
Colorado State University Foundation

Financial Report
June 30, 2021

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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, 2021 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, 2021 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 \$210,000,000 (30 percent of net assets) at June 30, 2021 and \$118,000,000 (21 percent of net assets) at June 30, 2020. 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

September 16, 2021

Colorado State University Foundation

Statement of Financial Position

June 30, 2021
(with summarized comparative totals for 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,178,736	\$ 748,952
Investments	695,724,427	511,784,212
Pledges receivable - Net	31,868,350	59,608,626
Cash surrender value life insurance	1,105,135	960,734
Prepays and other assets	151,501	81,314
Property and equipment - Net	472,150	526,781
Total assets	\$ 732,500,299	\$ 573,710,619
Liabilities and Net Assets		
Liabilities		
Accounts payable (primarily to CSU)	\$ 4,603,273	\$ 12,853,806
Other accrued liabilities	251,744	194,261
Life income agreements	830,924	860,350
Deposits held in custody for CSU	17,499,115	13,844,067
Total liabilities	23,185,056	27,752,484
Net Assets		
Without donor restrictions:		
Undesignated	39,749,225	7,859,621
Board designated	8,782,553	16,398,518
Total without donor restrictions	48,531,778	24,258,139
With donor restrictions	660,783,465	521,699,996
Total net assets	709,315,243	545,958,135
Total liabilities and net assets	\$ 732,500,299	\$ 573,710,619

Colorado State University Foundation

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021
(with summarized comparative totals for 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Contributions	\$ 698,845	\$ 102,962,282	\$ 103,661,127	\$ 56,991,505
Net investment income	34,716,348	121,808,956	156,525,304	7,725,560
Actuarial change in value of life income agreements	(36,257)	3,834	(32,423)	(68,287)
Other revenue	1,576	2,078,001	2,079,577	3,172,070
Net assets released from restrictions	50,588,507	(50,588,507)	-	-
Total support and revenue	85,969,019	176,264,566	262,233,585	67,820,848
Expenses				
Program services - Distributions to CSU Colleges of:				
Agricultural sciences	7,888,697	-	7,888,697	7,858,920
Health and human services	3,995,333	-	3,995,333	3,709,246
Business	1,764,239	-	1,764,239	2,173,779
Engineering - Scott	4,482,738	-	4,482,738	4,489,387
Liberal arts	1,503,487	-	1,503,487	1,529,865
Natural resources - Warner	4,774,528	-	4,774,528	2,886,410
Natural sciences	1,382,968	-	1,382,968	2,378,176
Veterinary medicine and biomedical sciences	12,794,918	-	12,794,918	21,187,880
Athletics	568,241	-	568,241	1,067,821
Central development	10,296,182	-	10,296,182	11,241,208
Other CSU programs	10,958,919	-	10,958,919	10,746,002
Total program services	60,410,250	-	60,410,250	69,268,694
Support services - Management and general	3,238,176	-	3,238,176	3,082,128
Total expenses	63,648,426	-	63,648,426	72,350,822
Change in Net Assets from Operations	22,320,593	176,264,566	198,585,159	(4,529,974)
Other Items - Change in allowance and write-off of uncollectible pledges	-	(35,228,051)	(35,228,051)	(2,683,553)
Change in Net Assets - Before interfund transfers	22,320,593	141,036,515	163,357,108	(7,213,527)
Interfund Transfers	1,953,046	(1,953,046)	-	-
Change in Net Assets	24,273,639	139,083,469	163,357,108	(7,213,527)
Net Assets - Beginning of year	24,258,139	521,699,996	545,958,135	553,171,662
Net Assets - End of year	<u>\$ 48,531,778</u>	<u>\$ 660,783,465</u>	<u>\$ 709,315,243</u>	<u>\$ 545,958,135</u>

Colorado State University Foundation

Statement of Functional Expenses

Year Ended June 30, 2021
(with summarized comparative totals for 2020)

	Program Services	Support Services	Total	2020
Distributions to CSU	\$ 60,410,250	\$ -	\$ 60,410,250	\$ 69,268,694
Salaries and wages	-	1,639,445	1,639,445	1,541,462
Employee benefits and payroll taxes	-	483,989	483,989	432,780
Legislative relations	-	455,200	455,200	440,190
Supplies and occupancy	-	217,843	217,843	120,395
Interest and service charges	-	149,669	149,669	163,502
Accounting and legal fees	-	99,111	99,111	107,426
Depreciation	-	68,361	68,361	62,877
Professional services and consulting	-	66,854	66,854	67,180
Insurance and bonding	-	31,653	31,653	28,596
Staff development and travel	-	12,448	12,448	22,200
Board expense	-	8,538	8,538	15,702
Miscellaneous expense	-	4,953	4,953	23,997
Meals and entertainment	-	112	112	5,321
Donations	-	-	-	50,500
Total functional expenses	<u>\$ 60,410,250</u>	<u>\$ 3,238,176</u>	<u>\$ 63,648,426</u>	<u>\$ 72,350,822</u>

Statement of Cash Flows

Year Ended June 30, 2021
(with summarized comparative totals for 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 163,357,108	\$ (7,213,527)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	68,361	62,877
Bad debt expense	35,228,051	2,683,553
Contributions restricted for investment in endowments	(53,657,886)	(13,735,338)
Contributions of securities for nonendowed funds	(4,310,868)	(2,652,988)
Net investment income	(156,525,304)	(7,725,560)
Change in cash surrender value of life insurance policies	(144,401)	(244,764)
Change in value of life income agreements	113,137	163,486
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Pledges	(7,487,775)	660,842
Prepays and other assets	(70,187)	240,454
Accounts payable	(8,250,533)	8,753,327
Other accrued liabilities	57,483	44,124
Deposits held in custody for CSU	3,655,048	344,446
Net cash and cash equivalents used in operating activities	(27,967,766)	(18,619,068)
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,730)	(342,857)
Purchases of investments	348,433,241	(289,214,594)
Proceeds from sales of investments	(365,124,949)	296,309,564
Proceeds from life insurance agreements	-	47,165
Net cash and cash equivalents (used in) provided by investing activities	(16,705,438)	6,799,278
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investments in endowments	47,245,551	11,983,009
Payments of annuity obligations	(142,563)	(109,176)
Net cash and cash equivalents provided by financing activities	47,102,988	11,873,833
Net Change in Cash and Cash Equivalents	2,429,784	54,043
Cash and Cash Equivalents - Beginning of year	748,952	694,909
Cash and Cash Equivalents - End of year	\$ 3,178,736	\$ 748,952

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, 2020, 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 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.

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.

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, 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, 2021 and 2020, 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.

Note 2 - Significant Accounting Policies (Continued)

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.

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.

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 Foundation has not seen any significant decrease in contributions or changes in granting to CSU.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 16, 2021, 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.

Note 3 - Liquidity and Availability of Resources (Continued)

The following table outlines financial assets available at June 30:

	2021	2020
Cash and cash equivalents	\$ 3,178,736	\$ 748,952
Investments	695,724,427	511,784,212
Pledges receivable	31,868,350	59,608,626
Financial assets - At year end	730,771,513	572,141,790
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	660,783,465	521,699,996
Board designations	8,782,553	16,398,518
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 61,205,495</u>	<u>\$ 34,043,276</u>

The Foundation has over \$698 million and \$512 million in cash and investments as of June 30, 2021 and 2020, respectively. The Foundation monitors current use accounts, totaling \$154.7 million and \$130.1 million as of June 30, 2021 and 2020, respectively, which support students, faculty, facilities, and academic programs at CSU. The Foundation's investment portfolio at June 30, 2021 and 2020 has \$412.4 million and \$274.9 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.

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.

June 30, 2021 and 2020

Note 4 - Investments and Fair Value Measurements (Continued)

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, 2021					
	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, 2021
Cash equivalents subject to investment management direction	\$ 48,817,840	\$ -	\$ -	\$ -	\$ 48,817,840
Public equities:					
United States	16,030,890	-	-	149,010,852	165,041,742
International	-	-	-	45,542,239	45,542,239
Emerging markets	26,766,245	-	-	13,501,618	40,267,863
Global	60,013,871	-	-	28,098,421	88,112,292
Fixed income	31,510,863	-	-	64,967,616	96,478,479
Alternative investments:					
Hedge funds	-	-	-	24,976,630	24,976,630
Private markets	-	-	-	184,918,965	184,918,965
Student-managed investments	1,568,377	-	-	-	1,568,377
Total assets	\$ 184,708,086	\$ -	\$ -	\$ 511,016,341	\$ 695,724,427

June 30, 2021 and 2020

Note 4 - Investments and Fair Value Measurements (Continued)

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

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, 2021	June 30, 2020		June 30, 2021	
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Public equities (a)	\$ 236,153,130	\$ 82,717,164	\$ -	Daily, monthly	1-30 days
Fixed income (b)	64,967,616	17,506,628	22,500,000	Daily, monthly	1-2 days
Hedge funds (c)	24,976,630	41,864,488	-	N/A, quarterly	45-90 days
Private markets - Private equity (d)	120,631,892	57,720,560	87,927,609	N/A	N/A
Private markets - Private debt (e)	55,379,816	48,925,262	27,780,813	N/A, quarterly*	N/A, 90 days*
Private markets - Venture capital (f)	-	11,560,811	-	N/A	N/A
Private markets - Private real assets (g)	8,907,257	-	18,859,358	N/A	N/A
Opportunistic investments (h)	-	9,646,800	-	Monthly	30 days
Total	\$ 511,016,341	\$ 269,941,713	\$ 157,067,780		

*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.

June 30, 2021 and 2020

Note 4 - Investments and Fair Value Measurements (Continued)

(b) This category includes investments primarily in US 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 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 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.

(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, 2021 and 2020 consist of the following:

	2021	2020
Interest, dividends, and other income	\$ 5,829,253	\$ 6,473,177
Net realized gains on investments	72,217,766	13,448,962
Net unrealized gains (losses) on investments	91,954,366	(7,172,397)
Less investment management fees	<u>(9,274,503)</u>	<u>(4,495,940)</u>
Subtotal	160,726,882	8,253,802
Less net investment income on deposits held in custody for CSU	<u>(4,201,578)</u>	<u>(528,242)</u>
Net investment earnings	<u>\$ 156,525,304</u>	<u>\$ 7,725,560</u>

June 30, 2021 and 2020

Note 5 - Pledges Receivable

Pledges receivable consist of the following:

	2021	2020
Receivables due in less than one year	\$ 8,672,356	\$ 11,282,179
Receivables due in one to five years	20,101,448	43,360,950
Receivables due in more than five years	4,662,089	9,047,262
Total	33,435,893	63,690,391
Less allowance for uncollectible pledges	(835,897)	(1,592,260)
Less present value discounting	(731,646)	(2,489,505)
Total	\$ 31,868,350	\$ 59,608,626

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, 2021, a donor notified the Foundation of their intent to restructure multiple pledge receivable agreements, resulting in the write-off of approximately \$34 million of pledge receivable balances.

Pledges receivable from two donors at June 30, 2021 represented approximately 47 percent of net pledges receivable. Pledges receivable from three donors at June 30, 2020 represented approximately 66 percent of net pledges receivable.

Note 6 - Life Income Agreements

At June 30, 2021 and 2020, total life income agreement liabilities were \$830,924 and \$860,350, respectively, consisting of charitable gift annuities. Charitable gift annuity assets of \$1,070,059 and \$848,607 at June 30, 2021 and 2020, respectively, are included in investments on the accompanying statement of financial position.

Future maturities of life income agreements payable are as follows:

Years Ending	Amount
2022	\$ 107,645
2023	107,645
2024	103,753
2025	95,632
2026	81,958
Thereafter	334,291
Total	\$ 830,924

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Gross property and equipment	\$ 695,186	\$ 681,456
Less accumulated depreciation	223,036	154,675
Net property and equipment	\$ 472,150	\$ 526,781

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, 2021 and 2020. The total cash surrender values of the policies were \$1,105,135 and \$960,734 as of June 30, 2021 and 2020, respectively.

Note 9 - Net Assets

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

	2021	2020
Undesignated	\$ 39,749,225	\$ 7,859,621
Board designated	8,782,553	16,398,518
Total	\$ 48,531,778	\$ 24,258,139

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 and central development operations, as well as reserves to provide funding for interest payout and administrative fees and annuity payments on charitable gift annuities that have been depleted.

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

	2021	2020
Restricted for use by CSU colleges and programs	\$ 377,733,342	\$ 267,435,309
Restricted for a permanent source of income	283,050,123	254,264,687
Total	\$ 660,783,465	\$ 521,699,996

Note 10 - Donor-restricted and Board-designated Endowments

The Foundation's endowment at June 30, 2021 consists of 1,638 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.

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

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

- 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, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 8,782,553	\$ -	\$ 8,782,553
Donor-restricted quasi-endowment funds	-	73,406,972	73,406,972
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	283,050,123	283,050,123
Accumulated investment gains	-	189,398,445	189,398,445
Total	\$ 8,782,553	\$ 545,855,540	\$ 554,638,093

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 15,964,611	\$ 406,236,136	\$ 422,200,747
Contributions	-	52,072,970	52,072,970
Transfers to board-designated/donor-restricted endowments	-	2,902,917	2,902,917
Investment return	2,231,197	128,548,628	130,779,825
Amounts appropriated for expenditure	(9,413,255)	(25,377,100)	(34,790,355)
Other changes/pledge write-offs	-	(18,528,011)	(18,528,011)
Endowment net assets - End of year	\$ 8,782,553	\$ 545,855,540	\$ 554,638,093

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

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

	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	<u>\$ 15,964,611</u>	<u>\$ 406,236,136</u>	<u>\$ 422,200,747</u>

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, 2021, deficiencies of this nature exist in donor-restricted endowment funds, which have an original gift value of \$607,974, a current fair value of \$578,035, and a deficiency of \$29,939. 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. 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, 2021 and 2020.

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, is achieved.

June 30, 2021 and 2020

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

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, 2021 and 2020). 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, 2021 and 2020). 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, 2021 and 2020, 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 \$9,635,000 and \$8,630,000 were charged for the years ended June 30, 2021 and 2020, 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 \$9,796,000 and \$10,593,000 for the years ended June 30, 2021 and 2020, respectively.

Other

CSU provided office space and various services to the Foundation at no charge during the years ended June 30, 2021 and 2020.

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.

June 30, 2021 and 2020

Note 11 - Related Party Transactions (Continued)

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 \$17,499,115 and \$13,844,067 as of June 30, 2021 and 2020, 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, 2021 and 2020, the Foundation received approximately \$1,614,000 and \$2,856,000, 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 15.7 percent over the Social Security earnings base. Retirement plan contributions for the years ended June 30, 2021 and 2020 were approximately \$158,000 and \$133,000, respectively. Plan assets are not reflected in these financial statements.