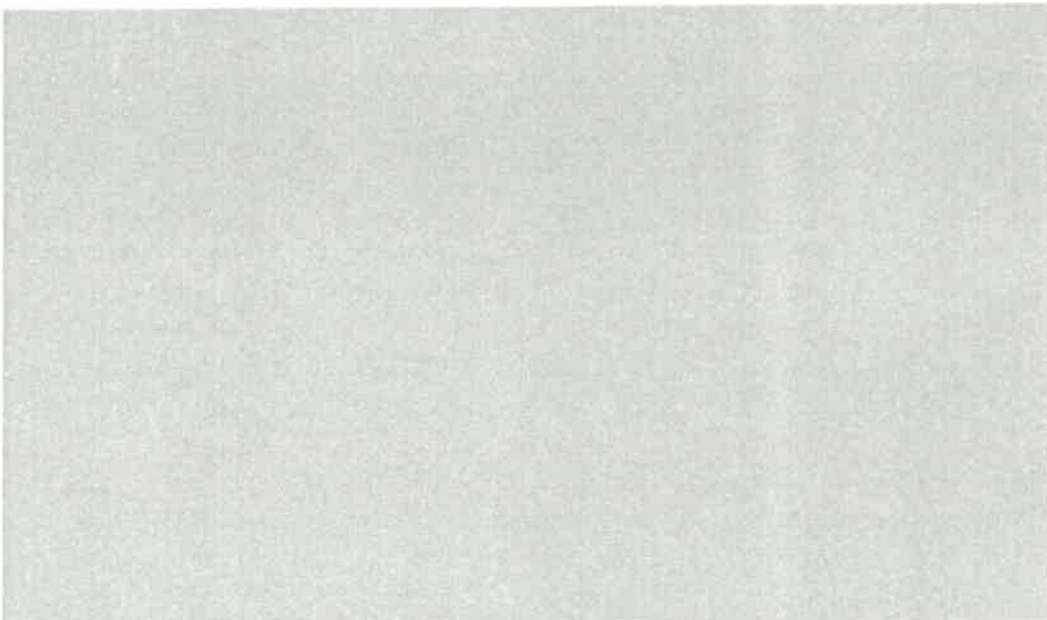


**ADAMS STATE UNIVERSITY FOUNDATION
ALAMOSA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2021 and 2020



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

ADAMS STATE UNIVERSITY FOUNDATION
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June 30, 2021 and 2020

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Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adams State University Foundation, Inc.

We have audited the accompanying financial statements of Adams State University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Adams State University Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 27, 2021

Certified Public Accountants

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ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash in Bank	\$ 241,774	\$ 70,002
Pooled Cash - Brokerage Accounts	746,097	1,187,932
Restricted Cash - Brokerage Accounts	166,502	150,996
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	20,245,265	14,950,646
Restricted Investments, at Fair Value	9,330,233	7,890,447
Pledges Receivable, net of allowance	95,750	13,250
Inventories	7,240	7,240
Art Collection	15,000	15,000
	\$ 31,147,861	\$ 24,585,513
TOTAL ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 76,542	\$ 38,391
	76,542	38,391
TOTAL LIABILITIES		
NET ASSETS		
Without Donor Restriction:		
Unrestricted	1,546,205	1,183,038
Board Designated - Investment Reserves Fund	3,479,973	2,449,415
Board Designated - Endowments	706,173	622,517
Total Without Donor Restrictions	5,732,351	4,254,970
With Donor Restrictions:		
Purpose Restricted	5,369,144	3,106,987
Perpetual in Nature	19,969,824	17,185,165
Total With Donor Restrictions	25,338,968	20,292,152
	31,071,319	24,547,122
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	\$ 31,147,861	\$ 24,585,513

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	\$ 4,254,970	\$ 20,292,152	\$ 24,547,122
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	262,101	2,761,680	3,023,781
Donations - In-Kind	-	-	-
Investment Income (Net)	20,996	638,176	659,172
Net Realized Gains (Losses) on long-term investments	1,385,311	594,821	1,980,132
Net Unrealized Gains (Losses) on long-term investments	2,244,472	910,737	3,155,209
Subtotal	3,912,880	4,905,414	8,818,294
Net Assets Released from Restriction	1,770,054	(1,770,054)	-
Total from Revenues, Gains, and Other Support	5,682,934	3,135,360	8,818,294
EXPENSES AND LOSSES			
Scholarships and Awards	1,333,175	-	1,333,175
Program Services	476,300	-	476,300
Management and General Activities	87,595	-	87,595
Fundraising	397,027	-	397,027
Total Expenses and Losses	2,294,097	-	2,294,097
Transfers:			
Transfers In/(Out)	(1,911,456)	1,911,456	-
Change in Net Assets for the Year	1,477,381	5,046,816	6,524,197
NET ASSETS AT END OF YEAR	\$ 5,732,351	\$ 25,338,968	\$ 31,071,319

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	\$ 4,043,223	\$ 19,451,206	\$ 23,494,429
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	304,422	2,003,412	2,307,834
Donations - In-Kind	-	-	-
Investment Income (Net)	50,304	701,967	752,271
Net Realized Gains (Losses)			
on long-term investments	409,766	(48,567)	361,199
Net Unrealized Gains (Losses)			
on long-term investments	174,681	40,941	215,622
Subtotal	939,173	2,697,753	3,636,926
Net Assets Released from Restriction	2,132,261	(2,132,261)	-
Total from Revenues, Gains, and Other Support	3,071,434	565,492	3,636,926
EXPENSES AND LOSSES			
Scholarships and Awards	1,363,205	-	1,363,205
Program Services	820,136	-	820,136
Management and General Activities	108,517	-	108,517
Fundraising	292,375	-	292,375
Total Expenses and Losses	2,584,233	-	2,584,233
Transfers:			
Transfers In/(Out)	(275,454)	275,454	-
Change in Net Assets for the Year	211,747	840,946	1,052,693
NET ASSETS AT END OF YEAR	\$ 4,254,970	\$ 20,292,152	\$ 24,547,122

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Expenses	General & Admin	Fundraising	Total
Scholarships	\$ 1,333,175	\$ -	\$ -	\$ 1,333,175
Other University Assistance				
Academic Programming	43,994	-	-	43,994
Athletics	116,618	-	-	116,618
Grants and Other Passthrough	217,925	-	-	217,925
Work Study	35,089	-	-	35,089
Student Programming	20,122	-	-	20,122
Alumni and Donor Functions	-	-	15,579	15,579
Professional Fees & Consulting	-	15,200	-	15,200
Software and Computer Fees	16,224	13,013	-	29,237
Rent/Lease	-	1,340	-	1,340
Insurance	-	4,204	-	4,204
Office Supplies	-	1,831	-	1,831
Telephone	-	37	-	37
Salaries	12,482	20,567	289,514	322,563
Dues & Memberships	-	355	-	355
General Administrative	13,846	9,155	13,537	36,538
Equipment	-	3,145	-	3,145
Printing, Postage and Publication	-	18,748	19,208	37,956
Phone-a-thon	-	-	2,556	2,556
Travel	-	-	633	633
Capital Campaign	-	-	56,000	56,000
	<u>\$ 1,809,475</u>	<u>\$ 87,595</u>	<u>\$ 397,027</u>	<u>\$ 2,294,097</u>

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Expenses	General & Admin	Fundraising	Total
Scholarships	\$ 1,363,205	\$ -	\$ -	\$ 1,363,205
Other University Assistance				
Academic Programming	52,114	-	-	52,114
Athletics	225,760	-	-	225,760
Grants and Other Passthrough	416,731	-	-	416,731
Work Study	76,953	-	-	76,953
Alumni and Donor Functions	-	1,061	10,487	11,548
Professional fees & Consulting	-	14,750	-	14,750
Software and Computer Fees	-	13,613	-	13,613
Rent/Lease	-	1,340	-	1,340
Insurance	-	4,088	-	4,088
Office Supplies	-	1,668	-	1,668
Telephone	-	1,286	-	1,286
Salaries	20,414	7,898	254,360	282,672
Dues & Memberships	-	355	-	355
General Administrative	28,164	18,280	11,580	58,024
Equipment	-	4,528	-	4,528
Printing, Postage and Publication	-	39,650	8,641	48,291
Phone-a-thon	-	-	4,377	4,377
Travel	-	-	2,930	2,930
	<u>\$ 2,183,341</u>	<u>\$ 108,517</u>	<u>\$ 292,375</u>	<u>\$ 2,584,233</u>

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOW
For the Year Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors	\$ 1,627,044	\$ 2,002,751
Investment Income	659,172	752,271
Scholarships and Awards	(1,333,175)	(1,363,205)
Program Services Paid	(438,149)	(834,391)
Supporting Services Paid	(484,622)	(400,892)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	30,270	156,534
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	8,443,655	11,105,004
Payment for Purchase of Investments	(10,042,719)	(10,809,826)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,599,064)	295,178
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in Endowment	1,314,237	305,533
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(254,557)	757,245
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,408,930	651,685
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,154,373	\$ 1,408,930
CHANGE IN NET ASSETS	\$ 6,524,197	\$ 1,052,693
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Pledges Receivable, net	(82,500)	450
(Increase) Decrease in Art Collection	-	-
Increase (Decrease) in Accounts Payable	38,151	(14,255)
Net Unrealized and Realized (Gain) Loss on Investments	(5,135,341)	(576,821)
Gain (Loss) on Sale of Land	-	-
Noncash Contributions Received	-	-
Contributions Restricted for Long-Term Investment	(1,314,237)	(305,533)
Total Adjustments	(6,493,927)	(896,159)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 30,270	\$ 156,534

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOW
For the Year Ended June 30, 2021 and 2020

Reconciliation to the Statement of Financial Position	2021	2020
Cash in Bank	\$ 241,774	\$ 70,002
Pooled Cash - Brokerage Accounts	746,097	1,187,932
Restricted Cash - Brokerage Accounts	166,502	150,996
	\$ 1,154,373	\$ 1,408,930

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

Adams State University Foundation (the Foundation) was incorporated on January 23, 1962, and was recognized as a Colorado nonprofit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code in April of 1964. Its purpose is to promote, develop, and enhance the facilities and programs of Adams State University and to provide broader educational opportunities and services to students, faculty, and alumni. Although legally separate, Adams State University considers the Foundation a component unit under its governmental reporting requirements. Accordingly, the financial statements of Adams State University include a discrete presentation of assets, liabilities, net assets, and activities of the Foundation.

The Foundation receives and accounts for all contributions and expenses for the Adams State University Athletic Foundation and the Associated Alumni of Adams State University. The Memorandum of Understanding with each organization was updated in May 2016, and shall continue on a year to year basis. The memorandum of understanding may be terminated by the appropriate authorities of either party, giving three months' notice to the other party in writing, unless an earlier termination date is mutually agreed upon.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles. The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

For purposes of individual fund analysis and for allocation of earnings, supplemental information has been maintained on the fund accounting basis that has been applied historically. A "fund" represents the net accumulated resources identified by original donor, by donor intent, or by specific activity. A fund is increased for additional donations, allocated earnings and other income and reduced by scholarships, and direct program expenses.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the contributions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all demand deposits and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Inventory

Inventory consists of bronze statues that are valued at cost.

Valuation of Assets

Corporate stocks and partnership interests are recorded at market value on the date of the contribution, or at an estimated value where the market value is not available.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

Investments

Under FASB ASC 958-320-25, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Fair values are determined by quoted markets. Unrealized gains and losses are included in the change in net assets.

Administrative Fee

The Foundation approved in February of 2010 an administrative fee to be applied annually as a percentage to the market value of the pooled investments and the Porter Investments. The administrative fee is for costs incurred by the Foundation for the management of assets, the raising of funds to support scholarships, and the distribution of such funds. Annually, the Foundation will review and set the necessary administrative fee. The current year administrative fee was set at 1.25% or \$302,096.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Earnings Allocation

It is the Foundation's policy that available investment earnings are allocated on a pro rata basis among participating funds on the beginning fund balance for the years ending June 30, 2021 and 2020.

Income Taxes

The Foundation is exempt from federal income taxes on income substantially related to the Foundation's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado state statutes, any organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

The Foundation files federal income tax returns. The federal income tax returns prior to fiscal year 2017 are closed. The Foundation's policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the Foundation classifies interest and penalties as interest expense. There is no cumulative effect of the change on net assets of applying the provisions of FASB ASC 740-10, in the statements of financial position.

Endowment Policies

The Foundation follows FASB ASC 958-205 which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was ratified into Colorado state law as of September 1, 2008.

Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of time dedicated to various categories.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

Reclassification

Certain amounts in 2020 have been reclassified to conform to the 2021 financial statement presentation.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$5,732,351 and \$4,254,970 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses, consisting of cash in bank of \$241,774 and \$70,002, certificates of deposit of \$300,000 and \$300,000, and investments of \$5,190,577 and \$3,884,968 as of June 30, 2021 and 2020, respectively. None of these amounts are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenses within one year of the statement of financial position.

The Foundation manages liquidity needed for operations primarily through budgeted monthly cash inflow and outflows. Cash inflows can be easily predicted since they are materially comprised of donations and investment income. Cash outflows are planned accordingly so as not to exceed those expected inflows.

NOTE 3 INVESTMENTS AND CONCENTRATIONS OF RISK

Investments of the individual net asset classes are combined to form pools of investments, which are managed by five asset management groups (Wells Fargo, Edward Jones, Raymond James, LPL Financial, and Charles Schwab). For the fiscal years ending June 30, 2021 and 2020, income earned on all pooled investments was recorded in the unrestricted fund and then allocated at a rate of 5.00%, as determined by the board, on the balances of selected funds at the beginning of the fiscal year. Funds that receive this allocation are the endowment funds and a few others as instructed and documented by the board.

For the fiscal years ending June 30, 2021 and 2020, income earned by the Hurley segregated investment was recorded in the “with donor restrictions” net asset fund. For fiscal years ending June 30, 2021 and 2020, income earned on Porter segregated funds was recorded in the “with donor restrictions” fund, used for scholarships and other expenses, and the remainder, if any, continued in the “with donor restrictions” fund.

Investments are reported at fair value, determined by using quoted market prices, where available. Where quoted market prices are not available, other reasonable methods of determining fair value are used.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to it. The Foundation had bank deposits that exceeded insurance coverage by a total of \$114,835 and \$640,507 for years ended June 30, 2021 and 2020, respectively.

Investments recorded at fair value are comprised of pooled and segregated cash and investments.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

Pooled cash and investments

Pooled cash and investments at June 30, 2021 and 2020, are summarized as follows:

	2021			2020		
	Cost Basis	Fair Market Value	% of Total	Cost Basis	Fair Market Value	% of Total
Money Market Funds	\$ 746,097	\$ 746,097	4%	\$ 1,187,480	\$ 1,187,932	7%
Marketable Securities						
Fixed Income	3,266,097	3,389,349	16%	3,027,974	3,160,993	20%
Equities	8,474,192	11,703,204	56%	9,284,918	10,453,727	65%
Exchange Traded Funds	3,366,486	3,436,780	16%	-	-	0%
Alternative Investments	1,639,568	1,715,932	8%	598,560	1,335,926	8%
Total Marketable Securities	<u>16,746,343</u>	<u>20,245,265</u>	<u>96%</u>	<u>12,911,452</u>	<u>14,950,646</u>	<u>93%</u>
TOTAL	<u><u>\$ 17,492,440</u></u>	<u><u>\$ 20,991,362</u></u>	<u><u>100%</u></u>	<u><u>\$ 14,098,932</u></u>	<u><u>\$ 16,138,578</u></u>	<u><u>100%</u></u>

Restricted cash and investments

Restricted cash and investments at June 30, 2021 and 2020, are summarized as follows:

	2021			2020		
	Cost Basis	Fair Market Value	% of Total	Cost Basis	Fair Market Value	% of Total
Money Market Funds	\$ 166,502	\$ 166,502	2%	\$ 149,944	\$ 150,996	2%
Marketable Securities						
Fixed Income	2,927,070	3,169,770	33%	2,006,151	3,285,252	41%
Equities	4,173,960	5,117,197	54%	2,476,743	3,731,203	46%
Exchange Traded Funds	577,906	747,430	8%	568,741	562,937	7%
Alternative Investments	304,291	295,835	3%	14,315	311,053	4%
Total Marketable Securities	<u>7,983,227</u>	<u>9,330,233</u>	<u>98%</u>	<u>5,065,950</u>	<u>7,890,445</u>	<u>98%</u>
TOTAL	<u><u>\$ 8,149,729</u></u>	<u><u>\$ 9,496,735</u></u>	<u><u>100%</u></u>	<u><u>\$ 5,215,894</u></u>	<u><u>\$ 8,041,441</u></u>	<u><u>100%</u></u>

NOTE 4 INVESTMENT INCOME

Interest and dividend income of \$861,773 and \$907,830 was recognized on marketable securities as of June 30, 2021 and 2020, respectively. Investment fees and other activity of \$202,601 and \$155,568 were incurred as of June 30, 2021 and 2020, respectively.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5 PLEDGES RECEIVABLE

At June 30, 2021, the Foundation had three pledges receivable from donors. The total balance at June 30, 2021 was \$95,750. This balance approximates fair value. Collection on pledges is expected as follows:

2022	\$	51,750
2023		44,000
		44,000
	\$	95,750

NOTE 6 OPERATING LEASES

The Foundation has entered into an operating lease arrangement for a copy machine.

The future minimum rental payments under all operating leases outstanding at June 30, 2021, are as follows:

2022	\$	2,829
2023		2,829
2024		2,829
2025		2,829
2026		1,179
Total	\$	12,495

Rental expense for the operating lease for the year ended June 30, 2021, was approximately \$2,829.

NOTE 7 RELATED PARTY TRANSACTIONS

The Foundation exists only to benefit the Adams State University students, programs and activities, and, as such, is supported in several ways by the University. Support includes sharing of certain personnel and facilities, as well as through less tangible means. Starting July 1, 2010, Adams State University no longer requires the Foundation to reimburse the University to help defray the cost of the salaries of certain university employees who devote substantial time to the management and operation of the Foundation. However, as of July 1, 2014, the Board of Directors approved a new position and a salary adjustment which will be funded by the Foundation. During the years ended June 30, 2021 and 2020, the University contributed \$331,072 and \$306,223, respectively, of which the Foundation reimbursed Adams State University \$310,082 and \$262,258, respectively.

NOTE 8 FAIR VALUE MEASUREMENTS

Financial Instruments

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

- Cash and cash equivalents, accounts receivable, accrued interest receivable, short-term unconditional promises to give, accounts payable, and other liabilities: The carrying amounts reported in the statement of financial position approximates fair values because of the short maturities of those instruments.
- Marketable securities: The fair values of investments are based on quoted market prices for those or similar instruments.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

- **Alternative Investments:** There is no readily ascertainable market value for these investments, the values are based on the latest available valuations which may be determined by the general partner or fund manager. Due to this uncertainty of valuations, these valuations may differ materially from values that would be determined if the investments were publicly traded.

The fair values of the Foundation’s financial instruments at June 30, 2021, are as follows:

	Carrying Amount	Fair Value
Financial Assets		
Cash and certificates of deposit	\$ 1,454,373	\$ 1,454,373
Unconditional promises to give	95,750	95,750
Investment securities	27,563,731	27,563,731
Alternative investments	2,011,767	2,011,767
Financial Liabilities		
Accounts payable	\$ 76,542	\$ 76,542

The Foundation is subject to the provisions of FASB ASC 820-10, which establishes a framework for measuring fair value of financial instruments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.
- Level 2: Prices determined using significant other observable inputs including the following:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Prices determined using significant unobservable inputs.

The investment’s fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

The following tables set forth, by level within the fair value hierarchy, the Foundation's financial instrument assets at fair value on a recurring basis as of June 30, 2021 and 2020:

June 30, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 912,599	\$ 912,599	\$ -	\$ -
Mutual Funds	16,820,401	16,820,401	-	-
Corporate Bonds	3,913,727	3,913,727	-	-
Municipal Bonds	2,258,833	2,258,833	-	-
Government Bonds	386,559	386,559	-	-
Exchange Traded Funds	4,184,211	4,184,211	-	-
Alternative Investments	2,011,767	-	-	2,011,767
TOTAL	\$ 30,488,097	\$ 28,476,330	\$ -	\$ 2,011,767

June 30, 2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 1,338,928	\$ 1,338,928	\$ -	\$ -
Mutual Funds	14,184,930	14,184,930	-	-
Corporate Bonds	3,589,717	3,589,717	-	-
Municipal Bonds	2,483,920	2,483,920	-	-
Government Bonds	372,608	372,608	-	-
Exchange Traded Funds	562,938	562,938	-	-
Alternative Investments	1,646,979	-	-	1,646,979
TOTAL	\$ 24,180,020	\$ 22,533,041	\$ -	\$ 1,646,979

NOTE 9 ENDOWMENT FUNDS

Adams State University Foundation endowment funds consist of cash, securities, or other assets to provide income to fulfill the purpose of the Foundation. The use of the assets may be restricted in perpetuity, restricted by time or purpose, or unrestricted. The portion of the funds that must be maintained in perpetuity, not used up, expended or otherwise exhausted, is classified as net assets with donor restrictions perpetual in nature. The portion of the funds that must be maintained for a specified term or for a specified purpose are classified as net assets with donor restrictions purpose restricted or time restricted. The portion of the funds that may be expended at the discretion of the Board is classified as net assets without donor restrictions board designated.

Interpretation of Relevant Law

The Adams State University Foundation Board of Directors follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to comply with explicit donor stipulations on each gift in determining the

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classification of net assets as described above. Generally, all gifts to the Foundation include explicit donor stipulations regarding the use of the gifts. However, in the absence of explicit donor stipulations, the gifts are classified as net assets with donor restrictions until the amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or to accumulate funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Foundation and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

Investment and Spending Policies

The Foundation has established an investment pool to support Foundation objectives. The Foundation's investment policy is to: 1) protect the corpus of the Foundation; 2) preserve the spending power of the income from the fund; 3) obtain maximum possible investment return commensurate with reasonable risk and operational considerations; and 4) comply with applicable law.

The investment objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run, achieving at a minimum, annual compound total rate of return of 5% in excess of the rate of inflation, through a combination of investment income and capital appreciation, a competitive investment performance versus appropriate or relative capital market measure, such as securities indices. This objective shall be measured primarily by comparing investment results, over a moving annualized three and five year time period to:

- A. The S&P 500 Index as a benchmark for the Equity Component;
- B. The Barclays Capital Aggregate Index as a benchmark for the Fixed Income Component;
- C. The 90-Day Treasury Bill Index as the benchmark for the Cash and Cash Equivalent Component;
- D. The Morgan Stanley EAFE Index Composite as the benchmark for the International Component.

This does not restrict the Foundation's Board of Directors or Investment Committee from initiating action prior to five years if the action, or lack thereof, of a particular Investment Manager or Custodian warrants such action.

The Foundation implemented a policy to use excess investment earnings to create an investment reserve fund to be used only in years of investment losses. The investment reserve fund balance is included in the total unrestricted net position as of June 30, 2021 and 2020 and amounted to \$3,479,973 and \$2,449,415 respectively.

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Changes in Endowment Net Assets, for the two- year period ending June 30, 2021:

	With Donor Restrictions
Endowment Net Assets, June 30, 2019	17,964,722
Contributions	491,535
Investment Income	669,672
Program Expenditures/Scholarships	(673,340)
Changes in Donor Restrictions	224,931
Endowment Net Assets, June 30, 2020	\$ 18,677,520
Contributions	1,350,792
Investment Income	2,116,586
Program Expenditures/Scholarships	(703,758)
Changes in Donor Restrictions	1,649,632
Endowment Net Assets, June 30, 2021	\$ 23,090,772
Donor Purpose Restricted	\$ 3,120,948
Donor Perpetual in Nature	19,969,824
Endowment Net Assets, June 30, 2021	\$ 23,090,772

NOTE 10 COMMITMENTS AND CONTIGENCIES

COVID-19

In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. No adjustments have been made to these financial statements as the potential impact is unknown at this time.

NOTE 11 SUBSEQUENT EVENTS

The Foundation is subject to provisions of FASB ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements, were issued or the date the financial statements were available to be issues. The Foundation has evaluated subsequent events through October 27, 2021 the date the financial statements were available to be issued.

