



Consolidated Financial Statements  
June 30, 2020 and 2019

Colorado State University  
Research Foundation

Colorado State University Research Foundation

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June 30, 2020 and 2019

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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 subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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, but not that of its subsidiary CSURF de Mexico, Association Civil (CSURF AC). Such individual financial statements comprise the individual statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, and the results of changes in net assets and cash flows for the years then ended of (1) Colorado State University Research Foundation and subsidiary, consolidated, and (2) Colorado State University Research Foundation, but not that of its subsidiary CSURF AC, whose financial statements we compiled, as discussed in the following paragraph, all in accordance with accounting principles generally accepted in the United States of America.

**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, 2020 and 2019, and the related statements of activities, functional expenses, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fort Collins, Colorado  
October 13, 2020

Colorado State University Research Foundation

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 8,786,718	\$ 7,744,854
Certificates of deposit	1,053,147	1,559,367
Accounts and notes receivable	749,737	603,829
Prepaid and other assets	236,359	332,982
Direct-financing lease	9,115,535	9,452,445
Property and equipment, net	44,820,478	41,894,750
Property held for sale	1,629,836	334,837
Property held for Colorado State University	12,057,437	6,555,635
Due from INTO-CSU, LLC	1,227,500	1,227,500
	<b>\$ 79,676,747</b>	<b>\$ 69,706,199</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 1,547,191	\$ 1,603,992
Accrued expenses and other liabilities	1,143,016	1,259,339
Security deposits - rentals	243,504	259,624
Lines of credit	1,356,762	394,703
Deferred revenue	278,907	218,062
Real estate loans and mortgages	43,994,032	41,408,233
Property held for Colorado State University	12,057,437	6,555,635
INTO-CSU, LLC note payable due to CSUS	1,227,500	1,227,500
	<b>61,848,349</b>	<b>52,927,088</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	5,531,313	5,780,044
Designated for real estate projects	459,794	459,794
Designated for agricultural programs	102,360	102,360
Invested in property and direct-financing lease, net of related debt	11,571,817	10,273,799
	17,665,284	16,615,997
With donor restrictions	163,114	163,114
Total net assets	17,828,398	16,779,111
	<b>\$ 79,676,747</b>	<b>\$ 69,706,199</b>

Colorado State University Research Foundation

Consolidated Statements of Activities

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Without Donor Restriction Activities:		
Operating Revenue		
Property rentals and related income	\$ 6,367,688	\$ 6,470,998
Royalty revenue	2,067,477	3,781,529
Service fees - CSUS	4,530,987	3,799,829
Program revenue - Todos Santos	217,708	220,115
Ranching operations	179,084	208,356
Other revenue	159,323	305,322
Total operating revenue	<u>13,522,267</u>	<u>14,786,149</u>
Operating Expenses		
Program expenses	11,055,573	13,165,070
General and administrative	2,969,063	2,321,973
Total operating expenses	<u>14,024,636</u>	<u>15,487,043</u>
Change in Net Assets - Operating Activities	<u>(502,369)</u>	<u>(700,894)</u>
Nonoperating Activities		
Interest income	308,282	336,515
Gain on sale of property and equipment	1,251,386	1,615,864
Currency translation gain (loss)	(8,012)	1,370
Total nonoperating activities	<u>1,551,656</u>	<u>1,953,749</u>
Change in Net Assets Without Donor Restrictions	1,049,287	1,252,855
Net Assets Without Donor Restrictions, Beginning of Year	<u>16,615,997</u>	<u>15,363,142</u>
Net Assets Without Donor Restrictions, End of Year	17,665,284	16,615,997
With Donor Restriction Activities:		
Net Assets with Donor Restrictions, End of Year	<u>163,114</u>	<u>163,114</u>
Total Net Assets	<u>\$ 17,828,398</u>	<u>\$ 16,779,111</u>

Colorado State University Research Foundation  
Consolidated Statements of Functional Expenses  
Year Ended June 30, 2020

	Program Expense			General and	
	CSURF	CSURF AC	Total	Administrative	Total
Salaries, benefits and taxes	\$ 3,035,387	\$ 81,164	\$ 3,116,551	\$ 1,903,834	\$ 5,020,385
Depreciation and amortization	1,457,988	79,027	1,537,015	139,639	1,676,654
Interest	1,651,469	-	1,651,469	-	1,651,469
Royalty payments	1,565,362	-	1,565,362	-	1,565,362
Property management and utilities	1,287,514	6,759	1,294,273	4,894	1,299,167
Professional services	871,013	7,719	878,732	388,778	1,267,510
Property taxes	571,385	-	571,385	2,622	574,007
Insurance	188,456	10,286	198,742	85,212	283,954
Dues and licenses	67,826	-	67,826	187,442	255,268
Office expenses	-	6,492	6,492	120,975	127,467
Other	64,935	177	65,112	15,155	80,267
Ranch expenses	35,762	-	35,762	-	35,762
Travel and entertainment	-	-	-	56,935	56,935
Program expenses	-	56,352	56,352	-	56,352
Sponsorships	-	-	-	38,442	38,442
Rent	10,500	-	10,500	10,519	21,019
Maintenance and repairs	-	-	-	14,616	14,616
	<u>\$ 10,807,597</u>	<u>\$ 247,976</u>	<u>\$ 11,055,573</u>	<u>\$ 2,969,063</u>	<u>\$ 14,024,636</u>

Colorado State University Research Foundation  
Consolidated Statements of Functional Expenses  
Year Ended June 30, 2019

	Program Expense				General and Administrative	Total
	CSURF	CSUV	CSURF AC	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
	\$ 7,154,615	\$ 5,693,954	\$ 316,501	\$ 13,165,070	\$ 2,321,973	\$ 15,487,043

Colorado State University Research Foundation

Consolidated Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Cash received from property rentals	\$ 6,189,700	\$ 6,048,695
Cash received from royalties	2,067,477	3,974,047
Cash received from service fees - CSUS	4,518,260	4,091,352
Cash received from programs	217,708	227,611
Cash received from other activities	344,058	288,517
Interest received	308,282	305,935
Interest paid	(1,657,119)	(1,924,210)
Cash paid to employees	(5,020,385)	(3,391,278)
Cash paid for royalties	(1,565,362)	(3,067,369)
Cash paid to vendors	(4,120,122)	(4,064,616)
Net cash from operating activities	<u>1,282,497</u>	<u>2,488,684</u>
<b>Investing Activities</b>		
Maturity of certificates of deposit	506,220	-
Purchase of property and equipment	(1,851,615)	(754,754)
Cash proceeds from sale of property and equipment	1,950,000	5,272,829
Payments received from financing lease	336,910	328,041
Net cash from investing activities	<u>941,515</u>	<u>4,846,116</u>
<b>Financing Activities</b>		
Advances from lines of credit	2,309,426	39,226
Principal payments on		
Lines of credit	(1,347,367)	(1,109,683)
Real estate loans and mortgages	(2,144,207)	(4,123,770)
Net cash (used for) financing activities	<u>(1,182,148)</u>	<u>(5,194,227)</u>
Net change in cash and cash equivalents	1,041,864	2,140,573
Cash and cash equivalents at beginning of year	<u>7,744,854</u>	<u>5,604,281</u>
Cash and cash equivalents at end of year	<u>\$ 8,786,718</u>	<u>\$ 7,744,854</u>
<b>Supplemental disclosure of non-cash transactions:</b>		
Property acquired through assumption of debt	\$ 10,231,808	\$ 3,228,152
Sale of property - debt repayment at closing	\$ -	\$ 7,867,522

**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, CSUV) was organized in February 2007 to assist in the promotion, development, improvement and expansion of the facilities and programs of CSUS. Until June 30, 2019, Ventures was a separate 501(c)(3) nonprofit corporation, whose 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 were combined with those 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 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 were to begin on March 1, 2017 and the outstanding principal balance is due February 2027. This promissory note was funded by CSUS and through the Master Services Agreement, CSURF agrees to immediately repay CSUS any payments received from INTO-CSU. The recorded investment in the joint venture and the offsetting outstanding principal balance owed to CSUS were both \$1,227,500 at June 30, 2020 and 2019.

**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 notes 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, 2020 and 2019.

**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 value 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 direct external and internal investment expenses. Investments in equity securities without readily determinable fair values are measured using the practical expedient at cost minus impairment (if any) and adjusted for any observable price changes in orderly transactions of identical securities or similar securities of the same issuer. Investments in equity securities without readily determinable fair values are considered annually for indicators of impairment.

We participate in ownership of entities that develop technology within the University environment. Therefore, our investments generally do not have readily determinable fair values and are measured at initial cost and adjusted for impairment and any other observable price changes. As these entities may be in the development stage, ownership is closely held, few ownership transactions take place, and we have not historically received significant returns on these investments, they are considered to be fully impaired and recorded at a nominal value. As of June 30, 2020, the cumulative amount of impairment was approximately \$240,000.

As of and for the years ended June 30, 2020 and 2019, the carrying value and adjustments to these investments were not material with balances being presented in *prepaid expenses and other assets* in the consolidated statements of financial position.

### 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, 2020 and 2019.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or certain grantor 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 agricultural programs (Note 12).

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor (or certain 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.

### Revenue and Revenue Recognition

Rental revenue is recognized ratably over the rental period. Security deposits and prepaid rent received in advance of the rental period are deferred to the end of contract or applicable period, respectively. Service fees received from CSUS cover a scope of services determined under the Master Services Agreement in effect through June 30, 2024, which includes technology transfer, real estate, financing and corporate services. Service fees are recognized over time as the performance obligations under each service area are satisfied. Royalty revenue is recognized in accordance with the respective license agreements at the point in time in which the related licensed intellectual property is used.

**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 depreciation and amortization, and rent, which are allocated on a square footage basis, as well as salaries, benefits and taxes, interest, professional services, insurance, office, and other expenses, 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, and has been determined not to be a private foundation. 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, 2020 and 2019. Our Forms 990-T are no longer subject to tax examination for years prior to 2016.

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 qualified for the charitable contribution deduction, and was determined not to be a private foundation. 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 including indirect value added tax (IVA).

**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.

**Recently Adopted Accounting Standards**

As of July 1, 2019, we adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of July 1, 2019, FASB has issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists us in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

As of July 1, 2019, we adopted the provisions of ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). This standard requires us to account for equity investments in which our ownership interest is less than 20% at their fair value, or if these equity securities do not have a readily determinable fair value, then they are required to be measured at cost less impairment (if any) plus or minus changes resulting from observable price changes. The adoption of this standard had no impact on net assets.

**Subsequent Events**

Management has evaluated subsequent events through October 13, 2020, the date the consolidated financial statements were available to be issued.

**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:

	2020	2019
Cash and cash equivalents	\$ 8,786,718	\$ 7,744,854
Certificates of deposit	1,053,147	1,559,367
Accounts and notes receivable	749,737	603,829
	<u>\$ 10,589,602</u>	<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%.

Future minimum lease payments to be received are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 606,348
2022	606,348
2023	606,348
2024	606,348
2025	7,862,253
	<u>10,287,645</u>
Less amount representing interest	(1,172,110)
	<u>\$ 9,115,535</u>

**Note 4 - Property and Equipment**

Property and equipment consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 14,057,218	\$ 13,424,423
Water rights	36,000	36,000
Buildings and improvements	38,059,452	40,870,425
Furniture and equipment	1,678,531	1,605,238
Breeding herd	337,532	323,900
	<u>54,168,733</u>	<u>56,259,986</u>
Less accumulated depreciation	(12,564,093)	(14,647,512)
Construction-in-progress	3,215,838	282,276
	<u>\$ 44,820,478</u>	<u>\$ 41,894,750</u>

Construction-in-progress consists of costs primarily incurred in relation to Sunshine House #2 and the Southwest Metro District project as of June 30, 2020 and 2019, respectively.

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 totaled \$1,650,000 and \$2,023,143 at June 30, 2020 and 2019, respectively.

In addition, we have property held for sale as of June 30, 2020 and 2019 with a net book value of \$1,629,836 and \$334,837, respectively. The cost and accumulated depreciation (taken until the property became 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 within CSURF.

The assets and liabilities transferred on June 30, 2019 were 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	<u>1,383,618</u>
	<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.

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

	(Compiled) 2020	(Compiled) 2019
Cash and cash equivalents	\$ 75,644	\$ 51,268
Property and equipment, net	3,663,416	3,757,454
Other assets	121,097	111,319
	<u>\$ 3,860,157</u>	<u>\$ 3,920,041</u>
Other liabilities	31,858	51,170
	<u>31,858</u>	<u>51,170</u>
Net assets	3,828,299	3,868,871
	<u>\$ 3,860,157</u>	<u>\$ 3,920,041</u>

Colorado State University Research Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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

	(Compiled) 2020	(Compiled) 2019
Program revenue	\$ 217,708	\$ 220,115
Service fees - CSU	138,000	149,343
Other revenue	76,062	90,577
	<u>431,770</u>	<u>460,035</u>
Program expenses	247,976	316,501
General and administrative	216,354	265,318
	<u>464,330</u>	<u>581,819</u>
Change in net assets - operating	(32,560)	(121,784)
Currency translation (loss) gain	(8,012)	1,370
Change in net assets	<u>\$ (40,572)</u>	<u>\$ (120,414)</u>

**Note 7 - Lines of Credit**

Lines of credit consisted of the following at June 30, 2020 and 2019:

	2020	2019
Equipment leasing \$1,000,000 line of credit, interest due in quarterly payments at rate of 3.95% per annum, principal and any accrued interest due at maturity in December 2020, secured by all accounts and equipment other than that held in a trust, fiduciary or bond capacity.	\$ 61,561	\$ 86,590
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 3.25% and 5.5% per annum as of June 30, 2020 and 2019, respectively), principal and any accrued interest due at maturity in December 2020, secured by a deed of trust and all assignments of rents associated with the property.	1,295,201	308,113
	<u>\$ 1,356,762</u>	<u>\$ 394,703</u>

**Note 8 - 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:

Monthly principal and interest payments (1)	\$1,500 - \$50,000
Interest rates at June 30, 2020, rates are primarily variable	2.46% - 5.48%
Maturity dates	2021 - 2034

(1) Some loans require balloon payments and these maturities are reflected in the table below.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,348,550
2022	3,060,220
2023	3,525,318
2024	8,358,473
2025	8,558,611
Thereafter	19,142,860
	<u>\$ 43,994,032</u>

**Note 9 - 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 \$12,057,437 and \$6,555,635 at June 30, 2020 and 2019, respectively.

**Note 10 - Operating Leases**

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	\$ 3,646,616
Maturity dates	2021 - 2059

Colorado State University Research Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Property subject to operating lease is as follows at June 30, 2020 and 2019:

	2020	2019
Land	\$ 8,686,254	\$ 8,244,425
Buildings and improvements	28,527,252	31,017,158
	37,213,506	39,261,583
Less accumulated depreciation	(5,972,001)	(8,667,290)
	\$ 31,241,505	\$ 30,594,293

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
2021	\$ 3,727,329
2022	3,349,822
2023	2,776,737
2024	2,602,095
2025	2,199,212
Thereafter	15,826,593
	\$ 30,481,788

**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 (the 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**

We received service and other fees from CSUS of \$4,530,987 and \$3,799,829 during the years ended June 30, 2020 and 2019, respectively.

We sold properties during the years ended June 30, 2020 and 2019 to the Board of Governors of CSUS for a total sales price of \$1,950,000 and \$10,988,895, resulting in a recorded gain of \$1,232,000 and \$1,615,859, 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	\$ 1,554,315
Maturity dates	2021 - 2025

**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 \$482,000 and \$428,000 for the years ended June 30, 2020 and 2019, respectively.