



Consolidated Financial Statements  
June 30, 2022 and 2021

Colorado State University  
Research Foundation

Colorado State University Research Foundation

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June 30, 2022 and 2021

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## Independent Auditor's Report

To the Board of Trustees  
Colorado State University Research Foundation  
Fort Collins, Colorado

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Colorado State University Research Foundation, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colorado State University Research Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Colorado State University Research Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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; and for 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.

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

***Auditor's Responsibilities of the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or 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 consolidated 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 Colorado State University Research Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Colorado State University Research Foundation'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.



Fort Collins, Colorado  
October 18, 2022

Colorado State University Research Foundation

Consolidated Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 11,262,155	\$ 10,328,375
Certificates of deposit	-	1,057,857
Accounts and notes receivable, net	581,769	600,771
Prepaid and other assets	360,854	330,221
Direct-financing lease	8,522,401	8,804,424
Property and equipment, net	41,207,685	42,582,915
Intangible assets	790,317	36,000
Property held for sale	1,314,327	1,649,163
Assets held for Colorado State University	<u>13,125,140</u>	<u>13,464,479</u>
<b>Total assets</b>	<u><u>\$ 77,164,648</u></u>	<u><u>\$ 78,854,205</u></u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 304,015	\$ 496,776
Accrued expenses and other liabilities	1,278,036	1,082,548
Security deposits - rentals	216,773	222,165
Lines of credit	1,481,580	1,375,248
Deferred revenue	226,381	377,517
Real estate loans and mortgages	40,640,285	42,401,991
Assets held for Colorado State University	<u>13,125,140</u>	<u>13,464,479</u>
<b>Total liabilities</b>	<u>57,272,210</u>	<u>59,420,724</u>
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Undesignated	8,395,047	7,924,265
Designated for real estate projects	-	535,000
Designated for agricultural programs	103,163	103,163
Invested in property and direct-financing lease, net of related debt	<u>11,194,445</u>	<u>10,670,511</u>
	19,692,655	19,232,939
<b>With donor restrictions</b>	<u>199,783</u>	<u>200,542</u>
<b>Total net assets</b>	<u>19,892,438</u>	<u>19,433,481</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 77,164,648</u></u>	<u><u>\$ 78,854,205</u></u>

Colorado State University Research Foundation  
Consolidated Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Property rentals and related income	\$ 6,941,440	\$ -	\$ 6,941,440
Royalty revenue	3,107,991	-	3,107,991
Service fees	4,535,511	-	4,535,511
Program revenue - Todos Santos	63,841	-	63,841
Ranching operations	266,298	-	266,298
Other revenue	137,378	-	137,378
	<u>15,052,459</u>	<u>-</u>	<u>15,052,459</u>
Total operating revenue			
Operating Expenses			
Program expenses	12,045,980	-	12,045,980
General and administrative	2,902,316	-	2,902,316
	<u>14,948,296</u>	<u>-</u>	<u>14,948,296</u>
Total operating expenses			
Change in Net Assets - Operating	<u>104,163</u>	<u>-</u>	<u>104,163</u>
Change in Net Assets - Nonoperating			
Contributions and grants	40,767	-	40,767
Interest income	204,862	-	204,862
Gain on sale of property and equipment	109,959	-	109,959
Currency translation loss	(794)	-	(794)
Net assets released from restriction	759	(759)	-
	<u>355,553</u>	<u>(759)</u>	<u>354,794</u>
Change in Net Assets - Nonoperating			
Change in Net Assets	459,716	(759)	458,957
Net Assets, Beginning of Year	<u>19,232,939</u>	<u>200,542</u>	<u>19,433,481</u>
Net Assets, End of Year	<u>\$ 19,692,655</u>	<u>\$ 199,783</u>	<u>\$ 19,892,438</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 Functional Expenses  
Year Ended June 30, 2022

	Program Expense			General and Administrative	Total
	CSURF	Todos Santos	Total		
Salaries, benefits and taxes	\$ 3,096,903	\$ 101,389	\$ 3,198,292	\$ 1,760,550	\$ 4,958,842
Royalty payments	2,154,893	-	2,154,893	-	2,154,893
Depreciation and amortization	1,523,188	92,191	1,615,379	126,590	1,741,969
Interest	1,418,047	-	1,418,047	-	1,418,047
Professional services	801,289	16,909	818,198	485,541	1,303,739
Property management expense and utilities	1,264,749	10,042	1,274,791	5,026	1,279,817
Property taxes	934,702	-	934,702	2,494	937,196
Insurance	230,934	10,628	241,562	53,757	295,319
Dues and licenses	99,244	230	99,474	189,326	288,800
Other	132,564	141	132,705	14,232	146,937
Office expenses	-	4,028	4,028	112,736	116,764
Ranch expenses	88,833	-	88,833	-	88,833
Rent	22,968	19,824	42,792	8,233	51,025
Travel and entertainment	-	-	-	50,821	50,821
Sponsorships	-	-	-	47,883	47,883
Maintenance and repairs	-	-	-	45,127	45,127
Direct program expenses - Todos Santos	-	22,284	22,284	-	22,284
<b>Total expenses</b>	<b>\$ 11,768,314</b>	<b>\$ 277,666</b>	<b>\$ 12,045,980</b>	<b>\$ 2,902,316</b>	<b>\$ 14,948,296</b>

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

	Program Expense			General and Administrative	Total
	CSURF	Todos Santos	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 - Todos Santos	-	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 Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

	2022	2021
<b>Operating Activities</b>		
Cash received from property rentals	\$ 6,809,306	\$ 6,138,396
Cash received from royalties	3,107,991	3,849,085
Cash received from service fees - CSUS	4,535,511	4,568,958
Cash received from programs	63,841	30,839
Cash received from other activities	443,649	651,000
Interest received	204,862	239,232
Interest paid	(1,469,067)	(1,612,944)
Cash paid to employees	(3,842,934)	(3,790,043)
Cash paid for royalties	(2,160,258)	(3,148,842)
Cash paid to vendors	(6,154,543)	(5,538,526)
Net cash from operating activities	1,538,358	1,387,155
<b>Investing Activities</b>		
Net purchases/maturities of certificates of deposit	1,057,857	(4,710)
Purchase of property and equipment	(294,197)	(230,713)
Purchase of intangible assets	(754,317)	-
Cash proceeds from sale of property and equipment	372,253	1,674,940
Cash proceeds from sale of assets held for CSU	-	1,150,045
Payments received from financing lease	282,023	311,111
Net cash from investing activities	663,619	2,900,673
<b>Financing Activities</b>		
Advances from lines of credit	151,311	46,835
Principal payments on		
Lines of credit	(44,979)	(28,349)
Real estate loans and mortgages	(1,761,706)	(1,273,049)
Net cash used for financing activities	(1,655,374)	(1,254,563)
Net change in Cash, Cash Equivalents, and Restricted Cash	546,603	3,033,265
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	11,819,983	8,786,718
Cash, Cash Equivalents, and Restricted Cash End of Year	\$ 12,366,586	\$ 11,819,983
Cash and cash equivalents	\$ 11,262,155	\$ 10,328,375
Cash restricted for CSU included in assets held for CSU	1,104,431	1,491,608
Total cash, cash equivalents, and restricted cash	\$ 12,366,586	\$ 11,819,983

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

Colorado State University Research Foundation 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. Colorado State University Research Foundation provides property and equipment leasing, intellectual property and licensing management, 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. On October 5, 2021, CSURF Todos Santos (CSURF TS), a Mexican corporation, was established to respond to changes in Mexican law relating to taxing authorities. Financial information relating to CSURF AC and CSURF TS is presented in total for both entities, herein, although each entity stands alone for reporting purposes within Mexico. As of June 30, 2022 and 2021 total assets for these entities was \$3,495,985 and \$3,711,543, respectively.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Colorado State University Research Foundation, CSURF AC, and CSURF TS as Colorado State University Research Foundation has both control and an economic interest in the organizations. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “CSURF”.

### **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, which is reported within Assets held for Colorado State University within the consolidated statement of financial position.

### **Certificates of Deposit**

CSURF held certificates of deposit in a local financial institution with original maturities of one year or less at June 30, 2021. These certificates are not traded on the open market and CSURF believes that the recorded cost of the certificates approximates fair value. No certificates of deposit were held as of June 30, 2022.

**Receivables and Credit Policies**

Accounts and notes receivable consist primarily of noninterest-bearing amounts due from rental of real estate and license agreements. An 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, 2022 and 2021 the allowance for doubtful accounts was \$53,474 and \$38,115, 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.

CSURF participates in ownership of entities that develop technology within the University environment. Therefore, CSURF's 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 CSURF has 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 \$300,000 and \$250,000 as of June 30, 2022 and 2021, respectively.

As of and for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

**Intangible Assets**

Intangible asset additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Intangible assets consist of water rights, which are considered to have an indefinite useful life and are not amortized. The carrying values of intangible assets 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, 2022 and 2021. The carrying value of the water rights were \$790,317 and \$36,000 as of June 30, 2022 and 2021, respectively.

**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 agricultural programs (Note 10).

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor (or 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. CSURF reports 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. CSURF reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

**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 CSURF's ongoing programmatic initiatives. Nonoperating activities are limited to contributions and grants, 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, professional services, and dues and licenses, 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. CSURF is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

In addition, CSURF is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. CSURF has 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, 2022 and 2021. CSURF's Form 990-T is no longer subject to tax examination for years prior to 2019.

CSURF AC and CSURF TS are incorporated as separate nonprofit associations under Mexican corporate laws and, as such, are 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, CSURF has 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 CSURF's 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 have no impact on previously reported net assets.

**Subsequent Events**

Management has evaluated subsequent events through October 18, 2022, the date the consolidated financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

CSURF operates on a balanced budget, and regularly monitors liquidity to meet CSURF's operating needs and other contractual commitments while also striving to maximize the investment of CSURF's 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, 2022 and 2021, financial assets available for general expenditure within one year are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,225,486	\$ 10,290,947
Certificates of deposit	-	1,057,857
Accounts and notes receivable, net	<u>581,769</u>	<u>600,771</u>
	<u>\$ 11,807,255</u>	<u>\$ 11,949,575</u>

The governing board has designated, from net assets without donor restrictions, net assets for agricultural programs. Although CSURF does 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, CSURF 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 CSURF's 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 to mature on March 31, 2030 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>
2023	\$ 473,787
2024	473,787
2025	473,787
2026	473,787
2027	473,787
Thereafter	<u>7,540,090</u>
	9,909,025
Less amount representing interest	<u>(1,386,624)</u>
	<u>\$ 8,522,401</u>

**Note 4 - Property and Equipment**

Property and equipment consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 14,596,973	\$ 14,596,973
Buildings and improvements	40,367,380	40,173,034
Furniture and equipment	1,742,410	1,718,181
Breeding herd	<u>356,445</u>	<u>336,659</u>
	57,063,208	56,824,847
Less accumulated depreciation and amortization	<u>(15,855,523)</u>	<u>(14,241,932)</u>
	<u>\$ 41,207,685</u>	<u>\$ 42,582,915</u>

CSURF has 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, 2022 and 2021.

In addition, CSURF has property held for sale as of June 30, 2022 and 2021 with a net book value of \$1,314,327 and \$1,649,163, 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. On July 25, 2022, CSURF executed an agreement to sell all parcels of land held as part of the Utterback Ranch, which were recorded either within assets held for Colorado State University or property held for sale, for a total sales price of approximately \$5.6 million. Net proceeds will be transferred to CSU Foundation for the benefit of Colorado State University.

### Note 5 - Lines of Credit

Lines of credit consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</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 2022, secured by all accounts and equipment other than that held in a trust, fiduciary or bond capacity.	\$ 186,379	\$ 80,047
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 4.75% and 3.25% per annum as of June 30, 2022 and 2021), principal and any accrued interest due at maturity in December 2022, secured by a deed of trust and all assignments of rents associated with the property.	<u>1,295,201</u>	<u>1,295,201</u>
	<u>\$ 1,481,580</u>	<u>\$ 1,375,248</u>

### Note 6 - Real Estate Loans and Mortgages

CSURF borrows 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, 2022, rates are primarily variable	2.18% - 4.25%
Maturity dates	2022 - 2034

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

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June 30, 2022 and 2021

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

Years Ending June 30,	Amount
2023	\$ 3,281,150
2024	3,054,178
2025	7,977,137
2026	6,401,038
2027	5,597,450
Thereafter	14,329,332
	\$ 40,640,285

**Note 7 - Assets Held for Colorado State University**

CSURF holds title to assets, including restricted cash, accounts receivable, and properties, that are held solely for the benefit of various CSUS departments, and CSURF acts in an agency capacity. The balances of these assets as of June 30, 2022 and 2021 are as follows:

	2022	2021
Restricted cash	\$ 1,104,431	\$ 1,491,608
Accounts receivable	418,728	370,890
Properties held	6,146,069	11,601,981
Properties held for sale	5,455,912	-
	\$ 13,125,140	\$ 13,464,479

**Note 8 - Operating Leases**

CSURF leases various residential and commercial properties that generate rental income under operating lease agreements maturing through 2059. Property subject to operating leases is as follows at June 30, 2022 and 2021:

	2022	2021
Land	\$ 9,358,705	\$ 9,358,705
Buildings and improvements	31,145,184	31,145,184
	40,503,889	40,503,889
Less accumulated depreciation	(8,310,050)	(7,244,324)
	\$ 32,193,839	\$ 33,259,565

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>
2023	\$ 3,277,915
2024	3,093,745
2025	2,671,318
2026	1,062,225
2027	968,867
Thereafter	<u>15,920,418</u>
	<u>\$ 26,994,488</u>

#### **Note 9 - Net Assets with Donor Restrictions**

In 1969, CSURF 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 CSURF does 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.

The remaining net assets with donor restrictions consist of funds restricted for use in further development of inventions in the amount of \$36,669 and \$37,428 at June 30, 2022 and 2021, respectively.

#### **Note 10 - 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 and totaled \$103,163 at June 30, 2022 and 2021.

In addition, the Board designated \$535,000 of net assets without donor restrictions for use in real estate projects at June 30, 2021. During the year ended June 30, 2022 the Board voted to release the restriction of the entire \$535,000 resulting in no board-designated balance as of year-end.

#### **Note 11 - Related Party Transactions**

CSURF received service and other fees from CSUS of \$4,454,750 and \$4,276,885 during the years ended June 30, 2022 and 2021, respectively.

CSURF leases 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. These agreements mature at various dates through 2027 and for the years ended June 30, 2022 and 2021, generated income of \$1,633,300 and \$1,599,399, respectively.

**Note 12 - Retirement Plan**

CSURF has 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 \$384,183 and \$449,721 for the years ended June 30, 2022 and 2021, respectively.