



Consolidated Financial Statements
June 30, 2019 and 2018

Colorado State University
Research Foundation

Colorado State University Research Foundation

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June 30, 2019 and 2018

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Independent Auditor's Report

To the Board of Trustees
Colorado State University Research Foundation
Fort Collins, Colorado

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Colorado State University Research Foundation and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have audited the individual financial information of Colorado State University Research Foundation and Colorado State University Ventures, Inc. but not that of CSURF AC. Such individual financial statements comprise the individual statements of financial position as of June 30, 2019 and 2018, and the related individual statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the individual financial statements. We have compiled the financial statements of CSURF AC as discussed in this report under the heading "Report on the Compiled Financial Statements."

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 accompanying consolidated financial statements present fairly, in all material respects, the financial positions as of June 30, 2019 and 2018, and the results of changes in net assets and cash flows for the years then ended of (1) Colorado State University Research Foundation and subsidiaries, consolidated, and (2) Colorado State University Research Foundation and Colorado State University Ventures, Inc. except CSURF AC, whose financial statements we compiled, as discussed in the following paragraphs, all in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Organization has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 consolidated financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Report on the Compiled Financial Statements

Management is responsible for the accompanying financial statements of CSURF AC, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements of CSURF AC.



Fort Collins, Colorado
October 15, 2019

Colorado State University Research Foundation

Consolidated Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 7,744,854	\$ 5,604,281
Certificates of deposit	1,559,367	1,528,805
Accounts and notes receivable	603,829	200,772
Prepaid and other assets	332,982	257,329
Direct-financing lease	9,452,445	9,780,486
Construction-in-progress	282,276	315,647
Property and equipment, net	41,612,474	51,048,493
Property held for sale	334,837	428,656
Property held for Colorado State University	6,555,635	5,059,474
Due from INTO-CSU, LLC	1,227,500	1,227,500
	<u>\$ 69,706,199</u>	<u>\$ 75,451,443</u>
Liabilities and Net Assets		
Accounts payable	\$ 1,806,486	\$ 341,433
Accrued expenses and other liabilities	1,056,845	1,064,956
Security deposits - rentals	259,624	256,526
Lines of credit	394,703	1,465,160
Deferred revenue	218,062	338,765
Real estate loans and mortgages	41,408,233	50,171,373
Property held for Colorado State University	6,555,635	5,059,474
Due to INTO-CSU, LLC	1,227,500	1,227,500
Total liabilities	<u>52,927,088</u>	<u>59,925,187</u>
Net Assets		
Without donor restrictions		
Undesignated	6,062,320	3,398,698
Designated for real estate projects	459,794	453,175
Designated for agricultural programs	102,360	102,360
Invested in property and direct-financing lease, net of related debt	9,991,523	11,401,909
	<u>16,615,997</u>	<u>15,356,142</u>
Noncontrolling interest in CSURF AC	-	7,000
	<u>16,615,997</u>	<u>15,363,142</u>
With donor restrictions	163,114	163,114
Total net assets	<u>16,779,111</u>	<u>15,526,256</u>
	<u>\$ 69,706,199</u>	<u>\$ 75,451,443</u>

Colorado State University Research Foundation
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Without Donor Restriction Activities:		
Operating Revenue		
Property rentals and related income	\$ 6,470,998	\$ 6,221,603
Royalty revenue	3,698,647	1,823,157
Administrative fees - CSUS	3,799,829	3,806,690
Program revenue - Todos Santos	220,115	179,400
Ranching operations	208,356	191,375
Other revenue	388,209	152,192
Total operating revenue	14,786,154	12,374,417
Operating Expenses		
Program expenses	13,165,070	11,153,952
General and administrative	2,321,973	2,600,310
Total operating expenses	15,487,043	13,754,262
Change in Net Assets - Operating Activities	(700,889)	(1,379,845)
Nonoperating Activities		
Interest income	336,515	334,931
Gain on sale of property and equipment	1,615,859	104,910
Currency translation gain (loss)	1,370	(107,705)
Forgiveness of debt - Todos Santos	-	1,557,938
Total nonoperating activities	1,953,744	1,890,074
Change in Net Assets Without Donor Restrictions	1,252,855	510,229
Net Assets Without Donor Restrictions, Beginning of Year	15,363,142	14,852,913
Net Assets Without Donor Restrictions, End of Year	16,615,997	15,363,142
With Donor Restriction Activities:		
Net Assets with Donor Restrictions, End of Year	163,114	163,114
Total Net Assets	\$ 16,779,111	\$ 15,526,256

Colorado State University Research Foundation
Consolidated Statement of Functional Expense
Year Ended June 30, 2019

	Program Expense					
	CSURF	CSUV	CSURF AC	Total	General and Administrative	Total
Salaries, benefits and taxes	\$ 1,338,299	\$ 1,469,214	\$ 84,641	\$ 2,892,154	\$ 1,563,951	\$ 4,456,105
Royalty payments	-	3,238,571	-	3,238,571	-	3,238,571
Depreciation and amortization	1,856,495	-	137,732	1,994,227	49,960	2,044,187
Interest	1,910,180	-	-	1,910,180	-	1,910,180
Property management and utilities	1,086,757	-	-	1,086,757	11,541	1,098,298
Professional services	-	735,447	-	735,447	276,884	1,012,331
Property taxes	371,361	-	-	371,361	-	371,361
Maintenance and repairs	256,495	-	36,995	293,490	-	293,490
Dues and licenses	934	71,939	-	72,873	202,282	275,155
Insurance	188,438	-	-	188,438	40,001	228,439
Office expenses	-	-	1,535	1,535	116,952	118,487
Sponsorships	-	113,758	-	113,758	-	113,758
Rent	90,093	-	-	90,093	8,181	98,274
Travel and entertainment	-	37,475	-	37,475	38,389	75,864
Program expenses	-	-	53,685	53,685	-	53,685
Other	7,306	27,550	1,913	36,769	13,832	50,601
Ranch expenses	48,257	-	-	48,257	-	48,257
	<u>\$ 7,154,615</u>	<u>\$ 5,693,954</u>	<u>\$ 316,501</u>	<u>\$ 13,165,070</u>	<u>\$ 2,321,973</u>	<u>\$ 15,487,043</u>

Colorado State University Research Foundation

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Cash received from property rentals	\$ 6,048,695	\$ 6,221,603
Cash received from royalties	3,974,047	1,956,418
Cash received from administrative fees - CSUS	4,091,352	4,013,566
Cash received from programs	227,611	168,691
Cash received from other activities	288,517	414,685
Interest received	305,935	325,786
Interest paid	(1,924,210)	(1,972,529)
Cash paid to employees	(3,391,278)	(3,208,390)
Cash paid for royalties	(3,067,369)	(1,301,841)
Cash paid to vendors	(4,064,616)	(5,650,310)
Net cash from operating activities	2,488,684	967,679
Investing Activities		
Maturity of certificates of deposit	-	1,067,150
Purchase of property and equipment	(754,754)	(1,080,991)
Cash proceeds from sale of property and equipment	5,272,829	190,360
Payments received from financing lease	328,041	318,708
Net cash from investing activities	4,846,116	495,227
Financing Activities		
Advances from line of credit	39,226	979,278
Borrowings under real estate loans and mortgages	-	127,046
Principal payments on		
Lines of credit	(1,109,683)	(76,267)
Real estate loans and mortgages	(4,123,770)	(1,816,356)
Net cash (used for) financing activities	(5,194,227)	(786,299)
Net change in cash and cash equivalents	2,140,573	676,607
Cash and cash equivalents at beginning of year	5,604,281	4,927,674
Cash and cash equivalents at end of year	\$ 7,744,854	\$ 5,604,281
Supplemental disclosure of non-cash transactions:		
Property acquired through assumption of debt	\$ 3,228,152	\$ -
Sale of property - debt repayment at closing	7,867,522	681,560
Forgiveness of debt - Todos Santos	-	1,557,938
Property and equipment held for sale	334,837	428,656

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Colorado State University Research Foundation (CSURF) was organized in 1941 to aid the universities governed by the Board of Governors of the Colorado State University System (CSUS, including Colorado State University and Colorado State University – Pueblo) in their research and educational efforts. CSURF provides property and equipment leasing, debt financing through mortgage debt service, and land acquisition, development and property management.

Colorado State University Ventures, Inc. (Ventures) was organized in February 2007 to assist in the promotion, development, improvement and expansion of the facilities and programs of CSUS. Ventures: (1) serves CSUS faculty and researchers who wish to protect and license intellectual property; (2) builds relationships with industries and investors seeking to engage with CSUS and; (3) leverages CSUS innovation to foster business formation and enhance regional economic vitality. Until June 30, 2019, Ventures was a separate 501(c)(3) nonprofit corporation and the sole voting member was CSURF. Effective June 30, 2019, Ventures was dissolved as a separate nonprofit organization and all assets and liabilities were transferred to CSURF where the Ventures operations will be continued as a separate program of CSURF (Note 5).

CSURF de Mexico, Association Civil (CSURF AC) was organized in 2014 to assist the University in development of a campus in Todos Santos, Mexico (Note 6).

Principles of Consolidation

The consolidated financial statements include the accounts of CSURF and CSURF AC because CSURF has both control and an economic interest in the organization. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “we”, “us” and “our”.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted for long-term purposes, are considered to be cash and cash equivalents.

Certificates of Deposit

We hold certificates of deposit in a local financial institution with original maturities of one year or less. These certificates are not traded on the open market and we believe that the recorded cost of the certificates approximates fair value.

Joint Venture – INTO-CSU, LLC

We are a member in a joint venture, INTO-CSU, LLC. The purpose of the joint venture is to create an avenue for international students to attend CSU in a number of undergraduate and graduate Pathways Programs. INTO-CSU, LLC helps students integrate into classes as well as housing on campus. Our primary role is to financially support the joint venture and, to do so, a promissory note was established between the entities. Interest payments at 5% per annum began on March 1, 2017 and the outstanding principal balance is due in February 2027. The recorded investment in the joint venture and the outstanding principal balance were both \$1,227,500 at June 30, 2019 and 2018.

Receivables and Credit Policies

Accounts and notes receivable consist primarily of noninterest-bearing amounts due from rental of real estate and license agreements. Allowance for uncollectable accounts and notes receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts and receivable are written off when deemed uncollectable. No allowance for doubtful accounts has been established as management considers the accounts receivable to be fully collectable at June 30, 2019 and 2018.

Property and Equipment

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

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return/(loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

We may participate in ownership of entities that develop technology within the University environment. We record these ownership interests at a nominal value, as the entities may be in the development stage, ownership is closely held, and few ownership transactions take place. If the shares of such entities become publicly traded, so that fair value can be determined, we then report such ownership interests at fair value.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for real estate projects and for agricultural programs. (Note 12)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) restrictions. Some donor-imposed (or grantor-) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted net assets are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Rentals, administrative fees and royalty revenue received in advance are deferred to the applicable period in which the related services are performed.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

CSURF is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), which qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv), and has been determined not to be a private foundation under Section 509(a)(1). We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that certain operations of CSURF are subject to unrelated business income tax and have filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for both years ended June 30, 2019 and 2018. Our Forms 990-T are no longer subject to tax examination for years prior to 2013.

Until June 30, 2019, Ventures was organized as a Colorado nonprofit corporation and had been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), which qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv), and was determined not to be a private foundation under Section 509(a)(1). Ventures was annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity was subject to income tax on net income that was derived from business activities that were unrelated to their exempt purposes. We have determined that Ventures was not subject to unrelated business income tax and was not required to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for any years prior to its dissolution.

CSURF AC is incorporated as a nonprofit association under Mexican corporate laws and, as such, is subject to the income tax regulations of Mexico.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts and notes receivable is considered to be limited due to high historical collection rates. Although the fair values of investments are subject to fluctuations on a year-to-year basis, management and the Board believes that the investment policies and guidelines are prudent for our long-term welfare.

Change in Accounting Principle

As of July 1, 2018, we adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to provide information about what is included or excluded from our intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess our liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the consolidated statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative consolidated financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. We have elected not to present comparative information for these amendments.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019
Cash and cash equivalents	\$ 7,744,854
Certificates of deposit	1,559,367
Accounts and notes receivable	603,829
	<u>\$ 9,908,050</u>

The governing board has designated, from net assets without donor restrictions, net assets for real estate projects and for agricultural programs. Although we do not intend to spend from these board-designated funds, these amounts could be made available if necessary and thus have been included in the table above.

Note 3 - Direct-Financing Lease

During 2015, we entered into a direct-financing lease with the CSUS Board of Governors for the Powerhouse Energy Institute. The direct-financing lease has an original 10-year-term maturing March 31, 2025, with the option to renew for one additional 10-year-term at which time the lease payments will be adjusted. CSUS also has the option, at any time, to pay off the lease at an amount sufficient to fulfill the outstanding principal and interest on our note payable. The direct-financing lease consists of monthly payments of principal and interest beginning April 2015, with interest at 2.85%.

Colorado State University Research Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Future minimum lease payments to be received are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 606,348
2021	606,348
2022	606,348
2023	606,348
2024	606,348
Thereafter	<u>7,862,253</u>
	10,893,993
Less amount representing interest	<u>(1,441,548)</u>
	<u>\$ 9,452,445</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 13,424,423	\$ 16,467,187
Water rights	36,000	36,000
Buildings and improvements	40,870,425	46,674,133
Furniture and equipment	1,605,238	1,158,142
Breeding herd	<u>323,900</u>	<u>353,100</u>
	56,259,986	64,688,562
Less accumulated depreciation	<u>(14,647,512)</u>	<u>(13,640,069)</u>
	<u>\$ 41,612,474</u>	<u>\$ 51,048,493</u>

Construction-in-progress consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Software implementation	\$ -	\$ 164,686
Southwest Metro District project	279,359	95,170
Other	<u>2,917</u>	<u>55,791</u>
	<u>\$ 282,276</u>	<u>\$ 315,647</u>

We have idle property on hand from time to time due to lease termination, the need for significant repairs or for other various reasons. Property that was idle at both June 30, 2019 and 2018 totaled \$2,023,143.

In addition, we have property held for sale as of June 30, 2019 and 2018 with a net book value of \$334,837 and \$428,656, respectively. The cost and accumulated depreciation (taken until the property became idle or classified as held for sale) has been included in the depreciable assets listed above although the properties are no longer being depreciated.

Note 5 - Dissolution of CSU Ventures, Inc.

Effective June 30, 2019, the entity CSU Ventures, Inc. was dissolved and, as a result, we received all assets and liabilities on that date. We will continue operations of these valuable activities as a separate program.

The assets and liabilities transferred on June 30, 2019 are as follows:

Cash and cash equivalents	\$ 544,206
Certificates of deposit	1,036,484
Property and equipment, net	144,818
Other assets	157,256
	<u>\$ 1,882,764</u>
Accrued expenses	\$ 289,762
Accrued royalties	209,384
	<u>499,146</u>
Net assets	1,383,618
	<u>\$ 1,882,764</u>

Note 6 - Investment in CSURF AC

During 2015, CSURF AC entered into certain promissory notes with a development partner (MIRA) whereby CSURF AC borrowed funds from MIRA for the development of the property. The land for the campus and research farm was to be transferred to the Trust in various phases upon completion and, upon transfer, MIRA was to forgive the debt. As of March 19, 2019, MIRA transferred the assets to the Trust and forgave the related debt. Upon those actions, the Trust was dissolved and we gained control of the remaining portion of this investment and now own 100% of CSURF AC.

Colorado State University Research Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The assets and liabilities of CSURF AC have been included in the consolidated statements of financial position and are as follows:

	<u>(Compiled)</u> <u>2019</u>	<u>(Compiled)</u> <u>2018</u>
Cash and cash equivalents	\$ 51,268	\$ 121,704
Property and equipment, net	3,757,454	4,008,761
Other assets	111,319	61,241
	<u>\$ 3,920,041</u>	<u>\$ 4,191,706</u>
Debt	\$ -	\$ 1,430,892
Other liabilities	51,170	20,541
	51,170	1,451,433
Net assets	3,868,871	2,740,273
	<u>\$ 3,920,041</u>	<u>\$ 4,191,706</u>

The operations of CSURF AC have been included in the consolidated statements of operations and are as follows:

	<u>(Compiled)</u> <u>2019</u>	<u>(Compiled)</u> <u>2018</u>
Program revenue	\$ 220,115	\$ 179,400
Administrative fees - CSU	149,343	157,693
Other revenue	90,577	18,496
	<u>460,035</u>	<u>355,589</u>
Program expenses	316,501	246,252
General and administrative	265,318	310,557
	<u>581,819</u>	<u>556,809</u>
Change in net assets - operating	(121,784)	(201,220)
Currency translation gain (loss)	1,370	(107,705)
Forgiveness of debt	-	1,557,938
	<u>-</u>	<u>1,557,938</u>
Change in net assets	<u>\$ (120,414)</u>	<u>\$ 1,249,013</u>

Note 7 - Property Held for Colorado State University

We hold title to certain properties that are held solely for the benefit of various CSUS departments and we act in an agency capacity. The cost of these properties approximated \$6,556,000 and \$5,060,000 at June 30, 2019 and 2018, respectively.

Note 8 - Lines of Credit

Lines of credit consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment leasing \$1,000,000 line of credit, interest due in quarterly payments at rate of 4.50% per annum, principal and any accrued interest due at maturity in December 2019, secured by all accounts and equipment other than that held in a trust, fiduciary or bond capacity.	\$ 86,590	\$ 94,459
Prospect Plaza \$3,000,000 line of credit, principal and interest due at maturity, interest adjusted to the Prime Rate with a floor of 3.25% and a ceiling of 7.95% per annum (rate of 4.50% and 3.75% per annum as of June 30, 2019 and 2018, respectively), principal and any accrued interest due at maturity in December 2019, secured by a deed of trust and all assignments of rents associated with the property.	308,113	1,370,701
	<u>\$ 394,703</u>	<u>\$ 1,465,160</u>

Note 9 - Real Estate Loans and Mortgages

We borrow to fund the purchase of real estate primarily used for rental activities. A summary of loan obligation terms is as follows:

Aggregate monthly principal and interest payments	\$ 253,782
Interest rates at June 30, 2019, rates are primarily variable	2.85% - 4.75%
Maturity dates	2021 - 2028

Colorado State University Research Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Future maturities of real estate loans and mortgages are as follows:

Years Ending June 30,	Amount
2020	\$ 1,360,580
2021	3,013,413
2022	1,264,082
2023	1,314,648
2024	3,607,587
Thereafter	30,847,923
	\$ 41,408,233

Note 10 - Operating Leases

As Lessor: We lease various residential and commercial properties under operating lease agreements which generate rental income. A summary of agreement terms is as follows:

Aggregate annual base income	\$ 3,045,742
Maturity dates	2019 - 2059

Property subject to operating lease is as follows at June 30, 2019 and 2018:

	2019	2018
Land	\$ 8,244,425	\$ 8,557,709
Buildings and improvements	31,017,158	38,751,844
	39,261,583	47,309,553
Less accumulated depreciation	(8,667,290)	(8,422,618)
	\$ 30,594,293	\$ 38,886,935

Future minimum rental revenue under the non-cancelable operating leases having remaining terms in excess of one year are as follows:

Years Ending June 30,	Amount
2020	\$ 3,351,893
2021	2,536,056
2022	2,252,538
2023	1,764,670
2024	1,741,519
	\$ 11,646,676

As Lessee: We began leasing certain land in Fort Collins from a private third party during 2000. CSURF paid \$90,000 in rent expense for the years ended June 30, 2019 and 2018.

Note 11 - Net Assets with Donor Restrictions

During 1969, we received a gift of approximately 11,650 acres of land, improvements and other assets, valued at \$163,114. The gift of the property, referred to as the Maxwell Ranch, requires we do not sell or dispose of the property. Accordingly, the gift has been accounted for as net assets with donor restrictions. Any net gain or loss generated from the operation of the ranch is recorded in net assets without donor restrictions.

Note 12 - Board-Designated Net Assets

The Harper Fund was established in the early 1990s and these funds were designated by the Board of Trustees ("Board") for activities related to agriculture programs.

During 2017, we sold certain water rights for \$571,000 and the Board designated the proceeds from this sale for future real estate projects. In 2018, the Board authorized the use of up to \$260,000 of these funds for costs associated with the development of a new metropolitan district in Fort Collins. The project costs are expected to be reimbursed by the Colorado Department of Transportation, at which time the designated funds will be replenished.

Note 13 - Related Party Transactions

Our President served in the same capacity for Colorado State University Foundation (CSUF) until September 30, 2018.

We received administrative fees from CSUS of \$3,799,829 and \$3,806,690 during the years ended June 30, 2019 and 2018, respectively.

We sold properties during the years ended June 30, 2019 and 2018 to the Board of Governors of CSUS for a total sales price of \$10,988,895 and \$871,920, resulting in a recorded gain of \$1,615,859 and \$104,910, respectively.

We lease various residential and commercial properties to CSUS and to the Board of Governors of CSUS under operating lease agreements which generate rental income. CSUS is responsible for operating costs associated with the buildings, including maintenance and repairs. A summary of the agreements is as follows:

Aggregate annual base income	\$ 3,045,742
Maturity dates	2019 - 2059

Note 14 - Retirement Plan

We have a defined-contribution money purchase retirement plan that covers full-time employees who have attained age 21 and have completed one year of service. Contributions, calculated at 10% of employee base compensation up to \$25,000 plus 14.3% over \$25,000 of compensation, were approximately \$428,000 and \$407,000 for the years ended June 30, 2019 and 2018, respectively.

Note 15 - Commitments and Contingencies**Debt Guarantee**

We are the guarantor of a loan dated October 1981 that has an outstanding balance of \$19,436 and \$25,099 at June 30, 2019 and 2018, respectively. The original loan was between a not-for-profit organization and the Farmer's Home Administration expecting to mature on October 27, 2021. Under the terms of the agreement, we are obligated to make payments on the indebtedness should the borrower become unable. In that situation, the borrower is obligated to transfer the collateral property to us by warranty deed.

Note 16 - Subsequent Events

On July 15, 2019 we purchased two commercial properties for \$1,500,000 of which \$920,000 was funded with debt.

On September 13, 2019 we exercised our option to acquire a commercial property for \$1,000,000, less closing costs and applicable prorations, of which \$996,000 was funded with debt.

Management has evaluated subsequent events through October 15, 2019, the date the consolidated financial statements were available to be issued.