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# University of Northern Colorado Foundation, Inc.

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**Financial Report**  
**June 30, 2020**

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the University of Northern Colorado Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020 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, 2020 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.

### **Report on Summarized Comparative Information**

We have previously audited the University of Northern Colorado Foundation, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Plante & Moran, PLLC*

September 21, 2020

## University of Northern Colorado Foundation, Inc.

### Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 2,706,111	\$ 1,562,152
Investments	108,145,940	111,677,513
Pledge receivables - Net of allowances	8,473,789	2,941,415
Accrued interest	78,078	108,059
Life insurance policies	84,762	98,817
Land held for sale	6,739,200	6,739,200
Prepays and other assets	13,174	10,861
Beneficial interest in long-term trusts held by others	7,864,879	8,171,144
Property and equipment - Net	815,394	853,409
	<u>\$ 134,921,327</u>	<u>\$ 132,162,570</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 532,213	\$ 633,583
Obligations under gift annuity agreements	129,444	132,721
Assets held for others	530,526	546,424
	<u>1,192,183</u>	<u>1,312,728</u>
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	8,663,413	10,284,284
Board designated	1,131,005	1,198,515
	<u>9,794,418</u>	<u>11,482,799</u>
Total without donor restrictions		
With donor restrictions	<u>123,934,726</u>	<u>119,367,043</u>
Total net assets	<u>133,729,144</u>	<u>130,849,842</u>
Total liabilities and net assets	<u>\$ 134,921,327</u>	<u>\$ 132,162,570</u>

## University of Northern Colorado Foundation, Inc.

### Statement of Activities

Year Ended June 30, 2020

(with summarized comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, Gains, and Support</b>				
Contributions - Net	\$ 25,014	\$ 13,306,005	\$ 13,331,019	\$ 9,303,162
In-kind donations	-	36,832	36,832	40,302
Net realized and unrealized (losses) gains - Net of fees	(1,051,575)	(1,710,183)	(2,761,758)	2,023,550
Interest, dividends, and mineral royalties	455,629	3,429,331	3,884,960	2,345,117
Change in value of charitable gift annuities and long-term trusts held by others	-	(323,628)	(323,628)	49,679
Other income	5,295	163,162	168,457	191,422
Net assets released from restrictions	10,363,226	(10,363,226)	-	-
<b>Total revenue, gains, and support</b>	<b>9,797,589</b>	<b>4,538,293</b>	<b>14,335,882</b>	<b>13,953,232</b>
<b>Expenses</b>				
Program services - Programs, scholarships, and capital support	10,711,146	-	10,711,146	12,633,090
Support services - Management and general	694,579	-	694,579	808,607
<b>Total expenses</b>	<b>11,405,725</b>	<b>-</b>	<b>11,405,725</b>	<b>13,441,697</b>
<b>(Decrease) Increase in Net Assets - Before other losses and transfers</b>	<b>(1,608,136)</b>	<b>4,538,293</b>	<b>2,930,157</b>	<b>511,535</b>
<b>Other Losses</b>				
Provision for uncollectible pledges and pledges replaced by contributions from donor-advised funds - Net of recoveries	(50,855)	-	(50,855)	(35,378)
Impairment of land held for sale	-	-	-	(2,620,800)
<b>Change in Net Assets</b>	<b>(1,658,991)</b>	<b>4,538,293</b>	<b>2,879,302</b>	<b>(2,144,643)</b>
<b>Transfers</b>	<b>(29,390)</b>	<b>29,390</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(1,688,381)</b>	<b>4,567,683</b>	<b>2,879,302</b>	<b>(2,144,643)</b>
<b>Net Assets - Beginning of year</b>	<b>11,482,799</b>	<b>119,367,043</b>	<b>130,849,842</b>	<b>132,994,485</b>
<b>Net Assets - End of year</b>	<b>\$ 9,794,418</b>	<b>\$ 123,934,726</b>	<b>\$ 133,729,144</b>	<b>\$ 130,849,842</b>

## University of Northern Colorado Foundation, Inc.

### Statement of Functional Expenses

Year Ended June 30, 2020

(with summarized comparative totals for 2019)

	Program Services	Support Services	Total	
	Programs, Scholarships, and Capital Support	Management and General	2020	2019
Support paid to the University	\$ 10,711,146	\$ -	\$ 10,711,146	\$ 12,633,090
Salaries and wages	-	337,355	337,355	417,670
Professional services and consulting	-	147,574	147,574	145,098
Other employee benefits	-	89,896	89,896	91,163
Bank fees	-	33,259	33,259	34,137
Retirement plan contributions	-	26,020	26,020	33,429
Payroll taxes	-	25,374	25,374	31,089
Miscellaneous	-	17,851	17,851	32,578
Information technology	-	17,250	17,250	23,443
Total functional expenses	<u>\$ 10,711,146</u>	<u>\$ 694,579</u>	<u>\$ 11,405,725</u>	<u>\$ 13,441,697</u>

## University of Northern Colorado Foundation, Inc.

### Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,879,302	\$ (2,144,643)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	38,015	38,015
Net realized and unrealized losses (gains) on investments	2,477,750	(2,380,782)
Provision for uncollectible pledges - Net of recoveries	(560,855)	(35,378)
Change in cash surrender value of life insurance policies	14,055	(1,278)
Change in value of charitable gift annuities and long-term trusts held by others	323,628	(49,679)
Contributions restricted for investment in endowments	(1,055,276)	(3,361,956)
Impairment of land held for sale	-	2,620,800
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Pledges receivable	(4,971,519)	713,527
Accrued interest	29,981	(12,923)
Prepays and other assets	(2,313)	(3,439)
Accounts payable and accrued expenses	(101,370)	(282,307)
Assets held by others	(15,898)	(3,455)
Net cash and cash equivalents used in operating activities	(944,500)	(4,903,498)
<b>Cash Flows from Investing Activities</b>		
Sales of investments	15,767,011	14,255,050
Purchase of property and equipment	-	(17,475)
Purchases of investments	(14,713,188)	(13,198,430)
Net cash and cash equivalents provided by investing activities	1,053,823	1,039,145
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for investment in endowments	1,055,276	3,361,956
Payments on gift annuity obligations	(20,640)	(18,761)
Net cash and cash equivalents provided by financing activities	1,034,636	3,343,195
<b>Net Change in Cash and Cash Equivalents</b>	1,143,959	(521,158)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,562,152	2,083,310
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,706,111</u>	<u>\$ 1,562,152</u>

**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 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 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 principal of the fund be maintained in perpetuity.

The governing board of the Organization 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 11 and 12).

***Adoption of Accounting Pronouncement***

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

***Summarized Comparative 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 Organization's financial statements for the year ended June 30, 2019, 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.



**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, as well as realized and unrealized gains and losses on investments. Investment returns are reflected on the statement of activities as with or without restrictions based on the existence and nature of any donor or legally imposed restrictions on those earnings.

***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 as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are 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.

***Land Held for Sale***

The Organization received a donation of land, and management has determined that the land meets the requirements of GAAP to be considered as held for sale. The land is available for immediate sale in its present condition, subject only to customary conditions, and the Organization's board of directors has authorized a sale of the land. During the fiscal year, the Organization was actively marketing the property at a reasonable price in relation to its current fair value and negotiating with a prospective buyer.

***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.

**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, 2020, 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 Organization's tax-exempt purpose is subject to taxation as unrelated business taxable income. During fiscal year 2020, 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 program 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.

***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. With consideration of guidance from health organizations and government directives, the Organization has transitioned its employees to a primarily remote working environment. Management has reviewed the fair value of the investment portfolio for indications of significant declines subsequent to year end and has determined at this time that no impairments of portfolio assets are necessary. Due to the continued uncertainty surrounding the effects of the pandemic, management's judgment regarding this could change in the future. The Organization has not seen significant decreases in revenue or changes in granting as of the report date. As the pandemic continues, the Organization may continue to experience fluctuations in its investment portfolio due to ongoing market volatility, as well as other impacts to its activities, functional expenses, cash flows, and financial condition, which are unpredictable.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including September 21, 2020, which is the date the financial statements were available to be issued.

June 30, 2020

**Note 3 - Liquidity and Availability of Resources**

The following reflects the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020, after being reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

Cash and cash equivalents	\$ 2,706,111
Investments	108,145,940
Pledge receivables - Net of allowances	8,473,789
Land held for sale	6,739,200
Beneficial interests in long-term trusts held by others	7,864,879
Other financial assets	<u>162,840</u>
Financial assets - At year end	134,092,759
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	123,934,726
Obligations under gift annuity	129,444
Investments held in annuity trust	530,526
Board designations	<u>1,131,005</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,367,058</u>

At year end, the Organization held over \$110 million in cash and investments. The Organization monitors current-use accounts, totaling approximately \$27 million at June 30, 2020, which support scholarships and programs at the University. The Organization's investment portfolio has approximately \$79 million of investments with liquidity of one to two days that 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.

**Note 4 - Fair Value Measurements (Continued)**

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

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, 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 equivalent mutual funds, subject to investment management direction	\$ 170,120	\$ -	\$ -	\$ -	\$ 170,120
Equities:					
Large cap	19,982,682	-	-	-	19,982,682
International	18,018,826	-	-	-	18,018,826
Small/Mid cap	8,942,076	-	-	-	8,942,076
Emerging markets	5,947,950	-	-	-	5,947,950
Fixed income:					
Floating rate corp loans	5,313,153	-	-	-	5,313,153
Domestic	7,925,228	-	-	-	7,925,228
Opportunistic	-	530,933	-	-	530,933
Student-managed funds	-	2,916,762	-	-	2,916,762
Stock/Bond mixed mutual funds	975,833	-	-	-	975,833
Alternative investments:					
Master limited partnerships	5,359,830	-	-	-	5,359,830
Low correlated hedge	-	-	-	17,544,345	17,544,345
Private equity	-	-	-	3,467,057	3,467,057
Illiquid credit	-	-	-	3,526,567	3,526,567
Real estate	2,653,120	-	-	3,871,458	6,524,578
Total investments	75,288,818	3,447,695	-	28,409,427	107,145,940
Beneficial interest in long-term trusts held by others	-	-	7,864,879	-	7,864,879
Total assets	\$ 75,288,818	\$ 3,447,695	\$ 7,864,879	\$ 28,409,427	\$ 115,010,819

**Note 4 - Fair Value Measurements (Continued)**

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, 2020. 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 of 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, 2020:

Interest, dividends, and mineral royalties	\$ 3,884,960
Realized and unrealized gain on investments	(2,477,750)
Less investment management fees	<u>(284,008)</u>
Total	<u>\$ 1,123,202</u>

The fair value of some fixed-income investments at June 30, 2020 was 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, 2020 are as follows:

	Beneficial Interest in Long- term Trusts Held by Others	Land Held for Sale	Total
Balance at July 1, 2019	\$ 8,171,144	\$ 6,739,200	\$ 14,910,344
Unrealized losses	<u>(306,265)</u>	<u>-</u>	<u>(306,265)</u>
Balance at June 30, 2020	<u>\$ 7,864,879</u>	<u>\$ 6,739,200</u>	<u>\$ 14,604,079</u>

The valuation methods and inputs used to determine fair value at June 30, 2020 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 where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

**Note 4 - Fair Value Measurements (Continued)**

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

	NAV Investments Held at June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Low correlated hedge - Equity (a)	\$ 6,043,049	\$ -	Monthly, quarterly, semiannually*	60-100 days
Low correlated hedge - Multistrategy (a)	11,501,296	-	Quarterly, semiannually*	95 days**
Illiquid credit (b)	3,526,567	922,668	Upon fund termination	N/A
Private equity (c)	3,467,057	322,348	Upon fund termination	N/A
Real estate (d)	3,871,458	1,604,334	Upon fund termination	N/A
Total	<u>\$ 28,409,427</u>	<u>\$ 2,849,350</u>		

\*Subject to restrictions

\*\*Annual one-year lockup

(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 that 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 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 net asset value per share of the investments.

(d) The real estate class includes several real estate funds that primarily invest in U.S. commercial real estate. The fair values of the investments in this class have been estimated using 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, 2020:

Amounts due in:	
Less than one year	\$ 3,181,641
One to five years	5,332,100
More than five years	1,000
Subtotal	8,514,741
Less allowance for uncollectible pledges	(3,000)
Less present value discount	(37,952)
Total	<u>\$ 8,473,789</u>

**Note 5 - Pledges Receivable (Continued)**

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 59 percent of the Organization's pledges receivable as of June 30, 2020 consist of pledges from one donor.

Approximately 36 percent of the Organization's contributions for the year ended June 30, 2020 consist of contributions from one donor.

**Note 6 - Life Insurance Policies**

The Organization is the owner and beneficiary of various donated life insurance policies with total cash surrender values of \$84,762 and face values of approximately \$141,000 as of June 30, 2020.

**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>546,628</u>
Net property and equipment	<u><u>\$ 815,394</u></u>

Depreciation expense for 2020 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 current applicable federal rate. At the end of these contracts, the majority of these assets are to be endowed and are included in net assets with donor restrictions as follows at June 30, 2020:

Assets held under gift annuity contracts (included in investments)	\$ 181,235
Annuity obligations	<u>(129,444)</u>
Net present value of assets held under contracts	<u><u>\$ 51,791</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, 2020 was \$3,519,271.



June 30, 2020

**Note 9 - Beneficial Interest in Assets Held by Third Parties (Continued)**

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, 2020 was \$4,345,608.

**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 \$530,526 at June 30, 2020.

**Note 11 - Net Assets**

Net assets without donor restrictions consist of the following as of June 30, 2020:

Board-designated net assets:	
Programs	\$ 686,325
Quasi endowments	364,136
President's University Excellence programs	80,544
	<hr/>
Total	\$ 1,131,005
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Net assets with donor restrictions as of June 30, 2020 are available for the following purposes:

Programs	\$ 64,161,484
Scholarships	54,726,807
Capital improvements	2,967,973
Multiple designations	966,925
President's discretion	533,446
Time restricted	444,793
Other	133,298
	<hr/>
Total	\$ 123,934,726
	<hr/> <hr/>

**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 560 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, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 1,079,855	\$ -	\$ 1,079,855
Donor-restricted quasi-endowment funds	-	3,989,231	3,989,231
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	60,887,581	60,887,581
Accumulated investment gains	-	22,144,849	22,144,849
Total donor-restricted endowment funds	-	83,032,430	83,032,430
Total funds	\$ 1,079,855	\$ 87,021,661	\$ 88,101,516

Notes to Financial Statements

June 30, 2020

**Note 12 - 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	\$ 1,125,266	\$ 88,650,230	\$ 89,775,496
Investment income:			
Investment income - Net of expenses	1,835	1,947,028	1,948,863
Net realized and unrealized losses	(22,770)	(1,696,230)	(1,719,000)
Total investment income	(20,935)	250,798	229,863
Additions	18,199	926,366	944,565
Reinvested funds	-	214,971	214,971
Appropriation of endowment assets for expenditure	(42,675)	(3,195,436)	(3,238,111)
Donor reclassifications	-	179,861	179,861
Other	-	(5,129)	(5,129)
Endowment net assets - End of year	<u>\$ 1,079,855</u>	<u>\$ 87,021,661</u>	<u>\$ 88,101,516</u>

***Underwater Endowment Funds***

As of June 30, 2020, there were 15 endowments that were considered to be underwater according to the Organization's endowment policy. The impact of these endowments being underwater on support to the University is estimated to be insignificant in future years.

***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, 2020, 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.

June 30, 2020

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

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, 2020. 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, 2020. 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, 2020, the Organization assessed management fees of \$1,297,629.

**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, 2020, the Organization contributed a total of \$26,020, which included \$16,132 in retirement supplement payments and \$9,888 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, 2020, the Organization had accounts payable to the University for programs, scholarships, and other expenses totaling \$521,046.

***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. Since receiving the gift, the Organization has planned to sell the land, and the net proceeds from the sale will be used to support the University according to a gift agreement.

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 was determined that the value of the land should be impaired. Accordingly, an unrealized loss estimated at \$2,620,800 was recognized during the year ended June 30, 2019.

On July 24, 2020, the land held for sale was sold for \$7,020,000, which resulted in net consideration approximating the carrying value as of the statement of financial position date, in a transaction financed by the Organization.