
Colorado School of Mines Foundation

Financial Report
June 30, 2019

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Colorado School of Mines Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado School of Mines Foundation as of June 30, 2019 and the results of its operations, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 16, the financial statements include certain investments whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by fund managers and partnership general partners. The investments are valued at approximately \$63,234,000 (20 percent of net assets) at June 30, 2019. Additionally, there are approximately \$30,700,000 in unfunded future commitments related to these investments.

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

As described in Note 2 to the financial statements, Colorado School of Mines Foundation adopted the provisions under Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Our opinion is not modified with respect to these matters.

Report on Prior Year Financial Statements and Restatement

The financial statements of Colorado School of Mines Foundation as of June 30, 2018 were audited by EKS&H LLLP, whose report dated September 26, 2018 expressed an unqualified opinion on those financial statements.

Plante & Moran, PLLC

October 16, 2019

Colorado School of Mines Foundation

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 5,804,578	\$ 9,502,377
Restricted cash	30,000	30,000
Intermediate-term investments	169,884	162,848
Receivables:		
Colorado School of Mines receivables - Direct student loans	1,797,521	1,691,385
Contributions receivable - Net	16,775,000	14,517,000
Contributions receivable from trusts held by others	3,222,936	3,153,732
Assets held under split-interest agreement	14,273,814	14,031,041
Assets held under gift annuity agreements	3,201,186	3,468,506
Beneficial interest in endowments held by others	11,149,329	10,769,111
Beneficial interest in long-term trusts held by others	196,208	197,342
Long-term investments	303,794,268	309,732,952
Restricted net assets held by CSMF Property Management Corp.	68,587	1,036,910
Investment in Colorado School of Mines technology	64,582	64,212
Other assets	145,052	117,222
Property held for future use	50,000	-
	<u>\$ 360,742,945</u>	<u>\$ 368,474,638</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 5,466,736	\$ 1,933,217
Other liabilities	365,169	396,510
Obligations under split-interest agreements	3,685,994	4,320,693
Obligations under gift annuity agreements	3,471,716	3,701,860
Assets held for others	34,173,564	35,533,356
Refundable advances	30,000	30,000
	<u>47,193,179</u>	<u>45,915,636</u>
Total liabilities		
Net Assets		
Without donor restrictions:		
Undesignated	1,002,529	808,875
Board designated	28,096,105	30,420,818
	<u>29,098,634</u>	<u>31,229,693</u>
Total without donor restrictions		
With donor restrictions	284,451,132	291,329,309
	<u>313,549,766</u>	<u>322,559,002</u>
Total net assets		
	<u>\$ 360,742,945</u>	<u>\$ 368,474,638</u>
Total liabilities and net assets		

Statement of Activities

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support						
Contributions	\$ 590,249	\$ 21,045,455	\$ 21,635,704	\$ 500	\$ 15,488,815	\$ 15,489,315
Advancement services fee	1,900,000	-	1,900,000	1,900,000	-	1,900,000
Interest and dividends - Net of investment expenses	392,691	1,770,547	2,163,238	308,072	1,616,276	1,924,348
Net realized and unrealized (losses) gains	(196,369)	285,334	88,965	3,908,437	16,998,865	20,907,302
Changes in net present values of split-interest agreements	(196,110)	426,554	230,444	183,299	(305,879)	(122,580)
Changes in interest in net assets of CSMF Property Management Corp.	-	(968,323)	(968,323)	-	514,835	514,835
Other income	1,028,948	72,004	1,100,952	911,368	(306)	911,062
Net assets released from restrictions	29,509,748	(29,509,748)	-	27,654,161	(27,654,161)	-
Total revenue, gains, and support	33,029,157	(6,878,177)	26,150,980	34,865,837	6,658,445	41,524,282
Expenses						
Program expenses:						
School support	27,546,655	-	27,546,655	22,810,042	-	22,810,042
Advancement	5,840,929	-	5,840,929	5,410,277	-	5,410,277
Management and general	1,646,125	-	1,646,125	1,423,300	-	1,423,300
Cancellation of pledges and relinquishment of beneficial interest	126,507	-	126,507	2,134,214	-	2,134,214
Total expenses	35,160,216	-	35,160,216	31,777,833	-	31,777,833
(Decrease) Increase in Net Assets	(2,131,059)	(6,878,177)	(9,009,236)	3,088,004	6,658,445	9,746,449
Net Assets - Beginning of year	31,229,693	291,329,309	322,559,002	28,141,689	284,670,864	312,812,553
Net Assets - End of year	\$ 29,098,634	\$ 284,451,132	\$ 313,549,766	\$ 31,229,693	\$ 291,329,309	\$ 322,559,002

Colorado School of Mines Foundation

Statement of Functional Expenses

Year Ended June 30, 2019

	Program	Support Services		Total
	Services	Advancement	Management and General	
	School Support			
School support	\$ 27,432,170	\$ -	\$ -	\$ 27,432,170
Salaries, benefits, and taxes	-	4,313,288	1,413,231	5,726,519
Information technology	-	409,595	23,080	432,675
Events	-	344,441	-	344,441
Professional services	114,485	37,199	119,747	271,431
Office expenses	-	195,376	32,816	228,192
Advertising and promotion	-	198,660	-	198,660
Travel and representation	-	159,143	2,437	161,580
Employee professional development and relations	-	75,011	16,030	91,041
Research material	-	46,648	-	46,648
Insurance	-	2,850	38,685	41,535
Premiums	-	39,766	-	39,766
Dues and memberships	-	18,952	99	19,051
Cancellation of pledges	126,507	-	-	126,507
Total functional expenses	\$ 27,673,162	\$ 5,840,929	\$ 1,646,125	\$ 35,160,216

Colorado School of Mines Foundation

Statement of Functional Expenses

Year Ended June 30, 2018

	Program	Support Services		Total
	Services	Advancement	Management and General	
	School Support			
School support	\$ 22,696,691	\$ -	\$ -	\$ 22,696,691
Salaries, benefits, and taxes	-	4,016,602	1,168,567	5,185,169
Information technology	-	297,327	10,884	308,211
Events	-	357,255	-	357,255
Professional services	113,351	31,891	156,739	301,981
Office expenses	-	174,587	27,893	202,480
Advertising and promotion	-	190,985	-	190,985
Travel and representation	-	159,487	3,702	163,189
Employee professional development and relations	-	94,876	18,350	113,226
Research material	-	46,582	424	47,006
Insurance	-	2,600	36,326	38,926
Premiums	-	25,875	-	25,875
Dues and memberships	-	12,210	415	12,625
Cancellation of pledges	2,134,214	-	-	2,134,214
Total functional expenses	\$ 24,944,256	\$ 5,410,277	\$ 1,423,300	\$ 31,777,833

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (9,009,236)	\$ 9,746,449
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Change in net assets held by CSMF Property Management Corp.	968,323	(514,835)
Net realized and unrealized gains	(88,967)	(20,907,302)
Long-term trust relinquishment	-	1,735,466
Cancellation of pledges	126,507	2,134,214
Changes in net present values of split-interest agreements	(230,444)	122,580
Changes in net present value and allowance for uncollectible contributions receivable	273,321	702,800
Contributions restricted for long-term investment	(8,126,585)	(4,421,963)
Changes in operating assets and liabilities:		
Contributions receivable	(2,657,827)	4,071,986
Receivables from trusts held by others	(710,758)	(1,262,464)
Other assets	(27,830)	188,884
Accounts payable, accrued liabilities, and other liabilities	3,502,178	(896,836)
Assets held for others	(1,288,740)	(41,179)
Net cash and cash equivalents used in operating activities	(17,270,058)	(9,342,200)
Cash Flows from Investing Activities		
Purchases of investments	(74,800,769)	(60,597,906)
Proceeds from sales and maturities of investments	81,284,803	65,365,610
Net student loan activity	(106,136)	(13,346)
Net investment in other assets	(370)	29,032
Net cash and cash equivalents provided by investing activities	6,377,528	4,783,390
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term investment	8,126,585	4,421,963
Payment of obligations under split-interest and gift annuity agreements	(931,854)	(986,933)
Net cash and cash equivalents provided by financing activities	7,194,731	3,435,030
Net Decrease in Cash and Cash Equivalents	(3,697,799)	(1,123,780)
Cash and Cash Equivalents - Beginning of year	9,502,377	10,626,157
Cash and Cash Equivalents - End of year	\$ 5,804,578	\$ 9,502,377

June 30, 2019 and 2018

Note 1 - Nature of Business

The Colorado School of Mines Foundation (the "Foundation") is a nonprofit 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.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Adoption of New Accounting Pronouncement

As of July 1, 2018 and applied retrospectively, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Foundation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: net assets of \$108,690,899 previously reported as temporarily restricted net assets and net assets of \$182,638,410 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions. There were no endowments that were underwater at June 30, 2019 or 2018. Under the new standard, the Foundation has elected to omit the disclosures about liquidity and availability of resources for periods prior to the period of adoption.

Cash Equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market funds. At June 30, 2019, the approximately \$5.8 million in cash and cash equivalents includes approximately \$1.8 million of operating cash and approximately \$4 million for capital projects. 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.

Restricted Cash

The Foundation received pass-through awards on behalf of a professor that have been reported as restricted cash and a refundable advance. At June 30, 2019 and 2018, \$30,000 of cash is restricted for that purpose.

Note 2 - Significant Accounting Policies (Continued)

Investments

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 statement of activities as net assets without donor restrictions or net assets with donor restrictions 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.

Contributions and Contributions Receivable

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets release from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

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

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of June 30, 2019 and 2018, 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 Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Functional Allocation of Expenses

Expenses have been reported on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between advancement and management and general based on a percentage of full-time equivalent employee effort for direct conduct and supervision within each functional area. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

School Support Expenses

School support expenses represent expenditures for various purposes that benefit the University, in accordance with the restricted purposes designated by donors (endowed and nonendowed contributions with donor restrictions) and by the executive committee (board-designated from funds without donor restrictions). During the years ended June 30, 2019 and 2018, total school support expenses were \$27,546,655 and \$22,810,042, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 16, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Cash and cash equivalents	\$ 5,804,578
Restricted cash	30,000
Intermediate-term investments	169,884
Receivables - University receivables - Direct student loans	1,797,521
Contributions receivable	16,775,000
Contributions receivable from trusts held by others	3,222,936
Assets held under split-interest agreements	14,273,814
Assets held under gift annuity agreements	3,201,186
Beneficial interest in endowments held by others	11,149,329
Beneficial interest in long-term trust held by others	196,208
Long-term investments	<u>303,794,268</u>
Financial assets - At year end	360,414,724
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	225,538,979
Receivables due in greater than one year	11,433,325
Contributions receivable from trusts held by others	3,222,936
Investments held under split interest and gift annuity agreements	17,475,000
Beneficial interest held by others	11,345,537
Board designations:	
Quasi-endowment fund, primarily for long-term investing	7,234,906
Amounts set aside for liquidity reserve	4,937,671
Other	<u>16,461,237</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 62,765,133</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation holds \$62.7 million in financial assets available to meet general expenditures within one year. Expected general expenditures for the year are composed of a \$7.7 million operating budget and \$24 million in university expenses, for a total of \$31.7 million. In the event of an unanticipated liquidity need, the Foundation also could draw upon its \$5 million line of credit or its board-designated quasi-endowment fund.

The Foundation also realizes there could be unanticipated liquidity needs.

June 30, 2019 and 2018

Note 4 - Contributions Receivable

Contributions receivable are as follows:

	2019	2018
Gross promises to give before unamortized discount	\$ 18,042,720	\$ 16,058,041
Less allowance for uncollectible contributions	(615,000)	(745,000)
Less allowance for net present value discount	(652,720)	(796,041)
Net contributions receivable	<u>\$ 16,775,000</u>	<u>\$ 14,517,000</u>
Amounts due in:		
Less than one year	\$ 5,341,675	\$ 1,390,934
One to five years	11,869,541	13,000,516
More than five years	831,504	1,666,591
Total	<u>\$ 18,042,720</u>	<u>\$ 16,058,041</u>

The discount rate used for pledges receivable is 2 percent.

Approximately 48 percent and 54 percent of the Foundation's contributions receivable as of June 30, 2019 and 2018, respectively, consist of pledges from one donor.

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 statement of financial position as contributions receivable from trusts held by others in the amount of \$3,222,936 and \$3,153,732 at June 30, 2019 and 2018, respectively.

Note 5 - 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:

	2019		2018	
	Split-interest and Gift Annuity Agreements	Long-term Investments	Split-interest and Gift Annuity Agreements	Long-term Investments
Cash equivalents	\$ 674,668	\$ 13,138,733	\$ 739,111	\$ 4,065,802
Bonds and bond mutual funds	9,280,174	22,956,347	7,896,043	28,061,513
Stocks and stock mutual funds	7,220,158	204,464,926	8,782,272	219,373,865
Investments in limited partnerships and real estate	-	63,234,262	7,201	58,231,772
Pledge receivable	300,000	-	74,920	-
Total	<u>\$ 17,475,000</u>	<u>\$ 303,794,268</u>	<u>\$ 17,499,547</u>	<u>\$ 309,732,952</u>

The Foundation incurred expenses of \$1,307,057 and \$1,288,885 for investment management, consulting and custodian services, and associated unrelated business income tax costs during the years ended June 30, 2019 and 2018, respectively, which are netted against interest and dividend income and net realized and unrealized gains on the statement of activities.

Note 6 - Split-interest Agreements

The Foundation is party to split-interest agreements with certain donors. These agreements include contracts entered into with certain donors from which the Foundation benefits. Under the agreement, the donor has contributed funds to be held in trust, with the Foundation as the beneficiary. 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.

At the end of the trusts' terms, 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 statement of activities as 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. Obligations under the split-interest agreements represent the present value of future payments required be paid to beneficiaries under the agreements. The present value is computed based on the normal life expectancy of the beneficiaries using the IRS discount rate.

The Foundation recorded contributions totaling \$310,904 and \$11,766 at net present value under split-interest agreements during the years ended June 30, 2019 and 2018, respectively.

Information pertaining to split-interest agreements as of June 30, 2019 and 2018 is as follows:

	2019	2018
Assets held under split interest agreements	\$ 14,273,814	\$ 14,031,041
Assets held under gift annuity agreements	3,201,186	3,468,506
Total	17,475,000	17,499,547
Less associated liabilities	(7,157,710)	(8,022,553)
Net present value of assets held under split-interest and gift annuity agreements	\$ 10,317,290	\$ 9,476,994

Note 7 - 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, 2019 and 2018 of \$3,471,716 and \$3,701,860, 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 6. During the years ended June 30, 2019 and 2018, the Foundation received gifts under charitable gift annuity contracts with a net present value of \$10,291 and \$17,749, respectively, which are included in contributions on the statement of activities.

Note 8 - Beneficial Interest in Assets Held by Third Parties

The Foundation is named as a beneficiary of endowment assets and long-term trusts. The interests are held by third parties that manage the assets and distribute the earnings, as defined in the trust.

Endowment

The Foundation is the beneficiary of 50 percent 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 percent of its endowment assets.

Note 8 - Beneficial Interest in Assets Held by Third Parties (Continued)

At June 30, 2019 and 2018, the fair value of the assets held by CHF for the benefit of the Foundation was \$11,149,329 and \$10,769,111, respectively, and is reported on the statement 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 during each of the years ended June 30, 2019 and 2018.

Long-term Trusts

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 \$196,208 and \$197,342 at June 30, 2019 and 2018, respectively. The Foundation received contributions totaling to \$0 and \$126,591 during the years ended June 30, 2019 and 2018, respectively. The Foundation received distributions amounting to \$10,000 and \$302 during the years ended June 30, 2019 and 2018, respectively.

Note 9 - 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:

	2019	2018
University funds	\$ 32,910,700	\$ 34,307,092
Charitable trust funds	1,262,864	1,226,264
Total	\$ 34,173,564	\$ 35,533,356

Note 10 - CSMF Property Management Corp.

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

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 statement 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 \$68,587 and \$1,036,910 at June 30, 2019 and 2018, respectively.

Note 11 - 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, the Foundation, and the 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, 2019 and 2018.

June 30, 2019 and 2018

Note 12 - Line of Credit

Under a line of credit agreement with a bank, the Foundation has available borrowings of approximately \$5,000,000. Interest is payable monthly at a rate of 1.0 percent under the bank's prime rate (an effective rate of 5.25 and 4.75 percent at June 30, 2019 and 2018, respectively). The line of credit is secured by a pledged investment. There were no amounts outstanding on the line of credit at June 30, 2019 and 2018.

Note 13 - Net Assets

The following net assets without donor restrictions have been designated by the Foundation's executive committee for the following purposes:

	2019	2018
Endowment	\$ 28,749,377	\$ 31,111,599
Mines technology	64,582	64,212
Gift annuities program	(717,854)	(754,993)
Total	<u>\$ 28,096,105</u>	<u>\$ 30,420,818</u>

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Assets available for:		
Student financial aid	\$ 43,630,002	\$ 48,536,950
Academic divisions	24,759,543	21,690,977
Faculty and staff compensation	7,790,726	8,452,812
University property and equipment	1,067,285	8,341,571
Research	1,677,705	1,722,758
Library	668,603	803,567
Other purposes	25,414	25,565
Assets available in future periods:		
Contributions receivable	13,999,000	11,997,000
Life income and annuity trusts	5,098,337	4,391,404
Student loans	1,797,521	1,691,385
Assets Held by CSMF PMC	68,587	1,036,910
Investment in perpetuity, the income from which is available for:		
Student financial aid	94,759,856	91,571,343
Faculty and staff compensation	58,219,470	60,677,938
Academic divisions	14,888,960	15,153,760
Research	2,444,460	2,527,148
Library	1,858,793	1,951,278
Other purposes	233,031	836,573
University property and equipment	839,252	58,625
Any activity of the Foundation	222,535	-
Future investment in perpetuity:		
Life income and annuity trusts	7,626,052	7,341,745
Contributions receivable	2,776,000	2,520,000
Total	<u>\$ 284,451,132</u>	<u>\$ 291,329,309</u>

Note 14 - Donor-restricted and Board-designated Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the executive committee to function as endowments. 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.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the executive committee appropriates such amounts for expenditure. 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 executive committee of the Foundation has interpreted 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, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

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 restricted in perpetuity in accordance to the Foundation's spending policy for contract endowments. Amounts available to spend under contract endowments are classified as net assets with donor restriction until appropriated for use.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2019 and 2018, there were no funds with deficiencies.

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period and board-designated funds. Under this policy, as approved by the executive committee, the endowment assets are invested in a manner that is intended to achieve a 10-year rolling average return, which is equal to the combination of the endowment payout plus inflation and additional growth above inflation, and seeks competitive investment performance versus appropriate capital market measures, such as securities indices.

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:

	Minimum	Maximum
Equity related (including hedge equities)	30%	75%
Fixed income and cash	10	30
Real assets	0	20
Private equity/opportunistic and private credit	0	20

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, 2019 was a 4.25 percent endowment fund restricted payout and an administrative fee ranging from 1.0 to 1.75 percent, 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.

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

Endowment net assets composition by type of fund is as follows as of June 30, 2019:

	Net Assets without Restrictions	Net Assets with Restrictions	Total
Board-designated endowment funds	\$ 28,749,377	\$ -	\$ 28,749,377
Donor-restricted quasi-endowment funds	-	29,715,812	29,715,812
Board-designated endowment from donor restricted funds	-	6,804,611	6,804,611
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	141,230,044	141,230,044
Accumulated investment gains	-	31,736,081	31,736,081
Current funds available to spend - University	-	7,025,302	7,025,302
Total funds	\$ 28,749,377	\$ 216,511,850	\$ 245,261,227

Changes in endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	Net Assets without Restrictions	Net Assets with Restrictions	Total
Endowment assets - Beginning of year	\$ 31,111,599	\$ 220,610,935	\$ 251,722,534
Investment return:			
Investment income	194,161	1,393,806	1,587,967
Net depreciation	(116,125)	(788,138)	(904,263)
Total investment return	78,036	605,668	683,704
Additions	-	7,455,202	7,455,202
Appropriation of endowment assets for expenditure	(894,297)	(12,387,510)	(13,281,807)
Board-designated from net assets without restrictions	389,069	-	389,069
Transfers - Change in donor restrictions	(1,935,030)	227,555	(1,707,475)
Endowment assets - End of year	\$ 28,749,377	\$ 216,511,850	\$ 245,261,227

Endowment net assets composition by type of fund is as follows as of June 30, 2018:

	Net Assets without Restrictions	Net Assets with Restrictions	Total
Board-designated endowment funds	\$ 31,111,599	\$ -	\$ 31,111,599
Donor-restricted quasi-endowment funds	-	32,535,943	32,535,943
Board-designated endowment from donor restricted funds	-	7,252,019	7,252,019
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	133,645,711	133,645,711
Accumulated investment gains	-	39,400,606	39,400,606
Current funds available to spend - University	-	7,776,656	7,776,656
Total funds	\$ 31,111,599	\$ 220,610,935	\$ 251,722,534

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	Net Assets without Restrictions	Net Assets with Restrictions	Total
Endowment assets - Beginning of year	\$ 28,967,474	\$ 210,851,673	\$ 239,819,147
Investment return:			
Investment income	180,376	1,302,251	1,482,627
Net appreciation	2,092,130	15,005,719	17,097,849
Total investment return	2,272,506	16,307,970	18,580,476
Additions	-	4,355,213	4,355,213
Appropriation of endowment assets for expenditure	(809,371)	(11,713,277)	(12,522,648)
Board-designated from net assets without restrictions	1,652,705	-	1,652,705
Transfers - Change in donor restrictions and trust terminations	(971,715)	809,356	(162,359)
Endowment assets - End of year	<u>\$ 31,111,599</u>	<u>\$ 220,610,935</u>	<u>\$ 251,722,534</u>

Note 15 - 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 \$237,347 and \$216,186 for the years ended June 30, 2019 and 2018, respectively.

Note 16 - 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.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2019 and 2018

Note 16 - Fair Value Measurements (Continued)

As required by GAAP, the Foundation uses net asset value (NAV) per share or its equivalent (practical expedient), such as member units or an ownership interest in partners' capital, to estimate the fair value of an alternative investment and requires additional fair value disclosures of the Foundation's alternative investments. Certain investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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

Private equity funds: Valued based on the NAV provided by the investment manager

Beneficial interest in assets held by others: Although the majority of the funds are invested in Level 1 assets, the amounts are reported as Level 3 assets as the Foundation's allocation of the underlying investment balances is unknown.

Investments that are measured at fair value using the net asset value per share (or its equivalent) 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, 2019 or 2018.

Financial assets carried at fair value as of June 30, 2019 and 2018 are classified in the table below in one of the four categories described above:

June 30, 2019 and 2018

Note 16 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Long-term investments:					
Managed domestic equity funds	\$ 53,891,641	\$ -	\$ -	\$ 30,559,668	\$ 84,451,309
International equities	12,127,078	-	-	52,232,634	64,359,712
Fixed income - Mutual funds	22,956,347	-	-	-	22,956,347
Cash equivalent funds	-	13,138,733	-	-	13,138,733
Long/short hedge funds	-	-	-	55,653,905	55,653,905
Private equity funds	-	-	-	63,234,262	63,234,262
Total long-term investments	88,975,066	13,138,733	-	201,680,469	303,794,268
Charitable trusts:					
Assets held under split-interest agreements	13,973,814	-	300,000	-	14,273,814
Assets held under gift annuity agreements	3,118,830	82,356	-	-	3,201,186
Beneficial interest in endowments held by others	-	-	11,149,329	-	11,149,329
Beneficial interest in long-term trusts held by others	-	-	196,208	-	196,208
Total assets at fair value	\$ 106,067,710	\$ 13,221,089	\$ 11,645,537	\$ 201,680,469	\$ 332,614,805

June 30, 2019 and 2018

Note 16 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018				
	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	\$ 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	-	-	-	51,254,680	51,254,680
Private equity funds	-	-	-	58,232,104	58,232,104
Total long-term investments	117,602,626	4,065,802	-	188,064,524	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	-	-	10,769,111	-	10,769,111
Beneficial interest in long-term trusts held by others	-	-	197,342	-	197,342
Total assets at fair value	\$ 134,826,233	\$ 4,266,822	\$ 11,041,373	\$ 188,064,524	\$ 338,198,952

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

	Split-interest Agreements	External Endowments and Trusts	Total
Balance at July 1, 2018	\$ 74,920	\$ 10,966,453	\$ 11,041,373
Purchases, issuances, and settlements	-	(435,000)	(435,000)
New pledges and pledge payments	225,080	814,084	1,039,164
Balance at June 30, 2019	\$ 300,000	\$ 11,345,537	\$ 11,645,537

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2018 are as follows:

	Split-interest Agreements	External Endowments and Trusts	Total
Balance at July 1, 2017	\$ 99,920	\$ 11,733,998	\$ 11,833,918
Purchases, issuances, sales, and settlements	-	(1,960,765)	(1,960,765)
New pledges and pledge payments	(25,000)	1,193,220	1,168,220
Balance at June 30, 2018	\$ 74,920	\$ 10,966,453	\$ 11,041,373

Realized and unrealized gains of \$2,048,666 and \$608,421 for the years ended June 30, 2019 and 2018, respectively, are reported in the change in net assets related to investments still held at the reporting date.

Note 16 - Fair Value Measurements (Continued)

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Investments in Certain Entities that Calculate NAV per Share

Fund Description	June 30, 2019 Fair Value	June 30, 2018 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equity	\$ 52,232,634	\$ 48,957,579	\$ -	Monthly Quarterly to	5 to 30 days
Hedge funds	55,653,905	51,254,680	-	Annually	30 to 90 days
Private equity funds	63,234,262	58,232,104	30,691,343	N/A	N/A
Domestic equity	30,559,668	29,620,161	-	Quarterly	30 to 45 days
Total	<u>\$ 201,680,469</u>	<u>\$ 188,064,524</u>	<u>\$ 30,691,343</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, 2019, all of the investments in the category can be redeemed with no restrictions. The fair values of the investments in this category have been estimated using the NAV per share of the investments.

Hedge funds include investments in hedge funds that invest both long and short and 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. As of June 30, 2019, all of the investments in this category can be redeemed at the Foundation's report date. The fair values of the investments in this category have been estimated using the NAV per share of the investments.

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 3 to 10 years. The fair values of the investments in this category have been estimated using the NAV per share of the investments 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. The fair values of the investments in this category have been estimated using the NAV per share of the investments.

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.

June 30, 2019 and 2018

Note 17 - 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, 2019 and 2018, 39 and 33 percent, 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.