
University of Northern Colorado Foundation, Inc.

Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
University of Northern Colorado Foundation, Inc.

We have audited the accompanying financial statements of University of Northern Colorado Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Northern Colorado Foundation, Inc. as of June 30, 2021 and the results of its activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

September 17, 2021

University of Northern Colorado Foundation, Inc.

Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 636,607	\$ 2,706,111
Investments	142,766,110	108,145,940
Pledge receivables - Net of allowances	5,903,570	8,473,789
Accrued interest	136,844	78,078
Life insurance policies	92,690	84,762
Land held for sale	-	6,739,200
Prepays and other assets	20,800	13,174
Note receivable	2,340,000	-
Beneficial interest in long-term trusts held by others	10,321,710	7,864,879
Property and equipment - Net	777,378	815,394
	<u>\$ 162,995,709</u>	<u>\$ 134,921,327</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 766,996	\$ 532,213
Obligations under gift annuity agreements	104,251	129,444
Assets held for others	506,439	530,526
	<u>1,377,686</u>	<u>1,192,183</u>
Net Assets		
Without donor restrictions:		
Undesignated	15,178,343	8,663,413
Board designated	1,310,169	1,131,005
	<u>16,488,512</u>	<u>9,794,418</u>
With donor restrictions	145,129,511	123,934,726
	<u>161,618,023</u>	<u>133,729,144</u>
	<u>\$ 162,995,709</u>	<u>\$ 134,921,327</u>

University of Northern Colorado Foundation, Inc.

Statement of Activities

Year Ended June 30, 2021

(with summarized comparative totals for 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Support				
Contributions - Net	\$ 18,934	\$ 7,069,608	\$ 7,088,542	\$ 13,331,019
In-kind donations	-	20,800	20,800	36,832
Net realized and unrealized gains (losses) -				
Net of fees	7,110,779	22,733,804	29,844,583	(2,761,758)
Interest, dividends, and mineral royalties	527,610	2,670,660	3,198,270	3,884,960
Change in value of charitable gift annuities and long-term trusts held by others	-	2,464,308	2,464,308	(323,628)
Other income	5,164	138,049	143,213	168,457
Net assets released from restrictions	13,910,998	(13,910,998)	-	-
Total revenue, gains, and support	21,573,485	21,186,231	42,759,716	14,335,882
Expenses				
Program services - Programs, scholarships, and capital support	13,888,889	-	13,888,889	10,711,146
Support services - Management and general	711,323	-	711,323	694,579
Total expenses	14,600,212	-	14,600,212	11,405,725
Increase in Net Assets - Before other losses and transfers	6,973,273	21,186,231	28,159,504	2,930,157
Other Losses				
Provision for uncollectible pledges and pledges replaced by contributions from donor-advised funds - Net of recoveries	(270,625)	-	(270,625)	(50,855)
Change in Net Assets - Before transfers	6,702,648	21,186,231	27,888,879	2,879,302
Transfers	(8,554)	8,554	-	-
Change in Net Assets	6,694,094	21,194,785	27,888,879	2,879,302
Net Assets - Beginning of year	9,794,418	123,934,726	133,729,144	130,849,842
Net Assets - End of year	\$ 16,488,512	\$ 145,129,511	\$ 161,618,023	\$ 133,729,144

University of Northern Colorado Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

(with summarized comparative totals for 2020)

	Program Services	Support Services	Total	
	Programs, Scholarships, and Capital Support	Management and General	2021	2020
Support paid to the University	\$ 13,888,889	\$ -	\$ 13,888,889	\$ 10,711,146
Salaries and wages	-	340,200	340,200	337,355
Professional services and consulting	-	153,696	153,696	147,574
Other employee benefits	-	95,625	95,625	89,896
Bank fees	-	37,085	37,085	33,259
Retirement plan contributions	-	26,905	26,905	26,020
Payroll taxes	-	25,391	25,391	25,374
Information technology	-	20,196	20,196	17,250
Miscellaneous	-	12,225	12,225	17,851
Total functional expenses	<u>\$ 13,888,889</u>	<u>\$ 711,323</u>	<u>\$ 14,600,212</u>	<u>\$ 11,405,725</u>

University of Northern Colorado Foundation, Inc.

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 27,888,879	\$ 2,879,302
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	38,016	38,015
Net realized and unrealized (gains) losses on investments	(29,885,364)	2,477,750
Provision for uncollectible pledges - Net of recoveries	270,625	50,855
Change in cash surrender value of life insurance policies	(7,928)	14,055
Change in value of charitable gift annuities and long-term trusts held by others	(2,464,308)	323,628
Contributions restricted for investment in endowments	(2,236,691)	(1,055,276)
Gain on sale of land	(280,800)	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pledges receivable	2,299,594	(5,583,229)
Accrued interest	(58,766)	29,981
Prepays and other assets	(7,626)	(2,313)
Accounts payable and accrued expenses	234,783	(101,370)
Assets held by others	(24,087)	(15,898)
Net cash and cash equivalents used in operating activities	(4,233,673)	(944,500)
Cash Flows from Investing Activities		
Sales of investments	12,257,269	15,767,011
Purchases of investments	(16,992,075)	(14,713,188)
Cash proceeds from sale of land	2,340,000	-
Payment on note receivable	2,340,000	-
Net cash and cash equivalents (used in) provided by investing activities	(54,806)	1,053,823
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment in endowments	2,236,691	1,055,276
Payments on gift annuity obligations	(17,716)	(20,640)
Net cash and cash equivalents provided by financing activities	2,218,975	1,034,636
Net Change in Cash and Cash Equivalents	(2,069,504)	1,143,959
Cash and Cash Equivalents - Beginning of year	2,706,111	1,562,152
Cash and Cash Equivalents - End of year	\$ 636,607	\$ 2,706,111
Significant Noncash Transactions - Issuance of note receivable on sale of land	\$ 4,680,000	\$ -

Note 1 - Nature of Business

University of Northern Colorado Foundation, Inc. (the "Organization") is a nonprofit corporation providing program, scholarship, and other support to the University of Northern Colorado (the "University"). The majority of the Organization's revenue is derived from contributions and investment income.

Note 2 - Significant Accounting Policies

Classification of Net Assets

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

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

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

The governing board of the Organization has identified certain assets with and without donor restrictions as board-designated endowments to be invested for a long-term period. These board-designated endowments are referred to as quasi endowments within the notes to the financial statements (see Notes 11 and 12).

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash and cash equivalents. It does not include cash and cash equivalents presented in investments, which are subject to investment management direction. Frequently, cash balances in commercial banks may exceed the level of insurance provided by the FDIC.

Investments

The Organization maintains pooled investment accounts for the majority of its endowments. Investment income and realized and unrealized gains and losses, net of investment and management fees, from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts and are adjusted for additions to or deductions from those accounts.

Investments are stated at fair value, as further discussed in Note 4. Investment returns include dividend, interest, and other investment income, as well as realized and unrealized gains and losses on investments. Investment returns are reflected on the statement of activities as with or without restrictions based on the existence and nature of any donor or legally imposed restrictions on those earnings.

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

Contributions

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

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

Land Held for Sale and Note Receivable

In 2017, the Organization received a donation of land, and management has determined that the land meets the requirements of GAAP to be considered as held for sale. During the fiscal year ended June 30, 2021, the Organization sold the land, as described in Note 15, with consideration including cash and a note receivable.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value on the date of donation. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives ranging from 3 to 50 years. Assets with an initial purchase price under \$5,000 are expensed in the year purchased.

Assets Held for Others

The Organization holds and invests certain funds on behalf of the University.

Transfers

Transfers represent donor changes in gift restrictions.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities. Due to the nature of the Organization's operations, all direct support paid to the University is reflected as program expense. Management has determined that all activities, except direct support paid to the University, should be classified as part of the support services function, as management and general expenses.

Use of Estimates

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

Impact of COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. Due to the continued uncertainty surrounding the effects of the pandemic, management's judgment regarding investment valuation could change in the future. The Organization has not seen significant decreases in contributions or changes in granting as of the report date. As the pandemic continues, the Organization may continue to experience fluctuations in its investment portfolio due to ongoing market volatility, as well as other impacts to its activities, functional expenses, cash flows, and financial condition, which are unpredictable.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 17, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021, after being reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

Cash and cash equivalents	\$ 636,607
Investments	142,766,110
Pledge receivables - Net of allowances	5,903,570
Note receivable	2,340,000
Beneficial interests in long-term trusts held by others	10,321,710
Other financial assets	<u>229,534</u>
Financial assets - At year end	162,197,531
Less those unavailable for general expenditures within one year due to - Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	145,129,511
Obligations under gift annuity	104,251
Investments held in annuity trust	506,439
Payments due on note receivable - Noncurrent	2,340,000
Board designations	<u>1,310,169</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 12,807,161</u></u>

June 30, 2021

Note 3 - Liquidity and Availability of Resources (Continued)

At year end, the Organization held over \$143 million in cash and investments. The Organization monitors current-use accounts, totaling approximately \$19 million at June 30, 2021, which support scholarships and programs at the University. The Organization's investment portfolio has approximately \$105 million of investments with liquidity of one to two days that can be accessed to meet all the current needs if called upon.

Although the Organization does not intend to spend from its quasi endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi endowments (as disclosed within Note 12) could be made available if necessary.

Certain investments contain lock-up provisions that would reduce the total investments that could be made available (see Note 4 for disclosures about investments).

The Organization also realizes there could be unanticipated liquidity needs.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

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

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

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

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

There were no changes in the Organization's valuation techniques during the year.

June 30, 2021

Note 4 - Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy the Organization's investments measured on a recurring basis at fair value:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Balance at June 30, 2021
Cash equivalent mutual funds, subject to investment management direction	\$ 982,905	\$ -	\$ -	\$ -	\$ 982,905
Equities:					
Large cap	29,872,582	-	-	-	29,872,582
International	22,622,661	-	-	-	22,622,661
Small/Mid cap	12,530,209	-	-	-	12,530,209
Emerging markets	8,216,176	-	-	-	8,216,176
Fixed income:					
Floating rate corp loans	7,073,481	-	-	-	7,073,481
Domestic	6,187,493	-	-	-	6,187,493
Opportunistic	-	509,229	-	-	509,229
Student-managed funds	-	1,948,250	-	-	1,948,250
Stock/Bond mixed mutual funds	1,133,914	-	-	-	1,133,914
Alternative investments:					
Master limited partnerships	6,034,715	-	-	-	6,034,715
Low correlated hedge	-	-	-	23,664,692	23,664,692
Private equity	-	-	-	6,018,279	6,018,279
Illiquid credit	-	-	-	3,458,593	3,458,593
Real estate	7,755,489	-	-	3,757,442	11,512,931
Total investments	102,409,625	2,457,479	-	36,899,006	141,766,110
Beneficial interest in long-term trusts held by others	-	-	10,321,710	-	10,321,710
Total assets	\$ 102,409,625	\$ 2,457,479	\$ 10,321,710	\$ 36,899,006	\$ 152,087,820

The Organization also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include a limited partnership investment, the value of which was \$1,000,000 as of June 30, 2021. This limited partnership investment cannot be redeemed by the Organization. The value of the investment in this category is based on the initial partnership contribution and is valued based on Level 3 inputs within the fair value hierarchy.

Net investment earnings consist of the following for the year ended June 30, 2021:

Interest, dividends, and mineral royalties	\$ 3,198,270
Realized and unrealized gain on investments	30,166,164
Less investment management fees	(321,581)
Total	\$ 33,042,853

The fair value of some fixed-income investments at June 30, 2021 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Note 4 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value for the year ended June 30, 2021 are as follows:

	Beneficial Interest in Long- term Trusts Held by Others	Land Held for Sale	Total
Balance at July 1, 2020	\$ 7,864,879	\$ 6,739,200	\$ 14,604,079
Purchases, issuances, sales, and settlements:			
Sales	-	(6,739,200)	(6,739,200)
Unrealized gains	2,456,831	-	2,456,831
Balance at June 30, 2021	<u>\$ 10,321,710</u>	<u>\$ -</u>	<u>\$ 10,321,710</u>

The valuation methods and inputs used to determine fair value at June 30, 2021 for assets measured at fair value using unobservable inputs (Level 3 inputs) are as follows:

Beneficial interest in long-term trusts held by others: Valued based on the underlying investments held by the trusts, less the net present value of future cash outflows to lifetime recipients.

Investments in Entities that Calculate Net Asset Value per Share

The Organization holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	NAV Investments Held at June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Low correlated hedge - Equity (a)	\$ 7,263,794	\$ -	Monthly, quarterly, semiannually*	60-100 days
Low correlated hedge - Multistrategy (a)	16,400,898	-	Quarterly, semiannually*	95 days**
Illiquid credit (b)	3,458,593	922,668	Upon fund termination	N/A
Private equity (c)	6,018,279	1,447,348	Upon fund termination	N/A
Real estate (d)	3,757,442	1,604,334	Upon fund termination	N/A
Total	<u>\$ 36,899,006</u>	<u>\$ 3,974,350</u>		

*Subject to restrictions

**Annual one-year lockup

(a) The low-correlated hedge class invests in investments that pursue multiple strategies to diversify risks and reduce volatility. The investments composite portfolio for this class includes investments in public equities, private equities, public equity derivatives, Treasuries, and fixed-income derivatives. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

June 30, 2021

Note 4 - Fair Value Measurements (Continued)

(b) The illiquid credit class invests in funds that pursue investment opportunities with long-term potential, including those that may be early-stage domestic private companies. The investments cannot be redeemed because the investments include holdings that are part of an illiquid market. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

(c) The private equity class includes several private equity funds that invest, either directly or indirectly, in both domestic and international private companies. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(d) The real estate class includes several real estate funds that primarily invest in U.S. commercial real estate. The fair values of the investments in this class have been estimated using net asset value of the Organization's ownership interest in partners' capital.

Note 5 - Pledges Receivable

Included in contributions receivable are several unconditional promises to give. They are included as follows at June 30, 2021:

Amounts due in:	
Less than one year	\$ 2,018,078
One to five years	3,861,400
More than five years	<u>53,000</u>
Subtotal	5,932,478
Less allowance for uncollectible pledges	(625)
Less present value discount	<u>(28,283)</u>
Total	<u><u>\$ 5,903,570</u></u>

Unconditional promises to give (pledges receivable) are from various entities, including foundations, corporations, and individuals. The discount factor utilized in the present value calculation is the five-year U.S. Treasury note rate as of June 30 of the fiscal year in which the commitment is made.

Approximately 67 percent of the Organization's pledges receivable as of June 30, 2021 consist of pledges from one donor.

Note 6 - Life Insurance Policies

The Organization is the owner and beneficiary of various donated life insurance policies with total cash surrender values of \$92,690 and face values of approximately \$116,000 as of June 30, 2021.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

Building and improvements	\$ 1,306,363
Equipment	<u>55,659</u>
Total cost	1,362,022
Accumulated depreciation	<u>584,644</u>
Net property and equipment	<u><u>\$ 777,378</u></u>

Depreciation expense for 2021 was \$38,016.

June 30, 2021

Note 8 - Charitable Gift Annuity Contracts

The Organization has entered into several charitable gift annuity contracts. These contracts require the Organization to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Organization are not held in trust separately from other investments of the Organization. On the date each charitable gift annuity was established, the Organization recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using a discount rate equal to the current applicable federal rate. At the end of these contracts, the majority of these assets are to be endowed and are included in net assets with donor restrictions as follows at June 30, 2021:

Assets held under gift annuity contracts (included in investments)	\$ 174,507
Annuity obligations	<u>(104,251)</u>
Net present value of assets held under contracts	<u>\$ 70,256</u>

Note 9 - Beneficial Interest in Assets Held by Third Parties

The Organization has been named irrevocable remainder beneficiary for several trusts administered by third-party corporate trustees. For these arrangements, beneficial interest in long-term trusts held by others and contribution revenue are recorded at the estimated present value of the remainder interest when the Organization has sufficient information to record it. These arrangements are revalued annually to reflect changes in the remainder interest estimates. The Organization does not permit use of the funds by the University until the expiration of the lifetime recipient's interest. The fair value of these trusts as of June 30, 2021 was \$4,888,271.

The Organization has been named irrevocable beneficiary of several perpetual trusts administered by third-party corporate trustees. For these arrangements, beneficial interest in long-term trusts held by others and contribution revenue are recorded at the fair value of the Organization's share of the trust when the Organization has sufficient information to record it. Distributions received from the trustees are recorded as interest income, and the change in fair value at year end is recorded in change in value of charitable gift annuities and long-term trusts held by others. The fair value of these trusts as of June 30, 2021 was \$5,433,439.

Note 10 - Assets Held for Others

Assets held in trust for the University represent certain assets held for long-term investment purposes by the Organization. The fair value of these assets was \$506,439 at June 30, 2021.

Note 11 - Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2021:

Board-designated net assets:	
Programs	\$ 770,162
Quasi endowments	440,093
President's University Excellence programs	<u>99,914</u>
Total	<u>\$ 1,310,169</u>

June 30, 2021

Note 11 - Net Assets (Continued)

Net assets with donor restrictions as of June 30, 2021 are available for the following purposes:

Programs	\$ 72,109,567
Scholarships	68,401,567
Capital improvements	2,389,285
Multiple designations	962,027
President's discretion	569,374
Time restricted	540,882
Other	156,809
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Total	\$ 145,129,511
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Note 12 - Donor-restricted and Board-designated Endowments

In order to create an endowed fund with the Organization, a donor must give a minimum initial gift, as defined in the endowment agreement. The Organization's endowment consists of approximately 570 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds, quasi endowments, and board-designated endowment funds. Donor-restricted endowment funds are permanent charitable funds whose principal is treated in accordance with a defined spending policy or that must be preserved in perpetuity as a condition imposed by the donor. Quasi endowments are those purpose-restricted gifts that are intended to be maintained in perpetuity or to be spent over a specified time period, usually several years; however, under specific circumstances defined by the donor, the principal may be invaded fully to meet the defined purpose. Board-designated endowments are unrestricted funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Most endowed funds are included in the Organization's investment pool.

Interpretation of Relevant Law

The Organization is subject to the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

June 30, 2021

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

- Other resources of the Organization
- The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 1,309,114	\$ -	\$ 1,309,114
Donor-restricted quasi-endowment funds	-	7,568,751	7,568,751
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	63,052,515	63,052,515
Accumulated investment gains	-	41,238,485	41,238,485
Total donor-restricted endowment funds	-	104,291,000	104,291,000
Total funds	\$ 1,309,114	\$ 111,859,751	\$ 113,168,865
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 1,079,855	\$ 87,021,661	\$ 88,101,516
Investment income:			
Investment income - Net of expenses	(670)	906,220	905,550
Net realized and unrealized gains	274,054	22,425,546	22,699,600
Total investment income	273,384	23,331,766	23,605,150
Additions	-	2,236,691	2,236,691
Reinvested funds	-	180,537	180,537
Appropriation of endowment assets for expenditure	(44,125)	(3,379,641)	(3,423,766)
Donor reclassifications	-	2,744,503	2,744,503
Other	-	(275,766)	(275,766)
Endowment net assets - End of year	\$ 1,309,114	\$ 111,859,751	\$ 113,168,865

Underwater Endowment Funds

As of June 30, 2021, there were no endowments that were considered to be underwater according to the Organization's endowment policy.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking the proper balance between preservation of capital and maintaining the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return that provides for growth over distributions and fees while assuming prudent risk. Actual returns in any given year may vary from this amount.

June 30, 2021

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. In consultation with the investment consultant, the investment committee of the Organization is responsible for selecting the managers and asset mix for the endowments of the Organization, keeping within the asset allocation ranges outlined in the board-approved investment policy statement.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As of June 30, 2021, the Organization's endowment policy, approved by the board of directors, is to generally appropriate for distribution each year 4.00 percent of the preceding three-year rolling average of the fiscal year-end fair value of each fund. Newly established endowments are invested for one full fiscal year before the distributions begin. However, when any endowment's fair value drops more than 1.00 percent below the sum of all gifts to the endowment, the distribution rate is 1.00 percent.

The Organization assesses a management fee on all endowment funds. In general, for endowments valued \$1,000,000 or greater, the management fee was calculated at 1.25 percent of their fair values during the year ended June 30, 2021. In general, for endowments valued less than \$1,000,000, quasi endowments, and gift annuities, the management fee was calculated at 1.75 percent of their fair values during the year ended June 30, 2021. However, in the case when any endowment's fair value drops more than 1.00 percent below the sum of all gifts to the endowment, the management fee is 1.00 percent.

For the year ended June 30, 2021, the Organization assessed management fees of \$1,489,398.

Note 13 - Retirement Plans

The Organization has a Savings Incentive Match Plan for Employees individual retirement account retirement plan (SIMPLE IRA). Employees are eligible to participate in the SIMPLE IRA immediately, which allows for pretax salary deferrals into the SIMPLE IRA. The Organization will match up to 3 percent of the employee's gross salary, depending on the employee's deferral amount. For the year ended June 30, 2021, the Organization contributed a total of \$26,905, which included \$17,010 in retirement supplement payments and \$9,895 in employee deferral matches up to 3 percent.

Note 14 - Related Party Transactions

The following is a description of transactions between the Organization and related parties:

Accounts Payable

At June 30, 2021, the Organization had accounts payable to the University for programs, scholarships, and other expenses totaling \$626,135.

Leased Land

The building used by the Organization for its administrative offices is located on land that is leased to the Organization by the University. The land is leased to the Organization at \$1 per year for 99 years.

Note 15 - Land Held for Sale and Note Receivable

In December 2017, the Organization received a gift of land from a donor. Since receiving the gift, the Organization has planned to sell the land, and the net proceeds from the sale will be used to support the University according to a gift agreement.

June 30, 2021

Note 15 - Land Held for Sale and Note Receivable (Continued)

On July 24, 2020, the land held for sale was sold for \$7,020,000, including cash proceeds of \$2,340,000 and the issuance of a note receivable of \$4,680,000, due in two equal, annual installments over the subsequent two years. The carrying value of the land at the time of sale was \$6,739,200, resulting in a gain of \$280,800.

The resulting note receivable is collateralized by the land, accrues interest at 3 percent annually, and is due in annual installments of \$2,340,000 plus interest on that portion. The first annual installment was paid during the year ended June 30, 2021. The remaining receivable and accrued interest is due upon maturity in July 2022.

In order to improve marketability of the land, the Organization decided to facilitate establishing three metropolitan districts that, through tax assessment of future property owners, will fund improvements to the land, including water, sewer, and street infrastructures. At the beginning of the year, a current and a past member of the board of directors and the president of the Organization were on the metropolitan districts' board of directors. As the land was sold and the note receivable paid off, the membership on the metropolitan districts' board of directors has and will transition to the buyers. As of June 30, 2021, the president of the Organization remains on the board of directors of two of the metropolitan districts, along with members unrelated to the Organization.