



Consolidated Financial Statements  
June 30, 2021 and 2020

Colorado State University  
Research Foundation

Colorado State University Research Foundation

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June 30, 2021 and 2020

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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, 2021 and 2020, 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.

### 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, 2021 and 2020, and the results of changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fort Collins, Colorado

October 19, 2021

Colorado State University Research Foundation

Consolidated Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,328,375	\$ 8,445,155
Certificates of deposit	1,057,857	1,053,147
Accounts and notes receivable, net	600,771	425,378
Prepaid and other assets	330,221	236,359
Direct-financing lease	8,804,424	9,115,535
Property and equipment, net	42,618,915	44,820,478
Property held for sale	1,649,163	1,629,836
Assets held for Colorado State University	13,464,479	12,723,359
Due from INTO-CSU, LLC	-	1,227,500
Total assets	<u>\$ 78,854,205</u>	<u>\$ 79,676,747</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 496,776	\$ 881,269
Accrued expenses and other liabilities	1,082,548	1,143,016
Security deposits - rentals	222,165	243,504
Lines of credit	1,375,248	1,356,762
Deferred revenue	377,517	278,907
Real estate loans and mortgages	42,401,991	43,994,032
Assets held for Colorado State University	13,464,479	12,723,359
INTO-CSU, LLC note payable due to CSUS	-	1,227,500
Total liabilities	<u>59,420,724</u>	<u>61,848,349</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	7,924,265	5,531,313
Designated for real estate projects	535,000	459,794
Designated for agricultural programs	103,163	102,360
Invested in property and direct-financing lease, net of related debt	<u>10,670,511</u>	<u>11,571,817</u>
	19,232,939	17,665,284
With donor restrictions		
	<u>200,542</u>	<u>163,114</u>
Total net assets	<u>19,433,481</u>	<u>17,828,398</u>
Total liabilities and net assets	<u>\$ 78,854,205</u>	<u>\$ 79,676,747</u>

Colorado State University Research Foundation  
Consolidated Statement of Activities  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Property rentals and related income	\$ 6,215,179	\$ -	\$ 6,215,179
Royalty revenue	3,849,085	-	3,849,085
Service fees	4,492,488	-	4,492,488
Program revenue - Todos Santos	30,839	-	30,839
Ranching operations	201,645	-	201,645
Other revenue	416,835	-	416,835
Total operating revenue	<u>15,206,071</u>	<u>-</u>	<u>15,206,071</u>
Operating Expenses			
Program expenses	12,409,700	-	12,409,700
General and administrative	3,319,317	-	3,319,317
Total operating expenses	<u>15,729,017</u>	<u>-</u>	<u>15,729,017</u>
Change in Net Assets - Operating	<u>(522,946)</u>	<u>-</u>	<u>(522,946)</u>
Change in Net Assets - Nonoperating			
Contributions and grants	100,000	55,000	155,000
Interest income	239,232	-	239,232
Gain on sale of property and equipment	1,730,357	-	1,730,357
Currency translation gain	3,440	-	3,440
Net assets released from restriction	17,572	(17,572)	-
Change in Net Assets - Nonoperating	<u>2,090,601</u>	<u>37,428</u>	<u>2,128,029</u>
Change in Net Assets	1,567,655	37,428	1,605,083
Net Assets, Beginning of Year	<u>17,665,284</u>	<u>163,114</u>	<u>17,828,398</u>
Net Assets, End of Year	<u>\$ 19,232,939</u>	<u>\$ 200,542</u>	<u>\$ 19,433,481</u>

Colorado State University Research Foundation  
Consolidated Statement of Activities  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Property rentals and related income	\$ 6,367,688	\$ -	\$ 6,367,688
Royalty revenue	2,067,477	-	2,067,477
Service fees	4,530,987	-	4,530,987
Program revenue - Todos Santos	217,708	-	217,708
Ranching operations	179,084	-	179,084
Other revenue	159,323	-	159,323
Total operating revenue	<u>13,522,267</u>	<u>-</u>	<u>13,522,267</u>
Operating Expenses			
Program expenses	11,055,573	-	11,055,573
General and administrative	2,969,063	-	2,969,063
Total operating expenses	<u>14,024,636</u>	<u>-</u>	<u>14,024,636</u>
Change in Net Assets - Operating	<u>(502,369)</u>	<u>-</u>	<u>(502,369)</u>
Change in Net Assets - Nonoperating			
Interest income	308,282	-	308,282
Gain on sale of property and equipment	1,251,386	-	1,251,386
Currency translation loss	(8,012)	-	(8,012)
Change in Net Assets - Nonoperating	<u>1,551,656</u>	<u>-</u>	<u>1,551,656</u>
Change in Net Assets	<u>1,049,287</u>	<u>-</u>	<u>1,049,287</u>
Net Assets, Beginning of Year	<u>16,615,997</u>	<u>163,114</u>	<u>16,779,111</u>
Net Assets, End of Year	<u>\$ 17,665,284</u>	<u>\$ 163,114</u>	<u>\$ 17,828,398</u>

Colorado State University Research Foundation  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Expense			General and	
	CSURF	CSURF AC	Total	Administrative	Total
Salaries, benefits and taxes	\$ 2,987,622	\$ 23,774	\$ 3,011,396	\$ 2,312,688	\$ 5,324,084
Royalty payments	3,160,299	-	3,160,299	-	3,160,299
Depreciation and amortization	1,559,447	27,152	1,586,599	189,751	1,776,350
Interest	1,567,056	-	1,567,056	-	1,567,056
Property management expense and utilities	1,306,523	1,329	1,307,852	5,314	1,313,166
Professional services	741,836	14,268	756,104	341,172	1,097,276
Property taxes	516,070	-	516,070	2,355	518,425
Dues and licenses	167,604	-	167,604	148,142	315,746
Insurance	201,945	3,491	205,436	77,585	283,021
Office expenses	-	4,219	4,219	120,891	125,110
Sponsorships	-	-	-	78,661	78,661
Ranch expenses	52,575	-	52,575	-	52,575
Rent	42,635	-	42,635	7,767	50,402
Other	24,164	7	24,171	8,242	32,413
Travel and entertainment	-	-	-	14,950	14,950
Maintenance and repairs	-	-	-	11,799	11,799
Direct program expenses - CSURF AC	-	7,684	7,684	-	7,684
<b>Total expenses</b>	<b>\$ 12,327,776</b>	<b>\$ 81,924</b>	<b>\$ 12,409,700</b>	<b>\$ 3,319,317</b>	<b>\$ 15,729,017</b>

Colorado State University Research Foundation  
Consolidated Statement 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
Direct program expenses - CSURF AC	-	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
<b>Total expenses</b>	<b>\$ 10,807,597</b>	<b>\$ 247,976</b>	<b>\$ 11,055,573</b>	<b>\$ 2,969,063</b>	<b>\$ 14,024,636</b>

## Colorado State University Research Foundation

Consolidated Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
<b>Operating Activities</b>		
Cash received from property rentals	\$ 6,138,396	\$ 6,189,700
Cash received from royalties	3,849,085	2,067,477
Cash received from service fees - CSUS	4,568,958	4,518,260
Cash received from programs	30,839	217,708
Cash received from other activities	651,000	344,058
Interest received	239,232	308,282
Interest paid	(1,612,944)	(1,657,119)
Cash paid to employees	(3,790,043)	(5,020,385)
Cash paid for royalties	(3,148,842)	(1,565,362)
Cash paid to vendors	(5,538,526)	(4,120,122)
Net cash from operating activities	1,387,155	1,282,497
<b>Investing Activities</b>		
Net purchases/maturities of certificates of deposit	(4,710)	506,220
Purchase of property and equipment	(230,713)	(1,851,615)
Cash proceeds from sale of property and equipment	1,674,940	1,950,000
Cash proceeds from sale of assets held for CSU	1,150,045	-
Payments received from financing lease	311,111	336,910
Net cash from investing activities	2,900,673	941,515
<b>Financing Activities</b>		
Advances from lines of credit	46,835	2,309,426
Principal payments on		
Lines of credit	(28,349)	(1,347,367)
Real estate loans and mortgages	(1,273,049)	(2,144,207)
Net cash used for financing activities	(1,254,563)	(1,182,148)
Net change in Cash, Cash Equivalents, and Restricted Cash	3,033,265	1,041,864
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	8,786,718	7,744,854
Cash, Cash Equivalents, and Restricted Cash End of Year	\$ 11,819,983	\$ 8,786,718
Cash and cash equivalents	\$ 10,328,375	\$ 8,445,155
Cash restricted for CSU included in assets held for CSU	1,491,608	341,563
	\$ 11,819,983	\$ 8,786,718

## **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 – Fort Collins, Colorado State University – Pueblo, and Colorado State University – Global) 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.

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 5). On October 5, 2021, CSURF Todos Santos, a Mexican corporation, was established as a supporting organization to CSURF AC.

### **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, Cash Equivalents, and Restricted Cash**

All cash and highly liquid financial instruments with original maturities of three months or less are considered to be cash and cash equivalents. Restricted cash includes cash held for CSU related to the ongoing I-25 & Prospect project.

### **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**

In prior years we were a member in a joint venture, INTO-CSU, LLC. The purpose of the joint venture was to create an avenue for international students to attend CSU in a number of undergraduate and graduate Pathways Programs. Our primary role was 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. This promissory note was funded by CSUS and through the Master Services Agreement, CSURF agreed 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 was both \$1,227,500 at June 30, 2020. INTO-CSU, LLC was dissolved on May 14, 2021, with both the asset and the liability being extinguished as of June 30, 2021.

**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. At June 30, 2021 and 2020 the allowance for doubtful accounts was \$38,115 and \$0, respectively.

**Investments**

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. The cumulative amount of impairment was approximately \$250,000 and \$240,000 as of June 30, 2021 and 2020, respectively.

As of and for the years ended June 30, 2021 and 2020, the carrying value and adjustments to these investments were not significant 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, 2021 and 2020.

**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 11).

*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 consolidated statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

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.

### **Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those attributable to our ongoing programmatic initiatives. Nonoperating activities are limited to contributions, interest earned on the direct-financing lease, and gains/(losses) on sale of assets or currency conversions during the year.

### **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 expenses, 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, 2021 and 2020. Our Forms 990-T are no longer subject to tax examination for years prior to 2018.

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.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously report net assets.

**Subsequent Events**

Management has evaluated subsequent events through October 19, 2021, the date the consolidated financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

We operate on a balanced budget, and regularly monitor liquidity to meet our operating needs and other contractual commitments while also striving to maximize the investment of our available funds.

Financial assets are considered to be available for general expenditure if there are no donor or other restrictions that would preclude expenditures outright, or in satisfaction of any purpose restrictions. At June 30, 2021 and 2020, financial assets available for general expenditure within one year are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 10,290,947	\$ 8,445,155
Certificates of deposit	1,057,857	1,053,147
Accounts and notes receivable, net	600,771	425,378
	<u>\$ 11,949,575</u>	<u>\$ 9,923,680</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%. In January 2021, the lease was amended and the interest rate was lowered to 2.18%.

Future minimum lease payments to be received are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 473,787
2023	473,787
2024	473,787
2025	473,787
2026	473,787
Thereafter	7,912,088
	<u>10,281,023</u>
Less amount representing interest	(1,476,599)
	<u>\$ 8,804,424</u>

### Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 14,596,973	\$ 14,057,218
Water rights	36,000	36,000
Buildings and improvements	40,173,034	38,059,452
Furniture and equipment	1,718,181	1,678,531
Breeding herd	336,659	337,532
	<u>56,860,847</u>	<u>54,168,733</u>
Less accumulated depreciation and amortization	(14,241,932)	(12,564,093)
Construction-in-progress	-	3,215,838
	<u>\$ 42,618,915</u>	<u>\$ 44,820,478</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 totaled \$1,650,000 at June 30, 2021 and 2020.

In addition, we have property held for sale as of June 30, 2021 and 2020 with a net book value of \$1,649,163 and \$1,629,836, 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 - Investment in CSURF AC**

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 56,151	\$ 75,644
Property and equipment, net	3,543,004	3,663,416
Other assets	112,388	121,097
	<u>\$ 3,711,543</u>	<u>\$ 3,860,157</u>
Other liabilities	<u>\$ 52,934</u>	<u>\$ 31,858</u>
	52,934	31,858
Net assets	<u>3,658,609</u>	<u>3,828,299</u>
	<u>\$ 3,711,543</u>	<u>\$ 3,860,157</u>

Colorado State University Research Foundation

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Program revenue	\$ 30,839	\$ 217,708
Service fees - CSU	138,000	138,000
Other revenue	60,396	76,062
	<u>229,235</u>	<u>431,770</u>
Program expenses	81,924	247,976
General and administrative	320,441	216,354
	<u>402,365</u>	<u>464,330</u>
Change in net assets - operating	(173,130)	(32,560)
Currency translation gain (loss)	3,440	(8,012)
Change in net assets	<u>\$ (169,690)</u>	<u>\$ (40,572)</u>

**Note 6 - Lines of Credit**

Lines of credit consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment leasing \$1,000,000 line of credit, interest due in quarterly payments at rate of 3.10% per annum, principal and any accrued interest due at maturity in December 2021, secured by all accounts and equipment other than that held in a trust, fiduciary or bond capacity.	\$ 80,047	\$ 61,561
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% per annum as of June 30, 2021 and 2020), principal and any accrued interest due at maturity in December 2021, secured by a deed of trust and all assignments of rents associated with the property.	1,295,201	1,295,201
	<u>\$ 1,375,248</u>	<u>\$ 1,356,762</u>

**Note 7 - 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)	\$1,300 - \$50,000
Interest rates at June 30, 2021, rates are primarily variable	2.10% - 4.00%
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>
2022	\$ 2,885,261
2023	3,462,307
2024	1,487,979
2025	8,029,214
2026	1,245,491
Thereafter	25,291,739
	<u>\$ 42,401,991</u>

**Note 8 - Assets Held for Colorado State University**

We hold title to assets, including restricted cash, accounts receivable, and properties, that are held solely for the benefit of various CSUS departments and we act in an agency capacity. The balances of these assets as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Restricted cash	\$ 1,491,608	\$ 341,563
Accounts receivable	370,890	324,359
Properties held	11,601,981	12,057,437
	<u>\$ 13,464,479</u>	<u>\$ 12,723,359</u>

**Note 9 - 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	\$ 3,742,923
Maturity dates	2021 - 2059

Property subject to operating lease is as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 9,358,705	\$ 8,686,254
Buildings and improvements	<u>31,145,184</u>	<u>28,527,252</u>
	40,503,889	37,213,506
Less accumulated depreciation	<u>(7,244,324)</u>	<u>(5,972,001)</u>
	<u>\$ 33,259,565</u>	<u>\$ 31,241,505</u>

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 3,027,015
2023	2,430,074
2024	2,398,378
2025	2,036,164
2026	1,010,384
Thereafter	<u>16,724,965</u>
	<u>\$ 27,626,980</u>

**Note 10 - 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.

During the year ended June 30, 2021, we received a contribution of \$55,000 that was restricted for use in further development of inventions for which CSURF has a patent. During the year we spent \$17,572 that satisfied the restriction, resulting in an ending restricted balance of \$37,428 as of June 30, 2021.

**Note 11 - 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 balance at July 1, 2020 for these board-designated net assets totaled \$459,794. During the year ended June 30, 2021, \$111,206 was replenished for funds used in 2018 and water rights were purchased for \$36,000, resulting in an ending balance of \$535,000. All future project costs are expected to be reimbursed by the Colorado Department of Transportation, at which time the designated funds will be replenished.

**Note 12 - Related Party Transactions**

We received service and other fees from CSUS of \$4,370,357 and \$4,464,235 during the years ended June 30, 2021 and 2020, respectively.

We sold properties during the year ended June 30, 2020 to the Board of Governors of CSUS for a total sales price of \$1,950,000, resulting in a recorded gain of \$1,232,000. There were no sales of this nature in 2021.

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	\$ 1,599,399
Maturity dates	2021 - 2026

**Note 13 - 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 \$450,000 and \$482,000 for the years ended June 30, 2021 and 2020, respectively.