
University of Northern Colorado Foundation, Inc.

Financial Report
June 30, 2019

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18

Independent Auditor's Report

To the Board of Directors
University of Northern Colorado Foundation, Inc.

We have audited the accompanying financial statements of University of Northern Colorado Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, 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 University of Northern Colorado Foundation, Inc. as of June 30, 2019 and the results of its activities, 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 2 to the financial statements, the Organization adopted the provisions under Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, as of July 1, 2018 and applied it retrospectively to all years presented. Our opinion is not modified with respect to this matter.

To the Board of Directors
University of Northern Colorado Foundation, Inc.

Report on Summarized Comparative Information

The financial statements of University of Northern Colorado Foundation, Inc. as of June 30, 2018 were audited by EKS&H LLLP, whose report dated September 25, 2018 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moreau, PLLC

September 24, 2019

University of Northern Colorado Foundation, Inc.

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,562,152	\$ 2,083,310
Investments	111,677,513	110,353,351
Pledge receivables - Net of allowances	2,941,415	3,619,564
Accrued interest	108,059	95,136
Life insurance policies	98,817	97,539
Land held for sale	6,739,200	9,360,000
Prepays and other assets	10,861	7,422
Beneficial interest in long-term trusts held by others	8,171,144	8,130,780
Property and equipment - Net	853,409	873,949
	<u>\$ 132,162,570</u>	<u>\$ 134,621,051</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 633,583	\$ 915,890
Obligations under gift annuity agreements	132,721	160,797
Assets held for others	546,424	549,879
	<u>1,312,728</u>	<u>1,626,566</u>
Total liabilities		
Net Assets		
Net assets without donor restrictions:		
Undesignated	10,284,284	10,870,159
Board designated	1,198,515	1,189,968
	<u>11,482,799</u>	<u>12,060,127</u>
Total net assets without donor restrictions		
Net assets with donor restrictions	119,367,043	120,934,358
	<u>130,849,842</u>	<u>132,994,485</u>
Total net assets		
	<u>\$ 132,162,570</u>	<u>\$ 134,621,051</u>
Total liabilities and net assets		

University of Northern Colorado Foundation, Inc.

Statement of Activities

Year Ended June 30, 2019

(with summarized comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Support				
Contributions - Net	\$ 47,424	\$ 9,255,738	\$ 9,303,162	\$ 8,606,848
In-kind donations	-	40,302	40,302	-
Donation of land	-	-	-	9,360,000
Interest and dividends	486,776	1,858,341	2,345,117	2,087,877
Net realized and unrealized gains	82,229	1,941,321	2,023,550	6,765,693
Change in value of charitable gift annuities and long-term trusts held by others	-	49,679	49,679	636,261
Other income	7,217	184,205	191,422	185,838
Net assets released from restrictions	12,286,096	(12,286,096)	-	-
Total revenue, gains, other support	12,909,742	1,043,490	13,953,232	27,642,517
Expenses				
Programs, scholarships, and capital support	12,633,090	-	12,633,090	14,463,357
Management and general	808,607	-	808,607	806,279
Total expenses	13,441,697	-	13,441,697	15,269,636
(Decrease) Increase in Net Assets - Before other losses and transfers	(531,955)	1,043,490	511,535	12,372,881
Other Losses				
Provision for uncollectible pledges - Net of recoveries	(35,378)	-	(35,378)	(43,708)
Impairment of land held for sale	-	(2,620,800)	(2,620,800)	-
Change in Net Assets	(567,333)	(1,577,310)	(2,144,643)	12,329,173
Transfers	(9,995)	9,995	-	-
(Decrease) Increase in Net Assets	(577,328)	(1,567,315)	(2,144,643)	12,329,173
Net Assets - Beginning of year	12,060,127	120,934,358	132,994,485	120,665,312
Net Assets - End of year	\$ 11,482,799	\$ 119,367,043	\$ 130,849,842	\$ 132,994,485

University of Northern Colorado Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

(with summarized comparative totals for 2018)

	Program Services	Support Services	Total	
			2019	2018
Support paid to UNC	\$ 12,633,090	\$ -	\$ 12,633,090	\$ 14,463,357
Salaries and wages	-	417,670	417,670	434,404
Professional services and consulting	-	145,098	145,098	154,094
Other employee benefits	-	91,163	91,163	61,600
Bank fees	-	34,137	34,137	32,787
Retirement plan contributions	-	33,429	33,429	32,656
Miscellaneous	-	32,578	32,578	35,858
Payroll taxes	-	31,089	31,089	33,383
Information technology	-	23,443	23,443	21,497
Total functional expenses	<u>\$ 12,633,090</u>	<u>\$ 808,607</u>	<u>\$ 13,441,697</u>	<u>\$ 15,269,636</u>

University of Northern Colorado Foundation, Inc.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (2,144,643)	\$ 12,329,173
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	38,015	36,206
Net realized and unrealized gains on investments	(2,380,782)	(7,103,378)
Provision for uncollectible pledges, net of recoveries	(35,378)	43,708
Accretion in cash surrender value of life insurance policies	(1,278)	(45,069)
Change in value of charitable gift annuities and long-term trusts held by others	(49,679)	(636,261)
Contributions restricted for investment in endowments	(3,361,956)	(1,719,661)
Donated land held for sale	-	(9,360,000)
Impairment of land held for sale	2,620,800	-
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	713,527	1,311,576
Accrued interest	(12,923)	34,207
Prepays and other assets	(3,439)	7,275
Accounts payable and accrued expenses	(282,307)	99,527
Assets held by others	(3,455)	(26,498)
Net cash and cash equivalents used in operating activities	(4,903,498)	(5,029,195)
Cash Flows from Investing Activities		
Sales of investments	14,255,050	17,202,021
Purchases of investments	(13,198,430)	(15,940,025)
Purchase of property and equipment	(17,475)	(9,010)
Net cash and cash equivalents provided by investing activities	1,039,145	1,252,986
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment in endowments	3,361,956	1,719,661
(Payments on) receipts of gift annuity obligations	(18,761)	31,996
Net cash and cash equivalents provided by financing activities	3,343,195	1,751,657
Net Decrease in Cash and Cash Equivalents	(521,158)	(2,024,552)
Cash and Cash Equivalents - Beginning of year	2,083,310	4,107,862
Cash and Cash Equivalents - End of year	\$ 1,562,152	\$ 2,083,310

Note 1 - Nature of Business

The University of Northern Colorado Foundation, Inc. (the "Organization") is a nonprofit corporation providing program, scholarship, and other support to the University of Northern Colorado (the "University"). The majority of the Organization's revenue is derived from contributions and investment income.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Organization 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 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 Organization.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the principle of the fund be maintained in perpetuity.

The governing board of the Foundation has identified certain assets with and without donor restriction 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 11 and 12).

Adoption of Accounting Pronouncement

As of July 1, 2018 and applied retrospectively, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general. As a result of the adoption of this standard, net assets of \$31,669,932 and \$89,264,426 previously reported as temporarily restricted and permanently restricted, respectively, have been combined into net assets with donor restrictions of \$120,934,358, as noted in the summarized comparative financial information for the year ended June 30, 2018.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended June 30, 2018 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2018 financial statements from which the summarized information was derived.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash and cash equivalents. It does not include cash and cash equivalents presented in investments, which are subject to investment management direction. Frequently, cash balances in commercial banks may exceed the level of insurance provided by the FDIC.

June 30, 2019

Note 2 - Significant Accounting Policies (Continued)

Investments

The Organization maintains pooled investment accounts for the majority of its endowments. Investment income and realized and unrealized gains and losses, net of investment and management fees, from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts and are adjusted for additions to or deductions from those accounts.

Investments are stated at fair value, as further discussed in Note 4. Investment returns include dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In certain cases, investment managers report realized and unrealized gains and losses net of investment fees; accordingly, the Organization has reported the net amount in unrealized and realized gains and losses on the accompanying statement of activities. Investment returns are reflected on the statement of activities as with or without restriction based upon the existence and nature of any donor or legally imposed restrictions on those earnings.

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 (see Note 4).

Contributions

Unconditional promises to give cash and other assets to the Organization 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 or is received. The 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. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value on the date of donation. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives ranging from 3 to 50 years. Assets with an initial purchase price under \$5,000 are expensed in the year purchased.

Assets Held for Others

The Organization holds and invests certain funds on behalf of the University.

Transfers

Transfers represent donor changes in gift restrictions.

June 30, 2019

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Organization 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 Organization and recognize a tax liability if the Organization 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 Organization and has concluded that, as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Income from activities not directly related to the entity's tax-exempt purpose is subject to taxation as unrelated business taxable income. During fiscal year 2019, the unrelated business income tax liability was not material.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities. Costs have been allocated between the various programs and support services on several bases and estimates. Expenses incurred directly for a service are charged to that service. Salaries and related fringe benefits are allocated based on time and effort. Occupancy costs, IT costs, and depreciation are allocated based on facilities usage. Management has determined that all activities, except direct support paid to the University, should be classified as part of the support services function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different classifications of amounts.

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 24, 2019, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for grants and contributions but is continuing to evaluate the standard and understand the impacts it may have on the timing of revenue of recognition.

June 30, 2019

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,562,152
Investments	111,677,513
Pledge receivables - Net of allowances	2,941,415
Land held for sale	6,739,200
Beneficial interests in long-term trusts held by others	<u>8,171,144</u>
Financial assets - At year end	131,091,424
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions	120,046,188
Board designations	<u>1,198,515</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 9,846,721</u></u>

Currently, the Foundation holds over \$113 million in cash and investments. The Foundation monitors current-use accounts, totaling approximately \$21 million at June 30, 2019, which support scholarships and programs at the University. The Organization's investment portfolio has \$83 million of investments with liquidity of one to two days and can be accessed to meet all the current needs if called upon.

Although the Organization does not intend to spend from its quasi-endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowments (as disclosed within Note 12) could be made available if necessary.

Certain investments contain lock-up provisions that would reduce the total investments that could be made available (see Note 4 for disclosures about investments).

The Organization also realizes there could be unanticipated liquidity needs.

Note 4 - 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 Organization 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 whereby 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 Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2019

Note 4 - Fair Value Measurements (Continued)

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

The following table sets forth by level, within the fair value hierarchy, the Organization's investments measured on a recurring basis at fair value:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments				
Cash equivalent mutual funds	\$ 2,025,278	\$ -	\$ -	\$ 2,025,278
Equities:				
Large cap	20,691,013	-	-	20,691,013
International	16,839,811	-	-	16,839,811
Small/mid cap	9,139,239	-	-	9,139,239
Emerging markets	5,630,994	-	-	5,630,994
Fixed income:				
Floating rate corp loans	5,236,519	-	-	5,236,519
Domestic	8,832,359	-	-	8,832,359
High yield	-	15,690	-	15,690
Opportunistic	-	540,537	-	540,537
Student-managed funds	-	2,821,718	-	2,821,718
Stock/bond mixed mutual funds	1,175,886	-	-	1,175,886
Alternative investments:				
Master limited partnerships	7,363,828	-	-	7,363,828
Real estate	2,705,859	-	-	2,705,859
Total investments	79,640,786	3,377,945	-	83,018,731
Beneficial interest in long-term trusts held by others	-	-	8,171,144	8,171,144
Total investments	\$ 79,640,786	\$ 3,377,945	\$ 8,171,144	91,189,875
Alternative investments measured at NAV				27,658,782
Total assets				\$ 118,848,657

The Organization also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include a limited partnership investment, the value of which was \$1,000,000, and land held for sale, the value of which was \$6,739,200, as of June 30, 2019. This limited partnership investment cannot be redeemed by the Organization. The value of the investment in this category is based on the initial partnership contribution. The land held for sale is described in Note 15. Both these assets are valued based on Level 3 within the fair value hierarchy.

Net investment earnings consist of the following for the year ended June 30, 2019:

Interest and dividends	\$ 2,345,117
Realized and unrealized gain on investments - Net of taxes	2,380,782
Less investment management fees	(357,232)
Total	\$ 4,368,667

Note 4 - Fair Value Measurements (Continued)

The fair value of some fixed-income investments at June 30, 2019 were determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Changes in Level 3 assets measured at fair value for the year ended June 30, 2019 are as follows:

	Beneficial Interest in Long- term Trusts Held by Others	Land Held for Sale	Total
Balance at July 1, 2018	\$ 8,130,780	\$ 9,360,000	\$ 17,490,780
Unrealized gains	40,634	-	40,634
Impairment	-	(2,620,800)	(2,620,800)
Balance at June 30, 2019	<u>\$ 8,171,414</u>	<u>\$ 6,739,200</u>	<u>\$ 14,910,614</u>

The valuation methods and inputs used to determine fair value at June 30, 2019 for assets measured at fair value using unobservable inputs (Level 3 inputs) are as follows.

Beneficial interest in long-term trusts held by others: Valued based on the underlying investments held by the trusts, less the net present value of future cash outflows to lifetime recipients.

Land held for sale: Valued based on the estimated present value of the net future cash proceeds, less costs to sell.

Investments in Entities that Calculate Net Asset Value per Share

The Organization holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the 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:

	NAV Investments Held at June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Low correlated hedge (a)	\$ 5,869,595	\$ -	Monthly, quarterly, semiannually*	60-100 days
Low correlated hedge (a)	10,397,391	-	Quarterly, semiannually*	95 days**
Illiquid credit (b)	3,547,122	1,252,668	Upon fund termination	N/A
Private equity (c)	3,601,586	736,346	Upon fund termination	N/A
Real estate (d)	4,243,104	1,604,334	Upon fund termination	N/A
Total	<u>\$ 27,658,798</u>	<u>\$ 3,593,348</u>		

* Subject to restrictions

** Annual one-year lockup

Note 4 - Fair Value Measurements (Continued)

(a) The low-correlated hedge class invests in investments that pursue multiple strategies to diversify risks and reduce volatility. The investments composite portfolio for this class includes investments in public equities, private equities, public equity derivatives, treasuries, and fixed-income derivatives. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

(b) The illiquid credit class invests in funds that pursue investment opportunities with long-term potential, including those which may be early-stage domestic private companies. The investments cannot be redeemed because the investments include holdings that are part of an illiquid market. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(c) The private equity class includes several private equity funds that invest, either directly or indirectly, in both domestic and international private companies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(d) The real estate class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Organization's ownership interest in partners' capital.

Note 5 - Pledges Receivable

Included in contributions receivable are several unconditional promises to give. They are included as follows at June 30, 2019:

Amounts due in:	
Less than one year	\$ 1,516,222
One to five years	1,457,242
More than five years	<u>2,000</u>
Subtotal	2,975,464
Less allowance for uncollectible pledges	(2,000)
Less present value discount	<u>(32,049)</u>
Total	<u>\$ 2,941,415</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.

Approximately 70 percent of the Organization's pledges receivable as of June 30, 2019 consists of pledges from three donors.

Approximately 43 percent of the Organization's contributions for the year ended June 30, 2019 consists of contributions from two donors.

Note 6 - Life Insurance Policies

The Organization is the owner and beneficiary of various donated life insurance policies with total cash surrender values of \$98,817 and face values of approximately \$141,000 as of June 30, 2019.

June 30, 2019

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

Building and improvements	\$ 1,306,363
Equipment	<u>55,659</u>
Total cost	1,362,022
Accumulated depreciation	<u>508,613</u>
Net property and equipment	<u><u>\$ 853,409</u></u>

Depreciation and amortization expense for 2019 was \$38,015.

Note 8 - Charitable Gift Annuity Contracts

The Organization has entered into several charitable gift annuity contracts. These contracts require the Organization to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Organization are not held in trust separately from other investments of the Organization. On the date each charitable gift annuity was established, the Organization recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using a discount rate equal to the the current applicable federal rate. At the end of these contracts, the majority of these assets are to be endowed and are included in permanently restricted net assets as follows at June 30, 2019:

Assets held under gift annuity contracts	\$ 206,255
Annuity obligations	<u>(132,721)</u>
Net present value of assets held under contracts	<u><u>\$ 73,534</u></u>

Note 9 - Beneficial Interest in Assets Held by Third Parties

The Organization has been named irrevocable remainder beneficiary for several trusts administered by third-party corporate trustees. For these arrangements, beneficial interest in long-term trusts held by others and contribution revenue are recorded at the estimated present value of the remainder interest when the Organization has sufficient information to record it. These arrangements are revalued annually to reflect changes in the remainder interest estimates. The Organization does not permit use of the funds by the University until the expiration of the lifetime recipient's interest. The fair value of these trusts as of June 30, 2019 was \$3,640,610.

The Organization has been named irrevocable beneficiary of several perpetual trusts administered by third-party corporate trustees. For these arrangements, beneficial interest in long-term trusts held by others and contribution revenue are recorded at the fair value of the Organization's share of the trust when the Organization has sufficient information to record it. Distributions received from the trustees are recorded as interest income, and the change in fair value at year end is recorded in change in value of charitable gift annuities and long-term trusts held by others. The fair value of these trusts as of June 30, 2019 was \$4,530,534.

Note 10 - Assets Held for Others

Assets held in trust for the University represent certain assets held for long-term investment purposes by the Organization. The fair value of these assets was \$546,424 at June 30, 2019.

June 30, 2019

Note 11 - Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2019:

Board-designated net assets:	
Programs	\$ 725,885
Quasi-endowments	386,880
President's University Excellence programs	63,797
Matching programs	<u>21,953</u>
Total	<u>\$ 1,198,515</u>

Net assets with donor restrictions as of June 30, 2019 are available for the following purposes:

Scholarships	\$ 55,142,185
Programs	59,865,416
Capital improvements	2,324,293
Multiple designations	916,920
Time restricted	473,163
President's discretion	505,107
Other	<u>139,959</u>
Total	<u>\$ 119,367,043</u>

Note 12 - Donor-restricted and Board-designated Endowments

In order to create an "endowed fund" with the Organization, a donor must give a minimum initial gift as defined in the endowment agreement. The Organization's endowment consists of approximately 550 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds, quasi-endowments, and board-designated endowment funds. Donor-restricted endowment funds are permanent charitable funds whose principal is treated in accordance with a defined spending policy or that must be preserved in perpetuity as a condition imposed by the donor. Quasi-endowments are those purpose-restricted gifts that are intended to be maintained in perpetuity or to be spent over a specified time period, usually several years; however, under specific circumstances defined by the donor, the principal may be invaded fully to meet the defined purpose. Board-designated endowments are unrestricted funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Most endowed funds are included in the Organization's investment pool.

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Organization is subject to the Colorado 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 board of directors 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 board of directors of the Organization has 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 1,125,266	\$ -	\$ 1,125,266
Donor-restricted quasi-endowment funds	-	3,990,093	3,990,093
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	59,940,796	59,940,796
Accumulated investment gains	-	24,719,341	24,719,341
Total donor-restricted endowment funds	-	84,660,137	84,660,137
Total funds	\$ 1,125,266	\$ 88,650,230	\$ 89,775,496

June 30, 2019

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 1,114,027	\$ 85,908,713	\$ 87,022,740
Investment income			
Investment income - Net of expenses	1,864	323,076	324,940
Net realized and unrealized gains	20,744	1,939,431	1,960,175
Total investment income	22,608	2,262,507	2,285,115
Additions	35,005	3,436,854	3,471,859
Reinvested funds	-	168,154	168,154
Appropriation of endowment assets for expenditure	(46,374)	(3,128,136)	(3,174,510)
Donor reclassifications	-	2,138	2,138
Endowment net assets - End of year	\$ 1,125,266	\$ 88,650,230	\$ 89,775,496

Underwater Endowment Funds

As of June 30, 2019, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Organization 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 the proper balance between preservation of capital and maintaining the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return that provides for growth over distributions and fees while assuming prudent risk. 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 Organization 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 Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. In consultation with the investment consultant, the investment committee of the Organization is responsible for selecting the managers and asset mix for the endowments of the Organization, keeping within the asset allocation ranges outlined in the board-approved investment policy statement.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As of June 30, 2019, the Organization's endowment policy, approved by the board of directors, is to generally appropriate for distribution each year 4.00 percent of the preceding three-year rolling average of the fiscal year-end fair value of each fund. Newly established endowments are invested for one full fiscal year before the distributions begin. However, when any endowment's fair value drops more than 1.00 percent below the sum of all gifts to the endowment, the distribution rate is 1.00 percent.

The Organization assesses a management fee on all endowment funds. In general, for endowments valued \$1,000,000 or greater, the management fee was calculated at 1.25 percent of their fair values during the year ended June 30, 2019. In general, for endowments valued less than \$1,000,000, quasi-endowments, and gift annuities, the management fee was calculated at 1.75 percent of their fair values during the year ended June 30, 2019. However, in the case when any endowment's fair value drops more than 1.00 percent below the sum of all gifts to the endowment, the management fee is 1.00 percent.

For the year ended June 30, 2019, the Organization assessed management fees of \$1,317,529.

June 30, 2019

Note 13 - Retirement Plans

The Organization has a savings incentive match plan for employees individual retirement account retirement plan (SIMPLE IRA). Employees are eligible to participate in the SIMPLE IRA immediately, which allows for pretax salary deferrals into the SIMPLE IRA. The Organization will match up to 3 percent of the employee's gross salary, depending on the employee's deferral amount. For the year ended June 30, 2019, the Organization contributed a total of \$33,429, which included \$20,850 in retirement supplement payments and \$12,579 in employee deferral matches up to 3 percent.

Note 14 - Related Party Transactions

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

Accounts Payable

At June 30, 2019, the Organization had accounts payable to the University for programs, scholarships, and other expenses totaling \$610,283.

Leased Land

The building used by the Organization for its administrative offices is located on land that is leased to the Organization by the University. The land is leased to the Organization at \$1 per year for 99 years.

Note 15 - Land Held for Sale

In December 2017, the Organization received a gift of land from a donor with an independently appraised value of \$9,360,000. The Organization plans to sell the land and the net proceeds from the sale will be used to support the University according to a gift agreement.

Management has determined that the land meets the requirements outlined by GAAP to be considered held for sale. Management has committed to a plan to sell the land and has the authority to do so. The land is available for immediate sale in its present condition, subject only to customary conditions. Management has initiated a plan to locate a buyer and has made progress with that plan, including actively marketing the property at a reasonable price in relation to its current fair value. Management considers the sale of the asset to be probable within one year.

In order to improve marketability of the land, the Organization decided to facilitate establishing three metropolitan districts that, through tax assessment of future property owners, will fund improvements to the land, including water, sewer, and street infrastructures. A current and a past member of the board of directors and the president of the Organization are on the metropolitan districts' board of directors. It is anticipated that as the land is sold, in whole or in part, the membership on the metropolitan districts' board of directors will transition to the buyers.

Based on marketing and offers for the land, it has been determined that the value of the land should be impaired. Accordingly, an unrealized loss estimated at \$2,620,800 has been recognized during the year ended June 30, 2019.