

Consolidated Financial Statements
June 30, 2025 and 2024

**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, 2025 and 2024, 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, 2025 and 2024, 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 Bailly LLP

Fort Collins, Colorado
October 7, 2025

CSU STRATA
Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 11,333,702	\$ 14,340,423
Accounts and notes receivable, net	1,046,555	1,388,206
Prepaid and other assets	206,171	272,967
Cash restricted for ATLAS facility	83,269,254	-
Direct-financing lease	7,638,487	7,939,815
Property and equipment, net	48,528,663	38,437,561
Intangible assets	790,317	790,317
Assets held for Colorado State University	8,664,419	8,772,045
	<u>\$ 161,477,568</u>	<u>\$ 71,941,334</u>
Liabilities and Net Assets		
Accounts payable	\$ 2,771,625	\$ 627,183
Accrued expenses and other liabilities	3,379,069	3,668,970
Security deposits - rentals	164,560	287,293
Lines of credit	3,439,825	175,414
Deferred revenue	210,808	259,943
Real estate loans and mortgages	33,405,298	35,857,412
Assets held for Colorado State University	8,664,418	8,772,045
Bonds payable, net	81,557,258	-
	<u>133,592,861</u>	<u>49,648,260</u>
Net Assets		
Without donor restrictions		
Undesignated	7,576,417	10,962,261
Invested in property and direct-financing lease, net of related debt	20,112,344	11,134,867
	<u>27,688,761</u>	<u>22,097,128</u>
With donor restrictions	195,946	195,946
	<u>27,884,707</u>	<u>22,293,074</u>
	<u>\$ 161,477,568</u>	<u>\$ 71,941,334</u>

CSU STRATA
Consolidated Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Property rentals and related income	\$ 6,945,234	\$ -	\$ 6,945,234
Royalty revenue	3,666,648	-	3,666,648
Service fees	6,425,464	-	6,425,464
Contributions and grants	5,604,242	-	5,604,242
Program revenue - Todos Santos	235,972	-	235,972
Ranching operations	423,675	-	423,675
Dividend and interest income	708,042	-	708,042
Other revenue	181,884	-	181,884
	<u>24,191,161</u>	<u>-</u>	<u>24,191,161</u>
Expenses and Losses			
Program expenses	13,977,557	-	13,977,557
General and administrative	4,379,293	-	4,379,293
	<u>18,356,850</u>	<u>-</u>	<u>18,356,850</u>
Loss on Sale of Property and Equipment	114,427	-	114,427
Loss on Foreign Currency Translation Adjustment	128,251	-	128,251
	<u>5,591,633</u>	<u>-</u>	<u>5,591,633</u>
Change in Net Assets	22,097,128	195,946	22,293,074
Net Assets, Beginning of Year	<u>22,097,128</u>	<u>195,946</u>	<u>22,293,074</u>
Net Assets, End of Year	<u>\$ 27,688,761</u>	<u>\$ 195,946</u>	<u>\$ 27,884,707</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
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
Contributions and grants	283,218	-	283,218
Interest income	803,056	-	803,056
Other revenue	191,955	-	191,955
	<u>18,607,998</u>	<u>-</u>	<u>18,607,998</u>
Expenses and Losses			
	13,308,699	-	13,308,699
Program expenses	3,874,977	-	3,874,977
General and administrative			
Total expenses	<u>17,183,676</u>	<u>-</u>	<u>17,183,676</u>
Loss on Foreign Currency Translation Adjustment	<u>151,209</u>	<u>-</u>	<u>151,209</u>
Change in Net Assets	1,273,113	-	1,273,113
Net Assets, Beginning of Year	<u>20,824,015</u>	<u>195,946</u>	<u>21,019,961</u>
Net Assets, End of Year	<u>\$ 22,097,128</u>	<u>\$ 195,946</u>	<u>\$ 22,293,074</u>

CSU STRATA
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Program Expense			General and Administrative	Total
	CSU Strata	Todos Santos	Total		
Salaries, benefits and taxes	\$ 4,413,756	\$ 158,527	\$ 4,572,283	\$ 2,274,132	\$ 6,846,415
Royalty payments	2,771,309	-	2,771,309	-	2,771,309
Professional services	565,531	104,998	670,529	1,453,177	2,123,706
Depreciation and amortization	1,428,369	104,526	1,532,895	55,477	1,588,372
Property management expense and utilities	1,444,968	45,807	1,490,775	19,077	1,509,852
Interest	1,368,296	-	1,368,296	-	1,368,296
Property taxes	682,254	-	682,254	2,864	685,118
Insurance	410,313	13,682	423,995	58,209	482,204
Office expenses	-	960	960	297,068	298,028
Ranch expenses	186,494	-	186,494	-	186,494
Other	132,650	1,262	133,912	24,696	158,608
Rent	32,733	64,074	96,807	-	96,807
Maintenance and repairs	-	-	-	92,085	92,085
Sponsorships	-	-	-	50,295	50,295
Direct program expenses - Todos Santos	-	44,825	44,825	-	44,825
Dues and licenses	1,518	-	1,518	33,607	35,125
Travel and entertainment	-	705	705	18,606	19,311
Total expenses	\$ 13,438,191	\$ 539,366	\$ 13,977,557	\$ 4,379,293	\$ 18,356,850

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

	Program Expense			General and 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
Professional services	543,747	81,187	624,934	1,049,821	1,674,755
Depreciation and amortization	1,523,953	117,439	1,641,392	109,941	1,751,333
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
Ranch expenses	80,978	-	80,978	-	80,978
Other	78,214	-	78,214	11,844	90,058
Rent	33,388	70,485	103,873	-	103,873
Dues and licenses	25,853	-	25,853	44,807	70,660
Direct program expenses - Todos Santos	-	43,401	43,401	-	43,401
Sponsorships	-	-	-	56,395	56,395
Travel and entertainment	-	1,616	1,616	32,307	33,923
Maintenance and repairs	-	-	-	31,403	31,403
Total expenses	\$ 12,774,237	\$ 534,462	\$ 13,308,699	\$ 3,874,977	\$ 17,183,676

CSU STRATA
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Activities		
Cash received from property rentals	\$ 7,072,050	\$ 7,113,776
Cash received from royalties	3,783,949	3,414,940
Cash received from service fees - CSUS	6,425,464	5,730,425
Cash received from programs	235,972	242,021
Cash received from other activities	6,209,805	769,695
Interest received	756,441	803,056
Interest paid	(1,368,296)	(1,254,427)
Cash paid to employees	(5,144,272)	(4,774,264)
Cash paid for royalties	(2,689,178)	(1,935,194)
Cash paid to vendors	(5,845,789)	(6,861,081)
	<u>9,436,146</u>	<u>3,248,947</u>
Investing Activities		
Net purchases/sales of operating investments	-	4,000,000
Purchase of property and equipment	(12,023,342)	(946,808)
Net cash proceeds from sale of property and equipment	101,190	75,483
Payments received from direct-financing lease	301,328	294,267
	<u>(11,620,824)</u>	<u>3,422,942</u>
Financing Activities		
Advances from lines of credit	3,494,306	-
Proceeds from issuance of real estate loans and mortgages	2,603,262	-
Proceeds from bonds payable, net	81,557,258	-
Principal payments on		
Lines of credit	(229,895)	(71,421)
Real estate loans and mortgages	(5,055,376)	(1,612,478)
	<u>82,369,555</u>	<u>(1,683,899)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	80,184,877	4,987,990
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	15,206,848	10,218,858
	<u>\$ 95,391,725</u>	<u>\$ 15,206,848</u>
Cash and Cash Equivalents	\$ 11,333,702	\$ 14,340,423
Cash Restricted for CSU Included in Assets Held for CSU	788,769	866,425
Cash Restricted for ATLAS Facility	83,269,254	-
	<u>\$ 95,391,725</u>	<u>\$ 15,206,848</u>

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, 2025 and 2024 total assets for these entities were \$2,838,345 and \$3,106,176, 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. Restricted cash also includes proceeds from issued bonds that are restricted for construction of ATLAS facility (Note 7).

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, 2025 and 2024, CSU STRATA had bank balances approximately \$11,960,000 and \$15,190,000, respectively, in excess of FDIC-insured limits.

Accounts Receivable and Allowances for Credit Losses

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, 2025 and 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 years ended June 30, 2025 and 2024:

	2025	2024
Allowance for Credit Losses, Beginning of Year	\$ 97,487	\$ 80,914
Provision for credit losses	22,040	30,477
Write-offs charged against the allowance	(3,000)	(13,904)
	\$ 116,527	\$ 97,487

The note receivable was entered into 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 \$3,622, bearing interest at 7%. As of June 30, 2025 and 2024, the balance on this note was \$210,831 and \$221,591, respectively, and no allowance for credit losses was recorded.

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, 2025 and 2024.

As of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method. Debt issuance costs are included within bonds payable in the statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

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, 2025 and 2024. The carrying value of the water rights were \$790,317 as of June 30, 2025 and 2024.

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, 2025 and 2024. CSU STRATA's Form 990-T is no longer subject to tax examination for years prior to 2022.

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.

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, 2025 and 2024, financial assets available for general expenditure within one year are comprised of the following:

	2025	2024
Cash and cash equivalents	\$ 11,300,870	\$ 14,307,591
Accounts and notes receivable, net	1,046,555	1,177,855
	\$ 12,347,425	\$ 15,485,446

Note 3 - 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 had an original 10-year-term maturing March 31, 2025, with the option to renew for one additional 10-year-term exercised during the year ended June 30, 2025. 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
2026	\$ 473,787
2027	473,787
2028	473,787
2029	473,787
2030	473,787
Thereafter	6,016,939
	8,385,874
Less amount representing interest	(747,387)
	\$ 7,638,487

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2025 and 2024:

	2025	2024
Land and land improvements	\$ 14,864,628	\$ 14,628,048
Buildings and improvements	36,214,316	40,630,759
Furniture and equipment	1,339,505	1,788,523
Breeding herd	623,319	372,868
Construction in progress	11,552,197	342,717
	64,593,965	57,762,915
Less accumulated depreciation and amortization	(16,065,302)	(19,325,354)
	\$ 48,528,663	\$ 38,437,561

Depreciation expense on non-leased assets totaled \$527,790 and \$689,597 for the years ended June 30, 2025 and 2024, 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 at June 30, 2025 and 2024.

Property and equipment also includes donated land held for sale in the amount of \$285,000 for which a contract for sale is pending June 30, 2025.

Note 5 - Lines of Credit

Lines of credit consist of the following at June 30, 2025 and 2024:

	2025	2024
Equipment leasing \$1,000,000 line of credit, interest due in quarterly payments at rate of 5.78% and 6.53% per annum as of June 30, 2025 and 2024, respectively, principal and any accrued interest due at maturity in December 2025, secured by all accounts and equipment other than that held in a trust, fiduciary or bond capacity.	\$ 91,920	\$ 175,414
Line of credit for \$4,000,000, interest due in quarterly payments at rate of 5.99%. Principal interest is due at maturity in November 2025, secured by investments.	3,347,905	-
	\$ 3,439,825	\$ 175,414

Note 6 - 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)	\$1,322 - \$64,707
Interest rates at June 30, 2025, rates are primarily variable	2.18% - 6.67%
Maturity dates	2026 - 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>
2026	\$ 10,069,725
2027	1,079,013
2028	899,392
2029	8,860,651
2030	9,676,639
Thereafter	2,819,878
	<u>\$ 33,405,298</u>

Note 7 - Bonds Payable

On June 26, 2025, CSU STRATA issued Series 2025A tax-exempt revenue bonds in the aggregate principal amount of \$35,550,000. The bonds were issued at a premium of \$3,215,853, for total proceeds of \$38,765,853. The Series 2025A bonds bear interest at 5.0% (an effective interest rate of 5.06%), payable semiannually, and mature on March 1, 2036.

On June 26, 2025, CSU STRATA also issued Series 2025B taxable revenue bonds in the amount of \$43,580,000, bearing interest rates ranging from 5% to 5.6% (an effective interest rate of 5.56%) with maturity dates through March 1, 2037.

The Series 2025A/B bonds are fully guaranteed by the Board of Governors of the Colorado State University System. Proceeds of the Series 2025A/B bonds will be used to develop and construct a laser facility and laboratory named the Center for Advanced Lasers for Applications of Science (ATLAS) Facility on the Colorado State University campus.

The bonds are secured and are payable solely from laser facility net revenues. Interest payments are due semiannually beginning on September 1, 2025.

Principal payments and on the above obligations due in the next five years and thereafter as of June 30, 2025, are as follows:

Years Ending June 30,	Amount
2026	\$ -
2027	-
2028	-
2029	-
2030	-
Thereafter	79,130,000
	79,130,000
Unamortized bond premium	3,215,853
Less unamortized debt issuance costs	(788,595)
	\$ 81,557,258

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, 2025 and 2024 are as follows:

	2025	2024
Restricted cash	\$ 788,769	\$ 866,425
Accounts receivable	671,413	605,633
Properties held	7,204,237	7,299,987
	\$ 8,664,419	\$ 8,772,045

Note 9 - Operating Leases

CSU STRATA leases various residential and commercial properties that generate rental income under operating lease agreements maturing from 2026 through 2075 with fixed lease payments ranging from approximately \$300 to \$25,000 per month. Property subject to operating leases is as follows at June 30, 2025 and 2024:

	2025	2024
Land	\$ 8,069,934	\$ 8,069,934
Buildings and improvements	31,179,914	31,145,184
	39,249,848	39,215,118
Less accumulated depreciation	(11,482,050)	(10,437,512)
	\$ 27,767,798	\$ 28,777,606

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 \$1,049,901 and \$1,061,736 for the years ended June 30, 2025 and 2024, respectively.

Lease income recognized on operating leases was \$5,395,905 and \$5,680,465 for the years ended June 30, 2025 and 2024, 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
2026	\$ 2,756,729
2027	2,181,033
2028	2,078,682
2029	1,644,224
2030	1,105,713
Thereafter	17,974,384
	\$ 27,740,765

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 that CSU STRATA 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, 2025 and 2024.

Note 11 - Related Party Transactions

CSU STRATA received service and other fees from CSUS of \$6,405,425 and \$5,213,509 during the years ended June 30, 2025 and 2024, respectively. The accounts receivable balance related to these services is \$274,090 and \$260,491 as of June 30, 2025 and 2024, 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, 2025 and 2024, generated income of \$1,521,567 and \$1,824,514, respectively.

On June 10th, 2025, CSU STRATA transferred land to CSUS and subsequently signed a five-year ground lease on 4.5 acres adjacent to the CSU-Fort Collins campus. CSU STRATA will construct a 696-bed apartment complex, which will replace an existing 230 bed apartment complex which was built in 1965. Upon expiration of the ground lease, the land will transfer back to CSU STRATA from CSUS. As of June 30, 2025 the transferred land had a book value of \$636,897 and is included with property and equipment, net on the consolidated statements of financial position.

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 \$624,670 and \$574,358 for the years ended June 30, 2025 and 2024, respectively.

Note 13 - Commitments and Contingencies

As of June 30, 2025, CSU STRATA has entered into a long-term construction contract related to the ATLAS laser facility and laboratory on the Colorado State University campus. The total estimated cost of the project is \$83.5 million, of which \$6.4 million has been incurred as of year-end. CSUS has provided a contribution of \$5 million while CSU STRATA has contributed \$2.5M into the project. The remaining commitment under the construction management contract is approximately \$70.3 million. The ATLAS Laser Facility project is expected to be completed by December 2026. Funding for the project is being provided primarily through municipal bonds with a guarantee for the timely payment of debt service by the Board of Governors of the Colorado State University System.

CSU STRATA has also entered into an initial contract related to the construction of a 255-unit student housing project, comprising a total of 696 beds, adjacent to the Colorado State University campus. The total estimated cost of the project is \$115 million, of which approximately \$5 million has been incurred as of year-end. The remaining commitment under the initial construction contract is approximately \$24.8 million with the final construction contract to be signed in November 2025. The project is scheduled to be completed in August 2027 and will be financed primarily through the issuance of project specific tax-exempt bonds in late 2025 supported by revenues of the project.

Additionally, CSU STRATA has entered into service and program-related contracts that extend into future periods. These contractual commitments are expected to be funded through existing operating funds and future revenues.

Note 14 - Subsequent Events

On October 2, 2025, CSU STRATA entered into a short-term loan agreement with Huntington National Bank in the amount of \$18,000,000. The loan bears interest at a fixed rate of 5.65% and matures on March 31, 2026. Proceeds from the loan will be used to finance the construction of the Prospect student housing project until permanent bond financing is in place.

Management has evaluated subsequent events through October 7, 2025, the date the consolidated financial statements were available to be issued.