

**ADAMS STATE UNIVERSITY FOUNDATION
ALAMOSA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2022 and 2021



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

ADAMS STATE UNIVERSITY FOUNDATION
TABLE OF CONTENTS
June 30, 2022 and 2021

Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to the Financial Statements	9



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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In 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, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the nonprofit organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adams State University Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 nonprofit organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the nonprofit organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 4, 2022

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash in Bank	\$ 489,173	\$ 241,774
Pooled Cash - Brokerage Accounts	875,137	746,097
Restricted Cash - Brokerage Accounts	156,560	166,502
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	17,866,741	20,245,265
Restricted Investments, at Fair Value	7,981,863	9,330,233
Pledges Receivable, net of allowance	57,270	95,750
Inventories	7,240	7,240
Land	9,000	-
Art Collection	15,000	15,000
	TOTAL ASSETS	TOTAL ASSETS
	\$ 27,757,984	\$ 31,147,861
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 51,247	\$ 76,542
	TOTAL LIABILITIES	TOTAL LIABILITIES
	51,247	76,542
NET ASSETS		
Without Donor Restriction:		
Unrestricted	1,784,760	1,546,205
Board Designated - Investment Reserves Fund	-	3,479,973
Board Designated - Endowments	651,040	706,173
Total Without Donor Restrictions	2,435,800	5,732,351
With Donor Restrictions:		
Purpose Restricted	2,692,517	5,369,144
Perpetual in Nature	22,578,420	19,969,824
Total With Donor Restrictions	25,270,937	25,338,968
	TOTAL NET ASSETS	TOTAL NET ASSETS
	27,706,737	31,071,319
	\$ 27,757,984	\$ 31,147,861

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	\$ 5,732,351	\$ 25,338,968	\$ 31,071,319
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	147,187	2,746,868	2,894,055
Donations - Land	9,000	-	9,000
Investment Income (Net)	171,154	991,544	1,162,698
Net Realized Gains (Losses) on long-term investments	150,198	78,937	229,135
Net Unrealized Gains (Losses) on long-term investments	<u>(3,494,151)</u>	<u>(1,525,304)</u>	<u>(5,019,455)</u>
Subtotal	(3,016,612)	2,292,045	(724,567)
Net Assets Released from Restriction	<u>2,198,827</u>	<u>(2,198,827)</u>	<u>-</u>
Total from Revenues, Gains, and Other Support	<u>(817,785)</u>	<u>93,218</u>	<u>(724,567)</u>
EXPENSES AND LOSSES			
Scholarships and Awards	1,578,550	-	1,578,550
Program Services	652,044	-	652,044
Management and General Activities	112,262	-	112,262
Fundraising	<u>297,159</u>	<u>-</u>	<u>297,159</u>
Total Expenses and Losses	<u>2,640,015</u>	<u>-</u>	<u>2,640,015</u>
Transfers:			
Transfers In/(Out)	<u>161,249</u>	<u>(161,249)</u>	<u>-</u>
Change in Net Assets for the Year	<u>(3,296,551)</u>	<u>(68,031)</u>	<u>(3,364,582)</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,435,800</u>	<u>\$ 25,270,937</u>	<u>\$ 27,706,737</u>

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 - Land	-	-	-
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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Expenses	General & Admin	Fundraising	Total
Scholarships	\$ 1,578,550	\$ -	\$ -	\$ 1,578,550
Other University Assistance				
Academic Programming	26,888	-	-	26,888
Athletics	217,820	-	-	217,820
Grants and Other Passthrough	121,298	-	-	121,298
Work Study	61,664	-	-	61,664
Student Programming	4,075	-	-	4,075
Grizzly Club	64,537	-	-	64,537
Alumni and Donor Functions	-	-	7,321	7,321
Professional Fees & Consulting	-	15,800	-	15,800
Software and Computer Fees	-	13,013	-	13,013
Rent/Lease	-	1,340	-	1,340
Insurance	-	4,426	-	4,426
Office Supplies	-	1,541	-	1,541
Telephone	-	5	-	5
Salaries	80,038	44,604	220,336	344,978
Dues & Memberships	-	360	-	360
General Administrative	75,724	(10,621)	45,433	110,536
Equipment	-	3,123	-	3,123
Printing, Postage and Publication	-	38,671	18,218	56,889
Phone-a-thon	-	-	3,749	3,749
Travel	-	-	2,102	2,102
	<u>\$ 2,230,594</u>	<u>\$ 112,262</u>	<u>\$ 297,159</u>	<u>\$ 2,640,015</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, 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
STATEMENTS OF CASH FLOW
For the Year Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors	\$ 1,559,649	\$ 1,627,044
Investment Income	1,162,698	659,172
Scholarships and Awards	(1,578,550)	(1,333,175)
Program Services Paid	(677,339)	(438,149)
Supporting Services Paid	(409,421)	(484,622)
	<u>57,037</u>	<u>30,270</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	5,764,976	8,443,655
Payment for Purchase of Investments	(6,828,402)	(10,042,719)
	<u>(1,063,426)</u>	<u>(1,599,064)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in Endowment	1,372,886	1,314,237
	<u>1,372,886</u>	<u>1,314,237</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	366,497	(254,557)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,154,373</u>	<u>1,408,930</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,520,870</u>	<u>\$ 1,154,373</u>
CHANGE IN NET ASSETS	\$ (3,364,582)	\$ 6,524,197
Adjustments to Reconcile Net Income to Net Cash Provided by		
Operating Activities:		
(Increase) Decrease in Pledges Receivable, net	38,480	(82,500)
(Increase) Decrease in Land	(9,000)	-
Increase (Decrease) in Accounts Payable	(25,295)	38,151
Net Unrealized and Realized (Gain) Loss on Investments	4,790,320	(5,135,341)
Contributions Restricted for Long-Term Investment	(1,372,886)	(1,314,237)
	<u>3,421,619</u>	<u>(6,493,927)</u>
Total Adjustments		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 57,037</u>	<u>\$ 30,270</u>
Reconciliation to the Statement of Financial Position		
Cash in Bank	\$ 489,173	\$ 241,774
Pooled Cash - Brokerage Accounts	875,137	746,097
Restricted Cash - Brokerage Accounts	156,560	166,502
	<u>\$ 1,520,870</u>	<u>\$ 1,154,373</u>

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

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021

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 1.75%, however, the Board approved the assessment of 1.75% against the Porter investments totaling \$163,748 and a reduced fee of 1.23% against the pooled investments totaling \$262,108 for fiscal year 2022.

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, 2022 and 2021.

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 2018 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, 2022 and 2021

Reclassification

Certain amounts in 2021 have been reclassified to conform to the 2022 financial statement presentation.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$2,435,800 and \$5,732,351 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 \$489,173 and \$241,774, certificates of deposit of \$300,000 and \$300,000, and investments of \$1,646,627 and \$5,190,577 as of June 30, 2022 and 2021, 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, 2022 and 2021, income earned on all pooled investments was recorded in the unrestricted fund and then allocated at a rate of 6.00%, 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, 2022 and 2021, income earned by the Hurley segregated investment was recorded in the “with donor restrictions” net asset fund. For fiscal years ending June 30, 2022 and 2021, 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 \$382,641 and \$114,835 for years ended June 30, 2022 and 2021, 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, 2022 and 2021

Pooled cash and investments

Pooled cash and investments at June 30, 2022 and 2021, are summarized as follows:

	2022		2021	
	Fair Market Value	% of Total	Fair Market Value	% of Total
Money Market Funds	\$ 875,137	5%	\$ 746,097	4%
Marketable Securities				
Fixed Income	2,879,984	15%	3,389,349	16%
Equities	9,895,351	53%	11,703,204	56%
Exchange Traded Funds	3,162,440	17%	3,436,780	16%
Alternative Investments	1,928,966	10%	1,715,932	8%
Total Marketable Securities	17,866,741	95%	20,245,265	96%
 TOTAL	\$ 18,741,878	100%	\$ 20,991,362	100%

Restricted cash and investments

Restricted cash and investments at June 30, 2022 and 2021, are summarized as follows:

	2022		2021	
	Fair Market Value	% of Total	Fair Market Value	% of Total
Money Market Funds	\$ 156,560	2%	\$ 166,502	2%
Marketable Securities				
Fixed Income	2,708,050	33%	3,169,770	33%
Equities	4,372,650	54%	5,117,197	54%
Exchange Traded Funds	613,027	8%	747,430	8%
Alternative Investments	288,136	4%	295,835	3%
Total Marketable Securities	7,981,863	98%	9,330,233	98%
 TOTAL	\$ 8,138,423	100%	\$ 9,496,735	100%

NOTE 4 INVESTMENT INCOME

Interest and dividend income of \$1,373,654 and \$861,773 was recognized on marketable securities as of June 30, 2022 and 2021, respectively. Investment fees and other activity of \$210,956 and \$202,601 were incurred as of June 30, 2022 and 2021, respectively.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 PLEDGES RECEIVABLE

At June 30, 2022, the Foundation had six pledges receivable from donors. The total balance at June 30, 2022 was \$57,270. This balance approximates fair value. Collection on pledges is expected as follows:

Year Ending June 30,		
2023	\$	57,270
		57,270
	\$	57,270

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, 2022, are as follows:

2023	\$	2,829
2024		2,829
2025		1,179
Total	\$	6,837

Rental expense for the operating lease for the year ended June 30, 2022, 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, 2022 and 2021, the University contributed \$288,798 and \$331,072, respectively, of which the Foundation reimbursed Adams State University \$264,941 and \$310,082, 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, 2022 and 2021

- 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, 2022, are as follows:

	Carrying Amount	Fair Value
Financial Assets		
Cash and certificates of deposit	\$ 1,820,870	\$ 1,820,870
Unconditional promises to give	57,270	57,270
Investment securities	23,631,502	23,631,502
Alternative investments	2,217,102	2,217,102
Financial Liabilities		
Accounts payable	\$ 51,247	\$ 51,247

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, 2022 and 2021

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, 2022 and 2021:

June 30, 2022	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	\$ 1,031,697	\$ 1,031,697	\$ -	\$ -
Mutual Funds	14,268,001	14,268,001	-	-
Corporate Bonds	3,218,219	3,218,219	-	-
Municipal Bonds	1,993,543	1,993,543	-	-
Government Bonds	376,272	376,272	-	-
Exchange Traded Funds	3,775,467	3,775,467	-	-
Alternative Investments	2,217,102	-	-	2,217,102
TOTAL	\$ 26,880,301	\$ 24,663,199	\$ -	\$ 2,217,102

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

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 classification of net assets as described above. Generally, all gifts to the Foundation include explicit donor

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021 and amounted to \$0 and \$3,479,973 respectively.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

Changes in Endowment Net Assets, for the two- year period ending June 30, 2022:

	With Donor Restrictions
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
Contributions	1,467,091
Investment Income	(510,591)
Program Expenditures/Scholarships	(857,157)
Changes in Donor Restrictions	(113,675)
Endowment Net Assets, June 30, 2022	\$ 23,076,440
Donor Purpose Restricted	\$ 498,020
Donor Perpetual in Nature	22,578,420
Endowment Net Assets, June 30, 2022	\$ 23,076,440

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 November 4, 2022 the date the financial statements were available to be issued.