
Colorado State University Foundation

Financial Report
June 30, 2020

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19

Independent Auditor's Report

To the Board of Directors
Colorado State University Foundation

We have audited the accompanying financial statements of Colorado State University Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's 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. 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 auditor's 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 financial position of Colorado State University Foundation as of June 30, 2020 and the results of its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4, the financial statements include certain investments whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by fund managers and partnership general partners. The investments are valued at approximately \$118,000,000 (21 percent of net assets) at June 30, 2020 and \$107,000,000 (19 percent of net assets) at June 30, 2019. Our opinion is not modified with respect to this matter.

To the Board of Directors
Colorado State University Foundation

Report on Summarized Comparative Information

We have previously audited Colorado State University Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

September 17, 2020

Colorado State University Foundation

Statement of Financial Position

June 30, 2020
(with summarized comparative totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 748,952	\$ 694,909
Investments	511,784,212	506,748,305
Pledges receivable - Net	59,608,626	62,953,021
Cash surrender value life insurance	960,734	763,135
Prepays and other assets	81,314	321,768
Property and equipment - Net	526,781	246,801
Total assets	\$ 573,710,619	\$ 571,727,939
Liabilities and Net Assets		
Liabilities		
Accounts payable (primarily to CSU)	\$ 12,853,806	\$ 4,100,479
Other accrued liabilities	194,261	150,137
Life income agreements	860,350	806,040
Deposits held in custody for CSU	13,844,067	13,499,621
Total liabilities	27,752,484	18,556,277
Net Assets		
Without donor restrictions:		
Undesignated	7,859,621	7,246,977
Board designated	16,398,518	36,930,818
Total without donor restrictions	24,258,139	44,177,795
With donor restrictions	521,699,996	508,993,867
Total net assets	545,958,135	553,171,662
Total liabilities and net assets	\$ 573,710,619	\$ 571,727,939

Colorado State University Foundation

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Contributions	\$ 598,859	\$ 56,392,646	\$ 56,991,505	\$ 59,807,687
Net investment income	(7,970,416)	15,695,976	7,725,560	28,705,957
Actuarial change in value of life income agreements	(26,010)	(42,277)	(68,287)	(17,278)
Other revenue	2,801	3,169,269	3,172,070	392,178
Net assets released from restrictions	58,453,254	(58,453,254)	-	-
Total support and revenue	51,058,488	16,762,360	67,820,848	88,888,544
Expenses				
Program services - Distributions to CSU Colleges of:				
Agricultural sciences	7,858,920	-	7,858,920	6,018,722
Health and human services	3,709,246	-	3,709,246	8,684,635
Business	2,173,779	-	2,173,779	1,893,894
Engineering - Scott	4,489,387	-	4,489,387	4,135,505
Liberal arts	1,529,865	-	1,529,865	1,283,075
Natural resources - Warner	2,886,410	-	2,886,410	3,249,362
Natural sciences	2,378,176	-	2,378,176	3,283,918
Veterinary medicine and biomedical sciences	21,187,880	-	21,187,880	17,126,087
Athletics	1,067,821	-	1,067,821	1,547,511
Central development	11,241,208	-	11,241,208	8,895,215
Other CSU programs	10,746,002	-	10,746,002	11,186,878
Total program services	69,268,694	-	69,268,694	67,304,802
Support services - Management and general	3,082,128	-	3,082,128	3,044,630
Total expenses	72,350,822	-	72,350,822	70,349,432
Change in Net Assets from Operations	(21,292,334)	16,762,360	(4,529,974)	18,539,112
Other Items - Change in allowance for uncollectible pledges	-	(2,683,553)	(2,683,553)	(1,273,075)
Change in Net Assets - Before interfund transfers	(21,292,334)	14,078,807	(7,213,527)	17,266,037
Interfund Transfers	1,372,678	(1,372,678)	-	-
Change in Net Assets	(19,919,656)	12,706,129	(7,213,527)	17,266,037
Net Assets - Beginning of year	44,177,795	508,993,867	553,171,662	535,905,625
Net Assets - End of year	<u>\$ 24,258,139</u>	<u>\$ 521,699,996</u>	<u>\$ 545,958,135</u>	<u>\$ 553,171,662</u>

Colorado State University Foundation

Statement of Functional Expenses

Year Ended June 30, 2020

(with summarized comparative totals for 2019)

	Program Services	Support Services	Total	2019
Distributions to CSU	\$ 69,268,694	\$ -	\$ 69,268,694	\$ 67,304,802
Salaries and wages	-	1,541,462	1,541,462	1,479,826
Legislative relations	-	440,190	440,190	413,166
Employee benefits and payroll taxes	-	432,780	432,780	404,332
Interest and service charges	-	163,502	163,502	153,038
Accounting and legal fees	-	107,426	107,426	102,131
Supplies	-	86,271	86,271	24,647
Professional services and consulting	-	67,180	67,180	318,734
Depreciation	-	62,877	62,877	16,927
Donations	-	50,500	50,500	-
Occupancy	-	34,124	34,124	30,591
Insurance and bonding	-	28,596	28,596	16,749
Miscellaneous expense	-	23,997	23,997	33,867
Staff development and travel	-	22,200	22,200	35,269
Board expense	-	15,702	15,702	8,667
Meals and entertainment	-	5,321	5,321	6,686
Total functional expenses	<u>\$ 69,268,694</u>	<u>\$ 3,082,128</u>	<u>\$ 72,350,822</u>	<u>\$ 70,349,432</u>

Statement of Cash Flows

Year Ended June 30, 2020
(with summarized comparative totals for 2019)

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (7,213,527)	\$ 17,266,037
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	62,877	16,927
Contributions restricted for investment in endowments	(13,735,338)	(12,945,613)
Contributions of securities for nonendowed funds	(2,652,988)	(1,593,772)
Net investment income	(7,725,560)	(28,705,957)
Change in cash surrender value of life insurance policies	(244,764)	(46,400)
Change in value of life income agreements	163,486	93,869
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pledges	3,344,395	(856,872)
Prepays and other assets	240,454	(234,974)
Accounts payable	8,753,327	1,766,911
Other accrued liabilities	44,124	3,974
Deposits held in custody for CSU	344,446	(96,585)
Net cash and cash equivalents used in operating activities	(18,619,068)	(25,332,455)
Cash Flows from Investing Activities		
Purchase of property and equipment	(342,857)	(217,470)
Purchases of investments	(289,214,594)	(380,481,380)
Proceeds from sales of investments	296,309,564	394,290,387
Proceeds from life insurance agreements	47,165	-
Net cash and cash equivalents provided by investing activities	6,799,278	13,591,537
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investments in endowments	11,983,009	11,456,577
Payments of annuity obligations	(109,176)	(157,639)
Net cash and cash equivalents provided by financing activities	11,873,833	11,298,938
Net Change in Cash and Cash Equivalents	54,043	(441,980)
Cash and Cash Equivalents - Beginning of year	694,909	1,136,889
Cash and Cash Equivalents - End of year	\$ 748,952	\$ 694,909

Note 1 - Nature of Business

Colorado State University Foundation (the "Foundation") is a not-for-profit organization incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University (CSU). This is accomplished through receiving, managing, and investing gifts. Principal and/or income from these gifts are used for charitable, scientific, literary, or educational purposes, which directly or indirectly aid and benefit CSU.

Note 2 - Significant Accounting Policies

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Adoption of New Accounting Pronouncement

As of July 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Foundation has adopted the ASU on the modified prospective basis, without any adjustment to amounts previously recognized. The adoption did not have a material impact to the financial statements since adoption, and the Foundation's revenue and expense recognition practices were substantially unchanged as a result of applying the ASU.

Cash Equivalents

Cash and cash equivalents include cash, short-term money market accounts, and other highly liquid investments with an original maturity of three months or less, except for cash and cash equivalents subject to investment management direction. Due to demands on cash from transfer requests by CSU, at times cash balances in commercial banks exceeded the level of insurance provided by the FDIC.

Investments

Investments are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sale price on the last business day of the fiscal year; investments traded in the over-the-counter market and listed securities for which no sale was reported on the last day are valued at the latest available bid price. Alternative investments are valued at net asset value (NAV) provided by the investment manager. This NAV is computed based on dealer quotations on the fair value of the underlying securities, the majority of which are traded on national exchanges. Investments for which there is no active market are recorded at fair value using various valuation techniques. Such techniques include using recent arm's-length market transactions; observable valuation measures for comparable companies, adjusted for differences between the investment and the referenced comparable; and discounted cash flow analysis, pending recent transactions and potential initial public offering values.

Investment returns (dividends, interest, and realized and unrealized gains and losses, net of management fees) in excess of the payout and administrative fee are generally reported as funds with donor restrictions (see Note 10) and are not currently available for spending.

Note 2 - Significant Accounting Policies (Continued)

Contributions and Promises to Give

Unconditional promises to give cash and other assets, including securities, to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional. Gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Foundation uses the allowance method to estimate uncollectible pledges receivable. The allowance is based on historic experience and management's analysis of specific promises made. These promises to give are recorded at the net present value of the expected future cash flows, discounted using a risk-free interest rate.

Life Income Funds and Life Income Trusts Receivable

The Foundation administers life income agreements, such as gift annuities, wherein an income beneficiary is the lifetime recipient of income, and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated present value of the remainder interest.

The Foundation has also been named irrevocable remainder beneficiary for trusts administered by third-party corporate trustees. For these types of arrangements, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates. The Foundation does not permit use of the funds by CSU until the expiration of the lifetime recipient's interest.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from two to five years. Expenses for maintenance, repairs, and minor replacements are charged to operations. The Foundation capitalizes property purchases and significant expenses for major replacements and improvements in excess of \$1,000.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The governing board of the Foundation has identified certain assets with and without donor restrictions as board-designated endowments to be invested for a long-term period. These board-designated endowments are referred to as quasi endowments within the notes to the financial statements (see Notes 9 and 10).

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of June 30, 2020 and 2019, there are no material uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Use of Estimates

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

Functional Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Due to the nature of operations of the Foundation, all grants to CSU are reflected as program expense. All other expenses are reflected as management and general.

Change in Net Assets from Operations

The change in net assets from operations excludes the change in the allowance for uncollectible pledges, as they are not related to the Foundation's major and ongoing activities.

Interfund Transfers

Interfund transfers represent donor changes in gift restrictions.

Impact of COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries implemented measures to combat the outbreak that impacted global business operations. As a result of the pandemic, the Foundation transitioned its employees to a remote working environment to maintain business continuity and to support staff health and well-being. The global economy experienced an increase in volatility as a result of the pandemic. Management reviewed the fair value of the investment portfolio for indications of significant declines subsequent to year end and determined that no impairments should be recorded. The Foundation has not seen any significant decreases in revenue or changes in granting to Colorado State University as of the report date. Due to the uncertainty surrounding the situation, management's judgment regarding this could change in the future.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 17, 2020, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Foundation receives, manages, and invests gifts on behalf of CSU. Funds are transferred to CSU upon request. To meet CSU's current and future needs, the Foundation's investment portfolio is structured to maintain adequate liquidity while providing investment earnings to grow the endowment. The Foundation's operations are funded by an administrative fee charged on the investment portfolio, and any excess fee collected over the Foundation's budget is available for expenditure by CSU.

The following table outlines financial assets available at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 748,952	\$ 694,909
Investments	511,784,212	506,748,305
Pledges receivable	<u>59,608,626</u>	<u>62,953,021</u>
Financial assets - At year end	572,141,790	570,396,235
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	521,699,996	508,993,867
Board designations	<u>16,398,518</u>	<u>36,930,818</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 34,043,276</u>	<u>\$ 24,471,550</u>

The Foundation has over \$512 million and \$507 million in cash and investments as of June 30, 2020 and 2019, respectively. The Foundation monitors current use accounts, totaling \$130.1 million and \$127.7 million as of June 30, 2020 and 2019, respectively, which support students, faculty, facilities, and academic programs at CSU. The Foundation's investment portfolio at June 30, 2020 and 2019 has \$274.9 million and \$265.5 million of investments, respectively, with liquidity of one to two days that can be accessed to meet all the current needs if called upon.

Note 4 - Investments and Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2020 and 2019

Note 4 - Investments and Fair Value Measurements (Continued)

As required by GAAP, the Foundation uses NAV per share or its equivalent (practical expedient), such as member units or an ownership interest in partners' capital, to estimate the fair value of an alternative investment and requires additional fair value disclosures of the Foundation's alternative investments. Certain investments that are measured at fair value using NAV as a practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the following tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following is a description of valuation methodologies used for assets measured at fair value:

Cash equivalents, public equities (other than investments in certain entities that calculate NAV per share), fixed income (other than investments in certain entities that calculate NAV per share), other/global asset allocation, short duration, and student-managed investments are valued at the closing price reported on the active market on which the individual securities are traded.

Alternative and opportunistic investments are calculated using NAV per share of the investments.

There were no changes in the Foundation's valuation techniques during the year.

The following tables set forth by level within the fair value hierarchy the Foundation's investment assets measured on a recurring basis at fair value:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2020					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Balance at June 30, 2020
Cash equivalents subject to investment management direction	\$ 13,587,421	\$ -	\$ -	\$ -	\$ 13,587,421
Public equities:					
United States	94,054,618	-	-	-	94,054,618
International	-	-	-	38,879,790	38,879,790
Emerging markets	22,653,991	-	-	15,095,678	37,749,669
Global	67,654,934	-	-	28,741,695	96,396,629
Fixed income	33,356,063	-	-	17,506,628	50,862,691
Other/Global asset allocation	1,868,593	-	-	-	1,868,593
Alternative investments:					
Hedge funds	-	-	-	41,864,488	41,864,488
Private markets	-	-	-	118,206,634	118,206,634
Short duration	7,400,994	-	-	-	7,400,994
Opportunistic investments	-	-	-	9,646,800	9,646,800
Student-managed investments	1,265,885	-	-	-	1,265,885
Total assets	\$ 241,842,499	\$ -	\$ -	\$ 269,941,713	\$ 511,784,212

June 30, 2020 and 2019

Note 4 - Investments and Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Balance at June 30, 2019
Cash equivalents subject to investment management direction	\$ 2,677,826	\$ -	\$ -	\$ -	\$ 2,677,826
Public equities:					
United States	88,199,619	-	-	-	88,199,619
International	-	-	-	57,596,998	57,596,998
Emerging markets	18,175,705	-	-	9,873,997	28,049,702
Global	28,648,347	-	-	55,384,166	84,032,513
Fixed income	34,000,324	-	-	29,488,659	63,488,983
Other/Global asset allocation	10,451,686	-	-	-	10,451,686
Alternative investments:					
Hedge funds	-	-	-	44,664,038	44,664,038
Private markets	-	-	-	107,461,470	107,461,470
Short duration	8,278,755	-	-	-	8,278,755
Opportunistic investments	-	-	-	10,673,868	10,673,868
Student-managed investments	1,172,847	-	-	-	1,172,847
Total assets	\$ 191,605,109	\$ -	\$ -	\$ 315,143,196	\$ 506,748,305

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2020	June 30, 2019	June 30, 2020		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Public equities (a)	\$ 82,717,164	\$122,855,161	\$ -	Daily, monthly, quarterly	2-30 days
Fixed income (b)	17,506,628	29,488,659	-	Daily	1-2 days
Hedge funds - Multistrategy (c)	28,549,851	30,197,942	-	N/A, quarterly	N/A, 45-90 days
Hedge funds - Long/Short (d)	13,314,637	14,466,096	-	N/A, quarterly	N/A, 45-60 days
Private markets - Private equity (e)	57,720,560	53,789,636	59,891,589	N/A	N/A
Private markets - Private debt (f)	48,925,262	43,541,173	19,633,492	N/A, quarterly	N/A, 90 days*
Private markets - Venture capital (g)	11,560,811	10,130,661	4,455,875	N/A	N/A
Opportunistic investments (h)	9,646,800	10,673,868	-	Monthly	30 days
Total	\$269,941,713	\$315,143,196	\$ 83,980,956		

*After three-year lockup

(a) This category includes investments in common stock of both domestic and international companies, including emerging markets. The fair values of the investments in this category have been calculated using NAV per share of the investments.

Note 4 - Investments and Fair Value Measurements (Continued)

(b) This category includes investments primarily in U.S. TIPS and Treasuries and emerging markets debt and currencies. The fair values of the investments in this category have been calculated using NAV per share of the investments.

(c) This category includes investments in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. The hedge funds' composite portfolio for this category includes investments in public equities, treasuries, and fixed-income derivatives. The fair values of the investments in this category have been calculated using NAV per share of the investments. Investments representing an insignificant amount cannot be redeemed because the investments include holdings that are part of an illiquid market.

(d) This category includes investments in hedge funds that invest in both long and short positions, primarily in domestic common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from net long to net short positions. The fair values of the investments in this category have been calculated using NAV per share of the investments. Certain investments cannot be redeemed because the investments are part of an illiquid market.

(e) This category includes private market funds invested, either directly or indirectly, in both domestic and international private companies. These investments cannot be redeemed by the Foundation. Distributions are received through liquidation of the underlying assets of the fund. It is estimated that the underlying assets will be liquidated over the next 1 to 10 years. The fair values of the investments in this category have been estimated using NAV of the Foundation's ownership in the partners' capital.

(f) This category includes private market funds invested in public and private credit and debt instruments, senior secured loans, public and private credit and debt securities, foreign currency exchange transactions, and derivative transactions. Certain investments cannot be redeemed by the Foundation. Distributions are received through bundled loan repayments, bundled mortgage payments, and liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next 1 to 10 years. The fair values of the investments in this category have been estimated using NAV of the Foundation's ownership in the partners' capital.

(g) This category includes private equity funds primarily invested in early-stage domestic private companies. The investments cannot be redeemed by the Foundation. Distributions are received through liquidation of the underlying assets of the fund. It is estimated that the underlying assets will be liquidated over the next 6 to 9 years. The fair values of the investments in this category have been estimated using NAV of the Foundation's ownership in the partners' capital.

(h) This category includes investments in opportunistic strategies. These strategies include investments in closed-end funds and other securities. The fair values of the investments in this category have been calculated using NAV per share of the investments.

Net investment earnings for the years ended June 30 2020, and 2019 consist of the following:

	2020	2019
Interest, dividends, and other income	\$ 6,473,177	\$ 7,069,223
Net realized gains on investments	13,448,962	24,057,271
Net unrealized (losses) gains on investments	(7,172,397)	4,250,301
Less investment management fees	<u>(4,495,940)</u>	<u>(6,106,166)</u>
Subtotal	8,253,802	29,270,629
Less net investment income on deposits held in custody for CSU	<u>(528,242)</u>	<u>(564,672)</u>
Net investment earnings	<u>\$ 7,725,560</u>	<u>\$ 28,705,957</u>

June 30, 2020 and 2019

Note 5 - Pledges Receivable

Pledges receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Receivables due in less than one year	\$ 11,282,179	\$ 14,616,060
Receivables due in one to five years	43,360,950	44,042,347
Receivables due in more than five years	<u>9,047,262</u>	<u>9,450,571</u>
Total	63,690,391	68,108,978
Less allowance for uncollectible pledges	(1,592,260)	(1,702,724)
Less present value discounting	<u>(2,489,505)</u>	<u>(3,453,233)</u>
Total	<u>\$ 59,608,626</u>	<u>\$ 62,953,021</u>

Unconditional promises to give (pledges receivable) are from various entities, including foundations, corporations, and individuals. The discount factor utilized in the present value calculation is the five-year U.S. Treasury note rate as of June 30 of the fiscal year in which the commitment is made.

Pledges receivable from three donors at June 30, 2020 represented approximately 66 percent of net pledges receivable. Pledges receivable from two donors at June 30, 2019 represented approximately 53 percent of net pledges receivable.

Note 6 - Life Income Agreements

At June 30, 2020 and 2019, total life income agreement liabilities were \$860,350 and \$806,040, respectively, consisting of charitable gift annuities and charitable remainder trusts. Charitable gift annuity assets of \$848,607 and \$689,122 at June 30, 2020 and 2019, respectively, are included in investments on the accompanying statement of financial position. Charitable remainder trust assets invested with the Foundation total \$0 and \$16,539 at June 30, 2020 and 2019, respectively, and are included in other assets on the accompanying statement of financial position.

Future maturities of life income agreements payable are as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 112,430
2022	112,430
2023	107,547
2024	99,838
2025	84,046
Thereafter	<u>344,059</u>
Total	<u>\$ 860,350</u>

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Gross property and equipment	\$ 681,456	\$ 431,216
Less accumulated depreciation	<u>154,675</u>	<u>184,415</u>
Net property and equipment	<u>\$ 526,781</u>	<u>\$ 246,801</u>

Note 8 - Life Insurance Policies

The Foundation is the owner and beneficiary of various donated life insurance policies with face values of approximately \$4,600,000 and \$3,800,000, respectively, and total cash surrender values of \$960,734 and \$763,135 as of June 30, 2020 and 2019, respectively.

Note 9 - Net Assets

The Foundation's net assets without donor restrictions consist of the following as of June 30:

	2020	2019
Undesignated	\$ 7,859,621	\$ 7,246,977
Board designated	16,398,518	36,930,818
Total	\$ 24,258,139	\$ 44,177,795

The Foundation's governing board made the following designations as of June 30:

	2020	2019
Securities reserve (included in endowments)	\$ 9,563,435	\$ 28,967,465
Charitable gift annuity reserve	433,906	451,339
Quasi endowments	6,401,177	7,512,014
Total	\$ 16,398,518	\$ 36,930,818

The purpose of the securities reserve is to accumulate investment pool earnings for subsequent distribution to interest-bearing funds. An amount approximating the following year's interest payout and administrative fee are held at the end of each year.

The purpose of the charitable gift annuity reserve is to provide funding for annuity payments on charitable gift annuities that have been depleted.

Several quasi endowments have been designated by the Foundation's governing board for unrestricted use by the University and for support of alumni relations and central development operations.

The Foundations net assets with donor restrictions consist of the following as of June 30:

	2020	2019
Restricted for use by CSU colleges and programs	\$ 267,435,309	\$ 268,411,372
Restricted for a permanent source of income	254,264,687	240,582,495
Total	\$ 521,699,996	\$ 508,993,867

Note 10 - Donor-restricted and Board-designated Endowments

The Foundation's endowment at June 30, 2020 consists of 1,579 individual funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing board of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 15,964,611	\$ -	\$ 15,964,611
Donor-restricted quasi-endowment funds	-	60,787,466	60,787,466
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	254,264,687	254,264,687
Accumulated investment gains	-	91,183,983	91,183,983
Total	\$ 15,964,611	\$ 406,236,136	\$ 422,200,747

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 36,479,479	\$ 388,986,846	\$ 425,466,325
Contributions	-	14,169,712	14,169,712
Transfers to board-designated/donor-restricted endowments	-	2,054,840	2,054,840
Investment return	(8,350,469)	700,905	(7,649,564)
Amounts appropriated for expenditure	(12,164,399)	(1,389,963)	(13,554,362)
Other changes	-	1,713,796	1,713,796
Endowment net assets - End of year	\$ 15,964,611	\$ 406,236,136	\$ 422,200,747

June 30, 2020 and 2019

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 36,479,479	\$ -	\$ 36,479,479
Donor-restricted quasi-endowment funds	-	60,994,487	60,994,487
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	240,582,495	240,582,495
Accumulated investment gains	-	87,409,864	87,409,864
Total	\$ 36,479,479	\$ 388,986,846	\$ 425,466,325
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 33,584,656	\$ 368,014,613	\$ 401,599,269
Contributions	-	16,215,497	16,215,497
Transfers to board-designated/donor-restricted endowments	-	2,933,069	2,933,069
Investment return	12,335,795	1,793,232	14,129,027
Amounts appropriated for expenditure	(9,441,065)	(154,689)	(9,595,754)
Other changes	93	185,124	185,217
Endowment net assets - End of year	\$ 36,479,479	\$ 388,986,846	\$ 425,466,325

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2020, deficiencies of this nature exist in donor-restricted endowment funds, which have an original gift value of \$34,663,409, a current fair value of \$32,933,918, and a deficiency of \$1,729,492. As of June 30, 2019, deficiencies of this nature exist in donor-restricted endowment funds, which have an original gift value of \$24,384,810, a current fair value of \$22,679,064, and a deficiency of \$1,705,746. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Foundation's governing board. The Foundation's policy allows for continued spending on underwater endowment funds at the discretion of the governing board. The Foundation followed this policy during the years ended June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Foundation's governing board, the endowment assets are invested in a manner that is intended to achieve a return that exceeds the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6.5 to 9.0 percent annually. Actual returns in any given year may vary from this amount.

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Foundation's governing board meets at least quarterly and more often, if needed, to discuss investment matters to ensure the best possible return, consistent with the preservation of principal, is achieved.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment fund's average balance approved annually by the governing board (the payout rate was 4.25 percent for the years ended June 30, 2020 and 2019). All funds are assessed an administrative fee at an annual rate approved by the governing board (the administrative fee was 1.75 percent for the years ended June 30, 2020 and 2019). In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow an average of 0.5 to 3.0 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term with respect to the prevailing rate of inflation, as well as to provide additional real growth through new gifts and investment returns.

Note 11 - Related Party Transactions

The following is a description of transactions between the Foundation and related parties:

Colorado State University

Line of Credit

The Foundation has an agreement to provide CSU with a \$5,000,000 line of credit. The line of credit accrues interest at the prime rate plus 1.0 percent; however, the interest rate shall not be less than 2.5 percent or more than 6.0 percent. The line of credit agreement expires on June 30, 2022 but can be renewed for an additional five-year term based on approval by the Foundation's board of directors. As of and during the years ended June 30, 2020 and 2019, no amounts were drawn by CSU on the line of credit.

Management Fees

In consideration for receiving, managing, and investing gifts on behalf of CSU, the Foundation charges an administrative fee. Total administrative fees of approximately \$8,630,000 and \$8,230,000 were charged for the years ended June 30, 2020 and 2019, respectively, representing 1.75 percent of total invested assets. Any excess fee collected over the Foundation's budget is allocated to a quasi endowment for the benefit of CSU. Distributions from the quasi endowment were approximately \$10,593,000 and \$8,084,000 for the years ended June 30, 2020 and 2019, respectively.

Note 11 - Related Party Transactions (Continued)

Other

CSU provided office space and various services to the Foundation at no charge during the years ended June 30, 2020 and 2019.

Many departments of CSU depend on gift revenue managed by the Foundation to supplement their budgets. Funds are transferred to CSU upon request by authorized personnel and expended in accordance with Colorado State University System fiscal rules and donor restrictions. Substantially all other Foundation expenses relate to the Foundation's operations.

The Foundation has been designated by the board of governors of the Colorado State University System as the official repository for all gifts of cash, securities, and other assets given to CSU or to the board of governors of the Colorado State University System for the use and benefit of CSU, other than those required by law to be kept by CSU. Endowments and the related expendable funds of CSU are held by the Foundation for investment safekeeping. These funds amounted to \$13,844,067 and \$13,499,621 as of June 30, 2020 and 2019, respectively, and are reported as deposits held in custody for CSU in the accompanying statement of financial position. Amounts are classified in accordance with restrictions related to CSU and do not have an impact on the net assets of the Foundation.

Colorado State University Research Foundation (CSURF)

CSURF is a private, not-for-profit organization that aids and assists the two universities (Colorado State University and Colorado State University Pueblo) governed by the board of governors of the Colorado State University System in their research and educational efforts.

During the years ended June 30, 2020 and 2019, the Foundation received approximately \$2,856,000 and \$259,000, respectively, from CSURF, representing proceeds from the sale of real estate and intellectual property donated or transferred to CSURF.

Note 12 - Retirement Plans

After one year of service at the Foundation, all employees who work at least 1,000 hours per year are eligible for participation in the defined contribution retirement plan. The Foundation contributes 10 percent of employee-based compensation up to the Social Security earnings base plus 13.7 percent over the Social Security earnings base. Retirement plan contributions for the years ended June 30, 2020 and 2019 were approximately \$133,000 and \$72,000, respectively. Plan assets are not reflected in these financial statements.