



**COLORADO SCHOOL OF MINES FOUNDATION**

**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2018 and 2017**

**EKS&H**

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October 11, 2018

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**COLORADO SCHOOL OF MINES FOUNDATION**

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## **INDEPENDENT AUDITORS' REPORT**

To the Executive Committee of the Board of Governors  
Colorado School of Mines Foundation  
Golden, Colorado

We have audited the accompanying financial statements of Colorado School of Mines Foundation (a non-profit corporation), which are comprised of the statements of financial position as of June 30, 2018 and 2017, and 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.

### **AUDITORS' 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 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 auditors' 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 auditors consider 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.

To the Executive Committee of the Board of Governors  
Colorado School of Mines Foundation  
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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 School of Mines Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*EKS&H LLLP*  
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Denver, Colorado  
September 26, 2018

# COLORADO SCHOOL OF MINES FOUNDATION

## Statements of Financial Position

	June 30,	
	2018	2017
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 9,502,377	\$ 10,626,157
Restricted cash	30,000	30,000
Intermediate-term investments	162,848	162,285
Contributions receivable, net	14,517,000	21,426,000
Colorado School of Mines receivables - direct student loans	1,691,385	1,678,039
Real estate held for sale	-	1,085,000
Contributions receivable from trusts held by others	3,153,732	2,932,111
Assets held under split-interest agreements	14,031,041	13,803,254
Assets held under gift annuity agreements	3,468,506	4,000,954
Beneficial interest in endowments held by others	10,769,111	10,106,205
Beneficial interest in long-term trusts held by others	197,342	1,627,793
Long-term investments	309,732,952	291,842,816
Other assets	117,222	306,106
Restricted net assets held by CSMF Property Management Corp.	1,036,910	522,075
Investment in Colorado School of Mines technology	64,212	93,244
	<u>\$ 368,474,638</u>	<u>\$ 360,242,039</u>
Total assets	<u>\$ 368,474,638</u>	<u>\$ 360,242,039</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,933,217	\$ 2,878,388
Other liabilities	396,510	348,175
Obligations under split-interest agreements	4,320,693	4,318,788
Obligations under gift annuity agreements	3,701,860	4,350,652
Assets held for others	35,533,356	35,503,483
Refundable advances	30,000	30,000
Total liabilities	<u>45,915,636</u>	<u>47,429,486</u>
Net assets		
Unrestricted		
Undesignated	1,002,477	1,135,956
Board-designated	30,227,216	27,005,733
Total unrestricted	<u>31,229,693</u>	<u>28,141,689</u>
Temporarily restricted	108,690,899	108,656,303
Permanently restricted	182,638,410	176,014,561
Total net assets	<u>322,559,002</u>	<u>312,812,553</u>
Total liabilities and net assets	<u>\$ 368,474,638</u>	<u>\$ 360,242,039</u>

See notes to financial statements.

**COLORADO SCHOOL OF MINES FOUNDATION**

**Statements of Activities**

	For the Years Ended							
	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and support								
Contributions	\$ 500	\$ 11,066,852	\$ 4,421,963	\$ 15,489,315	\$ 1,006,621	\$ 9,213,297	\$ 5,299,315	\$ 15,519,233
Advancement services fee	1,900,000	-	-	1,900,000	1,900,000	-	-	1,900,000
Interest and dividends	308,072	1,471,269	145,007	1,924,348	201,413	1,046,952	147,813	1,396,178
Net realized and unrealized gains	3,908,437	16,636,614	362,251	20,907,302	7,617,409	33,010,590	681,590	41,309,589
Changes in net present values of split-interest agreements	183,299	(216,964)	(88,915)	(122,580)	(258,961)	(224,041)	284,016	(198,986)
Changes in interest in net assets of CSMF Property Management Corp.	-	1,006,045	(491,210)	514,835	-	(3,371)	155,316	151,945
Other income	911,368	(9,066)	8,760	911,062	760,154	40,704	9,258	810,116
Total revenues, gains, and support	<u>7,211,676</u>	<u>29,954,750</u>	<u>4,357,856</u>	<u>41,524,282</u>	<u>11,226,636</u>	<u>43,084,131</u>	<u>6,577,308</u>	<u>60,888,075</u>
Net assets released from restrictions								
Satisfaction of program restrictions	22,235,384	(22,235,384)	-	-	23,770,498	(23,770,498)	-	-
Administration fees	3,069,264	(3,069,264)	-	-	3,004,289	(3,004,289)	-	-
Realization of promises to give	-	-	-	-	1,100,000	(1,100,000)	-	-
Cancellation of pledges and relinquishment of beneficial interest	2,134,214	(659,417)	(1,474,797)	-	1,009,820	(848,820)	(161,000)	-
Other reclassifications	215,299	(3,956,089)	3,740,790	-	(3,651)	(13,691,150)	13,694,801	-
Total net assets released from restrictions	<u>27,654,161</u>	<u>(29,920,154)</u>	<u>2,265,993</u>	<u>-</u>	<u>28,880,956</u>	<u>(42,414,757)</u>	<u>13,533,801</u>	<u>-</u>
Expenses								
School support	22,810,042	-	-	22,810,042	24,327,266	-	-	24,327,266
Advancement	5,517,034	-	-	5,517,034	5,066,615	-	-	5,066,615
Management and general	1,316,543	-	-	1,316,543	1,315,908	-	-	1,315,908
Cancellation of pledges and relinquishment of beneficial interest	2,134,214	-	-	2,134,214	1,009,820	-	-	1,009,820
Total expenses	<u>31,777,833</u>	<u>-</u>	<u>-</u>	<u>31,777,833</u>	<u>31,719,609</u>	<u>-</u>	<u>-</u>	<u>31,719,609</u>
Change in net assets	3,088,004	34,596	6,623,849	9,746,449	8,387,983	669,374	20,111,109	29,168,466
Net assets at beginning of year	<u>28,141,689</u>	<u>108,656,303</u>	<u>176,014,561</u>	<u>312,812,553</u>	<u>19,753,706</u>	<u>107,986,929</u>	<u>155,903,452</u>	<u>283,644,087</u>
Net assets at end of year	<u>\$ 31,229,693</u>	<u>\$ 108,690,899</u>	<u>\$ 182,638,410</u>	<u>\$ 322,559,002</u>	<u>\$ 28,141,689</u>	<u>\$ 108,656,303</u>	<u>\$ 176,014,561</u>	<u>\$ 312,812,553</u>

See notes to financial statements.

# COLORADO SCHOOL OF MINES FOUNDATION

## Statements of Cash Flows

	For the Years Ended	
	June 30,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 9,746,449	\$ 29,168,466
Adjustments to reconcile change in net assets to net cash used in operating activities		
Change in net assets held by CSMF Property Management Corp.	(514,835)	(151,945)
Net realized and unrealized gains	(20,907,302)	(41,309,589)
Long-term trust relinquishment	1,735,466	-
Cancellation of pledges	2,134,214	1,009,820
Changes in net present values of split-interest agreements	122,580	198,986
Changes in net present value and allowance for uncollectible contributions receivable	702,800	961,434
Contributions restricted for long-term investment	(4,421,963)	(5,299,315)
Changes in assets and liabilities		
Contributions receivable	4,071,986	4,196,996
Receivables from trusts held by others	(1,262,464)	(1,769,174)
Other assets	188,884	(22,447)
Accounts payable, accrued liabilities, and other liabilities	(896,836)	(420,568)
Assets held for others	(41,179)	3,580,291
	(19,088,649)	(39,025,511)
Net cash used in operating activities	(9,342,200)	(9,857,045)
Cash flows from investing activities		
Purchases of investments	(60,597,906)	(42,229,454)
Sales of investments	65,365,610	47,032,127
Net student loan activity	(13,346)	(46,798)
Net investment in other assets	29,032	3,866
Net cash provided by investing activities	4,783,390	4,759,741
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	4,421,963	5,299,315
Payment of obligations under split-interest and gift annuity agreements	(986,933)	(1,078,533)
Net cash provided by financing activities	3,435,030	4,220,782
Net decrease in cash and cash equivalents	(1,123,780)	(876,522)
Cash and cash equivalents at beginning of year	10,626,157	11,502,679
Cash and cash equivalents at end of year	\$ 9,502,377	\$ 10,626,157

See notes to financial statements.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies**

#### Organization

The Colorado School of Mines Foundation (the "Foundation") is a non-profit corporation providing financial resource development and support to the Colorado School of Mines (the "University"). The majority of the Foundation's revenue is derived from contributions and investment income.

#### Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Executive Committee of the Board of Governors (the "Executive Committee") for use in the Foundation's operations, fundraising, and certain University programs.

Temporarily restricted amounts are monies that have been restricted by donors for certain purposes or programs, which are available for use by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

Permanently restricted amounts are assets that must be maintained permanently by the Foundation as required by the donor; however, the Foundation is permitted to use or expend part or all of any income derived from those assets.

#### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less and that are not held by an outside investment manager as part of an investment portfolio to be cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market funds. At June 30, 2018, the approximately \$9.5 million in cash and cash equivalents includes approximately \$1.6 million of operating cash and approximately \$7.9 million for capital projects. At June 30, 2017, the approximately \$10.6 million in cash and cash equivalents includes approximately \$2.7 million of operating cash and approximately \$7.9 million for capital projects.

As of June 30, 2018 and 2017, the Foundation maintained balances in various operating accounts in excess of federally insured limits totaling approximately \$9.3 million and \$10.4 million, respectively.

#### Restricted Cash

The Foundation received pass-through awards on behalf of a professor that have been reported as restricted cash and a refundable advance of \$30,000 as of June 30, 2018 and 2017.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Investments and Investment Return

Investments in equity securities having a readily determinable fair value, and all debt securities are carried at fair value. Investments in certain limited partnerships are reported at fair value as of March 31, net of capital contributions and distributions through June 30, due to the timing of when that valuation information is available. Foundation management believes that there is no significant impact to the financial statements due to this method of reporting.

The Foundation holds alternative investments, which are not readily marketable and are carried at fair value as provided by the investment managers. The Foundation reviews and evaluates the value provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Investment return includes 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, less investment management fees. Investment return is reflected on the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses, net of investment management fees, from securities in the pooled investment accounts are allocated on a unitization basis monthly 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 investments accounts, as adjusted for additions to or deductions from those accounts.

Investments are reported on the statements of financial position as intermediate-term investments and long-term investments. Intermediate-term investments may be spent by the Foundation but are not expected to be required for use in the near future. Long-term investments are primarily made up of assets restricted by the donor or designated by the Foundation's Executive Committee for long-term investment and assets received from the University for investment management.

Intermediate-term investments consist of cash equivalents.

#### Fair Value of Financial Instruments

The Foundation follows FASB guidance related to the reporting of fair value measurements for financial assets and liabilities and any other assets and liabilities carried at fair value. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Fair Value of Financial Instruments (continued)

The fair value of financial instruments at June 30, 2018 and 2017 has been estimated using available market information and appropriate valuation methodologies; however, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts the Foundation could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

#### Contributions and Contributions Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted support for the Foundation. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted support. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

Gifts of land, buildings, and other long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted support. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. An allowance for uncollectible contributions is established by Foundation management based on past collection experience and current economic conditions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

#### Income Taxes

The IRS has ruled that the Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code ("IRC") as a public charity. The Foundation also has been determined not to be a private foundation under Section 509(a)(1) of the IRC. Once qualified, the Foundation is required to operate in conformity with the IRC to maintain its qualification. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Foundation's qualified status. Donors are entitled to a charitable deduction for amounts contributed to the Foundation.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Income Taxes (continued)

The Foundation applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, including the determination of the Foundation's tax-exempt status, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2018 or 2017. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. No interest or penalties have been assessed as of June 30, 2018 or 2017.

#### Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU applies to not-for-profit entities. The ASU reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the ASU provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for the Foundation for the fiscal year ended June 30, 2019 with early adoption allowed. Entities should apply the ASU in this update retrospectively to all periods presented.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value ("NAV") per share as a practical expedient. ASU No. 2015-07 is effective for fiscal years beginning after December 15, 2016. The Foundation applied the standard retrospectively to all periods presented, and the adoption of ASU No. 2015-07 did not have a material impact on the Foundation's financial statements.

#### Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis on the statements of activities. Certain costs have been allocated among the program, management and general, and advancement categories for services benefited.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### School Support Expenses

School support expenses represent expenditures for various purposes that benefit the University, in accordance with the restricted purposes designated by donors (donor-restricted endowed and non-endowed contributions) and by the Executive Committee (Board-designated from unrestricted funds). During the years ended June 30, 2018 and 2017, total school support expenses were \$22,810,042 and \$24,327,266, respectively.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The Foundation has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued, and has determined there are no events requiring disclosure.

### **Note 2 - Contributions**

Contributions receivable are as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 1,390,934	\$ 5,051,531
Due in one to five years	13,000,516	16,085,068
Due after five years	<u>1,666,591</u>	<u>2,533,242</u>
	16,058,041	23,669,841
Less allowance for uncollectible contributions	(745,000)	(1,077,000)
Less unamortized discount	<u>(796,041)</u>	<u>(1,166,841)</u>
	<u>\$ 14,517,000</u>	<u>\$ 21,426,000</u>

The discount rate used for pledges receivable is 2%.

Approximately 54% and 58% of the Foundation's contributions receivable as of June 30, 2018 and 2017, respectively, consist of pledges from one donor.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 2 - Contributions (continued)**

The Foundation is the beneficiary of certain irrevocable remainder trusts administered by others. The net present value of the Foundation's beneficial interest has been included on the statements of financial position as contributions receivable from trusts held by others in the amount of \$3,153,732 and \$2,932,111 at June 30, 2018 and 2017, respectively.

### **Note 3 - Assets Held Under Split-Interest and Gift Annuity Agreements and Long-Term Investments**

Assets held under split-interest and gift annuity agreements and long-term investments consist of the following:

	June 30, 2018		June 30, 2017	
	Split-Interest and Gift Annuity Agreements	Long-Term Investments	Split-Interest and Gift Annuity Agreements	Long-Term Investments
Cash equivalents	\$ 739,111	\$ 4,065,802	\$ 297,443	\$ 8,530,784
Bonds and bond mutual funds	7,896,043	28,061,513	5,240,606	18,033,615
Stocks and stock mutual funds	8,782,272	219,373,865	10,881,058	212,132,084
Investments in limited partnerships and real estate	7,201	58,231,772	1,285,181	53,146,333
Pledge receivable	74,920	-	99,920	-
	<b>\$ 17,499,547</b>	<b>\$ 309,732,952</b>	<b>\$ 17,804,208</b>	<b>\$ 291,842,816</b>

The Foundation incurred expenses of \$1,288,885 and \$1,163,603 for investment management, consulting and custodian services, and associated unrelated business income tax costs during the years ended June 30, 2018 and 2017, respectively, which are netted against interest and dividend income and net realized and unrealized gains on the statements of activities.

### **Note 4 - Split-Interest Agreements**

The Foundation is the remainder trustee for various split-interest arrangements, including charitable remainder trusts, charitable gift annuity contracts, and a pooled income fund. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). The terms of certain trusts and the pooled income fund specify that payments to the beneficiaries are limited to total trust income. Other trusts require that the Foundation make fixed payments or payments based on a fixed percentage of the fair market value of the trusts' assets to designated beneficiaries for their lifetimes.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 4 - Split-Interest Agreements (continued)**

At the end of the trusts' term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the future interest of the Foundation is recorded on the statements of activities as temporarily or permanently restricted contributions in the period the trust is established. Assets held under these various split-interest arrangements are recorded at fair value on the Foundation's statements of financial position. The Foundation makes distributions to the designated beneficiaries in accordance with the gift instrument and revalues the liability based on actuarial assumptions on an annual basis. The present value of the estimated future payments is calculated using the IRS discount rate and applicable mortality tables. The Foundation recorded contributions totaling \$11,766 and \$15,615, at net present value, under split-interest agreements during the years ended June 30, 2018 and 2017, respectively.

Assets held under split-interest and gift annuity agreements and the associated liabilities are as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Assets held under split-interest agreements	\$ 14,031,041	\$ 13,803,254
Assets held under gift annuity agreements	<u>3,468,506</u>	<u>4,000,954</u>
	17,499,547	17,804,208
Less associated liabilities	<u>(8,022,553)</u>	<u>(8,669,440)</u>
Net present value of assets held under split-interest and gift annuity agreements	<u>\$ 9,476,994</u>	<u>\$ 9,134,768</u>

### **Note 5 - Gift Annuity Agreements**

The Foundation has been the recipient of several gift annuities that require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at June 30, 2018 and 2017 of \$3,701,860 and \$4,350,652, respectively, which represents the present value of the future annuity obligations. These obligations are included in the liability amount shown in the table in Note 4. During the years ended June 30, 2018 and 2017, the Foundation received gifts under charitable gift annuity contracts with a net present value of \$17,749 and \$109,288, respectively, which are included in contributions on the statements of activities.

### **Note 6 - Beneficial Interest in Endowment Held by Others**

The Foundation is the beneficiary of 50% of the endowment assets held and administered by the Joe W. Cooper and Cleone B. Hansen Foundation ("CHF"). CHF was created to continue in perpetuity by an irrevocable trust to benefit the Colorado School of Mines and the University of Utah. Should CHF be dissolved, the Foundation will receive 50% of its endowment assets.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 6 - Beneficial Interest in Endowment Held by Others (continued)**

At June 30, 2018 and 2017, the fair value of the assets held by CHF for the benefit of the Foundation was \$10,769,111 and \$10,106,205, respectively, and is reported on the statements of financial position as beneficial interest in endowments held by others. The income from the endowment assets is restricted for use in the Departments of Mining Engineering, Extractive Metallurgy, and Economic and/or Exploration Geology at the University. The Foundation received a distribution of approximately \$425,000 and \$399,000 during the years ended June 30, 2018 and 2017, respectively.

### **Note 7 - Beneficial Interest in Long-Term Trusts Held by Others**

The Foundation is the beneficiary under trusts administered by an outside party. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on trust assets for the length of the trust and the right to receive the assets held in trust upon termination of the trust. Because the Foundation is a beneficiary of the trusts, the assets of the trusts are on the Foundation's books as if the trusts were perpetual trusts and recorded at the fair value of \$197,342 and \$1,627,793 at June 30, 2018 and 2017, respectively. The Foundation received contributions totaling to \$126,591 and \$0 during the years ended June 30, 2018 and 2017, respectively. The Foundation received distributions amounting to \$302 and \$0 during the years ended June 30, 2018 and 2017, respectively.

### **Note 8 - Assets Held for Others**

Assets held for others represent various trusts that revert to other parties in the future, as stipulated in the respective trust documents, and certain University assets held for long-term investment purposes. The fair values of these assets are as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
University funds	\$ 34,307,092	\$ 34,364,494
Charitable trust funds	<u>1,226,264</u>	<u>1,138,989</u>
	<u>\$ 35,533,356</u>	<u>\$ 35,503,483</u>

### **Note 9 - CSMF Property Management Corp.**

CSMF Property Management Corp. ("CSMF PMC") is a separate, tax-exempt Colorado non-profit corporation formed to receive, hold, and sell donations of real property. CSMF PMC's only permissible beneficiary is the Foundation.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 9 - CSMF Property Management Corp. (continued)**

The Foundation's interest in the net assets of CSMF PMC is accounted for in a manner similar to the equity method. The interest is reflected as an asset stated at fair value, and changes in the interest are included on the statements of activities as changes in interest in net assets of CSMF PMC. Transfers of assets between CSMF PMC and the Foundation are recognized as increases or decreases in the interest in the net assets of CSMF PMC with corresponding decreases or increases in the assets transferred and have no effect on change in net assets. The Foundation's interest in the net assets of CSMF PMC totaled \$1,036,910 and \$522,075 at June 30, 2018 and 2017, respectively.

### **Note 10 - Colorado School of Mines Alumni Association**

The Foundation has a services agreement with the Colorado School of Mines Alumni Association (the "Alumni Association"). The Alumni Association's operational employees are employees of the Foundation, and certain budget and operational functions, including alumni development activities, are the responsibility of the Foundation. This operating structure is part of the joint operating agreement between the University, Foundation, and Alumni Association dated February 1, 2016. The Foundation recognized revenue from the Alumni Association under the services agreement in the amount of \$72,400 during each of the years ended June 30, 2018 and 2017.

### **Note 11 - Net Assets**

#### Unrestricted Board-Designated Funds

The following unrestricted net assets have been designated by the Foundation's Executive Committee for the following purposes:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Endowment - Board-designated from unrestricted	\$ 30,917,997	\$ 28,755,506
Mines technology	64,212	93,244
Gift annuities program	<u>(754,993)</u>	<u>(1,843,017)</u>
	<u>\$ 30,227,216</u>	<u>\$ 27,005,733</u>

**COLORADO SCHOOL OF MINES FOUNDATION**

**Notes to Financial Statements**

**Note 11 - Net Assets (continued)**

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Assets available for		
Student financial aid	\$ 48,536,950	\$ 46,842,567
Academic divisions	21,690,977	18,559,837
Faculty and staff compensation	8,452,812	8,016,709
University property and equipment	8,341,571	7,090,989
Research	1,722,758	2,662,858
Library	803,567	749,612
Other	25,565	55,096
Assets available in future periods		
Contributions receivable	11,997,000	18,919,000
Life income and annuity trusts	4,391,404	4,050,731
Student loans	1,691,385	1,678,039
Assets held by CSMF PMC	<u>1,036,910</u>	<u>30,865</u>
	<u>\$ 108,690,899</u>	<u>\$ 108,656,303</u>

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 11 - Net Assets (continued)**

#### **Permanently Restricted Net Assets**

Permanently restricted net assets are restricted to the following:

	June 30,	
	2018	2017
Investment in perpetuity, the income from which is available for		
Student financial aid	\$ 91,571,343	\$ 86,671,163
Faculty and staff compensation	60,677,938	57,869,638
Academic divisions	15,153,760	14,333,343
Research	2,527,148	3,879,124
Library	1,951,278	1,914,992
Other purposes	836,573	928,478
University property and equipment	58,625	175,392
Future investment in perpetuity		
Life income and annuity trusts	7,341,745	7,244,221
Contributions receivable	2,520,000	2,507,000
Assets held by CSMF PMC	-	491,210
	<b>\$ 182,638,410</b>	<b>\$ 176,014,561</b>

### **Note 12 - Endowments**

The Foundation's endowment consists of various individual funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Executive Committee to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 12 - Endowments (continued)**

#### Interpretation of Relevant Law

The Executive Committee of the Foundation has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor-gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds,
- The purposes of the Foundation and the donor-restricted endowment funds,
- General economic conditions,
- The possible effects of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Foundation, and
- The investment policies of the Foundation.

The above interpretation pertains only to the endowments managed under UPMIFA. Certain endowments are donor-restricted endowments that have explicit donor stipulations allowing the Foundation to use the corpus of the fund for spending distributions. These contract endowments are managed using the unitrust approach. In using the unitrust approach, all portions of the endowment funds, except available-to-spend portions, are considered permanently restricted in accordance to the Foundation's spending policy for contract endowments. Amounts available to spend under contract endowments are classified as temporarily restricted until appropriated for use.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### Note 12 - Endowments (continued)

#### Funds with Deficiencies

From time to time, the fair value of assets associated with certain individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2018 and 2017.

#### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking the proper balance between preservation of capital and maintaining the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Executive Committee, the endowment assets are invested in a manner that seeks an average total annual return of the annual endowment payout plus Consumer Price Index and seeks competitive investment performance versus appropriate capital market measures, such as securities indices, while assuming an acceptable level of investment risk.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Investment Committee of the Foundation is responsible for selecting the asset mix and managers for the endowments of the Foundation.

The asset allocation target policy ranges approved by the Executive Committee are as follows:

	<u>Minimum</u>	<u>Maximum</u>
Equity related (including hedge equities)	30 %	70 %
Fixed income	10 %	30 %
Real assets	0 %	20 %
Non-traditional investments (including private equity/opportunistic and absolute return funds)	0 %	20 %
Cash and cash equivalents	2 %	15 %

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### Note 12 - Endowments (continued)

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment fund's market value over a three-year moving average at December 31 preceding the fiscal year in which the distribution is planned. The distribution for the year ended June 30, 2018 was a 4.25% endowment fund restricted payout and an administrative fee ranging from 1.0% to 1.75%, depending on the cumulative gift amount of the individual endowment fund. In establishing this policy, the Foundation considered the long-term expected return on its endowment, recognizing any given year may experience favorable or unfavorable market conditions. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Executive Committee approves special appropriations and distributions from the Board-designated unrestricted funds to function as endowments through the annual budget process. Expenditures from the donor-restricted endowment funds are controlled by the Executive Committee in concert with the donors' intent.

#### Endowment Net Assets Composition by Type of Fund as of June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 193,602	\$ 55,978,479	\$ 164,632,456	\$ 220,804,537
Board-designated endowment funds	<u>30,917,997</u>	<u>-</u>	<u>-</u>	<u>30,917,997</u>
Total funds	<u>\$ 31,111,599</u>	<u>\$ 55,978,479</u>	<u>\$ 164,632,456</u>	<u>\$ 251,722,534</u>

**COLORADO SCHOOL OF MINES FOUNDATION**

**Notes to Financial Statements**

**Note 12 - Endowments (continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 28,967,474	\$ 55,734,802	\$ 155,116,871	\$ 239,819,147
Investment return				
Investment income	180,376	1,293,503	8,748	1,482,627
Net appreciation	<u>2,092,130</u>	<u>14,997,879</u>	<u>7,840</u>	<u>17,097,849</u>
Total investment return	<u>2,272,506</u>	<u>16,291,382</u>	<u>16,588</u>	<u>18,580,476</u>
Additions	-	-	4,355,213	4,355,213
Appropriation of endowment assets for expenditure	(809,371)	(11,713,277)	-	(12,522,648)
Board-designated from unrestricted	1,652,705	-	-	1,652,705
Transfers - change in donor restrictions and trust terminations	(971,715)	(563,140)	1,372,496	(162,359)
Investment reserve reclassification	<u>-</u>	<u>(3,771,288)</u>	<u>3,771,288</u>	<u>-</u>
Endowment assets, end of year	<u>\$ 31,111,599</u>	<u>\$ 55,978,479</u>	<u>\$ 164,632,456</u>	<u>\$ 251,722,534</u>

Endowment Net Assets Composition by Type of Fund as of June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 211,968	\$ 55,734,802	\$ 155,116,871	\$ 211,063,641
Board-designated endowment funds	<u>28,755,506</u>	<u>-</u>	<u>-</u>	<u>28,755,506</u>
Total funds	<u>\$ 28,967,474</u>	<u>\$ 55,734,802</u>	<u>\$ 155,116,871</u>	<u>\$ 239,819,147</u>

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 12 - Endowments (continued)**

#### **Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 20,789,349	\$ 49,415,019	\$ 135,762,373	\$ 205,966,741
Investment return				
Investment income	109,124	925,336	7,617	1,042,077
Net appreciation	3,639,194	31,006,368	(1,755)	34,643,807
Total investment return	3,748,318	31,931,704	5,862	35,685,884
Additions	-	-	5,539,996	5,539,996
Appropriation of endowment assets for expenditure	(643,725)	(11,018,579)	-	(11,662,304)
Board-designated from unrestricted	5,793,087	-	-	5,793,087
Transfers - change in donor restrictions and trust terminations	(719,555)	(900,178)	115,476	(1,504,257)
Investment reserve reclassification	-	(13,693,164)	13,693,164	-
Endowment assets, end of year	\$ 28,967,474	\$ 55,734,802	\$ 155,116,871	\$ 239,819,147

Amounts in the tables above only include funds received and held by the Foundation.

### **Note 13 - Pension Plan**

The Foundation participates in a defined contribution pension plan covering substantially all of its employees. Employer's contributions begin after an employee completes one year of employment and are a percentage of regular salary. Pension expense was \$216,186 and \$194,225 for the years ended June 30, 2018 and 2017, respectively.

### **Note 14 - Fair Value of Financial Instruments**

The Foundation follows FASB guidance to define the value of its financial assets and liabilities. Under this guidance, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The FASB established a fair value hierarchy that prioritizes observable and unobservable inputs to valuation techniques used to measure fair value.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 14 - Fair Value of Financial Instruments (continued)**

The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The Foundation invests in alternative investments, which are not readily marketable and are classified as Level 2 or Level 3, dependent upon certain factors. However, on an individual basis, these alternative investments may hold direct investments in equity and debt securities, which do have readily determinable fair values. If the Foundation was invested in these equity and debt securities directly, they would be classified as Level 1 assets.

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

*Cash equivalent funds:* Valued based on dollar value of funds.

*Equities and mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Fixed income:* Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

*Hedge funds:* Valued based on the NAV provided by the investment manager.

The fair value of certain assets that are measured at NAV per share as a practical expedient are not classified in the fair value hierarchy.

There were no changes to valuation techniques during the years ended June 30, 2018 or 2017.

**COLORADO SCHOOL OF MINES FOUNDATION**

**Notes to Financial Statements**

**Note 14 - Fair Value of Financial Instruments (continued)**

Financial assets and liabilities carried at fair value as of June 30, 2018 are classified in the table below in one of the four categories described above:

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>NAV</u>	<u>Total</u>
Long-term investments					
Managed domestic equity funds	\$ 62,589,310	\$ 29,620,161	\$ -	\$ -	\$ 92,209,471
International equities	26,951,803	48,957,579	-	-	75,909,382
Fixed income - mutual funds	28,061,513	-	-	-	28,061,513
Cash equivalent funds	-	4,065,802	-	-	4,065,802
Long/short hedge funds	-	51,242,088	12,592	-	51,254,680
Long-term investments at NAV					
Private equity funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,232,104</u>	<u>58,232,104</u>
Total long-term investments	117,602,626	133,885,630	12,592	58,232,104	309,732,952
Charitable trusts					
Assets held under split-interest agreements	13,956,121	-	74,920	-	14,031,041
Assets held under gift annuity agreements	3,267,486	201,020	-	-	3,468,506
Beneficial interest in endowments held by others	10,254,028	500,757	14,326	-	10,769,111
Beneficial interest in long-term trusts held by others	<u>197,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,342</u>
Total assets at fair value	<u>\$145,277,603</u>	<u>\$134,587,407</u>	<u>\$ 101,838</u>	<u>\$ 58,232,104</u>	<u>\$338,198,952</u>

**COLORADO SCHOOL OF MINES FOUNDATION**

**Notes to Financial Statements**

**Note 14 - Fair Value of Financial Instruments (continued)**

Financial assets and liabilities carried at fair value as of June 30, 2017 are classified in the table below in one of the four categories described above:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Long-term investments					
Managed domestic equity funds	\$ 54,520,644	\$ 22,281,865	\$ -	\$ -	\$ 76,802,509
International equities	27,817,745	45,075,303	-	-	72,893,048
Fixed income - mutual funds	18,033,615	-	-	-	18,033,615
Cash equivalent funds	-	8,530,784	-	-	8,530,784
Long/short hedge funds	-	48,461,403	13,975,124	-	62,436,527
Long-term investments at NAV					
Private equity funds	-	-	-	<u>53,146,333</u>	<u>53,146,333</u>
Total long-term investments	100,372,004	124,349,355	13,975,124	53,146,333	291,842,816
Charitable trusts					
Assets held under split-interest agreements	13,703,334	-	99,920	-	13,803,254
Assets held under gift annuity agreements	4,000,954	-	-	-	4,000,954
Beneficial interest in endowments held by others	9,644,277	447,132	14,796	-	10,106,205
Beneficial interest in long-term trusts held by others	<u>1,625,921</u>	<u>1,872</u>	<u>-</u>	<u>-</u>	<u>1,627,793</u>
Total assets at fair value	<u>\$129,346,490</u>	<u>\$124,798,359</u>	<u>\$ 14,089,840</u>	<u>\$ 53,146,333</u>	<u>\$321,381,022</u>

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### Note 14 - Fair Value of Financial Instruments (continued)

#### Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2018:

	<u>Long-Term Investments</u>	<u>External Endowment Trusts</u>	<u>Charitable Trusts</u>	<u>Total</u>
Beginning balance	\$ 13,975,124	\$ 14,796	\$ 99,920	\$ 14,089,840
Total gains (realized/unrealized)	608,421	-	-	608,421
Purchases, issuances, and settlements	-	(470)	-	(470)
Distributions	(14,570,953)	-	-	(14,570,953)
New pledges and pledge payments	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Ending balance	<u>\$ 12,592</u>	<u>\$ 14,326</u>	<u>\$ 74,920</u>	<u>\$ 101,838</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2017:

	<u>Long-Term Investments</u>	<u>External Endowment Trusts</u>	<u>Charitable Trusts</u>	<u>Total</u>
Beginning balance	\$ 24,338,471	\$ 18,954	\$ 124,920	\$ 24,482,345
Total losses (realized/unrealized)	2,078,905	(4,158)	-	2,074,747
Distributions	<u>(12,442,252)</u>	<u>-</u>	<u>(25,000)</u>	<u>(12,467,252)</u>
Ending balance	<u>\$ 13,975,124</u>	<u>\$ 14,796</u>	<u>\$ 99,920</u>	<u>\$ 14,089,840</u>

Accounting Standards Codification Topic 820 also requires disclosure for Level 3 investments of the change in unrealized gain (loss) included on the change in net assets related to investments still held at the reporting date. At June 30, 2018 and 2017, this was an unrealized (loss) gain of \$608,421 and \$2,074,747, respectively.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 14 - Fair Value of Financial Instruments (continued)**

#### **Investments in Certain Entities that Calculate NAV per Share**

<u>Fund Description</u>	<u>June 30, 2018 Fair Value</u>	<u>June 30, 2017 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
International equity	\$ 48,957,579	\$ 45,075,303	\$ -	Monthly	10 to 30 days
Hedge funds	51,254,680	48,474,305	-	Quarterly to Annually	30 to 90 days
Multi-strategy hedge funds	-	13,962,222	-	90 to 180 days	Liquidated
Private equity funds	58,232,104	53,146,333	24,806,592	n/a	n/a
Domestic equity	<u>29,620,161</u>	<u>22,281,865</u>	<u>-</u>	Quarterly	30 to 45 days
Total	<u>\$188,064,524</u>	<u>\$182,940,028</u>	<u>\$ 24,806,592</u>		

International equity includes investments in funds that focus on long-only international equities. The underlying assets are liquid, and the funds' managers provide details of those assets. As of June 30, 2018, all of the investments in the category can be redeemed with no restrictions.

Hedge funds include investments in hedge funds that invest both long and short, both in U.S. and international common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small- to large-capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market but will also take advantage of investment opportunities in Europe, Asia, and emerging markets. The fair values of the investments in this category have been estimated using the NAV per share of the investments. As of June 30, 2018, all of the investments in this category can be redeemed at the Foundation's report date.

Multi-strategy hedge funds include multi-strategy domestic equities and fixed income index investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short position, targeting solid, absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the NAV per share of the investments. As of June 30, 2018, all the investments in this category have been redeemed.

Private equity funds include funds that focus on buyout, growth equity, distressed debt, and real asset investments. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The term for each of these investments is six to ten years. As of June 30, 2018, the fair values of the investments in this category have been estimated using the NAV per share as a practical expedient as provided by the investment manager.

Domestic equity funds include funds that focus on long-only domestic equities with large-, mid-, and small-capitalization focus. The underlying assets are liquid and the funds' managers provide details of those assets.

# COLORADO SCHOOL OF MINES FOUNDATION

## Notes to Financial Statements

### **Note 14 - Fair Value of Financial Instruments (continued)**

#### Investments in Certain Entities that Calculate NAV per Share (continued)

The following methods and assumptions were used by the Foundation in estimating the fair value of financial instruments:

*Contributions Receivable:* The carrying amount is a reasonable estimate of fair value.

*Beneficial Interest in Endowments and Long-Term Trusts Held by Others and Restricted Net Assets Held by CSMF PMC:* The carrying amount is a reasonable estimate of fair value.

*Assets Held for Others:* The carrying amount approximates fair value.

*Obligations Under Split-Interest and Gift Annuity Agreements:* Fair values of the annuity and gift trust obligations are based on an actuarial evaluation of the estimated annuity or other payments under such obligations.

### **Note 15 - Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### Investments

As of June 30, 2018 and 2017, 35% and 40%, respectively, of the Foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. There is no ready market value for these investments. The values reported in the Foundation's financial statements are the market values reported by the entities in audited financial statements, federal Schedule K-1, or other internal valuations. These values could be volatile and could be significantly different on a subsequent valuation date.

#### Student Loans

The Foundation has several donor-restricted student loan funds. The University administers the loans and makes direct loans to students without collateral. Concentration risk associated with student loans is limited as no significant balances are due from any single individual, and the Foundation has historically experienced a high collectibility rate.