greater Arizona, p 47, and 2) Advancing Innovation and Entrepreneurship, p 50-51.

### COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT PROGRAM - (Preliminary Data)

Approved Applications	<b>162</b>
Unique Companies Receiving Tax Credits	<b>42</b>
Calendar Year Cap Available for Allocation	<b>\$1,000,000</b>
Total Tax Credits Approved	<b>\$769,263</b>
Capital Investment <i>(Total cost of the device)</i>	<b>\$12,386,851</b>
Total Number of Applications Processed	<b>202</b>

### HEALTHY FOREST

Companies Receiving Accreditation	<b>4</b>
Incentives Received <i>(TPT Exemptions, Property Tax Reclassification, and Income Tax Credits)</i>	<b>\$11,997</b>
Total Number of Applications Processed	<b>9</b>

Note: Companies accredited under the Healthy Forest Program in FY13 employ 131 FTEs with average annual wages of \$25,135.

## JOB TRAINING PROGRAM

Approved Applications	56
Companies Receiving Grant Commitments	53
Aggregate Training Budgets of Grantees	\$43,880,974
New Employees to be Trained	6,998
Incumbent Employees to be Trained	831
Average Annual Wages of Employees to be Trained	\$48,411
Total Grant Commitments <i>(subject to achievement of performance standards)</i>	\$17,541,612
Total Number of Applications Processed	357
Progress Reports Processed	301

Note: the Cumulative Grant Available for FY13, consists of \$13.6 million in job training tax collections and \$4.6 million in returned grant funds from previous years.

## MILITARY REUSE ZONE

Companies Receiving Assistance	5
Incentives Received <i>(TPT Exemptions, Property Tax Reclassification &amp; Income Tax Credits)</i>	\$759,387
Capital Investment <i>(TPT contract amount)</i>	\$16,478,110
Total Number of Applications Processed	10

Note: Companies receiving assistance under the MRZ Program in FY13 employ 923 FTEs with average annual wages of \$96,892.

## PRIVATE ACTIVITY BONDS

Companies Approved for Allocation	7
Bond Capacity Allocated	\$122,500,000
Bond Capacity Closed	\$35,600,000
Total Number of Applications Processed	14

## QUALIFIED ENERGY CONSERVATION BONDS

NO ACTIVITY

## QUALIFIED FACILITY TAX CREDIT PROGRAM\*

NO ACTIVITY

*\*By statute, this information can only be published in an annual report. Because the program was enacted in calendar year 2013, no information is available for release.*

## QUALITY JOBS TAX CREDIT PROGRAM - (Preliminary Data)

Approved Applications	12
Unique Companies Receiving Tax Credits	12
Cap Available for Allocation	\$30,000,000
Total Tax Credits Approved	\$4,113,000
New Jobs	1,028
Retained Jobs (2nd year continuing jobs)	343
Capital Investment*	\$44,000,000
Average Annual Wages	\$50,480
Applications Receiving Pre-Approval	18
Companies Receiving Pre-Approval	13
Total Tax Credits Pre-Approved	\$6,567,000
Projected New Jobs	2,189
Projected Capital Investment	\$62,000,000
Projected Average Annual Wages	\$49,479
Total Number of Applications Processed	31

*\*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, but the amount of the actual capital investment above that threshold is confidential.*



### RESEARCH & DEVELOPMENT TAX CREDIT (Refundable)

Companies Receiving Tax Credit	<b>55</b>
Total Tax Credits Approved	<b>\$5,294,119</b>
Aggregate R&D Expenditures of Companies Receiving Tax Credits	<b>\$65,574,171</b>
Calendar Year Cap Available for Allocation	<b>\$5,000,000</b>
Total Number of Applications Processed	<b>67</b>

*Note: Companies receiving tax credits under the R&D Program in FY13 employ 1,547 FTEs with average annual wages of \$74,701.*

### RENEWABLE ENERGY TAX INCENTIVES PROGRAM CALENDAR YEAR 2012\*

Applications Receiving Pre-Approval	<b>3</b>
Projected Tax Credits <i>(subject to achievement of performance standards)</i>	<b>\$5,300,000</b>
Projected New Jobs	<b>289</b>
Projected Average Annual Wages	<b>\$40,940</b>
Projected Capital Investment	<b>\$87,702,203</b>
Calendar Year Cap Available for Allocation	<b>\$139,050,000</b>
Total Number of Applications Processed	<b>3</b>

*\* By statute, this information can only be published in an annual report. Hence, this information is taken from calendar year 2012 report.*

Financial Program Eliminated by Statute  
(in Wind-Down Phase - Closed to New Applicants):

#### ENTERPRISE ZONE - INCOME TAX CREDITS - (Preliminary Data)

Approved Applications	129
Unique Companies Receiving Tax Credits	76
Total Tax Credits Approved	\$4,472,414
New Jobs	242
Retained Jobs	3,559
Average Annual Wages	\$50,390
Capital Investment	\$891,903,008
Total Number of Applications Processed	129

#### ENTERPRISE ZONE - PROPERTY TAX RECLASSIFICATION

Accredited Locations	60
Unique Companies Receiving Accreditation	59
Capital Investment	\$132,612,741
Total Number of Applications Processed	60

Note: Companies receiving reclassification under the EZ program in FY13 employ 2,814 FTEs with average annual wages of \$34,583.

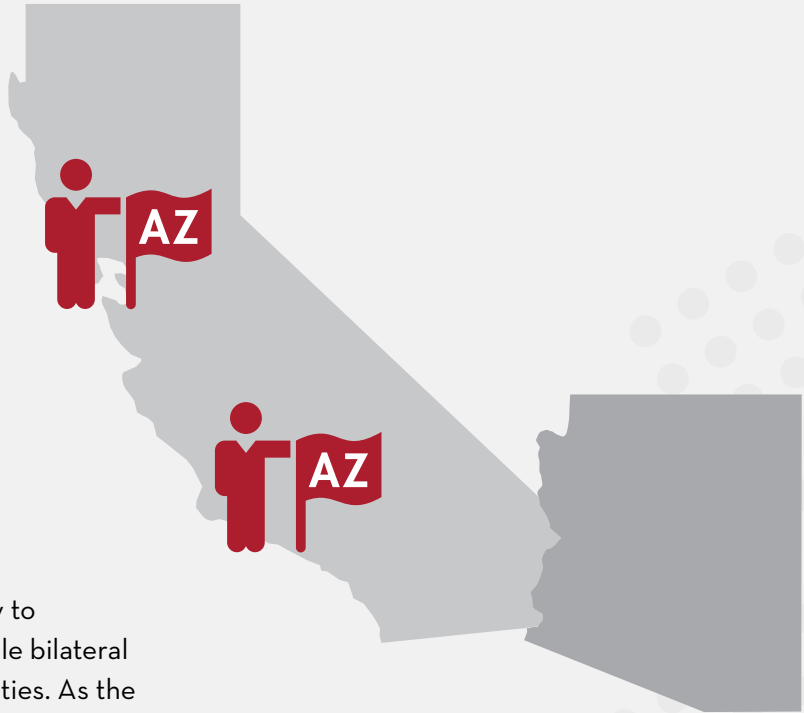
#### ENVIRONMENTAL TECHNOLOGY MANUFACTURER'S ASSISTANCE

Accredited Companies Claiming Incentives	5
Total Incentives Reported (Tax Credits, TPT & Use Tax Exemptions & Property Reclassification)	\$25,649,598
Capital Investment	\$39,544,411
Total Number of Applications Processed	9

# STRATEGIC INITIATIVES







## CALIFORNIA

Arizona's strategic proximity to California presents incredible bilateral business-building opportunities. As the world's ninth largest economy, home to more than 2.5 million businesses, and our neighbor directly to the west, aggressively marketing Arizona's business advantages to companies in California is critical. The ACA's long-term California strategy involves promoting Arizona's pro-business policies and less burdensome government regulations to California companies that are looking to expand outside of the state. It also involves



...serving as an in-market resource for Arizona companies looking to strengthen business relationships with California-based companies and for California companies wanting to deepen relationships with Arizona-based companies. To facilitate this long-term strategy, in fiscal year 2013, we established two ACA offices in California, one in Santa Monica (Southern California) and one in Santa Clara (Northern California). The ACA's California strategy earned national media attention with a series of interviews on Fox Business Network. Interviews promoted Arizona's business advantages and its unique relationship with California-based companies.

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To learn more

[States recruit California businesses.](#)

[States sending recruiters to lure companies from California.](#)

[Arizona helps companies move from California.](#)

[What is driving business to Arizona?](#)



The AzTRC consists of three diverse ranges collectively capable of managing all levels of UAS (groups 1-5):

- 3 rural areas of the state plus virtual range
- 9 test ranges with 21 distinct areas for testing
- Sized to meet 100% of FAA requirements
- 6,700 miles of low-population density lands underneath
- Buffer zones surrounding to enhance safety

## UNMANNED AIRCRAFT SYSTEMS

As the country works to safely integrate unmanned aircraft into U.S. airspace, Arizona has proven itself as a leader. Our state is one of the largest and fastest-growing aerospace centers in the nation, and Arizona is a nationally recognized leader in training, testing and developing the future of the aerospace and defense industry – Unmanned Aircraft Systems (UAS). This fiscal year, the Arizona Commerce Authority brought together key stakeholders around the state, leading Arizona’s quest to be designated by the FAA as one of the country’s six UAS training and testing sites.

In anticipation of the FAA’s release of its Screening Information Request (SIR), the ACA created the Arizona Test Range Complex (AzTRC), which consists of three geographically diverse ranges around the state, plus a fourth virtual range, collectively capable of managing all levels of UAS and sized to meet 100 percent of the FAA’s requirements and parameters.

The ACA also identified members of its “Red Team” – a group of critical thinkers

to help refine the strategy for Arizona’s selection as a test range site. Team members include Gary Abrams, Barbara Barrett, Michael Bidwill, General Tom Browning, General Rusty Findley, Glenn Hamer, Alan Maquire, Mary Peters, Jerry Proctor, General Ron Shoopman and Mary Beth Weaver. The ACA also assembled a research consortium to serve as the effort’s academic and research engine. The consortium includes 350 PhDs from ASU, UofA, NAU, Embry-Riddle Aeronautical University, Arizona Labs, and Science Foundation Arizona.

Once the SIR was issued, the ACA submitted a seven-volume proposal to the FAA on behalf of the state of Arizona. The proposal highlighted Arizona’s tremendous assets for UAS testing and training and its vast experience in this area. The ACA created a dedicated website, [AzTestRangeComplex](#) to promote its experience and strength in training and testing UAS. This process demonstrated a true statewide collaborative effort in promoting Arizona and its potential for the advancement of this industry.

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To learn more

[Unmanned aircraft could give flight to Arizona economy.](#)

[Arizona in running for civilian site to test unmanned aircraft.](#)

[Entrepreneurs eye unmanned aircraft.](#)



## ACA/ASU MORRISON INSTITUTE FOR PUBLIC POLICY PARTNERSHIP

As the state's economic development organization, this fiscal year, the ACA formalized a partnership with the ASU Morrison Institute for Public Policy to chart Arizona's economic path to prosperity. The collaboration will identify opportunities to advance Arizona's long-term position as a leader in the greater Southwest region and will yield ongoing results to strengthen the statewide economy. The ACA and Morrison will

conduct research and analysis that will include a specific focus on areas of greatest opportunity – initially Mexico and California; an assessment on the flow of trade and investment with Canada to maximize opportunities; an in-depth understanding of potential global, national and regional trends; and an analysis of talent needed to attract companies and foreign direct investment to Arizona.

## MARKETING AND PROMOTING ARIZONA

Arizona is home to incredible opportunities, exceptional companies, inventive entrepreneurs, cutting-edge research and resources, highly skilled talent graduating from world-renowned universities, and an unmatched quality of life. This year, the ACA launched a multi-media, nationwide "Arizona Know How" marketing and branding campaign capturing our state's greatness.

"Arizona Know How" communicates to corporate decision makers around the country the breadth and depth of Arizona's enviable assets. It showcases our collective innovative spirit . . . a spirit

that's forward thinking, competitive, young and talented. We are a state that fosters giants in industry as well as the most promising early stage entrepreneurs. And we know how to attract companies from around the world and help existing companies expand and excel.

"Arizona Know How" speaks with a statewide, unified voice, ensuring business leaders around Arizona and from coast to coast understand that when it comes to success, Arizona is all business (see "Arizona Know How" *placement, right*).

# ACROSS THE STATE & AROUND THE COUNTRY

## PRINT PLACEMENT

Wall Street Journal  
Bloomberg/Businessweek  
Southwest Spirit  
US Airways  
Forbes  
Fortune  
INC  
Fast Company  
Orange County Business Journal  
Los Angeles Business Journal  
San Fernando Business Journal  
San Francisco Business Journal  
San Jose Business Journal  
Phoenix Business Journal  
CEO magazine  
InBusiness  
Inside Tucson Business  
Biz Tucson  
AZ Tech Magazine  
Power Brokers  
C-Level Magazine

## RADIO ADS

*California*

**KNX | KFI | KCBS | KGO | KSFO**

*Arizona*

**KTAR | KFYI | KKNT | KNST | KQTH**



## Digital execution

*Wall Street Journal, Forbes, Fast Company, CNN Money, Orange County Business Journal, San Francisco Business Journal, San Jose Business Journal, Phoenix Business Journal, InBusiness, Arizona Venture Capitalist, Inside Tucson Business, AZNow.biz.*

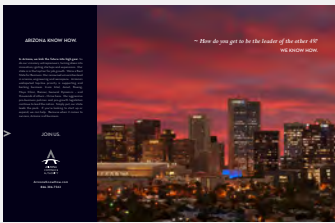


**Airport signage** reaching the traveling business decision maker  
Burbank • Ontario • Long Beach • Oakland • San Jose • Sky Harbor Int'l.

## MORE VISITORS. MORE ATTENTION.

Once the campaign launched, the advertising-specific URL [ArizonaKnowHow.com](http://ArizonaKnowHow.com) was used more than any other method of getting to the ACA's website.

Through life of the "Arizona Know How" campaign, return visitor count increased, as did the amount of time spent on the ACA website. In conjunction with the *Wall Street Journal* placement on May 15, digital tracking indicated that one-third of that day's



web traffic was a direct result of our advertising efforts. As a result of our ad in *Forbes* magazine May 27, there was a 50 percent increase in traffic to our website. When *Bloomberg Businessweek* hit newsstands June 10, web traffic doubled again; this was the highest spike within the life of the campaign.

[Entrepreneur.com](http://Entrepreneur.com) reported the ACA's digital ad generated the highest click-through-rate of any advertiser to date – almost double industry standard. The May/June campaign spiked in unique visitors in targeted geographic areas of the country:

New York City **70%**  
increase

Los Angeles **138%**  
increase

San Francisco  
traffic nearly **doubled**

Arizona's exceptional pro-business value proposition contributed to impressive national rankings this fiscal year.

The U.S. Chamber of Commerce's [Enterprising States report](#) ranked Arizona among the top ten in Best States for Starting a Business, Business Climate and Infrastructure. The report calls out the ACA's Arizona's Angel Investment Tax Credit program, the ACA's Arizona Innovation Challenge, and the ACA's AZ FAST Grant program among the reasons for the top-tier ranking.

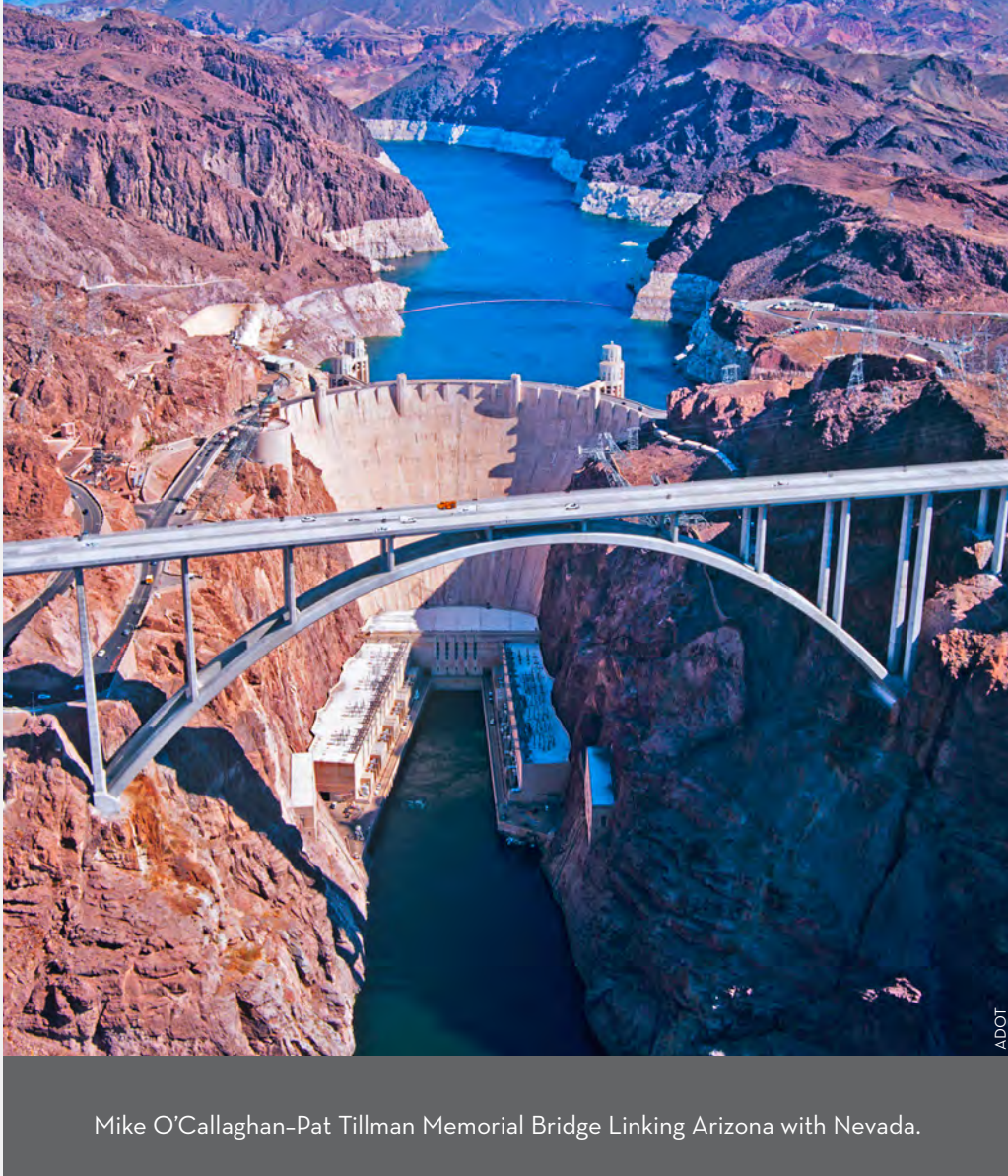
**This #8 ranking is a jump of 39 spots from 2012**, proof positive that Arizona's commitment to policies and programs that support our entrepreneurs is gaining national recognition, which showcases Arizona as a future-focused state committed to fostering the most promising entrepreneurs that drive wealth and job creation.

### [10 Best States for Starting a Business.](#)

*Chief Executive Magazine* came out with its [2013 Best and Worst States for Business](#) survey results, and [Arizona ranked #6](#), up four spots from 2012.

*This ranking is continued clear evidence of Arizona's commitment to a competitive cost structure and lean regulations and is resonating with business decision makers across the country.*





Mike O'Callaghan-Pat Tillman Memorial Bridge Linking Arizona with Nevada.

## INTERSTATE 11

The ACA is a member of the I-11 Study Team, which was formed to develop a business case for the potential construction of the interstate 11 corridor between Phoenix and Las Vegas. This fiscal year, the team focused on socioeconomic, demographic and economic trends, as well as case studies of recent corridor projects and successful infrastructure business cases in Canada. The ACA also reviewed

several economic scenarios from subject matter experts that could impact the region, including continued trade flows from the Asian Pacific to West Coast Ports, the opening of the Panama Canal, a greater shift of production within North America with near-shoring and on-shoring, and the successful implementation of the economic development strategies in Arizona and Nevada.





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*“Small- and medium-sized manufacturing companies play a vital role in our statewide economy by strengthening local communities, creating jobs across the state and bolstering the supply chain for large-scale manufacturers.”*

**Sandra Watson, President and CEO, Arizona Commerce Authority**

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### **REV AZ - ARIZONA'S MANUFACTURING EXTENSION PARTNERSHIP**

The ACA was awarded a \$5 million grant (\$1 million per year for 5 years) through the National Institute of Science and Technology (NIST) Manufacturing Extension Partnership (MEP) to launch Arizona's MEP program – Rev AZ. Rev AZ will serve as a catalyst for strengthening manufacturing in Arizona, accelerating manufacturing's ongoing transformation into a more efficient and powerful engine of innovation.

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To learn more

[New manufacturing extension centers planned for Arizona and Rhode Island.](#)

### Rev AZ Focus Areas and Service Offerings:

- Operational assistance and strategy development for top-line growth
- Manufacturing and operational strategies for productivity improvements
- Engineering strategies to enable product and process innovation
- Workforce and organizational development strategies to strengthen the talent pipeline



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The ACA was awarded a **\$490,000** grant to continue the STEP program.

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### ARIZONA'S STATE TRADE AND EXPORT PROMOTION (STEP) PROGRAM

The ACA's [Arizona State Trade and Export Promotion \(STEP\)](#) program continued demonstrating significant export success, which led to an additional \$490,000 grant to continue the program. AZ STEP leverages grant funding from the U.S. Small Business Administration (SBA) with matching funds contributed by the Arizona Commerce Authority (ACA) to assist companies as they export for the first time or export into new markets.

This fiscal year, almost 200 Arizona-based companies in 27 cities around the state and in 17 rural and smaller communities, enrolled in AZ STEP. The program enabled companies to export to 65 different countries including Canada, Australia, Germany and Mexico, as well as Norway, UAE, China, Argentina, Aruba, Morocco, Vietnam and more. Total exports surpass \$22 million; the annual goal for the program was \$7 million, demonstrating a more than 300 percent increase.

*AZ STEP company, Phoenix-based Wamore was awarded a contract in excess of \$2 million to develop and supply the cargo restraint system for the Airbus A400M airlift aircraft, manufactured in Spain, and Wamore credits the AZ STEP support it received as playing an integral role in securing this multi-million contract with Airbus.*

*“This effort has been over a year in the making involving many meetings and demonstrations. Wamore will hire additional personnel to meet this new business requirement and perform all the work at our Phoenix facility. Many thanks to ACA for the assistance with building/establishing the export arm of Wamore.”*

**Mark Kusbel, President, WAMORE, INC**

## AZ FEDERAL AND STATE TECHNOLOGY (FAST) GRANT

The ACA was awarded \$80,000 to continue its Federal & State Technology (Fast) Grant, a competitive process awarding Arizona-based technology startups funding for commercialization coaching assistance. Awardees must target a product or solution in one of the ACA's key industry sectors including advanced manufacturing, aerospace and defense, bio and life sciences, cleantech/renewable energy, IT-hardware and IT-software. This year, the ACA executed its Fall 2012 round of the [AZ Fast Grant](#), receiving 77 applications and awarding 24 companies (see all companies, right).

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*“Through a strategy session and numerous communications, we were coached on how to write a compelling transition plan. **AZ Fast Grant paid off.** It is our first success after 22 failed SBIR proposals.”*

**Dr. Jyoti Agrawal, ScienceTomorrow**

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This year, the ACA added a new category to its Fast Grant, “Innovation in Manufacturing,” which encourages an innovative technology company to partner with an Arizona manufacturing company to solve an existing manufacturing challenge with an innovative solution. This category is intended to bolster Arizona’s manufacturing capabilities – critical to strengthening the statewide economy.

## AZ Fast Grant recipients Fall 2012

- Ability Dynamics, Tempe
- Advanced Neuro Innovations LLC, Scottsdale
- Arbsource, LLC, Tempe
- Avelis, LLC, Scottsdale
- Botanisol, Glendale
- Colloidal Gen, Inc., Tucson
- Cybersponse, Chandler
- DemeteRx Pharmaceuticals, Tucson
- Engineering Science Analysis Corporation, Tucson
- GammaTile, Phoenix
- Iron Horse Diagnostics, Inc, Scottsdale
- Kulira Technologies, Peoria
- Latitude Engineering, Tucson
- MWI Laboratories, LLC Tempe
- Prime Solutions Group, Goodyear
- Protean Medical Devices, Tempe
- PureTech Systems, Phoenix
- SaucyPants, LLC – SaucyKids, Phoenix
- Science Tomorrow, LLC, Phoenix
- Stat Coordinations, LLC, Flagstaff
- TotalPersona, LLC (Worldbyme.com), Tucson Traken Technologies, LLC, Phoenix
- Traklight.com, Phoenix
- Voltmarc Technology, Inc., Phoenix



## P<sup>III</sup> PLAYBOOK

To assist Arizona's small, high-tech companies to compete more effectively for federal funding, this fiscal year the ACA developed and launched the [P<sup>III</sup> Playbook](#). The P<sup>III</sup> Playbook is a structured program of training and technical assistance to help companies compete more effectively for federal SBIR/STTR Phase I and II awards and ultimately commercialize their innovations in Phase III. The program prepares business owners to write compelling SBIR/STTR grant applications with state-of-the-art proposal development

workshops, structured mentoring, and follow-up guidance from proven business experts. With this training, innovative small businesses will be better positioned to compete for federal funding to stimulate their development, accelerate their growth, and ultimately positively impact Arizona's economy by creating new jobs. Program funding includes an \$80,000 grant from the U.S. Small Business Administration, with \$200,000 in matching funds and in-kind services. Eight companies participated in the ACA's first P<sup>III</sup> Playbook.

### PARTNERS







### **WORKFORCE COUNCIL/SECTOR STRATEGIES**

The Governor's newly created Workforce Arizona Council (WAC), the state's Workforce Board and part of the ACA, held its first quarterly meeting this fiscal year. The WAC replaces the Governor's Council on Workforce Policy and was created to strengthen Arizona's workforce system by making workforce more responsive to business needs. The Council established goals that align with the Governor's Five Year Integrated Workforce Plan, including creating a unified statewide system, as well as shifting that system to not only focus on the needs of the individual worker, but to also focus on the workforce needs of the businesses operating in our state. ACA Board Member Sherman Jennings serves as WAC Board Chairman; the Board also includes Representatives Karen Fann and Rick Gray, Senators John McComish and Michelle Reagan, and key experts from a variety of private sector companies

including Honeywell, Avnet, SRP, APS, Southwest Gas, and more.

The results of the ACA's Workforce Team and its Sector Strategy program earned national recognition this fiscal year, serving as a model for other states. The Sector Strategy program brings together industry, education and workforce, defining a specific approach to accomplish industry growth and the job development needed for that growth. Because of its success, the ACA was asked by the National Governors Association Workforce Division to mentor the state Workforce Board of Maryland as it implements its Sector Strategy program; the Oregon Workforce Investment Board also reached out for assistance. The ACA successfully launched its Sector Strategy program two years ago and is a national model in this innovative approach to employer engagement.



STRENGTHENING  
AEROSPACE AND DEFENSE

## AEROSPACE & DEFENSE ADVANCED STRATEGY SUMMIT

Arizona's advancements in Aerospace and Defense span sectors from commercial aviation to Unmanned Aircraft Systems (UAS). Our state's A&D supply chain includes more than 1,200 small-, medium- and large-scale, world-renowned companies that contribute almost \$15 billion annually to the economy and are responsible for more than 150,000 jobs. These numbers reflect our long-standing history and success in aerospace and defense.

To strengthen this critical industry, the ACA executed the Aerospace & Defense Advanced Strategy Summit, a three-part session that brought together industry, academic and economic development

leaders for several "Advanced Strategy Lab Sessions." These Sessions addressed immediate and long-term challenges related to grooming a more educated workforce as well as mitigating the looming effects of sequestration. The ACA initiative provided a platform for industry growth and opportunity to better understand A&D needs and concerns.

This fiscal year, the ACA launched a more robust website dedicated to our state's aerospace and defense industry. [AzAerospace.com](http://AzAerospace.com) captures more inclusive data on our state's critical A&D industry, including an interactive, 1,200-company supply chain database.



## ADVANCED MANUFACTURING JOBS AND INNOVATION ACCELERATOR

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*“From our well-established military assets to our pursuit of new testing for unmanned aerial systems, **Arizona has become a national leader in aerospace and defense.**”*

**Governor Jan Brewer, State of Arizona**

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The Arizona Commerce Authority received a \$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. In the next 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; and help small-and medium-sized A&D manufacturers in the region.

## ENERGY REDUCTION GRANT

The ACA launched its 2013 Energy Reduction Grant Competition this fiscal year. The competition focuses on strengthening Southern and Central Arizona’s aerospace and defense industry and supply chain.

The purpose of the competition is to identify novel lean process improvement approaches and technologies that will reduce energy consumption for the A&D machine tool industry.

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To learn more

[Tech: ACA grants fund energy-efficiency work in aerospace.](#)



## OFFICE OF ECONOMIC ADJUSTMENT (OEA) PLANNING GRANT

The ACA was awarded a planning grant from the Office of Economic Adjustment (OEA), an agency of the Department of Defense. With this grant of nearly \$900,000, the ACA will seek to fully understand the breadth

and scope of the state's economic dependency of defense spending and identify both the opportunities for growth and the risks of decline facing the state so it may plan to diversify this segment of its economy.

## ARIZONA AEROSPACE, AVIATION AND DEFENSE REQUIREMENTS CONFERENCE

The ACA and Arizona Technology Council hosted the second-annual Arizona Aerospace, Aviation and Defense Requirements Conference. The Conference brought together defense contractors and suppliers (including small businesses) providing the opportunity to discuss business growth strategies that will ultimately strengthen the overall A&D industry in Arizona. This conference attracted more than 200 attendees. The ACA and Arizona Technology Council launched the Requirements Conference in 2012.

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To learn more

[AZ companies winning substantial U.S. defense contracts.](#)

The ACA was awarded more than **\$8.2 million** in federal grants:

**\$1,817,000**

Advanced Manufacturing Jobs & Innovation Accelerator Grant

**\$5,000,000**

*(5 years/\$1 million per year)*

Manufacturing Extension Partnership Center Grant

**\$80,000**

SBA Federal & State Technology (Fast) Grant

**\$490,440**

State Trade and Export Promotion (STEP) Grant

**\$879,565**

Office of Economic Adjustment (OEA) Planning Grant

# SUPPORTING GREATER ARIZONA



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*“These communities represent incredible opportunity for economic growth, and we are proud to propel projects that will attract industry, create jobs and increase wages.”*

*– Sandra Watson, President and CEO, Arizona Commerce Authority*

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## RURAL BUSINESS DEVELOPMENT ADVISORY COUNCIL

This fiscal year, the ACA initiated the inaugural meeting of the Governor's Rural Business Development Advisory Council (RBDAC). The ACA administers the RBDAC, which serves as an advisory Board to strengthen communities in rural Arizona. The Board is made up of Governor, Speaker of the House and Senate President appointees from every county, a tribal representative, an at-large state representative, and the ACA President and CEO. The Council meets bimonthly to address ways in which it can support important projects that advance economic development in rural Arizona.

## VISION GRANTS

To enhance economic development infrastructure in rural regions around the state, in a competitive grant process, the ACA awarded a total of \$250,000 in Vision Grants to five areas. Each community committed to enhancing and expanding economic development systems, establishing projects and programs focused on creating jobs, and increasing wages – particularly in base industries:

- **Economic Collaborative of Northern Arizona** (ECONA)
- **REAL AZ Development Corridor** (RADC)
- **Central Arizona Regional Economic Development Corridor** (CAREDF)
- **Greater Yuma Economic Development Corporation** (GYECC)
- **Prescott Valley Economic Development Corporation** (PVEDF)

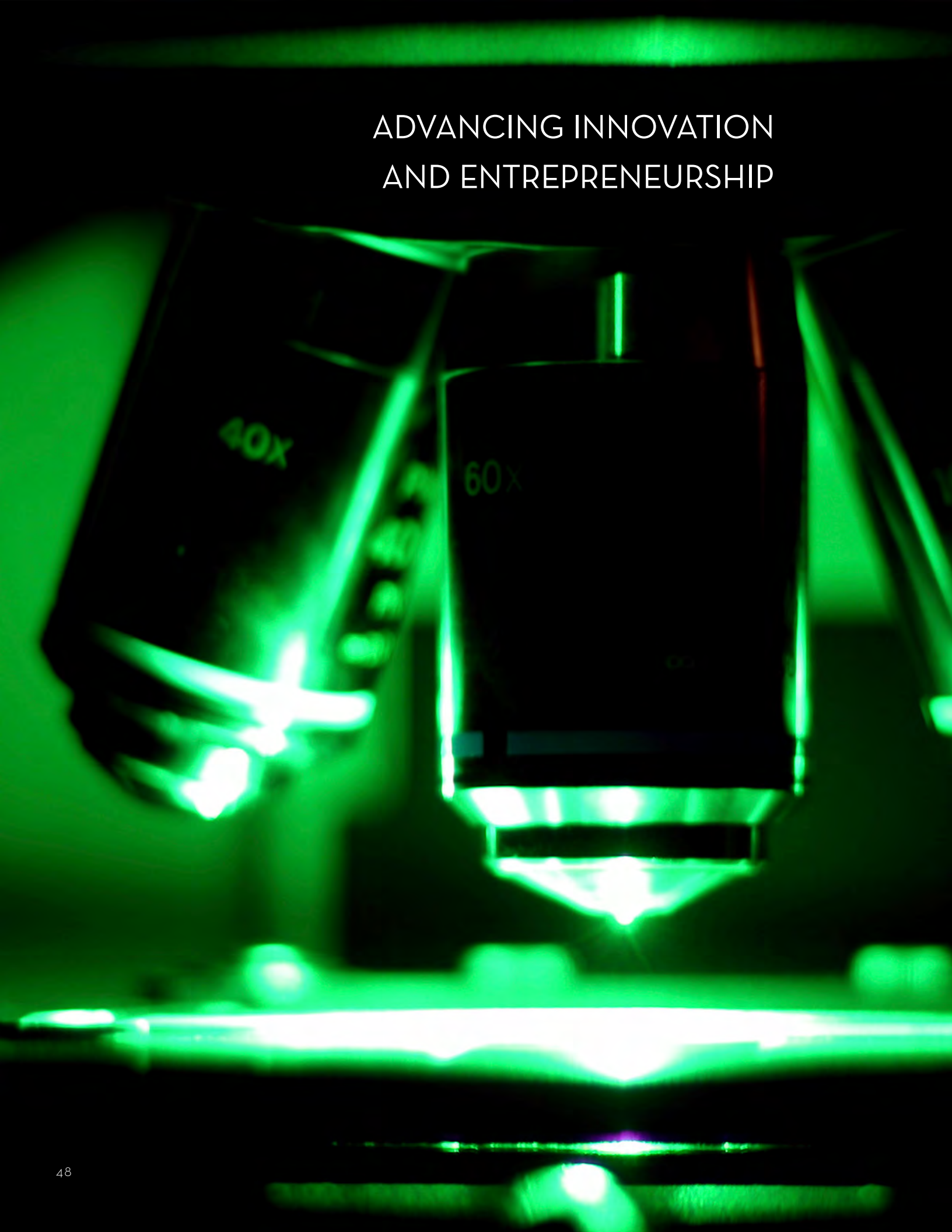
## RURAL ECONOMIC DEVELOPMENT GRANT

The ACA awarded \$1.5 million to 14 grant recipients as part of its annual Rural Economic Development Grant. The Grant is established to assist rural communities with limited budgets initiate and sustain economic development projects within their jurisdictions that directly result in base industry job growth and capital investment. The ACA received 19 applications representing 40 projects. Recipients are projected to produce 305 new jobs and account for an additional \$11.8 million in new payroll:

- **Central Arizona Regional Economic Development Foundation**
  - Commonwealth Dairy
  - Phoenix Technology Works Inc
- **City of Casa Grande**
  - Franklin Foods
- **City of Flagstaff**
  - Joy Cone Company
- **City of Prescott**
  - Cobham PLC - Program Tracking
  - Cobham PLC - Lean Production
- **Greater Yuma EDC**
  - Datepac
- **Town of Pinetop-Lakeside**
  - Overseas Aircraft Support
- **Verde Valley Wine Consortium**
  - Alcantara Vineyard & Winery
  - Arizona Stronghold Vineyards
  - Caduceus Cellars
  - Freitas Vineyard
  - Javelina Leap Vineyard & Winery
  - Page Springs Vineyard



ADVANCING INNOVATION  
AND ENTREPRENEURSHIP





## INNOVATION ARIZONA

With MIT Enterprise Forum Phoenix, the ACA hosted its first-ever **Innovation Arizona Summit 2013**, an event committed to strengthening Arizona's entrepreneurial ecosystem. This inaugural event attracted more than 700 innovators and entrepreneurs of all stages and connected them with resources, service providers, growth-support groups, business executives, investors and incubators. The Summit included breakout sessions on topics such as crowdfunding, protecting intellectual property, driving revenue and more, and also featured high-level presentations from seasoned CEOs such as Rick Smith from Taser International.

To better capture the assets and opportunities available to Arizona's early stage, inventive entrepreneurs, the ACA launched its restructured innovation website, [innovationaz.com](http://innovationaz.com). The site serves as the primary source of information for Arizona's entrepreneurial ecosystem, connecting the state's incubators and accelerators, providing an all-inclusive listing of statewide events relevant to this group, and more.

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To learn more

[Hopes high for inaugural Innovation Arizona Summit.](#)

[Innovation Arizona summit leaves entrepreneurs with candid advice.](#)

[My view: Innovative spirit defines Arizona, drives economy.](#)

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*“The rigorous application and evaluation process forced us to take an even harder look at all aspects of our business which ultimately helped us become even more laser focused on what it takes to be successful.”*

Vaidy Iyer, Founder & CEO appsFreedom

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## ARIZONA INNOVATION CHALLENGE

This year, the ACA announced a total of 12 recipients of its [Arizona Innovation Challenge](#) (AIC). The AIC is a highly competitive technology commercialization challenge that awards the most 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 most potential for wealth and job creation and include life sciences, information technology, advanced materials and advanced manufacturing. Awardees will be required to commercialize their technology within 12 months.

In two rounds, the ACA received more than 500 applications from companies that have requested more than \$117 million in funding. On their own, these companies have raised more than \$512 million of outside capital.

Since the inception of the program, the ACA has received more than 800 applications. These applicants have created a strong pipeline of promising startup ventures that may benefit from a suite of the ACA's business-creation programs and incentives that extend beyond the AIC.



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To learn more

[Arizona Commerce Authority names Innovation Challenge winners.](#)  
[Arizona Commerce Authority picks 10 finalists for innovation challenge.](#)

## AIC AWARD RECIPIENTS

### FALL 2012

[Athena Wireless](#): Using innovative components and techniques, Athena Wireless creates network connectivity solutions for networks of all sizes. Athena Wireless' solutions are ready to deploy out of the box and maintain industry-leading capability.

[Instant Bioscan](#): Using its patented optical technology, Instant BioScan creates ingenious and practical alternatives to current microbial testing practices. Instant BioScan's technology aims to ensure all public, private, and industrial water systems are free of hazardous microbial contaminants.

[Post.Bid.Ship](#): Post.Bid.Ship. technology alleviates inefficiencies in the freight transportation marketplace. Post.Bid.Ship. TMS is a web-based software solution that serves as the "back office" for commercial freight shippers and freight transportation brokers.

[Serious Integrated](#): Serious delivers graphic/touch front panel technology to electronics designers and manufacturers, enabling a modern interface on industrial, medical and commercial products. Product offerings include off-the-shelf front panel modules as well as a software and tools environment for the development and deployment of modern user interfaces.

[Stat Doctors \(Stat Health Services\)](#): Stat Doctors provides a virtual house-call 24 hours a day 365 days a year with a board-certified emergency room physician through internet and phone for the diagnosis and treatment of most minor medical conditions. This service allows for on-demand, convenient care at a reduced cost.

[Stimwave Technologies](#): Stimwave Technologies is a medical device company engaged in the development, manufacture, commercialization and marketing of wireless, microsize, injectable medical devices for neurology markets. This technology reduces the cost of expensive surgery and can provide a practical alternative for pain management.

### SPRING 2013

[appsFreedom](#): appsFreedom's patent-pending Freedom Platform gives clients the ability to quickly and easily design, develop and deploy its own proprietary mobile apps and manage them all through a corporate app store.

[Gingerbread Shed](#): Gingerbread Shed provides technology solutions to manage ticketing, marketing and event services for the rapidly growing music festival market.

[Nasseo, Inc.](#): Nasseo is a medical device company utilizing a molecular-based approach to creating next-generation dental and orthopedic implant products.

[ReplyBuy](#): ReplyBuy is a new form of mobile commerce allowing consumers to purchase anything by sending a text message from their mobile phone.

[Strongwatch](#): Strongwatch is a developer of autonomous surveillance technology for military, government and commercial clients.

[Viomics](#): Viomics is a molecular diagnostics company with products aimed at accurately detecting an array of cancer types early.

*As part of the Spring 2013 AIC, the ACA invited every applicant to meet with its innovation team to receive feedback and consultation that will ultimately refine and strengthen their business plans.*



## VENTURE READY

The ACA graduated its first company, HJ3 Composite Technologies, 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.

HJ3 completed four rigorous panel processes as part of Venture Ready, including marketing, finance, dry run, and graduation and is considered “Venture Ready,” suitable and ready for investment from venture capital, angel investors and/or corporate investors. The company is also a two-time recipient of the ACA’s Arizona Innovation Challenge award and has participated in the [AIAF loan program](#). HJ3’s advanced carbon fiber composites assist with infrastructure repair on everything from basements to bridges. HJ3 CEO Jim Butler credits the Venture Ready process as being instrumental in his growth, evolving his business plan from a \$50 million vision to a \$1 billion vision. Venture Ready continues to attract participating early stage entrepreneurs as well as CEO coaches.

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To learn more

[ACA’s Venture Ready program graduates first tech company.](#)



## ARIZONA INNOVATION ACCELERATOR FUND

The ACA's \$18.2 million [Arizona Innovation Accelerator Fund \(AIAF\) Loan Participation Program](#) continued stimulating financing to small businesses and manufacturers, fostering business expansion and job creation in Arizona. The AIAF funded several significant deals this fiscal year, including:

### Teikoku Taping Systems

Performs R&D, marketing, sales and manufacturing related to the semiconductor industry. Total lending consisted of \$1.5 million, \$750,000 from the AIAF Program with a \$750,000 match from the private sector.

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### Tri-Com Corporation

A civil engineering company that constructs cell towers, installs radio frequency equipment, power systems, and performs tower-related civil engineering work. The AIAF initially participated in a \$750,000 line of credit for the company. Since then, the company has grown and the AIAF has participated in an increase to the line of credit. As of June 30, 2013, financing for the company totaled \$1.2 million, of which the AIAF provided \$283,333.

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### Serious Integrated, Inc.

Delivers graphic/touch front panel technology to electronics designers and manufacturers. The AIAF program has funded a \$150,000 working capital line of credit, which leveraged private equity financing of \$400,000. This is the first AIAF transaction in which the ACA has partnered with private equity investors to facilitate business growth and will serve as a model for stimulating non-bank private capital investment.

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### HJ3 Composite Technologies, LLC

Provides the most comprehensive line of strengthening products in the world. The AIAF Program funded \$375,000 of a \$1.1 million financing package. This was the first loan collaboration with BMO Harris Bank.

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### Pride Group, LLC

Provides personnel and equipment for special events, construction and disaster relief management. The AIAF Program funded \$1.75 million of a \$4 million financing package. This was the first loan collaboration with Commerce Bank of Arizona.

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*“AZ Furnace is a game changer in tech transfer and acknowledges that intellectual property generated by our state’s research institutions represents enormous economic value – **AZ Furnace unlocks incredible potential.**”*

**Sandra Watson, President and CEO, Arizona Commerce Authority**

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## **AZ FURNACE**

With partners BioAccel, ASU, NAU, UA and the Dignity Health Group, the ACA executed the inaugural round of [AZ Furnace](#). AZ Furnace is a first-of-its-kind statewide business accelerator that encourages entrepreneurs from around the world to find promising innovations happening within Arizona’s universities and commercialize those innovations in Arizona, ultimately creating quality jobs.

AZ Furnace is designed to propel Arizona to a leadership position by raising the visibility of Arizona’s research institutions and technology transfer offices and drive startup activity that is directly based on intellectual property and new technology disclosures. Companies competed for seed funding and services, with 10 winners announced in the first round:

- **Attometrics:** Attometrics uses a novel technology capable of rapidly detecting protein, metabolite and DNA analytes with unprecedented sensitivity. Attometrics will sell an automated, multiplexed detection system that can handle high sample throughput to detect and identify groups of biomarkers for cancer and infectious diseases.
- **CYMEDX:** CYMEDX develops assays for the early detection of mitochondrial diseases such as Alzheimer’s disease. Earlier detection enables earlier therapy and development of personalized medicine solutions. The company vision is to help millions of people avoid the physical, emotional and financial burdens of these devastating diseases
- **DataWare Ventures:** Dataware Ventures is a software development firm catering to the Large Data Analytics and Database Management System (DBMS) Optimization segment of the industry. The key products are HIVE Environment and HIVE Runtime software based on HIVE – a database optimization technology developed at the University of Arizona, College of Computer Sciences.
- **Fast PCR Diagnostics:** PCR (polymerase chain reaction) is a technology to amplify and quantify the presence of a specific DNA/RNA sequence. PCR is omnipresent in all biological/medical applications. PCR is also the gold standard for identifying bacterial/viral infections. Fast PCR Diagnostics will commercialize a system for super-fast, portable, and accurate diagnosis of blood infection, which can be best utilized in medical diagnostics especially within the emergency room (ER) setting.

- **IMANIN:** IMANIN will make ultrasound-based preventative diagnostic tools for cardiovascular disease more efficient and available for widespread clinical adoption. There is a clinical need for an efficient software solution for carotid intima-media thickness (CIMT) interpretation. To meet the clinical need, IMANIN has developed an innovative prototype, which is highly efficient and user-friendly for CIMT image interpretation.
- **PiVoT:** PiVoT will commercialize an improved concrete mixture where specific quantities of crumb rubber are added to the concrete mix, resulting in improved thermal cycling resistance without the expense of additional cement. The concrete is lighter and displays increased traction, reduced contact noise and superior crack resistance. This technology provides an attractive end use for the millions of rubber tires discarded each year.
- **Rarus Innovations:** Rarus Innovations LLC is an EdTech company focused on delivering e-learning through Mobile Apps and Internet using gamification principles and social media. Through the partnership with GreenCave, Rarus seeks to, at first, create innovative and fun Android and iOS based apps. As development grows into a suite of games based on the Furnace-provided IP, Rarus will begin taking the next steps toward launching its comprehensive games-based education platform.
- **RehabDev:** RehabDev provides safe, wearable, low-cost stroke rehabilitation products for use at home or in the clinic. The technologies promote repetition and task-oriented use toward effective and efficient stroke recovery. The wearable wireless products offer an unobtrusive and discreet solution that can be taken and used virtually anywhere.
- **SiO2 Nanotech:** SiO2 Nanotech is developing VitreOx™ for applications in vitro-retinal surgery and other procedures and surgery involved with endoscopes and laparoscopes. VitreOx™ inhibits fogging on intra-ocular lenses and endoscopes/laparoscopes lenses by changing the condensation on the surface. The invention not only saves the vision of a patient undergoing vitro-retinal secondary cataract surgery, it also reduces operation time by 40 percent in endoscopic and laparoscopic procedures.
- **Traken Technologies:** Traken Technologies is developing an access control system with a secure mobile-cloud data acquisition system to help local, national and multi-national retailers reduce loss due to theft, while protecting critical data belonging to the retailers and their customers.

PARTNERS



To learn more

[Arizona Commerce Authority helps to launch AZ Furnace accelerator program.](#)

# PROMOTING ARIZONA





## INTERNATIONAL OUTREACH

The ACA is engaged in a national and international campaign to increase Arizona's visibility outside of its borders to expand exports and attract new business and foreign investment. With the Governor's office, the ACA also hosted many international delegations, strengthening Arizona's global positioning:



- **Canadian Aerospace delegation:** Presented the strengths and opportunities of the aerospace and defense market in Arizona, as well as the ACA's leadership effort in securing Arizona as one of the FAA's national test sites for Unmanned Aircraft Systems.



- **Consul-General of Canada:** Hosted the Consul General of Canada, David Fransen, to strengthen international business relationships with Canadian companies.



- **Delegation from China:** Discussed opportunities to communicate directly with a large audience of Chinese companies and directly share the Arizona value proposition; delegation included Madam Yao Wen Ping, General Director for the China Ministry of Commerce.



- **Delegation from Norway:** Met with one of the highest-standing committees of Norway's Parliament (Stortinget) to discuss local government, regional and rural policies, and enhancing business development opportunities.



- **Delegation for the Kingdom of the Netherlands:** Addressed Arizona's premier business operating environment for technology companies looking to expand operations into the U.S.



- **South African Consul-General:** Hosted South African Consul-General Cyril S Ndaba to discuss industry strengths shared between South Africa and Arizona, specifically science and technology. This was Mr. Ndaba's first visit to Arizona.



- **U.S. Ambassador of India:** Hosted former U.S. Ambassador of India David Mulford to discuss strategies to position Arizona for international trade and investment opportunities.



- **Brazilian Delegation:** Met with U.S. Consul General of Brazil Bruno de Risios Bath to discuss opportunities to strengthen business ties with Arizona.



- **Arizona Mexico Commission Plenary:** Governor Brewer and Sonora Governor Guillermo Padres hosted the Arizona Mexico Commission's 2013 Summer Plenary Session, which focused on advancing regional competitiveness.



**TORONTO CANADA:  
TORONTO GLOBAL FORUM  
SEPTEMBER, 2013**

Coordinated an ACA-led Governor's mission to Canada, which included Governor Brewer's speech to hundreds of high-level business leaders from around the world.



**VANCOUVER, CANADA:  
BIOPARTNERING NORTH AMERICA  
FEBRUARY, 2013**

Participated in the only global life science conference in Canada.



**MONTREAL, CANADA:  
LAVAL TECHNOLOGY BUSI  
ASSOCIATION ANNUAL CON  
MAY, 2013**

Met with Canadian companies looking for business in the U.S.



**MEXICO CITY, MEXICO:  
TRADE MISSION  
APRIL, 2013**

Represented Arizona as part of the Joint Working Committee (JWC), which focuses on the border and transportation corridors.

# INTERNATIONAL TRADE SHOWS AND MISSIONS

NESS  
FERENCE

ng to do

**PARIS, FRANCE:**  
50<sup>TH</sup> INTERNATIONAL PARIS  
AIR SHOW 2013  
JUNE, 2013



Participated in the largest aerospace show in the world, which attracted C-level executives from top corporations from around the world and provided a unique opportunity to meet with these key corporate decision makers.

**RIO DE JANEIRO, BRAZIL:**  
LATIN AMERICA AEROSPACE  
AND DEFENSE (LAAD) SHOW  
APRIL, 2013



Participated in the largest and most comprehensive aerospace, defense and security show in Latin America.

**CHICAGO, ILLINOIS:  
BIOTECHNOLOGY INDUSTRY  
ORGANIZATION (BIO)  
INTERNATIONAL CONFERENCE  
APRIL 2012**

Participated in the largest global event bio industry, which attracted almost 15,000 attendees and the biggest names in bio.

**PORTLAND, OREGON:  
SMALL BUSINESS INNOVATION RESEARCH  
(SBIR) NATIONAL CONFERENCE  
NOVEMBER 2012**

Participated in the SBIR Conference, which provided critical information to small businesses competing for SBIR/STTR grants and contracts.

**CHICAGO, ILLINOIS:  
CHICAGO STATE SMALL BUSINESS CREDIT  
INITIATIVE (SSBCI) CONVENTION  
OCTOBER 2012**

Presented at the Chicago SSBCI Convention, and described the mechanics and successful execution techniques of the ACA's \$18.2 million Arizona Innovation Accelerator Fund (AIAF) Loan Participation Program.

**SAVANNAH, GEORGIA:  
INTERNATIONAL CLEAN ENERGY  
CONFERENCE  
NOVEMBER 2012**

Participated in the Conference, which gathered together of more than 300 attendees representing more than 15 countries, including delegations and dignitaries from Austria, Belgium, Israel, Liberia and Turkey.

**SAN FRANCISCO, CALIFORNIA:  
GREENBUILD INTERNATIONAL 2012  
NOVEMBER 2012**

Participated in the world's largest conference and expo dedicated to green building.

**ATLANTA, GEORGIA:  
16TH ANNUAL STATE SCIENCE AND  
TECHNOLOGY INSTITUTE (SSTI) CONFERENCE  
NOVEMBER 2012**

Participated in SSTI, which is a national non-profit comprehensive resource organization focused on tech-based economic development to enhance global competitiveness.

**ANAHEIM, CALIFORNIA:  
MEDICAL DEVICE AND MANUFACTURING  
(MD&M) TRADESHOW  
FEBRUARY 2013**

Participated in the world's largest medtech design and manufacturing event.

**ORLANDO, FLORIDA:  
SOLAR PANEL INTERNATIONAL  
SEPTEMBER 2012**


Participated in SPI, which is the industry's largest, most comprehensive solar energy event in North America.

**ORLANDO, FLORIDA:  
CORENET GLOBAL SUMMIT  
OCTOBER 2012**

Participated in the world's leading professional association for corporate real estate and workplace executives, service providers and economic developers.

# DOMESTIC





**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 Litchfield Park, 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 a first-ever two-day 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

# 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, 2013, 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 an opinion 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 opinion.

**Opinion**

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, 2013, 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 to 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.



Phoenix, Arizona  
October 28, 2013



**THE ARIZONA COMMERCE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ARIZONA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

The following is a discussion and analysis of the Arizona Commerce Authority's ("Authority") financial performance for the fiscal year ended June 30, 2013. 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, 2012 through June 30, 2013, resulting changes, and known facts. It is important to note that the period July 1, 2012 through June 30, 2013 represents only the second 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 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, providing information on near-term inflows, outflows and balances of spendable resources on the modified accrual basis of accounting. 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, 2013**

**AUTHORITY HIGHLIGHTS**

**Arizona Commerce Authority Job Training Program** - The Authority approved 57 new Job Training applications with a commitment base of \$18,130,104. 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 three Arizona Competes Fund grants totaling \$3.5 million. 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 \$15,190,202 in Intergovernmental revenue that consisted of (a) \$13,600,391 from the Arizona Job Training Fund, (b) \$1,417,950 from multiple federally awarded grants, (c) \$109,861 from the Arizona Department of Economic Security, and (d) \$62,000 from application fees earned from administering various State of Arizona incentive programs.

**Payments from the State of Arizona** - The Authority received \$36,708,385 in transferred funds that consisted of (a) \$31,500,000 from the Arizona Job Creation Withholdings Clearing Account, (b) \$3,500,000 from the Arizona Lottery Commission, and (c) \$1,708,385 from the Arizona Corporation Commission.

**EXPENSES**

**Aid To Other Organizations** - The Authority awarded \$13,040,726 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 and 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 development and implementation of the Authority's 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, 2013**

**STATEMENT OF NET POSITION**

The period of July 1, 2012 through June 30, 2013 represents the Authority's second 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,			
	2013	2012	Diff	%
Current Assets	\$ 103,674	\$ 81,927	\$ 21,747	26.5
Non-Current Assets	2,890	70	2,820	4,028.6
Capital Assets, Net	858	980	(122)	(12.4)
<b>Total Assets</b>	<b>\$ 107,422</b>	<b>\$ 82,977</b>	<b>\$ 24,445</b>	<b>29.5</b>
Current Liabilities	\$ 1,021	\$ 2,290	\$ (1,269)	\$ (55)
<b>Total Liabilities</b>	<b>1,021</b>	<b>2,290</b>	<b>(1,269)</b>	<b>(55.4)</b>
Net Investment in Capital Assets	858	980	(122)	(12.4)
Restricted	59,633	43,875	15,758	35.9
Unrestricted	45,910	35,832	10,078	28.1
<b>Total Net Position</b>	<b>106,401</b>	<b>80,687</b>	<b>25,714</b>	<b>31.9</b>
<b>Total Liabilities/Net Position</b>	<b>\$ 107,422</b>	<b>\$ 82,977</b>	<b>\$ 24,445</b>	<b>29.5</b>

As can be seen above, the Authority's Total Assets increased to \$107.4 million in fiscal year 2013 compared to \$83.0 million in fiscal year 2012. This \$24.4 million increase resulted mainly from three areas; increased activity in the Arizona Innovation Accelerator Fund's loan program which resulted in additional current assets of \$1.6 million and additional non-current assets of \$2.8 million, an increase of \$21.7 million in additional current assets being held in local government investment pools awaiting distribution through the various programs managed by the Authority, and a decrease of \$3.0 million cash being held in the Authority's bank account.

The Authority's Total Liabilities decreased from \$2.2 million in fiscal year 2012 to \$1.0 million in fiscal year 2013 due to a smaller amount of accrued payables outstanding at fiscal 2013 year end.

Total Net Position increased to \$106.4 million in fiscal year 2013 as compared to \$80.7 million in fiscal year 2012. \$15.7 million of the increase is attributed mainly to two programs restricted by enabling legislation, the Job Training Fund Program which decreased Net Position by \$1.8 million and the Arizona Competes Fund program which increased Net Position by \$17.5 million. The remaining \$10.0 million increase is attributed 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, 2013**

**CAPITAL ASSETS**

As of operating year-end, the Authority had \$858,346 invested in a variety of capital assets reflected in the following schedule, which represents a net decrease (additions less retirements and depreciation) of \$121,722 during operating year July 1, 2012 through June 30, 2013.

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Equipment	\$ 53,660	\$ 70,926
EDP/Computer Equipment	51,757	69,978
Software/Website	58,438	63,099
Leasehold Improvements	694,491	776,065
<b>Capital Assets, Net</b>	<b>\$ 858,346</b>	<b>\$ 980,068</b>

The following reconciliation summarizes the change in Capital Assets, Net for the years ended June 30, 2012 and 2013.

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Beginning Balance	\$ 980,068	\$ -
Additions	11,710	1,164,247
Depreciation	(133,432)	(184,179)
<b>Ending Balance</b>	<b>\$ 858,346</b>	<b>\$ 980,068</b>

**DEBT OUTSTANDING**

The Authority incurred no debt during the fiscal year July 1, 2012 through June 30, 2013. As a result, the Authority had no debt outstanding at June 30, 2013. During the period July 1, 2011 through June 30, 2012 the Authority incurred no debt and thus, had no debt outstanding at June 30, 2012. 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, 2013**

**STATEMENTS OF ACTIVITIES**

The period of July 1, 2012 through June 30, 2013 represents the Authority's second 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.

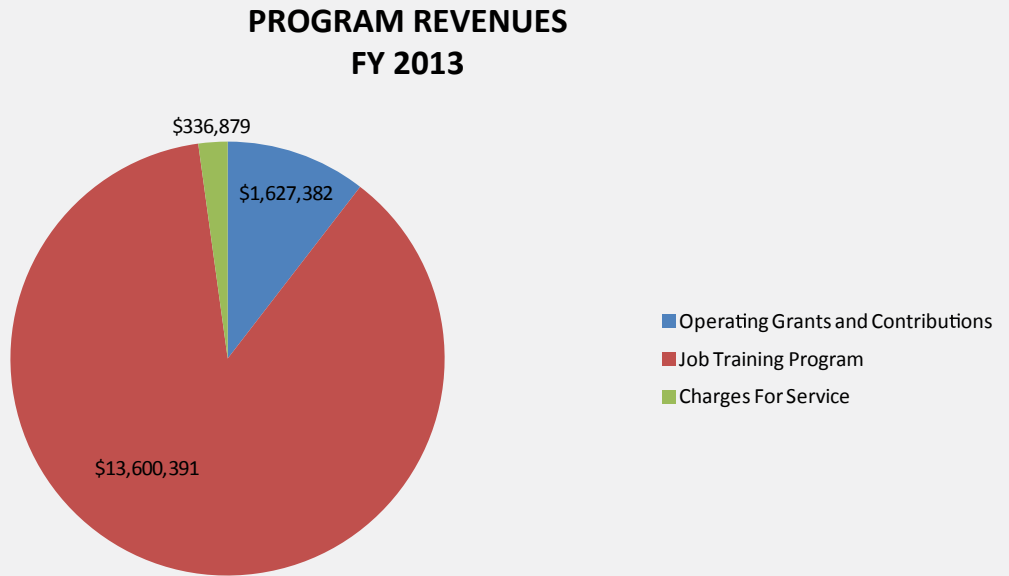
<b>Condensed Statement of Activities</b>				
<b>(In Thousands)</b>				
<b>June 30,</b>				
	<b>2013</b>	<b>2012</b>	<b>Diff</b>	<b>%</b>
<b>Expenses</b>				
Fund Expenses	\$ 27,321	\$ 21,774	\$ 5,547	25.5
<b>Total Expenses</b>	27,321	21,774	5,547	25.5
<b>Revenue</b>				
Program Revenue	15,564	23,374	(7,810)	(33.4)
General Revenue	37,471	79,087	(41,616)	(52.6)
<b>Total Revenue</b>	53,035	102,461	(49,426)	(48.2)
<b>Change in Net Position</b>	25,714	80,687	(54,973)	(68.1)
<b>Net Position, beginning</b>	80,687	-	80,687	100.0
<b>Net Position, ending</b>	\$ 106,401	\$ 80,687	\$ 25,714	31.9

The Authority's Fund Expenses increased by \$5.5 million in fiscal year 2013 as compared to fiscal year 2012 due primarily to an increase in activities in two programs, the Job Training Program and the Arizona Competes Fund program. The Job Training Program saw an increase in contractual commitments of 57 contracts in fiscal year 2013 compared to fiscal year 2012. This increase in employee training activity by Arizona companies resulted in a larger cumulative balance of program reimbursed expenditures in the year over year comparison. The Arizona Competes Fund completed its second year in existence on June 30, 2013. Primarily a milestone based program, the Arizona Competes Fund saw increased activity from companies meeting their milestones which were tied to contracts previously awarded.

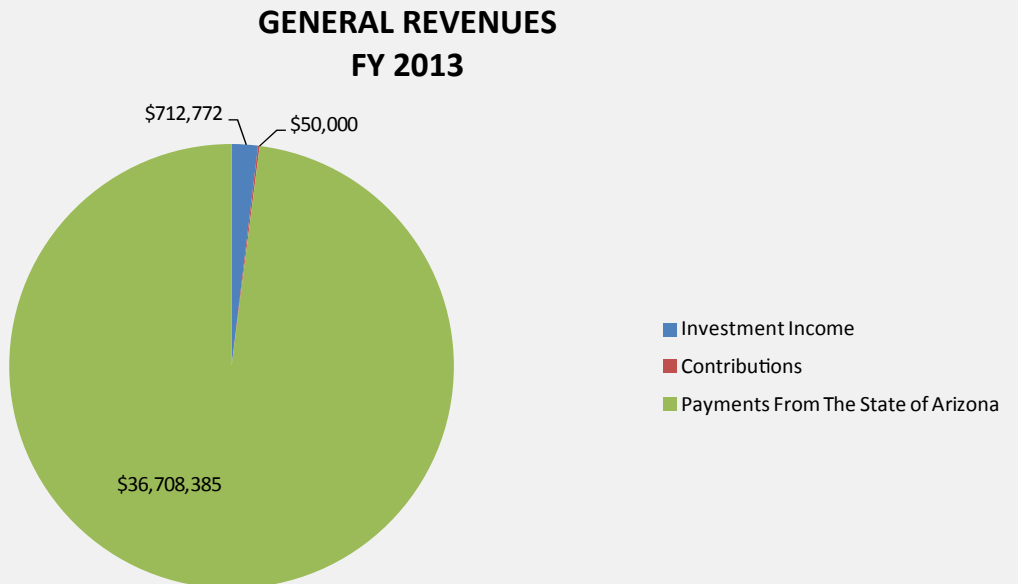
The Authority's Total Revenue decreased by \$49.4 million in fiscal year 2013 as compared to fiscal year 2012 due primarily to the transfer of funds that occurred in fiscal year 2012 from the sunset Arizona Department of Commerce. Per House Bill 2001, Fiftieth Legislature, Second Special Session, all funds held by the Arizona Department of Commerce were transferred to the Authority in fiscal year 2012. This transfer, which represented a one time event, increased the Authority's Total Revenue by \$41.8 million in fiscal year 2012. The remaining decrease resulted mainly from lower 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. Per program guidelines, the Authority may receive tranches two and three once 80% or more of the previous tranche has been obligated. At June 30, 2013, the Authority had obligated 75.2% of the first tranche.

**THE ARIZONA COMMERCE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ARIZONA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

The following chart depicts the sources of Program Revenue for the fiscal year ended June 30, 2013.

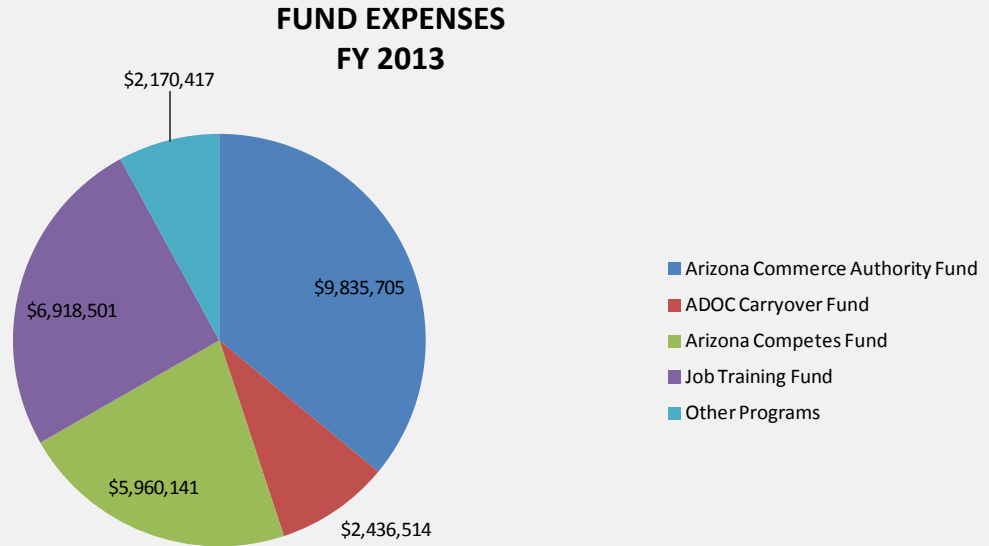


The following chart depicts the sources of General Revenue for the fiscal year ended June 30, 2013.



**THE ARIZONA COMMERCE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ARIZONA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

The following chart depicts the Fund Expenses for the fiscal year ended June 30, 2013



**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, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current	
Cash and Cash Equivalents	\$ 9,424,653
Investments	91,727,458
Notes Receivable, Current	1,887,831
Other Receivables	142,263
Other Assets, Current	491,564
Total Current	<u>103,673,769</u>
Non-Current	
Notes Receivable, Non-Current	2,685,882
Other Assets, Non-Current	204,521
Capital Assets, Net	858,346
Total Non-Current	<u>3,748,749</u>
Total Assets	<u>107,422,518</u>
<b>LIABILITIES</b>	
Current	
Accounts Payable	971,346
Other Liabilities, Current	50,000
Total Liabilities	<u>1,021,346</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	858,346
Restricted for:	
Job Training Fund	19,389,645
Arizona Competes Fund	40,162,632
Bond Fund	81,074
Unrestricted	45,909,475
<b>NET POSITION</b>	<u><u>\$ 106,401,172</u></u>

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, 2013**

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
Arizona Commerce Authority Fund	\$ 9,835,705
ADOC Carryover Fund	2,436,514
Arizona Competes Fund	5,960,141
Job Training Fund	6,918,501
Other Programs	2,170,417
	<u>27,321,278</u>
 <b>PROGRAM REVENUE</b>	
Operating Grants and Contributions	1,627,382
Job Training Program	13,600,391
Charges for Services	336,879
	<u>15,564,652</u>
Total Program Revenue	<u>15,564,652</u>
Net Expenses	<u>(11,756,626)</u>
 <b>GENERAL REVENUE</b>	
Interest Income	712,772
Contributions	50,000
Payments from The State of Arizona	36,708,385
	<u>37,471,157</u>
Total General Revenue	<u>37,471,157</u>
Change in Net Position	25,714,531
<b>NET POSITION, JULY 1, 2012</b>	<u>80,686,641</u>
<b>NET POSITION, JUNE 30, 2013</b>	<u>\$ 106,401,172</u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ARIZONA)  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Arizona Innovation Accelerator Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,056,996	\$ 131,074	\$ 1,236,583	\$ 9,424,653
Investments	91,727,458	-	-	91,727,458
Notes Receivable	22,222	-	1,865,609	1,887,831
Other Receivables	132,271	-	9,992	142,263
Other Assets	491,564	-	-	491,564
<b>TOTAL ASSETS</b>	<u>\$ 100,430,511</u>	<u>\$ 131,074</u>	<u>\$ 3,112,184</u>	<u>\$ 103,673,769</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 966,955	\$ -	\$ 4,391	\$ 971,346
Other Liabilities	-	50,000	-	50,000
Total Liabilities	<u>966,955</u>	<u>50,000</u>	<u>4,391</u>	<u>1,021,346</u>
<b>FUND BALANCES</b>				
Restricted	59,552,276	81,074	-	59,633,350
Committed	-	-	3,102,192	3,102,192
Assigned	34,106,231	-	-	34,106,231
Unassigned	5,805,049	-	5,601	5,810,650
Total Fund Balances	<u>99,463,556</u>	<u>81,074</u>	<u>3,107,793</u>	<u>102,652,423</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 100,430,511</u>	<u>\$ 131,074</u>	<u>\$ 3,112,184</u>	<u>\$ 103,673,769</u>

See accompanying Notes to Financial Statements.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

al fund balances - total governmental funds	\$ 102,652,423
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.	2,685,882
Other assets, non-current are expected to be held longer than one year and, therefore, are not reported in the governmental funds.	204,521
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>858,346</u>
osition of governmental activities	<u><u>\$ 106,401,172</u></u>

**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, 2013**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Arizona Innovation Accelerator Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 15,190,202	\$ -	\$ -	\$ 15,190,202
Sales and Charges for Services	298,515	34,190	37,570	370,275
Other Revenue	725,887	750	40,310	766,947
Payments from The State of Arizona	<u>36,708,385</u>	<u>-</u>	<u>-</u>	<u>36,708,385</u>
Total Operating Revenues	<u>52,922,989</u>	<u>34,940</u>	<u>77,880</u>	<u>53,035,809</u>
<b>EXPENDITURES</b>				
Salary and Related Benefits	5,519,988	-	194,372	5,714,360
Professional and Outside Services	4,307,224	1,092	17,148	4,325,464
General and Administrative	<u>17,325,700</u>	<u>-</u>	<u>2,654,951</u>	<u>19,980,651</u>
Total Operating Expenditures	<u>27,152,912</u>	<u>1,092</u>	<u>2,866,471</u>	<u>30,020,475</u>
Net Change in Fund Balances	25,770,077	33,848	(2,788,591)	23,015,334
<b>FUND BALANCES, JULY 1, 2012</b>	<u>73,693,479</u>	<u>47,226</u>	<u>5,896,384</u>	<u>79,637,089</u>
<b>FUND BALANCES, JUNE 30, 2013</b>	<u>\$ 99,463,556</u>	<u>\$ 81,074</u>	<u>\$ 3,107,793</u>	<u>\$ 102,652,423</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, 2013**

Net change in fund balances	\$ 23,015,334
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.	(121,722)
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.	2,622,919
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>\$ 25,714,531</u></u>

**ARIZONA COMMERCE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF ARIZONA)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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:

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**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:

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**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.

## **E 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.

### **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 28, 2013, the date the financial statements were available to be issued.

## **E 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, 2013, was \$9,424,653 and the bank ledger balance was \$7,173,847.

### **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.



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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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.

The following is a summary of the Authority's cash and investments as of June 30, 2013:

Cash in Bank	\$ 9,424,653
Investments in LGIP	<u>91,727,458</u>
Total cash and investments	<u><u>\$ 101,152,111</u></u>

**NOTE 3 NOTES RECEIVABLE**

At June 30, 2013, the Authority had current and non-current notes receivable of \$1,887,831 and \$2,685,882, respectively.

The following is a composition of the notes receivable as of June 30, 2013.

***Commerce and Economic Development Commission Loan (CEDC).*** 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. \$ 62,963

***Arizona Innovation Accelerator Fund Loan (AIAF).*** 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. 283,333

***Arizona Innovation Accelerator Fund Loan (AIAF).*** Interest bearing participation revolving line of credit with variable monthly interest only payments with an interest rate of 1.50%. The loan has a maturity date of July 13, 2014. 748,500

***Arizona Innovation Accelerator Fund Loan (AIAF).*** Interest bearing participation revolving line of credit with variable monthly interest only payments with an interest rate of 8.50%. The loan has a maturity date of December 20, 2013. A financial institution, of which a board member of the Authority is an employee, is a 60% participant with the loan recipient for an amount equal to \$75,000, and the Authority is a 40% participant for an amount equal to \$50,000, for a total of \$125,000. 50,000

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**3 NOTES RECEIVABLE (CONTINUED)**

<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></i> Interest bearing participation loan with an interest rate of 200 basis points below the 5 year constant maturity Treasury Bill as published in the Wall Street Journal, subject to change every six years, and with a floor of 5.40% (5.40% at June 30, 2013). The loan requires monthly payments of \$934 and has a maturity date of April 17, 2025.	107,268
<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></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
<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></i> Interest bearing participation loan with an interest rate of 6.25%. The loan requires monthly payments of \$37,334 and has a maturity date of June 10, 2018.	1,750,000
<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></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
<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></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.	837,441
<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></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.	99,208
<i><b>Arizona Innovation Accelerator Fund Loan (AIAF).</b></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.	<u>375,000</u>
<b>Total</b>	<u><u>\$ 4,573,713</u></u>

Description	Current	Non-Current	Total
CEDC Loan	\$ 22,222	\$ 40,741	\$ 62,963
AIAF Loans	<u>1,865,609</u>	<u>2,645,141</u>	<u>4,510,750</u>
<b>Total</b>	<u><u>\$ 1,887,831</u></u>	<u><u>\$ 2,685,882</u></u>	<u><u>\$ 4,573,713</u></u>

**ARIZONA COMMERCE AUTHORITY  
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**NOTE 4 CAPITAL ASSETS**

Capital assets at June 30, 2013, consist of the following:

<u>Governmental Activities</u>	<u>Balances June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances June 30, 2013</u>
Capital Assets:				
Furniture and Equipment	\$ 317,630	\$ 8,622	\$ (5,627)	\$ 320,625
Leasehold Improvements	846,616	3,088	-	849,704
 Total Depreciable Assets	 1,164,246	 11,710	 (5,627)	 1,170,329
Less Accumulated Depreciation:				
Furniture and Equipment	(113,627)	(48,770)	5,627	(156,770)
Leasehold Improvements	(70,551)	(84,662)	-	(155,213)
 Total Accumulated Depreciation	 (184,178)	 (133,432)	 5,627	 (311,983)
 Capital Assets, Net	 <u>\$ 980,068</u>	 <u>\$ (121,722)</u>	 <u>\$ -</u>	 <u>\$ 858,346</u>

Depreciation expense was charged to the Arizona Commerce Authority Fund and ADOC Carryover Fund in the amounts of \$30,550 and \$102,882, respectively.

**NOTE 5 FUND BALANCES**

Fund balances at June 30, 2013, 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	\$19,389,644	\$ -	\$ -	\$ 19,389,644
Arizona Competes Fund	40,162,632	-	-	40,162,632
Bond Fund	-	81,074	-	81,074
Committed to:				
AIAF Fund	-	-	3,102,192	3,102,192
Assigned to:				
Job Training Fund	27,411,083	-	-	27,411,083
Arizona Competes Fund	5,674,434	-	-	5,674,434
ADOC Fund	1,020,714	-	-	1,020,714
Unassigned	5,805,049	-	5,601	5,810,650
 <b>Total Fund Balance</b>	 <u><u>\$99,463,556</u></u>	 <u><u>\$ 81,074</u></u>	 <u><u>\$ 3,107,793</u></u>	 <u><u>\$ 102,652,423</u></u>

**ARIZONA COMMERCE AUTHORITY  
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**NOTE 6 COMMITMENTS**

Grant activity payments were \$13,040,726 for the year ended June 30, 2013. Grant awards totaling approximately \$6,972,688 were not recorded as grants expense and grants payable due to significant conditions that were not satisfied before June 30, 2013. Management expects the conditions to be satisfied in fiscal year 2015.

**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:			
2014	\$ 411,344	\$ 101,251	\$ 512,595
2015	414,730	82,808	497,538
2016	443,508	84,453	527,961
2017	479,048	86,128	565,176
2018-2022	<u>1,437,141</u>	<u>376,821</u>	<u>1,813,962</u>
Total Minimum Payments Required	<u>\$ 3,185,771</u>	<u>\$ 731,461</u>	<u>\$ 3,917,232</u>

Lease expense for fiscal year 2013 was \$513,230.

**NOTE 8 RETIREMENT PLAN**

- 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).
- 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, 2013, the Authority contributed \$162,401 in contributions to the retirement plan.

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**NOTE 8 RETIREMENT PLAN (CONTINUED)**

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.





**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, 2013, 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 28, 2013.

**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.



Phoenix, Arizona  
October 28, 2013



ARIZONA  
COMMERCE  
AUTHORITY

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