



Consolidated Financial Statements  
June 30, 2024 and 2023

Colorado State University Research  
Foundation (dba CSU STRATA)

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## Independent Auditor's Report

To the Board of Trustees  
CSU STRATA  
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 dba CSU STRATA ("CSU STRATA"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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 CSU STRATA as of June 30, 2024 and 2023, 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 for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CSU STRATA 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 CSU STRATA'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 for 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 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 CSU STRATA'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 CSU STRATA'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.

*Eide Sully LLP*

Fort Collins, Colorado  
October 8, 2024

CSU STRATA  
Consolidated Statements of Financial Position  
June 30, 2024 and 2023

|   | 2024          | 2023          |
|---|---------------|---------------|
| <b>Assets</b>   |               |               |
| Cash and cash equivalents   | \$ 14,340,423 | \$ 9,268,774  |
| Operating investments   | -             | 3,994,440     |
| Accounts and notes receivable, net                                      | 1,388,206     | 973,851       |
| Prepaid and other assets  | 272,967       | 344,526       |
| Direct-financing lease  | 7,939,815     | 8,234,082     |
| Property and equipment, net   | 38,437,561    | 39,397,963    |
| Intangible assets   | 790,317       | 790,317       |
| Assets held for Colorado State University                               | 8,772,045     | 8,406,391     |
| Total assets  | \$ 71,941,334 | \$ 71,410,344 |
| <b>Liabilities and Net Assets</b>                                       |               |               |
| Accounts payable  | \$ 627,183    | \$ 382,701    |
| Accrued expenses and other liabilities                                  | 3,668,970     | 3,336,474     |
| Security deposits - rentals   | 287,293       | 244,794       |
| Lines of credit   | 175,414       | 246,835       |
| Deferred revenue  | 259,943       | 303,298       |
| Real estate loans and mortgages   | 35,857,412    | 37,469,890    |
| Assets held for Colorado State University                               | 8,772,045     | 8,406,391     |
| Total liabilities   | 49,648,260    | 50,390,383    |
| <b>Net Assets</b>   |               |               |
| Without donor restrictions  |               |               |
| Undesignated  | 10,962,261    | 10,118,378    |
| Invested in property and direct-financing lease,<br>net of related debt | 11,134,867    | 10,705,637    |
|   | 22,097,128    | 20,824,015    |
| With donor restrictions   | 195,946       | 195,946       |
| Total net assets  | 22,293,074    | 21,019,961    |
| Total liabilities and net assets  | \$ 71,941,334 | \$ 71,410,344 |

CSU STRATA  
Consolidated Statement of Activities  
Year Ended June 30, 2024

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|---|-------------------------------|----------------------------|----------------------|
| <b>Revenue, Support, and Gains</b>              |                               |                            |                      |
| Property rentals and related income             | \$ 7,405,744                  | \$ -                       | \$ 7,405,744         |
| Royalty revenue                                 | 3,580,682                     | -                          | 3,580,682            |
| Service fees                                    | 5,730,425                     | -                          | 5,730,425            |
| Program revenue - Todos Santos                  | 242,021                       | -                          | 242,021              |
| Ranching operations                             | 370,897                       | -                          | 370,897              |
| Dividend and interest income                    | 803,056                       | -                          | 803,056              |
| Contributions and grants                        | 283,218                       | -                          | 283,218              |
| Net investment return                           | 5,560                         | -                          | 5,560                |
| Gain on sale of property and equipment          | 70,815                        | -                          | 70,815               |
| Other revenue                                   | 115,580                       | -                          | 115,580              |
|   | <u>18,607,998</u>             | <u>-</u>                   | <u>18,607,998</u>    |
| <b>Expenses</b>                                 |                               |                            |                      |
| Program expenses                                | 13,308,699                    | -                          | 13,308,699           |
| General and administrative                      | 3,874,977                     | -                          | 3,874,977            |
|   | <u>17,183,676</u>             | <u>-</u>                   | <u>17,183,676</u>    |
| Loss on Foreign Currency Translation Adjustment | 151,209                       | -                          | 151,209              |
| Change in Net Assets                            | 1,273,113                     | -                          | 1,273,113            |
| Net Assets, Beginning of Year                   | 20,824,015                    | 195,946                    | 21,019,961           |
| Net Assets, End of Year                         | <u>\$ 22,097,128</u>          | <u>\$ 195,946</u>          | <u>\$ 22,293,074</u> |

CSU STRATA  
Consolidated Statement of Activities  
Year Ended June 30, 2023

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|---|-------------------------------|----------------------------|----------------------|
| <b>Revenue, Support, and Gains</b>              |                               |                            |                      |
| Property rentals and related income             | \$ 7,409,979                  | \$ -                       | \$ 7,409,979         |
| Royalty revenue                                 | 3,157,647                     | -                          | 3,157,647            |
| Service fees                                    | 5,686,776                     | -                          | 5,686,776            |
| Realized gain on equity securities              | 641,457                       | -                          | 641,457              |
| Program revenue - Todos Santos                  | 247,655                       | -                          | 247,655              |
| Ranching operations                             | 234,682                       | -                          | 234,682              |
| Net investment return                           | 122,081                       | -                          | 122,081              |
| Contributions and grants                        | 257,554                       | -                          | 257,554              |
| Interest income                                 | 220,528                       | -                          | 220,528              |
| Gain on sale of property and equipment          | 12,954                        | -                          | 12,954               |
| Other revenue                                   | 98,034                        | -                          | 98,034               |
| Net assets released from restriction            | 3,837                         | (3,837)                    | -                    |
|   | <u>18,093,184</u>             | <u>(3,837)</u>             | <u>18,089,347</u>    |
| <b>Expenses and Losses</b>                      |                               |                            |                      |
|   | 13,168,986                    | -                          | 13,168,986           |
| Program expenses                                | 3,607,525                     | -                          | 3,607,525            |
| General and administrative                      |                               |                            |                      |
| Total expenses                                  | <u>16,776,511</u>             | <u>-</u>                   | <u>16,776,511</u>    |
| Loss on Foreign Currency Translation Adjustment | <u>185,313</u>                | <u>-</u>                   | <u>185,313</u>       |
| Change in Net Assets                            | 1,131,360                     | (3,837)                    | 1,127,523            |
| Net Assets, Beginning of Year                   | <u>19,692,655</u>             | <u>199,783</u>             | <u>19,892,438</u>    |
| Net Assets, End of Year                         | <u>\$ 20,824,015</u>          | <u>\$ 195,946</u>          | <u>\$ 21,019,961</u> |

CSU STRATA  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2024

|   | Program Expense      |                   |                      | General and<br>Administrative | Total                |
|---|----------------------|-------------------|----------------------|-------------------------------|----------------------|
|   | CSU Strata           | Todos Santos      | Total                |                               |                      |
| Salaries, benefits and taxes              | \$ 4,087,034         | \$ 190,624        | \$ 4,277,658         | \$ 2,239,170                  | \$ 6,516,828         |
| Royalty payments                          | 2,523,980            | -                 | 2,523,980            | -                             | 2,523,980            |
| Depreciation and amortization             | 1,523,953            | 117,439           | 1,641,392            | 109,941                       | 1,751,333            |
| Professional services                     | 543,747              | 81,187            | 624,934              | 1,049,821                     | 1,674,755            |
| Property management expense and utilities | 1,578,171            | 13,532            | 1,591,703            | 6,205                         | 1,597,908            |
| Interest                                  | 1,254,250            | -                 | 1,254,250            | -                             | 1,254,250            |
| Property taxes                            | 685,636              | -                 | 685,636              | 2,993                         | 688,629              |
| Insurance                                 | 359,033              | 11,838            | 370,871              | 43,472                        | 414,343              |
| Office expenses                           | -                    | 4,340             | 4,340                | 246,619                       | 250,959              |
| Rent                                      | 33,388               | 70,485            | 103,873              | -                             | 103,873              |
| Other                                     | 78,214               | -                 | 78,214               | 11,844                        | 90,058               |
| Ranch expenses                            | 80,978               | -                 | 80,978               | -                             | 80,978               |
| Dues and licenses                         | 25,853               | -                 | 25,853               | 44,807                        | 70,660               |
| Sponsorships                              | -                    | -                 | -                    | 56,395                        | 56,395               |
| Direct program expenses - Todos Santos    | -                    | 43,401            | 43,401               | -                             | 43,401               |
| Travel and entertainment                  | -                    | 1,616             | 1,616                | 32,307                        | 33,923               |
| Maintenance and repairs                   | -                    | -                 | -                    | 31,403                        | 31,403               |
| <b>Total expenses</b>                     | <b>\$ 12,774,237</b> | <b>\$ 534,462</b> | <b>\$ 13,308,699</b> | <b>\$ 3,874,977</b>           | <b>\$ 17,183,676</b> |

CSU STRATA  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2023

|   | Program Expense             |                          |                             | General and<br>Administrative | Total                       |
|---|-----------------------------|--------------------------|-----------------------------|-------------------------------|-----------------------------|
|   | CSU Strata                  | Todos Santos             | Total                       |                               |                             |
| Salaries, benefits and taxes              | \$ 3,883,561                | \$ 107,534               | \$ 3,991,095                | \$ 2,127,348                  | \$ 6,118,443                |
| Royalty payments                          | 2,145,669                   | -                        | 2,145,669                   | -                             | 2,145,669                   |
| Professional services                     | 897,164                     | -                        | 897,164                     | 855,685                       | 1,752,849                   |
| Depreciation and amortization             | 1,528,308                   | 96,051                   | 1,624,359                   | 124,015                       | 1,748,374                   |
| Property management expense and utilities | 1,500,339                   | 8,559                    | 1,508,898                   | 3,950                         | 1,512,848                   |
| Interest                                  | 1,398,530                   | -                        | 1,398,530                   | -                             | 1,398,530                   |
| Property taxes                            | 860,882                     | -                        | 860,882                     | 3,373                         | 864,255                     |
| Insurance                                 | 264,907                     | 10,912                   | 275,819                     | 38,866                        | 314,685                     |
| Office expenses                           | -                           | 3,031                    | 3,031                       | 224,992                       | 228,023                     |
| Ranch expenses                            | 165,071                     | -                        | 165,071                     | -                             | 165,071                     |
| Other                                     | 81,078                      | -                        | 81,078                      | 33,748                        | 114,826                     |
| Rent                                      | 28,120                      | 71,524                   | 99,644                      | 7,106                         | 106,750                     |
| Dues and licenses                         | 21,900                      | -                        | 21,900                      | 78,956                        | 100,856                     |
| Direct program expenses - Todos Santos    | -                           | 93,875                   | 93,875                      | -                             | 93,875                      |
| Sponsorships                              | -                           | -                        | -                           | 48,159                        | 48,159                      |
| Travel and entertainment                  | -                           | 1,971                    | 1,971                       | 35,056                        | 37,027                      |
| Maintenance and repairs                   | -                           | -                        | -                           | 26,271                        | 26,271                      |
| <b>Total expenses</b>                     | <b><u>\$ 12,775,529</u></b> | <b><u>\$ 393,457</u></b> | <b><u>\$ 13,168,986</u></b> | <b><u>\$ 3,607,525</u></b>    | <b><u>\$ 16,776,511</u></b> |

CSU STRATA  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2024 and 2023

|   | 2024          | 2023          |
|---|---------------|---------------|
| <b>Operating Activities</b>                                   |               |               |
| Cash received from property rentals                           | \$ 7,113,776  | \$ 7,094,814  |
| Cash received from royalties                                  | 3,414,940     | 3,157,647     |
| Cash received from service fees - CSUS                        | 5,730,425     | 5,686,776     |
| Cash received from programs                                   | 242,021       | 247,655       |
| Cash received from other activities                           | 769,695       | 590,270       |
| Interest received   | 803,056       | 220,529       |
| Interest paid   | (1,254,427)   | (1,361,179)   |
| Cash paid to employees  | (4,774,264)   | (4,578,576)   |
| Cash paid for royalties                                       | (1,935,194)   | (401,236)     |
| Cash paid to vendors  | (6,861,081)   | (6,660,023)   |
| Net cash from operating activities                            | 3,248,947     | 3,996,677     |
| <b>Investing Activities</b>                                   |               |               |
| Net purchases/sales of operating investments                  | 4,000,000     | (3,872,359)   |
| Purchase of property and equipment                            | (946,808)     | (144,634)     |
| Net cash proceeds from sale of property and equipment         | 75,483        | 1,347,950     |
| Cash proceeds from sale of equity securities                  | -             | 641,459       |
| Payments received from direct-financing lease                 | 294,267       | 288,319       |
| Net cash from (used for) investing activities                 | 3,422,942     | (1,739,265)   |
| <b>Financing Activities</b>                                   |               |               |
| Advances from lines of credit                                 | -             | 123,609       |
| Principal payments on   |               |               |
| Lines of credit   | (71,421)      | (1,358,354)   |
| Real estate loans and mortgages                               | (1,612,478)   | (3,170,395)   |
| Net cash used for financing activities                        | (1,683,899)   | (4,405,140)   |
| Net Change in Cash, Cash Equivalents, and Restricted Cash     | 4,987,990     | (2,147,728)   |
| Cash, Cash Equivalents, and Restricted Cash Beginning of Year | 10,218,858    | 12,366,586    |
| Cash, Cash Equivalents, and Restricted Cash End of Year       | \$ 15,206,848 | \$ 10,218,858 |
| Cash and Cash Equivalents                                     | \$ 14,340,423 | \$ 9,268,774  |
| Cash Restricted for CSU Included in Assets Held for CSU       | 866,425       | 950,084       |
| Total cash, cash equivalents, and restricted cash             | \$ 15,206,848 | \$ 10,218,858 |

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

### **Organization**

Colorado State University Research Foundation, dba CSU STRATA, 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. CSU STRATA 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, 2024 and 2023 total assets for these entities were \$3,106,176 and \$3,426,209, respectively.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of CSU STRATA, CSURF AC, and CSURF TS as CSU STRATA 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 “CSU STRATA”.

### **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 statements of financial position.

CSU STRATA maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2024 and 2023, CSU STRATA had bank balances approximately \$15,190,000 and \$9,890,000, respectively, in excess of FDIC-insured limits.

**Accounts Receivable and Allowances for Credit Losses**

On July 1, 2023, CSU STRATA adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

CSU STRATA adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. As a result of the adoption of the new credit loss guidance, CSU STRATA did not recognize any cumulative effects on its net assets. The adoption of the new standard did not materially impact CSU STRATA’s consolidated statements of activities or consolidated statements of cash flows.

Accounts and notes receivable consist primarily of noninterest-bearing amounts due from rental of real estate and license agreements. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2024 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit loss percentages (i.e. the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes.

Change in the allowance for credit losses for receivables are as follows for the year ended June 30, 2024:

|  |           |                 |
|--|-----------|-----------------|
| Allowance for Credit Losses, Beginning of Year | \$        | 80,914          |
| Provision for credit losses                    |           | 30,477          |
| Write-offs charged against the allowance       |           | <u>(13,904)</u> |
| Allowance for Credit Losses, End of Year       | <u>\$</u> | <u>97,487</u>   |

For the year ended June 30, 2023, allowance for doubtful accounts was computed using historical loss rate factors applied to unpaid accounts. Loss rate factors are based on historical loss experience and adjusted for economic conditions, individual credit evaluation, and special circumstances of customers affecting CSU STRATA’s ability to collect outstanding amounts. Accounts receivable are written off when deemed uncollectible. At June 30, 2023, the allowance was \$80,914.

The note receivable was entered in to during the year ended June 30, 2024 and is for tenant improvements paid by CSU STRATA and will be repaid by the tenant in monthly installments of \$3,773, bearing interest at 7%. As of June 30, 2024, the balance on this note was \$221,591, and no allowance for credit losses was recorded.

### **Investments**

Operating investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses specifically derived from CSU STRATA's operating 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.

CSU STRATA participates in ownership of entities that develop technology within the University environment. Therefore, CSU STRATA'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 CSU STRATA 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 as of June 30, 2024 and 2023.

As of and for the years ended June 30, 2024 and 2023, 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.

### **Leases**

CSU STRATA classifies its leases at inception as operating or direct financing leases. Direct financing leases meet certain criteria that have the economic characteristics of transferring ownership of the underlying asset and are accounted for similar to financing arrangements. Selling profit on a direct financing lease is deferred and amortized over the lease term, and a selling loss is recognized at lease commencement. Interest income on the net investment in leases is recognized as direct financing revenue over the lease term in a manner that produces a constant rate of return on the net investment in the lease. A lease is classified as an operating lease if it does not qualify as a direct financing lease.

### 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, 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, 2024 and 2023.

### 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, 2024 and 2023. The carrying value of the water rights were \$790,317 as of June 30, 2024 and 2023.

### 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.

*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. CSU STRATA 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. CSU STRATA 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, 2026, 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. Income from ranching operations is recognized at a point in time when the title of the livestock is transferred to the customer.

### **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**

CSU STRATA 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. CSU STRATA is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

In addition, CSU STRATA is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. CSU STRATA has determined that certain operations are subject to unrelated business income tax and has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for both years ended June 30, 2024 and 2023. CSU STRATA's Form 990-T is no longer subject to tax examination for years prior to 2021.

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.

### **Foreign Currency Translation**

The functional currency of CSURF AC and CSURF TS is the Mexican Peso. Assets and liabilities are translated at the year-end exchange rates and revenues and expenses are translated at the average exchange rate for the period, with the corresponding exchange effect reflected as gain/(loss) on foreign currency translation adjustment.

### **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, CSU STRATA 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 CSU STRATA'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 had no impact on previously reported net assets.

### **Subsequent Events**

Management has evaluated subsequent events through October 8, 2024, the date the consolidated financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

CSU STRATA operates on a balanced budget, and regularly monitors liquidity to meet operating needs and other contractual commitments while also striving to maximize the investment of 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, 2024 and 2023, financial assets available for general expenditure within one year are comprised of the following:

|                                    | 2024          | 2023          |
|------------------------------------|---------------|---------------|
| Cash and cash equivalents          | \$ 14,307,591 | \$ 9,235,942  |
| Operating investments              | -             | 3,994,440     |
| Accounts and notes receivable, net | 1,177,855     | 973,851       |
|                                    | \$ 15,485,446 | \$ 14,204,233 |

**Note 3 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the entity's assessment of the quality, risk, or liquidity profile of the asset.

As of June 30, 2023, a significant portion of investment assets were classified within Level 1 because they were comprised of U.S. government obligations with readily determinable fair values based on closing market prices or daily redemption values. During the year ended June 30, 2024, CSU STRATA liquidated all of their U.S. government obligations. CSU STRATA held \$0 and \$3,994,440 of U.S. government obligations as of June 30, 2024 and 2023, respectively.

**Note 4 - Direct-Financing Lease**

During 2015, CSU STRATA 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 CSU STRATA's note payable. The direct-financing lease consists of monthly payments of principal and interest beginning April 2015, with an interest rate of 2.18% and maturity date of March 31, 2030.

Future minimum lease payments to be received are as follows:

| Years Ending June 30,             | Amount       |
|-----------------------------------|--------------|
| 2025                              | \$ 473,787   |
| 2026                              | 473,787      |
| 2027                              | 473,787      |
| 2028                              | 473,787      |
| 2029                              | 473,787      |
| Thereafter                        | 6,490,726    |
|                                   | 8,859,661    |
| Less amount representing interest | (919,846)    |
|                                   | \$ 7,939,815 |

**Note 5 - Property and Equipment**

Property and equipment consists of the following at June 30, 2024 and 2023:

|  | 2024          | 2023          |
|--|---------------|---------------|
| Land and land improvements                     | \$ 14,628,048 | \$ 14,473,731 |
| Buildings and improvements                     | 40,630,759    | 40,589,624    |
| Furniture and equipment                        | 1,788,523     | 1,727,197     |
| Breeding herd                                  | 372,868       | 311,098       |
| Construction in progress                       | 342,717       | -             |
|  | 57,762,915    | 57,101,650    |
| Less accumulated depreciation and amortization | (19,325,354)  | (17,703,687)  |
|  | \$ 38,437,561 | \$ 39,397,963 |

Depreciation expense on non-leased assets totaled \$689,597 and \$686,639 for the years ended June 30, 2024 and 2023, respectively.

CSU STRATA 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 \$2,008,965 and \$2,558,965 at June 30, 2024 and 2023, respectively.

**Note 6 - Lines of Credit**

Lines of credit consist of the following at June 30, 2024 and 2023:

|   | 2024       | 2023       |
|---|------------|------------|
| Equipment leasing \$1,000,000 line of credit, interest due in quarterly payments at rate of 6.53% and 4.95% per annum as of June 30, 2024 and 2023, respectively, principal and any accrued interest due at maturity in December 2024, secured by all accounts and equipment other than that held in a trust, fiduciary or bond capacity. | \$ 175,414 | \$ 246,835 |

**Note 7 - Real Estate Loans and Mortgages**

CSU STRATA 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 - \$39,500 |
| Interest rates at June 30, 2024, rates are primarily variable | 2.18% - 7.75%      |
| Maturity dates  | 2024 - 2034        |

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

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

| <u>Years Ending June 30,</u> | <u>Amount</u>        |
|------------------------------|----------------------|
| 2025                         | \$ 9,880,948         |
| 2026                         | 10,800,782           |
| 2027                         | 846,871              |
| 2028                         | 651,732              |
| 2029                         | 1,179,148            |
| Thereafter                   | 12,497,931           |
|                              | <u>\$ 35,857,412</u> |

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

CSU STRATA holds title to assets, including restricted cash, accounts receivable, and properties, that are held solely for the benefit of various CSUS departments, and CSU STRATA acts in an agency capacity. The balances of these assets as of June 30, 2024 and 2023 are as follows:

|                     | <u>2024</u>         | <u>2023</u>         |
|---------------------|---------------------|---------------------|
| Restricted cash     | \$ 866,425          | \$ 950,084          |
| Accounts receivable | 605,633             | 519,320             |
| Properties held     | 7,299,987           | 6,936,987           |
|                     | <u>\$ 8,772,045</u> | <u>\$ 8,406,391</u> |

**Note 9 - Operating Leases**

CSU STRATA leases various residential and commercial properties that generate rental income under operating lease agreements maturing from 2024 through 2075 with fixed lease payments ranging from approximately \$150 per month to \$27,000 per month. Property subject to operating leases is as follows at June 30, 2024 and 2023:

|                               | 2024          | 2023          |
|-------------------------------|---------------|---------------|
| Land                          | \$ 8,069,934  | \$ 8,069,934  |
| Buildings and improvements    | 31,145,184    | 31,145,184    |
|                               | 39,215,118    | 39,215,118    |
| Less accumulated depreciation | (10,437,512)  | (9,375,776)   |
|                               | \$ 28,777,606 | \$ 29,839,342 |

Depreciation expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the assets to their estimated residual values. Depreciation expense relating to leased property subject to operating leases was \$1,061,736 and \$1,065,726 for the years ended June 30, 2024 and 2023, respectively.

Lease income recognized on operating leases was \$5,680,465 and \$5,529,020 for the years ended June 30, 2024 and 2023, respectively.

Future minimum rental revenue under the non-cancelable operating leases, including signed but not commenced operating leases, having remaining terms in excess of one year are as follows:

| Years Ending June 30, | Amount        |
|-----------------------|---------------|
| 2025                  | \$ 3,171,302  |
| 2026                  | 1,837,358     |
| 2027                  | 1,670,715     |
| 2028                  | 1,633,381     |
| 2029                  | 1,454,526     |
| Thereafter            | 19,010,324    |
|                       | \$ 28,777,606 |

**Note 10 - Net Assets with Donor Restrictions**

In 1969, CSU STRATA 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 CSU STRATA 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 \$32,832 at June 30, 2024 and 2023.

**Note 11 - Related Party Transactions**

CSU STRATA received service and other fees from CSUS of \$5,213,509 and \$5,373,586 during the years ended June 30, 2024 and 2023, respectively.

CSU STRATA 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 2028 and for the years ended June 30, 2024 and 2023, generated income of \$1,824,514 and \$1,657,242, respectively.

**Note 12 - Retirement Plan**

CSU STRATA has a defined-contribution money purchase retirement plan that covers full-time employees who have attained age 21 and have completed 30 days of service. Contributions, calculated at 10% of employee base compensation up to \$25,000 plus 14.3% over \$25,000 of compensation, were \$574,358 and \$479,127 for the years ended June 30, 2024 and 2023, respectively.