THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
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YEAR ENDED JUNE 30, 2025

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arizona Commerce Authority
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of The Arizona Commerce Authority (a Component Unit of the State of Arizona), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise The Arizona Commerce Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Arizona Commerce Authority, as of June 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arizona Commerce Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arizona Commerce Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Arizona Commerce Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arizona Commerce Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2026, on our consideration of The Arizona Commerce Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Arizona Commerce Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arizona Commerce Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tempe, Arizona
April 10, 2026

The following is a discussion and analysis of the Arizona Commerce Authority's (Authority) financial performance for the fiscal year ended June 30, 2025. 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, 2024 through June 30, 2025, resulting changes, and known facts.

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

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

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

The Fund Financial Statements provide detailed information about the individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to keep track of specific sources of revenues and disbursements for specific purposes. The 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 – Governmental Funds to the Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, and the Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - 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.

AUTHORITY HIGHLIGHTS

Arizona Competes Fund – The Authority contractually committed $1,000,000 in new funds to Arizona competes Fund grants through one grant program to support and advance programs for small businesses. These commitments will be used to advance innovation and technology commercialization opportunities in Arizona.

State Small Business Credit Initiative – This federal program is administered by the Authority with aims to strengthen state programs that support private financing of socially and economically disadvantaged businesses through three programs: Arizona Loan Guarantee Program, Arizona Venture Co-Invest, and Arizona Multi-Fund Venture. The fund received over $39.1 million in Fiscal Year 2025, representing the second of three tranches under the federal program.

REVENUES

Operating Grants and Contributions – The Authority received $93,198,137 in intergovernmental revenue that consists of (a) $87,183,436 from federally awarded grants, and (b) $6,014,702 from cooperative agreements with other state agencies.

Appropriations – The Authority received $15,300,000 in transferred funds that consist of (a) $10,500,000 from the Arizona Job Creation Withholdings Clearing Account, (b) $1,750,000 from the Arizona Lottery Commission, (c) $500,000 from the State General Fund for the operation of two trade offices in Mexico, (d) $300,000 from the State General Fund for the operation of a trade office in Israel, (e) $500,000 from the State General Fund for the operation of a trade office in Frankfurt Germany, (f) $750,000 from the State General Fund for the operation of trade offices in Asia, (g) $500,000 from the State General Fund to support economic development marketing and attraction, and (h) $500,000 from the State General Fund for Small Business Center Grants.

EXPENSES

Aid To Other Organizations – The Authority awarded $50,505,404 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 vitality of the State, advance nascent industries in our state through research and development, and enhance the quality of our workforce.

Professional and Outside Services – The Authority contracts with industry specialists to provide professional assistance with marketing, communications, information technology, client service, workforce development, business development, and business attraction efforts.

Salary Structure – The Authority provides a competitive salary structure to attract and retain competent personnel. The salary structure is reviewed annually.

STATEMENT OF NET POSITION

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, 2025	2024	Diff	Percent
Current Assets	$ 169,299	$ 209,088	$ (39,789)	(19.0)
Noncurrent Assets	-	-	-	-
Right to Use Assets, Net	-	809	(809)	(100.0)
Capital Assets, Net	24	156	(132)	(84.6)
Total Assets	$ 169,323	$ 210,053	$ (40,730)	(19.4)
Current Liabilities	$ 55,372	$ 88,166	$ (32,794)	(37.2)
Noncurrent Liabilities	-	-	-	-
Total Liabilities	55,372	88,166	(32,794)	(37.2)
Net Investment in Capital Assets	24	91	(67)	(73.6)
Restricted	65,015	59,453	5,562	9.4
Unrestricted	48,912	62,343	(13,431)	(21.5)
Total Net Position	113,951	121,887	(7,936)	(6.5)
Total Liabilities and Net Position	$ 169,323	$ 210,053	$ (40,730)	(19.4)

The Authority's total assets decreased to $169.3 million in Fiscal Year 2025 compared to $210.1 million at the end of Fiscal Year 2024. This $40.7 million decrease was primarily the result of a reversion of $55.7 million from the Arizona Competes Fund, back to the state.

The Authority's total liabilities decreased from $88.2 million at the end of Fiscal Year 2024 to $55.4 million at the end of Fiscal Year 2025 due primarily to liabilities for pending reversions back to the state in Fiscal Year 2024 offset by increased deferred revenue in Fiscal Year 2025.

The Authority's total net position decreased to $114.0 million in Fiscal Year 2025 as compared to $121.9 million at the end of Fiscal Year 2024. This decrease was primarily due to the reversion of funds back to the state mentioned above in Fiscal Year 2025.

CAPITAL ASSETS AND RIGHT TO USE ASSETS

As of June 30, 2025, the Authority had capital assets recorded at $24,380, net of accumulated depreciation as reflected in the following schedule, which represents a net decrease (additions less retirements and depreciation) of $131,728 during operating year July 1, 2024 to June 30, 2025.

	June 30, 2025	June 30, 2024
Equipment	$ 22,570	$ 36,878
EDP/Computer Equipment	1,810	12,676
Furniture	-	2,881
Leasehold Improvements	-	103,673
Capital Assets, Net	$ 24,380	$ 156,108

The following reconciliation summarizes the change in Capital Assets, Net for the years ended June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Beginning Balance	$ 156,108	$ 331,820
Additions	-	-
Depreciation	(131,728)	(175,712)
Ending Balance	$ 24,380	$ 156,108

As of June 30, 2025, the Authority had right to use assets recorded at $-0-, net of accumulated amortization as reflected in the following schedule:

	June 30, 2025	June 30, 2024
Building	$ -	$ 809,487
Right to Use Assets, Net	$ -	$ 809,487

The following reconciliation summarizes the change in Right to Use Assets, Net for the years ended June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Beginning Balance	$ 809,487	$ 1,692,565
Additions	-	-
Amortization	(809,487)	(883,078)
Ending Balance	$ -	$ 809,487

DEBT OUTSTANDING

The following schedule shows the long-term obligations of the Authority as of June 30, 2025 and 2024.

	Governmental Activities	
	2025	2024
Facility Lease	$ -	$ 874,542

STATEMENTS OF ACTIVITIES

The Authority's overall financial position and operations for the past two fiscal years are summarized, as follows, based on the information included in the Government-Wide Financial Statements.

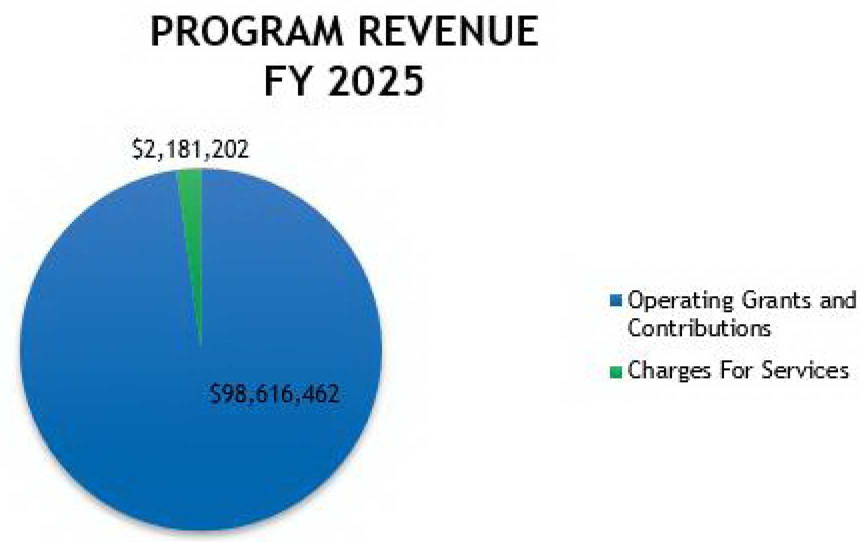
Condensed Statement of Activities (In Thousands) June 30,

	2025	**2024**	**Diff**	**Percent**
Expenses				
Expenses	$ 128,747	$ 181,244	$ (52,497)	(29.0)
Total Expenses and Other Financing Uses	128,747	181,244	(52,497)	(29.0)
Revenue				
Program Revenue	100,798	30,260	70,538	233.1
General Revenue	20,013	73,108	(53,095)	(72.6)
Total Revenue	120,811	103,368	17,443	16.9
Transfers Out	-	-	-	-
Change in Net Position	(7,936)	(77,876)	69,940	(89.8)
Net Position, Beginning	121,887	199,763	(77,876)	(39.0)
Net Position, Ending	$ 113,951	$ 121,887	$ (7,936)	(6.5)

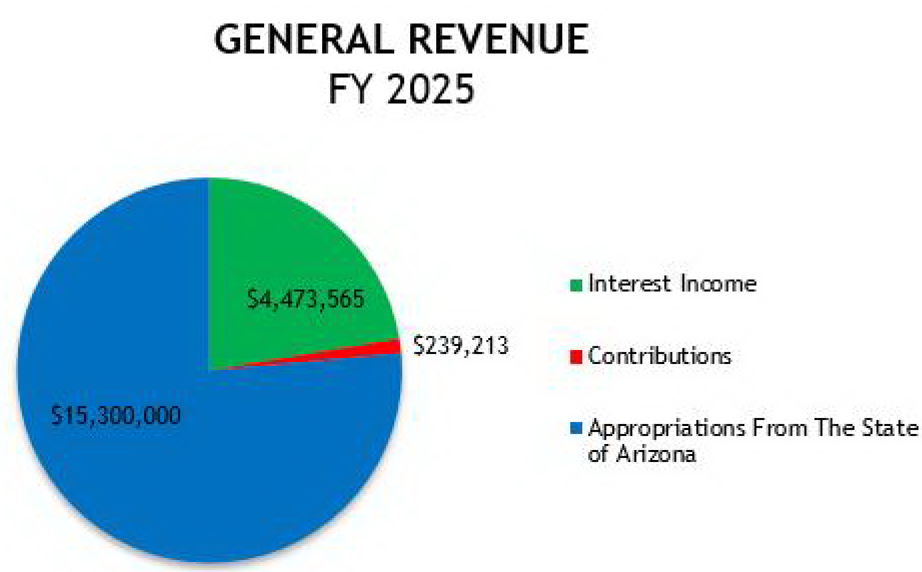
The Authority's expenses decreased by $52.5 million in Fiscal Year 2025 as compared to Fiscal Year 2024. The expense decrease was primarily tied to the expense for the Arizona Competes Fund reversion back to the state that was recorded in Fiscal Year 2024 and paid in Fiscal Year 2025.

The Authority's total revenues increased by $17.4 million in Fiscal Year 2025 as compared to Fiscal Year 2024 due mainly to increases in federal program revenue partially offset by decreases in state revenue.

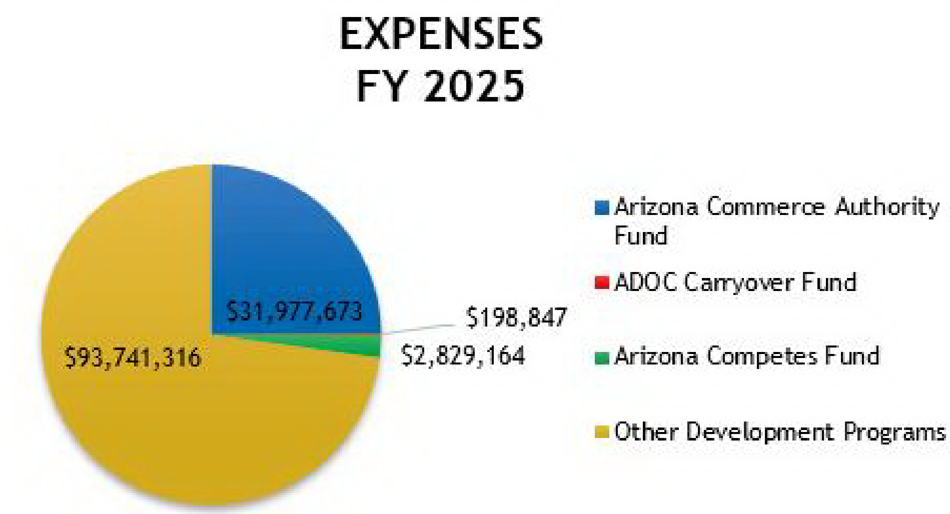
The following chart depicts the sources of Program Revenue for the fiscal year ended June 30, 2025.



The following chart depicts the sources of General Revenue for the fiscal year ended June 30, 2025.



The following chart depicts the Expenses for the fiscal period ended June 30, 2025.



ECONOMIC OUTLOOK

Arizona Revised Statutes § 43-409 provides $10,000,000 to the Arizona Commerce Authority Fund (ACA Fund) and $500,000 to the Arizona Competes Fund (ACF) from the Arizona Job Creation Withholdings Clearing Account for Fiscal Year (FY) 2025. In addition, Arizona Revised Statutes § 5-572(F) provides $1,750,000 funding for the ACF from the Arizona Lottery Fund.

Economic forecasts predict that Arizona will continue to see growth in both personal income and employment through 2025. After a year of decline in FY 2024, State revenues are projected to see positive growth in FY 2025 continuing through FY 2027 (See below). While appropriations from the State are always subject to economic and political pressure, the ACA fund will not be reduced in FY 2026 and the Authority does not anticipate a reduction in the ACA Fund in FY 2027. The ACF allocation will remain the same in FY2026 after seeing a decrease of $5,000,000 in FY2024.

According to the January 2026 Western Blue Chip Economic Forecast, the state of Arizona is expected to see positive personal income growth of 5.2 percent in calendar year 2026 and growth of 5.3 percent in calendar year 2027. The Western Blue Chip is a consensus forecast based on projections from universities, government organizations and firms in the region, collected by Arizona State University's Seidman Research Institute. The Western Blue Chip Forecast also expects Arizona's wage and salary employment to increase by 1.4 percent in 2026 and increase by 1.7 percent in 2027.

Furthermore, the Fiscal Year 2026 Appropriations Report from the State of Arizona Joint Legislative Budget Committee (JLBC) projects net ongoing revenue change of 2.6 percent in FY 2025, 3.1 percent growth in FY 2026, 3.9 percent growth in FY 2027 and 4.5 percent growth in FY 2028. The JLBC forecast draws on projections by panelists from prominent public and private organizations as well as JLBC staff.

To assess national economic conditions, the Arizona Office of Economic Opportunity provided the most recent S&P Global projections. S&P Global is a global information firm that provides national macroeconomic forecasts. The March 2026 S&P Global U.S. Economic Outlook baseline projections indicate U.S. real gross domestic product will increase in 2026 and increase in each of the following years, through 2030.

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, 100 North 7th Avenue, Suite 400, Phoenix, AZ 85007.

THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Current:	
Cash and Cash Equivalents	$ 55,074,916
Investments	74,425,830
Grant and Contract Receivables	20,659,741
Prepaid Expenses	823,998
Other Assets	18,314,588
Total Current	169,299,073
Noncurrent:	
Capital Assets, Net	24,380
Total Noncurrent	24,380
Total Assets	169,323,453
LIABILITIES	
Current:	
Accounts Payable	14,138,146
Accrued Liabilities	275,872
Unearned Fees	40,958,394
Total Liabilities	55,372,412
NET POSITION	
Net Investment in Capital Assets	24,380
Restricted for:	
Arizona Competes Fund	36,785,334
Applied Research Center Fund	150,042
Small Business Credit Incentive Fund	28,080,035
Unrestricted	48,911,250
Total Net Position	$ 113,951,041

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, 2025

	Governmental Activities
EXPENSES	
Economic Development:	
Arizona Commerce Authority Fund	$ 31,977,673
ADOC Carryover Fund	198,847
Arizona Competes Fund	2,829,164
Coronavirus Capital Projects	43,621,200
American Rescue Plan Act Programs	34,164,690
Broadband Development	15,955,460
Total Expenses	128,747,034
PROGRAM REVENUE	
Operating Grants and Contributions	98,616,462
Charges for Services	2,181,202
Total Program Revenue	100,797,664
Net Expenses	(27,949,370)
GENERAL REVENUE	
Interest Income	4,473,565
Contributions	239,213
Appropriations From The State of Arizona	15,300,000
Total General Revenue	20,012,778
EXCESS OF EXPENSES OVER REVENUE	(7,936,592)
CHANGE IN NET POSITION	(7,936,592)
Net Position - July 1, 2024	121,887,633
NET POSITION - JUNE 30, 2025	$ 113,951,041

See accompanying Notes to Financial Statements.

THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
BALANCE SHEET—GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund
ASSETS	
Cash and Cash Equivalents	$ 55,074,916
Investments	74,425,830
Prepaid Expenses and Other Assets	823,998
Grant and Contract Receivables	20,659,741
Other Assets	18,314,588
Total Assets	$ 169,299,073
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
LIABILITIES	
Accounts Payable	$ 14,138,146
Accrued Liabilities	275,872
Unearned Fees	40,958,394
Total Liabilities	55,372,412
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	11,514,912
FUND BALANCES	
Restricted	65,015,411
Assigned	26,171,952
Unassigned	11,224,386
Total Fund Balances	102,411,749
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 169,299,073

See accompanying Notes to Financial Statements.

THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE BALANCE SHEET—GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds	$ 102,411,749
Amounts reported for governmental activities in the statement of net position are different because:	
Some receivables are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.	11,514,912
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	24,380
Net Position of Governmental Activities	$ 113,951,041

See accompanying Notes to Financial Statements.

THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund
REVENUES	
Intergovernmental Revenue	$ 93,198,138
Charges for Services	2,181,202
Interest Income	4,473,565
Other Revenue	239,213
Appropriations From The State of Arizona	15,300,000
Total Revenues	115,392,118
EXPENDITURES	
Salary and Related Benefits	13,472,526
Professional and Outside Services	59,196,587
Aid to Other Organizations	50,505,404
General and Administrative	5,505,844
Total Expenditures	128,680,361
EXCESS OF EXPENDITURES OVER REVENUES	(13,288,243)
NET CHANGE IN FUND BALANCES	(13,288,243)
Fund Balances - July 1, 2024	115,699,992
FUND BALANCES - JUNE 30, 2025	$ 102,411,749

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 BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances	$ (13,288,243)
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 depreciation expense. The extent to which depreciation expense exceeded capital outlay expenditures represents a reconciling item between both statements.	(131,728)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:	
Unavailable Revenue	5,418,324
Governmental funds report lease payments as expenditures. However, in the statement of activities, the costs of those right to use assets is allocated over their estimated useful lives as general government expense. The amortization expense represents a reconciling item between both statements.	(809,487)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to the governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.	
Principal Payments on Lease Liabilities	874,542
Change in Net Position	$ (7,936,592)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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.

Basis of Presentation

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

The government-wide financial statements (statement of net position and statement of activities) report information on all of the activities of the primary government. All activities are reported in the government-wide financial statements using the economic resources measurement focus using the accrual basis of accounting, which includes long-term assets and long-term liabilities. The government-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 government-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 position 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 position that does not meet the definition of "restricted net position" or "net investment in capital assets."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 fund to be a major fund:

The *General Fund* is the primary operating fund and is used to account for all financial resources except those required to be accounted for in other funds.

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 government-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 government-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 unavailable revenues. Amounts received prior to the entitlement period are recorded as unearned 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. Management has determined that grant and contract receivables are fully collectible, and thus have not established an allowance against the receivable balance.

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:

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. The Authority has no fund balances classified as nonspendable as of June 30, 2025.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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 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. The Authority has no fund balances classified as committed as of June 30, 2025.

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 expenditure is incurred for purposes for which more than one classification of fund balance is available.

Budgetary Information

The Authority uses a budget process that culminates in the adoption of a formal annual budget by the board of directors. The budget is a planning and control device; it is not legally binding in the sense of appropriations commonly required in municipal governments. However, certain budget changes require board approval per certain Authority board policies and organizational policies and procedures.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Investments

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

Other Assets

At June 30, 2025, the Authority held funds of $18,314,588 with the Arizona Venture Development Corporation (AVC). These funds represent the amount of money transferred to the AVC by the Authority to be invested in qualifying small businesses under the Federal State Small Business Credit Initiative (SSBCI) program. The Authority is the designated recipient of the SSBCI funds for Arizona and has contracted with AVC, a legally separate nonprofit organization, to make investments under the SSBCI program. Upon the liquidation of the investments by AVC, the AVC is obligated to return the original principal to the Authority.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets and Depreciation

The Authority capitalizes assets with a purchase cost greater than $5,000. 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 40 years. The costs of additions and replacements are capitalized. Contributed assets are recorded at acquisition value as of the date received. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

Deferred inflows of resources recorded on the fund financial statements represent resources that are not available to the Authority as of June 30, 2025 or within 60 days of fiscal year-end. The deferred inflows of resources represent a reconciling item between the fund financial statements and the government-wide financial statements.

NOTE 2 CASH AND INVESTMENTS

Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposits during the year and at fiscal year-end were entirely covered by federal depository insurance or by collateral. The carrying amount of the Authority's deposits at June 30, 2025, was $55,074,916 and the bank ledger balance was $54,675,924. The Authority adheres to Arizona State Law (A.R.S. §35-1202 et seq.) that requires any public deposit to be secured with collateral with a qualified administrator (State Treasurer). The required collateral level is set at 102% of the total depository amount and must be certified by the State Treasurer.

Investments

The Authority's investment policy is to invest with the state of Arizona Treasurer, in the Local Government Investment Pool, which is not rated and there are no restrictions on withdrawals. No policy exists for the following risks: custodial credit risk, credit risk, concentration of credit risk and interest rate risk.

Investments in the State Treasurer's investment pools are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and willing seller. Investments are valued based on published market prices and securities pricing services.

The following is a summary of the Authority's cash and investments as of June 30, 2025:

Cash in Bank	$ 55,074,916
Investments in LGIP	74,425,830
Total Cash, Cash Equivalents, and Investments	$ 129,500,746

NOTE 3 CAPITAL ASSETS AND RIGHT TO USE ASSETS

Capital assets and right to use assets at June 30, 2025, consist of the following:

	Balances June 30, 2024	Additions	Disposals/ Transfers	Balances June 30, 2025
Capital Assets:				
Furniture and Equipment	$ 1,058,408	$ -	$ -	$ 1,058,408
Leasehold Improvements	780,710	-	-	780,710
Total Depreciable Assets	1,839,118	-	-	1,839,118
Less Accumulated Depreciation:				
Furniture and Equipment	(1,005,973)	(28,054)	-	(1,034,027)
Leasehold Improvements	(677,037)	(103,674)	-	(780,711)
Total Accumulated Depreciation	(1,683,010)	(131,728)	-	(1,814,738)
Capital Assets, Net	$ 156,108	$ (131,728)	$ -	$ 24,380
Right to Use Assets:				
Building	$ 3,458,721	$ -	$ -	$ 3,458,721
Less: Accumulated Amortization:				
Building	(2,649,234)	(809,487)	-	(3,458,721)
Right to Use Assets, Net	$ 809,487	$ (809,487)	$ -	$ -

Depreciation expense of $131,728 and amortization expense of $809,487 was charged to the Arizona Commerce Authority for the year ended June 30, 2025.

NOTE 4 FUND BALANCES

Fund balances at June 30, 2025, consist of the following:

	General
Fund Balances	
Restricted for:	
Arizona Competes Fund	$ 36,785,334
Applied Research Center Fund	150,042
Small Business Credit Incentive Fund	28,080,035
Assigned to:	
Arizona Competes Fund	24,742,072
AIAF Fund	1,429,880
Unassigned	11,224,386
Total Fund Balances	$ 102,411,749

NOTE 5 RELATED PARTY TRANSACTIONS

The Arizona Commerce Authority's primary facility in Phoenix is shared space with the Arizona Mexico Commission (AMC). The facility lease is currently under a month-to-month lease, as the Authority is determining the proper space and use needs. AMC pays a proportional share of rent to the Authority based on their respective staffing levels. The interagency service agreements are month-to-month, and cancellable upon 30 days written notice, and may be extended upon mutual agreement and written amendment. The proportional share may change over the lease term and currently accounts for .5% of the total rental cost. Rental share from AMC were approximately $44,500 that was recognized as revenue and expense during the year.

NOTE 6 RETIREMENT PLAN

1. ***General.*** The Authority provides two retirement plans (457(b)/401(a)) covering all full-time employees of the Authority who are age 21 or older. Eligibility to participate in the plans occurs on the first day of the first payroll period immediately following the date the participant completes the eligibility requirements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1976 (ERISA).

2. ***Contributions.*** Each year, participants may contribute up to the amount allowed by the Internal Revenue Code. In addition, participants over the age of 50 are permitted to make additional catch-up contributions. The Authority contributes a matching contribution equal to 100% of deferral contributions up to, but not exceeding, 4% of compensation. For the period ended June 30, 2025, the Authority contributed $280,079 in contributions to the retirement plan.

3. ***Participant Accounts.*** Each participant's account is credited with (a) participant's contribution, (b) the Authority's contribution, (c) plan earnings (losses), and charged with an allocation of administrative expenses. Allocations are based upon participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

4. ***Vesting.*** Participants are immediately 100% vested in (a) their contributions, (b) the Authority's matching contribution, and (c) earnings thereon.

5. ***Withdrawals.*** Participant withdrawals may be made from the plan upon termination of employment, death, disability, attainment of age 59½, Early Retirement Age, Normal Retirement Age, or in the case of a hardship as defined in the plan descriptions.

NOTE 7 COMMITMENTS

Grant activity payments were $50,505,403 for the year ended June 30, 2025. Grant award commitments totaling approximately $26,171,952 remain unpaid at June 30, 2025. These unpaid commitments were not satisfied on or before June 30, 2025. Payments on these commitments will be made as conditions are met. If the conditions for a commitment are not met, the remaining balance on that commitment will be released.

NOTE 8 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a participant in the state's self-insurance program and, in the opinion of the Authority's management, any unfavorable outcomes from these claims and actions would be covered by the self-insurance program. Accordingly, the Authority has no risk of loss beyond adjustments to future years' premium payments to the state's self-insurance program. All estimated losses for unsettled claims and actions of the state are determined on an actuarial basis and are included in the state of Arizona's Annual Comprehensive Financial Report.

NOTE 9 CONTINGENCIES

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

The Authority is periodically involved in various claims arising in the ordinary course of business, none of which, in the opinion of management, if determined adversely against the Authority, will have a material adverse effect on the financial condition, results of operations, or liquidity of the Authority.

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