



Financial Statements
June 30, 2017 and 2016
**Colorado State
University Ventures, Inc.**



RECEIVED

By the Office of the State Auditor at 9:38 am, Nov 16, 2017

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements.....	6



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Colorado State University Ventures, Inc.
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado State University Ventures, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Ventures, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Fort Collins, Colorado
October 13, 2017

Colorado State University Ventures, Inc.
 Statements of Financial Position
 June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 198,247	\$ 936,936
Certificates of deposit	1,510,211	500,000
Accounts receivable	87,163	5,090
Investments	10,001	-
Prepaid expenses	3,820	2,530
Property and equipment, net	-	-
Total assets	\$ 1,809,442	\$ 1,444,556
Liabilities and Net Assets		
Royalties payable	\$ 41,580	\$ 69,126
Accrued expenses and other liabilities	153,554	109,812
Total liabilities	195,134	178,938
Net Assets		
Unrestricted	1,614,308	1,265,618
Total liabilities and net assets	\$ 1,809,442	\$ 1,444,556

Colorado State University Ventures, Inc.
 Statements of Activities
 Years Ended June 30, 2017 and 2016

	2017	2016
Revenue		
Royalty revenue	\$ 3,055,536	\$ 2,382,123
Administrative fees - CSU	2,355,000	2,300,000
Miscellaneous revenue	45,555	30,356
Grant revenue	-	145,203
Interest income	11,712	1,613
Total revenue	5,467,803	4,859,295
Expenses		
Technology transfer expenses	3,234,205	3,345,579
Royalty expenses	1,884,908	1,657,604
Grant expenditures	-	145,203
Total expenses	5,119,113	5,148,386
Change in Net Assets	348,690	(289,091)
Net Assets, Beginning of Year	1,265,618	1,554,709
Net Assets, End of Year	\$ 1,614,308	\$ 1,265,618

Colorado State University Ventures, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from Operating Activities		
Cash received from royalties	\$ 3,019,018	\$ 2,452,739
Cash received from CSU	2,355,000	2,395,628
Cash received from grants	-	145,203
Interest received	11,712	1,613
Cash paid for royalties and to vendors	(5,104,207)	(5,150,774)
Net cash from (used for) Operating Activities	281,523	(155,591)
Cash flows from Investing Activities		
Purchase of certificates of deposit	(1,010,211)	(500,000)
Investment in preferred shares	(10,001)	-
Net cash (used for) Investing Activities	(1,020,212)	(500,000)
Net Change in Cash and Cash Equivalents	(738,689)	(655,591)
Cash and Cash Equivalents, Beginning of Year	936,936	1,592,527
Cash and Cash Equivalents, End of Year	\$ 198,247	\$ 936,936
Reconciliation of change in net assets to net cash from (used for) operating activities		
Change in net assets	\$ 348,690	\$ (289,091)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	-	9,265
Changes in operating assets and liabilities		
Accounts receivable	(82,073)	135,888
Prepaid expenses	(1,290)	2,210
Royalties payable	(27,546)	(28,167)
Accrued expenses and other liabilities	43,742	14,304
Net Cash from (used for) Operating Activities	\$ 281,523	\$ (155,591)

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Colorado State University Ventures, Inc. (CSU Ventures) was organized in February 2007 to assist in the promotion, development, improvement, and expansion of the facilities and programs of the Colorado State University System (CSUS). The sole voting member of the nonprofit corporation is Colorado State University Research Foundation (CSURF), a nonprofit organization organized to aid the CSUS universities in their research and educational efforts.

CSU Ventures is a 501(c)(3) non-profit corporation that actively supports and promotes the transfer of Colorado State University (CSU) research and innovations into the marketplace for the benefit of society. CSU Ventures: (1) serves CSU faculty and researchers who wish to protect and license intellectual property; (2) builds relationships with industries and investors seeking to engage with CSU and; (3) leverages CSU innovation to foster business formation and enhance regional economic vitality.

Cash and Cash Equivalents

CSU Ventures considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Certificate of Deposit

CSU Ventures holds certificates of deposit in a local financial institution with an original maturity of one year. These certificates are not traded on the open market.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of non-interest bearing amounts due from license agreements. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for uncollectible accounts has been established as management considers accounts receivable to be fully collectible at June 30, 2017 and 2016.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

CSU Ventures records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of CSU Ventures and/or the passage of time. There were no temporarily restricted net assets as of June 30, 2017 and 2016.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of CSU Ventures. There were no permanently restricted net assets as of June 30, 2017 and 2016.

Revenue and Revenue Recognition

Revenue is recognized when earned. Administrative fees, royalty and grant revenue received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Income Taxes

CSU Ventures is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), which qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(iv), and has been determined not to be a private foundation under Sections 509(a)(1). CSU Ventures is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that CSU Ventures is not subject to unrelated business income tax as of June 30, 2017 and is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

CSU Ventures manages deposit concentration risk by placing cash, money market accounts and investments in certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, CSU Ventures has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through October 13, 2017, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that CSU Ventures can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, CSU Ventures develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk or liquidity profile of the asset.

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

Preferred stock – valued at the original purchase price of the shares, as shares were acquired within three months of year-end.

The following represents assets measured at fair value on a recurring basis at June 30, 2017:

	Total	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Preferred stock	\$ 10,001	\$ -	\$ 10,001	\$ -

Note 3 - Notes Receivable

In response to their mission to actively support and promote the transfer of research and innovations into the marketplace, CSU Ventures enters into various forms of agreements with technology licensees, which may include convertible notes receivable. The goal of such agreements is to monetize the potential successful efforts of licensees as a reflection of the support efforts currently expended by CSU Ventures.

Notes receivable terms include interest (ranging from 5% to 8% per annum) on any outstanding principal balances, specified maturity dates (ranging from 12 to 32 months) and conversion features triggered by qualified financing or corporate transaction events of the licensee. Notes receivable terms also include voluntary conversion by CSU Ventures if a financing or transaction does not occur prior to the stated maturity date.

Licensees are typically startup entities and risk of repayment is significant with respect to monies advanced on their behalf. In addition, any equity position gained in such entities is likely a minority interest and difficult to value as shares are not publicly traded. Due to these circumstances, CSU Ventures does not record note receivable agreements and instead includes all costs associated with the support of technology licensees as technology transfer costs in the statements of activities. Should conversion of an agreement result in ownership of corporate shares, such shares are carried at a de minimis value until such shares are publicly traded. At that time, shares are carried at market value as determined at each reporting period.

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Equipment	\$ 44,474	\$ 44,474
Less accumulated depreciation	(44,474)	(44,474)
Total property and equipment, net	\$ -	\$ -

Note 5 - Related Party Transactions

CSU Ventures received administrative fees from CSU of \$2,355,000 and \$2,300,000 during the years ended June 30, 2017 and 2016, respectively.

CSU Ventures reimbursed certain costs of administrative services to CSURF of \$151,298 and \$169,089 during the years ended June 30, 2017 and 2016, respectively.

Note 6 - Functionalized Expenses

Total expenses by function were as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Program-related expenses	\$ 4,376,364	\$ 4,377,349
Management and general expenses	742,749	771,037
Total functionalized expenses	\$ 5,119,113	\$ 5,148,386