
Colorado State University Foundation

Financial Report
June 30, 2023

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Independent Auditor's Report

To the Board of Directors
Colorado State University Foundation

Opinion

We have audited the financial statements of Colorado State University Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2023 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and the changes in its 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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 opinion.

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 \$279,000,000 (39 percent of net assets) at June 30, 2023. Our opinion is not modified with respect to this matter.

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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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

To the Board of Directors
Colorado State University Foundation

In performing an audit in accordance with GAAS, 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 Foundation'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 Foundation'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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

October 6, 2023

Colorado State University Foundation

Statement of Financial Position

June 30, 2023
(with summarized comparative totals for 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 2,110,665	\$ 2,430,556
Investments	717,423,604	666,040,826
Pledges receivable - Net	30,837,998	35,507,919
Cash surrender value life insurance	1,194,470	1,145,387
Prepays and other assets	19,221	513,171
Property and equipment - Net	348,469	406,580
Total assets	\$ 751,934,427	\$ 706,044,439
Liabilities and Net Assets		
Liabilities		
Accounts payable (primarily to CSU)	\$ 9,557,373	\$ 7,097,712
Other accrued liabilities	320,126	289,620
Life income agreements	770,033	741,906
Deposits held in custody for CSU	16,343,366	16,203,343
Total liabilities	26,990,898	24,332,581
Net Assets		
Without donor restrictions:		
Undesignated	14,799,931	17,873,653
Board designated	23,947,273	12,653,471
Total without donor restrictions	38,747,204	30,527,124
With donor restrictions	686,196,325	651,184,734
Total net assets	724,943,529	681,711,858
Total liabilities and net assets	\$ 751,934,427	\$ 706,044,439

Colorado State University Foundation

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023
(with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Contributions	\$ 1,861,507	\$ 76,471,159	\$ 78,332,666	\$ 71,178,392
Net investment income (loss)	11,571,096	37,874,559	49,445,655	(36,181,177)
Other revenue	2,828,736	750,328	3,579,064	1,386,765
Actuarial change in value of life income agreements	(57,099)	(21,146)	(78,245)	362
Net assets released from restrictions	69,750,463	(69,750,463)	-	-
Total support and revenue	85,954,703	45,324,437	131,279,140	36,384,342
Expenses				
Program services - Distributions to CSU Colleges of:				
Agricultural sciences	9,079,430	-	9,079,430	5,570,466
Health and human services	4,464,415	-	4,464,415	2,994,952
Business	2,778,154	-	2,778,154	2,106,568
Engineering - Scott	6,629,186	-	6,629,186	5,882,887
Liberal arts	2,271,509	-	2,271,509	1,602,235
Natural resources - Warner	5,927,494	-	5,927,494	4,082,878
Natural sciences	2,646,443	-	2,646,443	1,853,137
Veterinary medicine and biomedical sciences	19,420,190	-	19,420,190	11,814,360
Athletics	4,063,852	-	4,063,852	3,778,195
Central development	7,712,184	-	7,712,184	11,644,731
Other CSU programs	18,230,934	-	18,230,934	8,443,183
Total program services	83,223,791	-	83,223,791	59,773,592
Support services - Management and general	4,043,975	-	4,043,975	3,622,894
Total expenses	87,267,766	-	87,267,766	63,396,486
Change in Net Assets from Operations	(1,313,063)	45,324,437	44,011,374	(27,012,144)
Other Items - Change in allowance and write-off of uncollectible pledges	-	(779,703)	(779,703)	(591,241)
Change in Net Assets - Before interfund transfers	(1,313,063)	44,544,734	43,231,671	(27,603,385)
Interfund Transfers	9,533,143	(9,533,143)	-	-
Change in Net Assets	8,220,080	35,011,591	43,231,671	(27,603,385)
Net Assets - Beginning of year	30,527,124	651,184,734	681,711,858	709,315,243
Net Assets - End of year	<u>\$ 38,747,204</u>	<u>\$ 686,196,325</u>	<u>\$ 724,943,529</u>	<u>\$ 681,711,858</u>

Colorado State University Foundation

Statement of Functional Expenses

Year Ended June 30, 2023

(with summarized comparative totals for 2022)

	Program Services	Support Services	Total	2022
Distributions to CSU	\$ 83,223,791	\$ -	\$ 83,223,791	\$ 59,773,592
Salaries and wages	-	1,977,860	1,977,860	1,794,994
Employee benefits and payroll taxes	-	558,499	558,499	548,420
Legislative relations	-	448,550	448,550	434,784
Information technology	-	250,854	250,854	227,211
Interest and service charges	-	207,907	207,907	186,684
Accounting and legal fees	-	167,073	167,073	120,114
Professional services and consulting	-	111,881	111,881	72,515
Board expense	-	69,613	69,613	54,746
Depreciation	-	66,383	66,383	70,627
Miscellaneous expense	-	57,886	57,886	11,879
Insurance and bonding	-	55,244	55,244	40,407
Staff development and travel	-	39,677	39,677	31,808
Supplies and occupancy	-	25,749	25,749	25,424
Meals and entertainment	-	6,799	6,799	3,281
Total functional expenses	<u>\$ 83,223,791</u>	<u>\$ 4,043,975</u>	<u>\$ 87,267,766</u>	<u>\$ 63,396,486</u>

Statement of Cash Flows

Year Ended June 30, 2023
(with summarized comparative totals for 2022)

	2023	2022
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 43,231,671	\$ (27,603,385)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	66,383	70,627
Bad debt expense	779,703	591,241
Contributions restricted for investment in endowments	(18,599,168)	(17,136,829)
Contributions of securities for nonendowed funds	(2,957,931)	(4,760,219)
Net investment (income) loss	(49,445,655)	36,181,177
Change in cash surrender value of life insurance policies	(49,083)	(40,252)
Change in value of life income agreements	143,070	8,802
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pledges	3,890,218	(4,230,810)
Prepays and other assets	493,950	(361,670)
Accounts payable	2,459,661	2,494,439
Other accrued liabilities	30,506	37,876
Deposits held in custody for CSU	140,023	(1,295,772)
Net cash and cash equivalents used in operating activities	(19,816,652)	(16,044,775)
Cash Flows from Investing Activities		
Purchase of property and equipment	(8,272)	(5,057)
Proceeds from sales of investments	110,541,016	417,666,899
Purchases of investments	(105,873,687)	(416,985,803)
Net cash and cash equivalents provided by investing activities	4,659,057	676,039
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investments in endowments	14,952,647	14,718,376
Payments of annuity obligations	(114,943)	(97,820)
Net cash and cash equivalents provided by financing activities	14,837,704	14,620,556
Net Decrease in Cash and Cash Equivalents	(319,891)	(748,180)
Cash and Cash Equivalents - Beginning of year	2,430,556	3,178,736
Cash and Cash Equivalents - End of year	\$ 2,110,665	\$ 2,430,556

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, 2022, from which the summarized information was derived.

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 analyses, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

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 2 to 15 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, where 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).

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, 2023 and 2022, 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.

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the financial statements.

Administrative Fees

In consideration for receiving, managing, and investing gifts for the benefit of CSU, the Foundation assesses an administrative fee of 1.70 percent of total invested assets of the Foundation. These fees are assessed annually as services are provided. Administrative fees of approximately \$9,681,000 and \$12,281,000 were assessed for the years ended June 30, 2023 and 2022, respectively, and are included in interfund transfers in the statement of activities and changes in net assets as an increase in operating funds without donor restrictions and a reduction in the endowment balances with donor restrictions.

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 include administrative fees, donor changes in gift restrictions, and miscellaneous transfers.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 6, 2023, 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.

June 30, 2023 and 2022

Note 3 - Liquidity and Availability of Resources (Continued)

The following table outlines financial assets available at June 30:

	2023	2022
Cash and cash equivalents	\$ 2,110,665	\$ 2,430,556
Investments	717,423,604	666,040,826
Pledges receivable - Net	30,837,998	35,507,919
Financial assets - At year end	750,372,267	703,979,301
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	686,196,325	651,184,734
Board designations	23,947,273	12,653,471
Financial assets available to meet cash needs for general expenditures within one year	\$ 40,228,669	\$ 40,141,096

The Foundation has over \$719 million and \$668 million in cash and investments as of June 30, 2023 and 2022, respectively. The Foundation monitors current use accounts, totaling \$135.5 million and 132.7 million as of June 30, 2023 and 2022, respectively, which support students, faculty, facilities, and academic programs at CSU. The Foundation's investment portfolio at June 30, 2023 and 2022 has \$234.1 million and \$231.8 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.

June 30, 2023 and 2022

Note 4 - Investments and Fair Value Measurements (Continued)

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.

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), and student-managed investments are valued at the closing price reported on the active market on which the individual securities are traded.

Alternative 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, 2023					
	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)	Total
Cash equivalents subject to investment management direction	\$ 44,328,623	\$ -	\$ -	\$ -	\$ 44,328,623
Public equities:					
United States	15,080,237	-	-	135,427,993	150,508,230
International	-	-	-	37,321,166	37,321,166
Emerging markets	-	-	-	39,740,397	39,740,397
Global	-	-	-	81,277,344	81,277,344
Fixed income	17,404,769	-	-	65,798,704	83,203,473
Alternative investments:					
Hedge funds	-	-	-	143,079	143,079
Private markets	-	-	-	279,339,976	279,339,976
Student-managed investments	1,561,316	-	-	-	1,561,316
Total assets	<u>\$ 78,374,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639,048,659</u>	<u>\$ 717,423,604</u>

June 30, 2023 and 2022

Note 4 - Investments and Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022				
	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)	Total
Cash equivalents subject to investment management direction	\$ 10,058,221	\$ -	\$ -	\$ -	\$ 10,058,221
Public equities:					
United States	12,057,956	-	-	127,790,286	139,848,242
International	-	-	-	45,691,958	45,691,958
Emerging markets	-	-	-	39,811,608	39,811,608
Global	42,542,221	-	-	65,952,150	108,494,371
Fixed income	-	-	-	71,730,930	71,730,930
Alternative investments:					
Hedge funds	-	-	-	5,992,947	5,992,947
Private markets	-	-	-	243,020,523	243,020,523
Student-managed investments	1,392,026	-	-	-	1,392,026
Total assets	<u>\$ 66,050,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 599,990,402</u>	<u>\$ 666,040,826</u>

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where 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, 2023	June 30, 2022	Unfunded Commitments	June 30, 2023	Redemption Notice Period
	Fair Value	Fair Value		Redemption Frequency, if Eligible	
Public equities (a)	\$ 293,766,900	\$ 279,246,002	\$ -	Daily, Monthly N/A, Daily,	1-30 days
Fixed income (b)	65,798,704	71,730,930	15,000,000	Monthly	N/A, 1-30 days
Hedge funds (c)	143,079	5,992,947	-	Quarterly	60-90 days
Private markets - Private equity (d)	189,624,019	165,812,123	78,345,856	N/A, quarterly*	N/A, 90-180 days*
Private markets - Private debt (e)	62,645,608	60,852,482	33,427,543	N/A	N/A
Private markets - Private real assets (f)	27,070,349	16,355,918	14,521,410	N/A, quarterly**	N/A, 90 days**
Total	<u>\$ 639,048,659</u>	<u>\$ 599,990,402</u>	<u>\$ 141,294,809</u>		

* Prior to next three-year cycle

**After three-year lock-up

Note 4 - Investments and Fair Value Measurements (Continued)

(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.

(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 both long and short positions, primarily in domestic common stocks, and 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. Hedge fund managers can 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. Investments representing an insignificant amount cannot be redeemed because the investments include holdings that are part of an illiquid market.

(d) 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 15 years. The fair values of the investments in this category have been estimated using NAV of the Foundation's ownership in the partners' capital.

(e) 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.

(f) This category includes private market funds invested, either directly or indirectly, in both domestic and international private companies related to real assets, such as food and agriculture, energy, sustainable energy, energy and technology infrastructure projects, metals, other natural resources, and real estate. 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 12 years. The fair values of the investments in this category have been estimated using NAV of the Foundation's ownership in the partners' capital.

Net investment earnings for the years ended June 30, 2023 and 2022 consist of the following:

	2023	2022
Interest, dividends, and other income	\$ 5,815,321	\$ 5,257,085
Net realized gains on investments	3,811,616	81,633,449
Net unrealized gains (losses) on investments	44,527,310	(114,676,403)
Less investment management fees	(3,614,013)	(8,883,436)
Subtotal	50,540,234	(36,669,305)
Less net investment income on deposits held in custody for CSU	(1,094,579)	488,128
	<u>\$ 49,445,655</u>	<u>\$ (36,181,177)</u>

June 30, 2023 and 2022

Note 5 - Pledges Receivable

Pledges receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Receivables due in less than one year	\$ 9,199,012	\$ 11,398,804
Receivables due in one to five years	22,998,921	24,519,400
Receivables due in more than five years	<u>827,089</u>	<u>1,862,089</u>
Total	33,025,022	37,780,293
Less allowance for uncollectible pledges	(815,161)	(924,757)
Less present value discounting	<u>(1,371,863)</u>	<u>(1,347,617)</u>
Total	<u>\$ 30,837,998</u>	<u>\$ 35,507,919</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.

During the year ended June 30, 2022, the Foundation received a conditional promise to give totaling \$43 million. The promise is conditioned upon the Foundation budgeting for and meeting certain criteria, which is to be approved by the donor. Contribution revenue will be recognized in future years as conditions are met.

Note 6 - Life Income Agreements

At June 30, 2023 and 2022, total life income agreement liabilities were \$770,033 and \$741,906, respectively, consisting of charitable gift annuities. Charitable gift annuity assets of \$889,410 and \$887,933 at June 30, 2023 and 2022, respectively, are included in investments on the accompanying statement of financial position.

Future maturities of life income agreements payable are as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 92,979
2025	92,979
2026	92,979
2027	85,355
2028	77,573
Thereafter	<u>328,168</u>
Total	<u>\$ 770,033</u>

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Gross property and equipment	\$ 656,294	\$ 648,022
Less accumulated depreciation	<u>307,825</u>	<u>241,442</u>
Net property and equipment	<u>\$ 348,469</u>	<u>\$ 406,580</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 for the years ended June 30, 2023 and 2022. The total cash surrender values of the policies were \$1,194,470 and \$1,145,387 as of June 30, 2023 and 2022, respectively.

Note 9 - Net Assets

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

	2023	2022
Undesignated	\$ 14,799,931	\$ 17,873,653
Board designated	23,947,273	12,653,471
Total	\$ 38,747,204	\$ 30,527,124

Board-designated net assets consist of quasi endowments designated by the Foundation's governing board for unrestricted use by CSU and for support of alumni relations, university libraries, and central development operations.

The Foundation's net assets with donor restrictions consist of the following as of June 30:

	2023	2022
Restricted for use by CSU colleges and programs	\$ 359,785,867	\$ 341,589,991
Restricted for a permanent source of income	326,410,458	309,594,743
Total	\$ 686,196,325	\$ 651,184,734

Note 10 - Donor-restricted and Board-designated Endowments

The Foundation's endowment at June 30, 2023 consists of 1,775 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, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 23,947,273	\$ -	\$ 23,947,273
Donor-restricted quasi-endowment funds	-	72,033,887	72,033,887
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	326,410,458	326,410,458
Accumulated investment gains	-	149,844,346	149,844,346
Total	<u>\$ 23,947,273</u>	<u>\$ 548,288,691</u>	<u>\$ 572,235,964</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 12,653,471	\$ 513,471,930	\$ 526,125,401
Contributions	-	17,390,901	17,390,901
Transfers to board-designated/donor-restricted endowments	15,476,076	3,394,630	18,870,706
Investment return	2,168,396	37,705,270	39,873,666
Amounts appropriated for expenditure	(6,350,670)	(23,658,151)	(30,008,821)
Other changes	-	(15,889)	(15,889)
Endowment net assets - End of year	<u>\$ 23,947,273</u>	<u>\$ 548,288,691</u>	<u>\$ 572,235,964</u>

June 30, 2023 and 2022

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

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 12,653,471	\$ -	\$ 12,653,471
Donor-restricted quasi-endowment funds	-	67,288,589	67,288,589
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	309,594,743	309,594,743
Accumulated investment gains	-	136,588,598	136,588,598
Total	\$ 12,653,471	\$ 513,471,930	\$ 526,125,401
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 8,782,553	\$ 545,855,540	\$ 554,638,093
Contributions	-	17,401,993	17,401,993
Transfers to board-designated/donor-restricted endowments	4,822,529	8,608,203	13,430,732
Investment return	(635,497)	(16,237,863)	(16,873,360)
Amounts appropriated for expenditure	(316,114)	(42,871,916)	(43,188,030)
Other changes	-	715,973	715,973
Endowment net assets - End of year	\$ 12,653,471	\$ 513,471,930	\$ 526,125,401

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, 2023, deficiencies of this nature exist in donor-restricted endowment funds, which have an original gift value of \$5,144,355, a current fair value of \$5,051,244, and a deficiency of \$93,111. As of June 30, 2022, deficiencies of this nature exist in donor-restricted endowment funds, which have an original gift value of \$13,050,098, a current fair value of \$12,505,276, and a deficiency of \$544,822. 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 were 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, 2023 and 2022.

June 30, 2023 and 2022

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

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 a blended index while assuming an appropriate level of investment risk. The blended index is based proportionately on the corresponding market indices of the target asset allocations outlined in the Investment Policy Statement. 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.

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.

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, 2023 and 2022). All funds are assessed an administrative fee at an annual rate approved by the governing board (the administrative fee was 1.70 percent and 1.75 percent for the years ended June 30, 2023 and 2022, respectively). 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

Administrative Fees

Total administrative fees of approximately \$9,681,000 and \$12,281,000 were charged to CSU for the years ended June 30, 2023 and 2022, respectively, representing 1.70 percent and 1.75 percent of total invested assets, respectively. Effective July 1, 2022, the administrative fee is comprised of two components: 0.70 percent to fund Foundation operations and 1.0 percent to fund student support administered by the Office of Financial Aid. Prior to July 1, 2022, any excess fee collected over the Foundation's budget was allocated to a quasi endowment for the benefit of CSU.

Distributions from the quasi endowment were approximately \$7,150,000 and \$11,076,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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 \$16,343,366 and \$16,203,343 as of June 30, 2023 and 2022, 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.

CSU STRATA

CSU STRATA (STRATA), formerly Colorado State University Research Foundation 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, 2023 and 2022, the Foundation received approximately \$3,254,000 and \$277,000, respectively, from STRATA, representing proceeds from the sale of real estate and intellectual property donated or transferred to STRATA.

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 15.7 percent over the Social Security earnings base. Retirement plan contributions for the years ended June 30, 2023 and 2022 were approximately \$198,000 and \$175,000, respectively. Plan assets are not reflected in these financial statements.