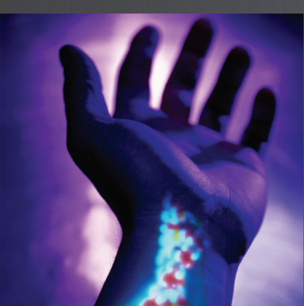
CREATING FUTURES IN:

LEARNING & TEACHING

COMMUNITY & CULTURE

DISCOVERY & INNOVATION



HEALTH & WELLNESS

University of Colorado Foundation

Annual Report 2011-12

WE ARE GRATEFUL FOR ALL THE DONORS WHO ARE *CREATING FUTURES* THROUGHOUT AND BEYOND THE FOUR CAMPUSES OF THE UNIVERSITY OF COLORADO.

To Our Donors, Friends and Colleagues

As leaders of the University of Colorado Foundation, we feel an extraordinary and humbling responsibility. The staff of the Foundation works tirelessly to connect the passions of nearly 50,000 donors each year with the ambitions of more than 85,000 students, faculty, and staff throughout the University of Colorado.

As we look back at 2011-12, this feeling of responsibility is joined by a sense of satisfaction, as we have seen donors *create futures* in areas such as…

- **Learning and Teaching** at the University of Colorado Colorado Springs, where an anonymous donor is endowing a chair in East Asian history
- **Discovery and Innovation** at the University of Colorado Denver, where corporate gifts of $5.5 million and $2 million help the J.P. Morgan Center for Commodities gain exceptional momentum in its launch year
- **Community and Culture** at the University of Colorado Boulder, where a CU alumnus and his father together support scholarships for first-generation college students completing a community-focused precollegiate program
- **Health and Wellness** at the Anschutz Medical Campus, where a foundation grant supports a Colorado School of Public Health/City of Denver partnership to instill preschool children with habits of healthy living

We have been fortunate to not only have survived recent economic challenges, but thrived. The $110.1 million donated through the CU Foundation in 2011-12 caps a six-year run that has seen the six highest fundraising totals in our history.

But we have benefited from more than just good fortune. We gain from the ongoing leadership of CU President Bruce D. Benson, who serves with his wife, Marcy, as a volunteer chair of the $1.5 billion *Creating Futures* campaign. Another reason for our recent success has been the work of Wayne Hutchens, who retired this past winter after six years as president and chief executive officer of the CU Foundation. As individuals from all around the CU family described Wayne's outstanding leadership qualities this past year, few summed it better than a development colleague who said, "Wayne leads with his heart. I want to lead with my heart, and hopefully I can live up to his example."

Thank you for your continued support of all of the individuals at the University of Colorado whose hearts, minds, and passions inspire us all.

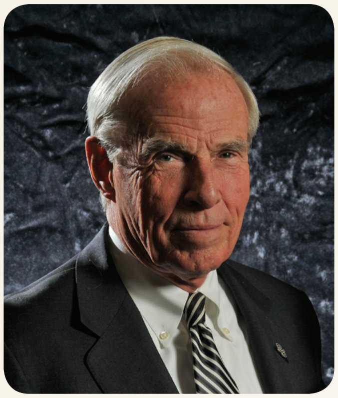
Sincerely,

Mary Lee Beauregard

Mary Lee Beauregard
Chair, Board of Directors, 2011-12

Richard W. Lawrence
President and Chief Executive Officer

Dear Friends,



The University of Colorado is fortunate to have donors whose contributions add considerable value to our great university. They have demonstrated their commitment in recent years, when we have set records for private support to CU (including this past year's record $228.6 million) during some of the most challenging economic times in recent memory.

Their generosity provides opportunities for stellar students, critical enhancements for faculty members and academic programs, facilities worthy of the quality of work at CU, and research that improves lives and advances knowledge. Contributions help ensure that the university remains one of the top institutions in the country and a key contributor to the economy, health, and culture of Colorado and beyond.

Our donors are doing their part, and it is incumbent upon us to do ours. We are the stewards of investments donors make in CU through their contributions. The pages of this annual report detail how we carry out that stewardship.

The CU Foundation is a critical component of our university's success. Its fundraising and investment acumen in recent years have served us well. Yet we also know we cannot rest on laurels. We are continually examining our operations to determine ways to improve. As private contributions become an increasingly important part of delivering a world-class education, we must ensure that our fundraising operation is worthy of the trust our donors place in the university and the investments they make.

CU is a great university, one that people believe in, have confidence in, invest in. We appreciate the trust of all those who help make us great and we pledge to continue to do our part to live up to the trust.

Bruce D. Benson
President, University of Colorado

Year in Review

In the 12 months ending June 30, 2012, the University of Colorado Foundation made great strides toward the $1.5 billion fundraising goal for the University of Colorado's *Creating Futures* campaign. The CU Foundation also saw better-than-benchmark results on its endowment investments, rolled out initiatives to better identify and steward prospective donors, and strengthened operational efficiencies and constituent relationships throughout and beyond CU.

2nd best year ever for CU Foundation gifts

More than 47,000 donors contributed $110.1 million through the CU Foundation—a 7.5 percent year-over-year increase, and the Foundation's second-highest annual total ever. Combined with private funds directed through the university, CU Foundation donors helped lead the university to a record-breaking $228.6 million private support total for 2011-12.

Philanthropic highlights include:

- **The CU Denver campus raised its highest total ever** by a large margin. Of the $13.1 million in gifts to CU Denver, more than $8 million supported a new building for the Business School.

- **More than $30 million in future estate commitments were recorded** by the CU Foundation, adding to a pipeline now surpassing $190 million—nearly half committed in the last three years. Though not counted in fiscal-year fundraising totals, estate commitments are a bellwether of future support.

- **The number of gifts over $10,000 increased 21.1 percent** over 2010-11.

- **Giving to endowments grew by more than 40 percent** this year. The number of CU Foundation-held endowments, each targeted toward a specific university priority, now exceeds 2,000.

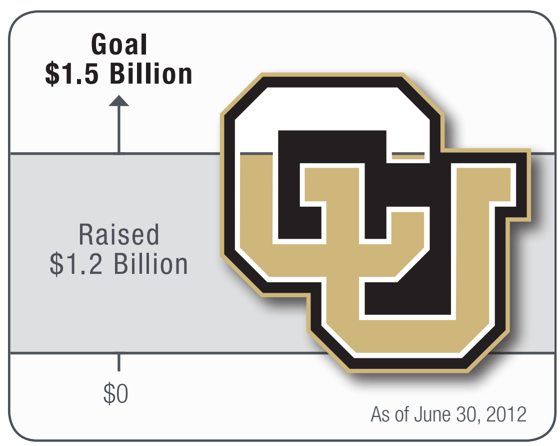
- **More than 5,000 gifts totaling more than $1.3 million were made through cufund.org**, representing year-over-year growth of 39 and 43 percent, respectively.

Progress on *Creating Futures* campaign continues

Private support toward *Creating Futures*, the largest fundraising campaign in the University of Colorado's 136-year history, surpassed the $1.2 billion milestone in June. Since the campaign began in 2006, more than 250,000 gifts had been made to the campaign by more than 125,000 individuals, corporations and foundations.

Creating Futures is chaired by Marcy and Bruce Benson, with support from campus chairs Jeannie '64 and Jack '64 Thompson (Boulder), Nan '85, '87 and Carl ("Spike") '67 Eklund (Anschutz), Laura '94 and Dave '82 Baker (Denver), and Mary and Ed Osborne (Colorado Springs). Each couple has supported diverse CU programs for many years, and their leadership has been fundamental to the campaign's success.

***Creating Futures* Campaign Progress**

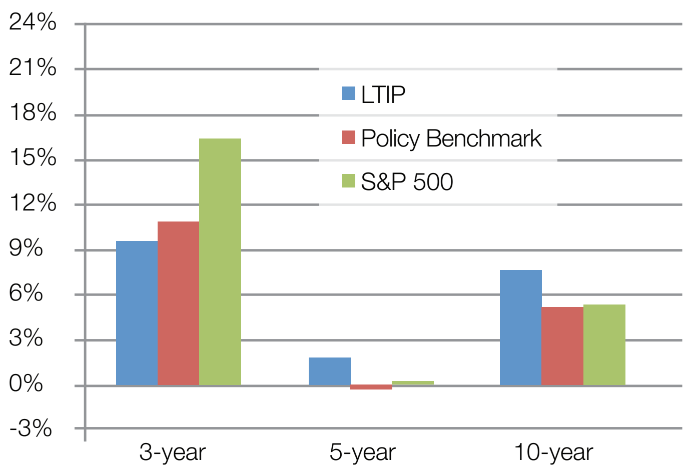


Endowment investments beat benchmark

In addition to development, the CU Foundation's other main priority is to manage endowments donated on behalf of CU. Endowments are invested in a Long Term Investment Pool (LTIP), a well-diversified portfolio that seeks to provide a steady, recurring stream of funding for CU while maintaining real (inflation-adjusted) purchasing power over time.

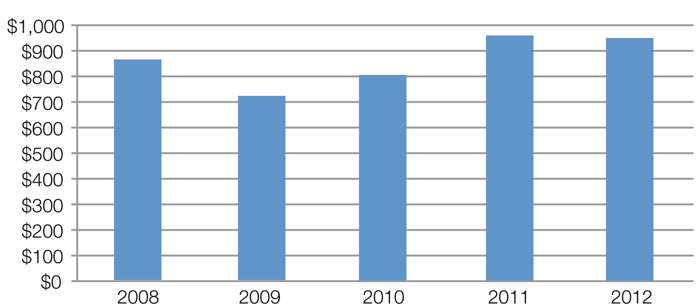
LTIP investment returns declined 0.92 percent in the 12 months ending June 30, 2012 which, despite the small loss, compares favorably with the 2.48 percent decline in the LTIP's policy benchmark. While the volatile market environment has made it hard to establish a recent trendline, long-term LTIP returns indicate a strong track record of investment performance, consistent with the portfolio's long-term orientation. Over the trailing five- and ten-year periods, the LTIP has outperformed both its policy benchmark and the S&P 500 by meaningful margins.

Annualized Investment Performance (3/5/10yr)



The LTIP value as of June 30, 2012 was $940.8 million, and the value of endowments invested on behalf of CU (commonly described as "the CU endowment") was $771.3 million.

LTIP Value, 2008-12



The Policy Benchmark is comprised of 40 percent Russell 3000 Index (domestic stocks), 40 percent MSCI EAFE Index (international stocks), and 20 percent Barclays Capital Aggregate Bond Index (fixed income).

The Peer Group is the Wilshire Cooperative Database of similarly managed endowments, foundations, municipalities, and corporate pension plans.

Continued focus on relationships, efficiencies

Several new initiatives this year aim to help the CU Foundation forge stronger connections with donors and partners.

A new CU-wide electronic communications system (eComm) was launched to optimize the consistency, coordination, and targeting of communications. The CU Foundation has also initiated a major donor-portfolio evaluation project to analyze and organize constituent data in new ways, thereby helping development staff more optimally deploy resources and recognize donors.

Other 2011-12 priorities have included the launch of *Creating Futures* magazine, which highlights stories that underlie CU philanthropy, and the expansion of planned giving marketing to build on recent successes in this area.

The CU Foundation spent 21.6 cents for each dollar raised in 2011-12, down from 22.6 cents two years ago and the third year that important measure has decreased, continuing a recent trend toward more efficient, effective development activity.

Strong relationships, strong leadership

Richard W. Lawrence became president and chief executive officer of the CU Foundation on March 1, 2012, taking the reins from J. Wayne Hutchens, who retired after six years in that position. A 1980 CU-Boulder alumnus, Lawrence brings to the CEO role a track record of strong leadership in senior CU Foundation roles since 2006, and previously for more than 25 years in the banking industry.

Mary Lee Beauregard is completing a successful two-year term as chair of the Board of Directors, ceding the chair role starting in Fall 2012 to Carl A. ("Spike") Eklund, with Jeremy O. May serving as vice chair.

Continuing to look ahead to 2012-13, the CU Foundation is working closely with the university (and leading higher-education consultant Grenzebach, Glier, and Associates) to identify ways to optimize fundraising performance and university partnerships in a critical era for philanthropic support.

For the first time last year, more than $100 million of CU's $2.8 billion budget flowed through the CU Foundation. By comparison, the university received $130 million last year from the state of Colorado, a figure that has diminished in recent years. We are approaching a time in which CU Foundation donors may contribute more to Colorado's largest public university than the state of Colorado itself, putting added pressure on the CU Foundation to redouble its efforts to create futures throughout and beyond the University of Colorado.

EKS&H
EHRHARDT • KEEFE
STEINER • HOTTMAN PC
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

7979 E. Tufts Avenue, Suite 400
Denver, Colorado 80237-2843
P: 303-740-9400 F: 303-740-9009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University of Colorado Foundation
Boulder, Colorado

We have audited the accompanying statements of financial position of the University of Colorado Foundation (the "Foundation") (a Colorado non-profit corporation) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Colorado Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ehrhardt Keefe Steiner & Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

October 31, 2012
Denver, Colorado

• DENVER • FORT COLLINS • BOULDER •
www.EKSH.com

Financials

Consolidated Statements of Financial Position

As of June 30,	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 13,726,378	$ 14,347,869
Accounts receivable, net	323,823	84,471
Contributions receivable, net (Note 3)	16,424,657	16,460,803
Other assets	281,456	84,743
Total current assets	30,756,314	30,977,886
Noncurrent assets:		
Contributions receivable, net (Note 3)	41,558,272	36,206,218
Investments (Notes 4, 5)	1,064,325,444	1,094,053,530
Assets held under split-interest agreements (Notes 4, 7)	58,264,127	61,927,882
Beneficial interest in charitable trusts held by others (Note 7)	5,278,368	4,015,661
Property and equipment, net (Note 8)	2,048,407	2,537,144
Total noncurrent assets	1,171,474,618	1,198,740,435
Total assets	$ 1,202,230,932	$ 1,229,718,321
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,226,227	$ 2,310,122
Accounts payable and accrued liabilities-University	6,780,011	7,953,848
Liabilities under split-interest agreements (Note 7)	3,540,031	3,774,197
Custodial funds (Note 2)	7,485,141	7,021,075
Deferred revenue (Note 2)	375,000	396,158
Capital lease liability (Note 10)	820,756	700,418
Total current liabilities	21,227,166	22,155,818
Noncurrent liabilities:		
Funds held in trust for others (Note 7)	2,158,928	2,227,361
Liabilities under split-interest agreements, net of current portion (Note 7)	15,828,422	18,797,677
Custodial funds, net of current portion (Note 2)	240,035,973	240,039,639
Capital lease liability, net of current portion (Note 10)	1,214,262	2,032,491
Total noncurrent liabilities	259,237,585	263,097,168
Total liabilities	$ 280,464,751	$ 285,252,986
Commitments and contingencies (Notes 9, 13, 14)		
Net assets: (Notes 6, 11, 12)		
Unrestricted:		
Designated	35,870,297	36,321,210
Undesignated	27,369,387	36,554,831
Total Unrestricted	63,239,684	72,876,041
Temporarily restricted	508,306,657	549,065,549
Permanently restricted	350,219,840	322,523,745
Total net assets	921,766,181	944,465,335
Total liabilities and net assets	$ 1,202,230,932	$ 1,229,718,321

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions (Note 2)	$ 39,260	$ 78,641,515	$ 28,560,159	$ 107,240,934
Net investment return (Notes 2, 5)	1,647,277	(7,126,356)	(26,635)	(5,505,714)
Development service fees from custodial investments (Note 15)	13,465,757	(11,173,420)	–	2,292,337
Development service fees from the University (Note 15)	5,100,000	–	–	5,100,000
Change in value of split-interest agreements (Note 7)	(82,505)	715,397	(799,861)	(166,969)
Other revenue	1,017,518	559,131	12,453	1,589,102
Net change in endowments below historical gift value (Notes 6, 11)	(144,821)	144,821	–	–
Other changes in net assets	(1,133,881)	1,183,902	(50,021)	–
Net assets released from purpose restrictions (Notes 2, 6, 11, 12)	103,703,882	(103,703,882)	–	–
Total support and revenue	123,612,487	(40,758,892)	27,696,095	110,549,690
Distributions and expenses:				
Gifts and income distributed and applied	109,482,115	–	–	109,482,115
Supporting services:				
Development (Note 2)	15,513,472	–	–	15,513,472
Administrative	8,253,257	–	–	8,253,257
Total supporting services	23,766,729	–	–	23,766,729
Total expenses and distributions	133,248,844	–	–	133,248,844
Total change in net assets	(9,636,357)	(40,758,892)	27,696,095	(22,699,154)
Net assets, beginning of year	72,876,041	549,065,549	322,523,745	944,465,335
Net assets, end of year	$ 63,239,684	$ 508,306,657	$ 350,219,840	$ 921,766,181

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions (Note 2)	$ 755,665	$ 84,733,047	$ 16,587,896	$ 102,076,608
Net investment return (Notes 2, 5)	19,472,289	103,590,294	98,911	123,161,494
Development service fees from custodial Investments (Note 15)	13,062,059	(10,891,561)	–	2,170,498
Development service fees from the University (Note 15)	5,100,000	–	–	5,100,000
Change in value of split-interest agreements (Note 7)	111,636	2,044,567	2,999,687	5,155,890
Other revenue	919,170	24,307	–	943,477
Net change in endowments below historical gift value (Notes 6, 11)	2,154,830	(2,154,830)	–	–
Other changes in net assets	(1,079,960)	1,233,612	(153,652)	–
Net assets released from purpose restrictions (Notes 2, 6, 11, 12)	96,992,689	(96,992,689)	–	–
Total support and revenue	137,488,378	81,586,747	19,532,842	238,607,967
Distributions and expenses:				
Gifts and income distributed and applied	98,402,359	–	–	98,402,359
Supporting services:				
Development (Note 2)	14,263,161	–	–	14,263,161
Administrative	7,846,129	–	–	7,846,129
Total supporting services	22,109,290	–	–	22,109,290
Total expenses and distributions	120,511,649	–	–	120,511,649
Total change in net assets	16,976,729	81,586,747	19,532,842	118,096,318
Net assets, beginning of year	55,899,312	467,478,802	302,990,903	826,369,017
Net assets, end of year	$ 72,876,041	$ 549,065,549	$ 322,523,745	$ 944,465,335

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30,	2012	2011
Cash flows from operating activities:		
Change in net assets:	$ (22,699,154)	$ 118,096,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	627,867	631,078
Loss on disposal of property and equipment	8,878	1,496
Net realized and unrealized losses (gains)	10,200,938	(116,380,465)
Permanently restricted contributions	(28,560,159)	(16,587,896)
Change in value of split-interest agreements	166,969	(5,155,890)
Other changes in operating assets and liabilities:		
Accounts receivable	(239,352)	128,074
Contributions receivable, net	(5,315,908)	(6,086,939)
Other assets	(196,713)	1,932,225
Beneficial interest in charitable trusts held by others	(1,262,707)	(125,488)
Accounts payable and accrued liabilities (including University)	(1,257,732)	4,713,612
Custodial funds	460,400	41,026,233
Deferred revenue	(21,158)	(72,404)
Funds held in trust for others	(68,433)	372,700
Net cash (used in) provided by operating activities	(48,156,264)	22,492,654
Cash flows from investing activities:		
Net sales (purchases) of investments	19,527,148	(49,624,694)
Net contributions under split-interest agreements	3,833,396	2,153,585
Purchase of property and equipment	(148,008)	(45,681)
Net cash provided by (used in) investing activities	23,212,536	(47,516,790)
Cash flows from financing activities:		
Permanently restricted contributions	28,560,159	16,587,896
Payments on split-interest agreement obligations	(3,540,031)	(3,774,197)
Payments on capital lease liability	(697,891)	(611,035)
Net cash provided by financing activities	24,322,237	12,202,664
Net decrease in cash and cash equivalents	(621,491)	(12,821,472)
Cash and cash equivalents, beginning of year	14,347,869	27,169,341
Cash and cash equivalents, end of year	$ 13,726,378	$ 14,347,869
Supplemental disclosures:		
Cash paid for interest (interest expensed $277,189 and $331,530)	$ 273,961	$ 346,936
Unrelated business income tax (refund) paid	9,400	(31,316)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. ORGANIZATION

The University of Colorado Foundation (the Foundation) was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado (the Regents) to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado (the University). The Foundation receives fee revenue from the University pursuant to an Agreement for Development Services between the Regents and the Foundation that has been renewed annually (see Note 15).

In 1998, the Foundation established CU Foundation Holdings, Inc. as a separate tax-exempt entity for the purpose of providing for the acquisition, improvement, operation, maintenance and sale of real and personal property from time to time for the ultimate benefit of the University of Colorado Foundation in furtherance of its charitable purposes. At June 30, 2012 and 2011, there was no property assets held by CU Foundation Holdings, Inc.

In September 2009, the Foundation established CUF Boulder II, LLC, a Colorado limited liability company, whose sole member is the Foundation. It was established for the purpose of purchasing a specific building near the University of Colorado Boulder (UCB). At June 30, 2012 and 2011, net property investments held by CUF Boulder II, LLC totaled $21,960,945 and $22,323,717, respectively. The University of Colorado Boulder has notified the Foundation that they intend to purchase these property assets before June 30, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the University of Colorado Foundation, CU Foundation Holdings, Inc., and CUF Boulder II, LLC because the University of Colorado Foundation has both control and an economic interest in each of the organizations. All significant inter-company balances and transactions have been eliminated in consolidation. Collectively, these consolidated entities are hereinafter referred to as "the Foundation" unless otherwise noted.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB). The net assets, support and revenue, program services, and supporting services in the accompanying consolidated financial statements are classified based on the existence or absence of donor-imposed restrictions (see Note 11). Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are generally not subject to donor-imposed restrictions. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and board of directors to support the Foundation's purposes, operations, and mission.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either through actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from purpose restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that are maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for specific purposes.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers all unrestricted cash and highly liquid investments with an initial maturity of three months or less, and that are not held as components of the Foundation's investment portfolio, to be cash equivalents.

Financial Instrument Risk

Potential concentrations of credit risk include cash and cash equivalents, investments, and contributions receivable. The Foundation places temporary cash and money market accounts with creditworthy, high-quality financial institutions. A significant portion of the funds are not insured by the FDIC or related entity. Investments are made primarily by investment managers engaged by the Foundation, and the investments are monitored by management and the Investment Policy Committee of the Board of Directors. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation. Collection risk associated with contributions receivable is limited due to the large number of contributors comprising the Foundation's contributor base, and historical high-collectibility experience.

Contributions and Contributions Receivable

Contributions are recognized when a donor makes an unconditional promise to give, and are recorded as contributions in the consolidated statement of activities.

Contributions receivable are recorded at their estimated net realizable values, discounted using risk-free interest rates effective at the date of the promise to give, if expected to be collected in more than one year. Amortization of the discount is included in contribution revenue. Subsequent to the initial recording of the contribution receivable, the Foundation uses the allowance method to record amounts estimated to be uncollectible. The allowance is based on the historical collectibility of contributions promised to the Foundation and on management's analysis of specific promises outstanding.

Donated Property

Donated marketable securities and other non-cash donations including land, buildings, and equipment are recorded as contributions at their estimated fair values at the date of donation.

Investments

The Foundation records investment purchases at cost, or when contributed to the Foundation, at the fair values of the investment assets received at the date of contribution.

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the consolidated statement of financial position. The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices at June 30, 2012 and 2011, respectively. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the Foundation, or on the basis of other information developed, obtained, and evaluated periodically by the Foundation. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Included in the investments portfolio are real estate and note receivable assets. These assets are booked at cost and present value, respectively.

Net investment return reported in the consolidated statement of activities consists of the Foundation's distributive share of interest and dividends, realized and unrealized capital gains and losses generated from the Foundation's investments, less investment and custodial fees and the investment consultant fees. Restricted gains and investment income are generally reported as increases to temporarily restricted net investment return, and upon expiration of the restrictions, are reclassified to unrestricted investment income.

Property and Equipment

Property and equipment is stated at cost, or fair value if donated, and depreciated over the following estimated useful lives using the straight-line method:

	Estimated useful lives
Furniture, fixtures, equipment, and other	3–7 years
Leasehold and building improvements	5–30 years
Building	15–40 years

Expenditures for maintenance, repairs, and minor replacements are charged to operations, and expenditures for major replacements and betterments in excess of $5,000 are capitalized.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment was considered necessary at the end of June 30, 2012 and 2011.

Custodial Funds

The Foundation holds and invests certain endowment and other funds in trust on behalf of the University. The Foundation also holds funds on behalf of a separate nonprofit corporation.

Custodial funds held at June 30, 2012 consisted of the following:

	University of Colorado	Other nonprofit	Total
Endowment	$ 118,653,420	$ 2,686,518	$ 121,339,938
Non-endowed	126,171,950	9,226	126,181,176
Total	$ 244,825,370	$ 2,695,744	$ 247,521,114

Custodial funds held at June 30, 2011 consisted of the following:

	University of Colorado	Other nonprofit	Total
Endowment	$ 125,510,219	$ 2,770,225	$ 128,280,444
Non-endowed	118,770,971	9,299	118,780,270
Total	$ 244,281,190	$ 2,779,524	$ 247,060,714

Deferred Revenue

Deferred revenue consists of revenue related to an affinity contract with a bank. Royalties paid from this contract are recognized when earned.

Fair Value Measurements

The Foundation follows FASB guidance surrounding fair value measurements. This guidance requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (see Note 4).

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Development Expenses

Development expenses include the direct fund-raising costs incurred by the Foundation on each of the University campuses and its central office. It also includes other activities involved in soliciting contributions such as planned giving, corporate and foundation relations, and annual giving.

Income Taxes

The University of Colorado Foundation and CU Foundation Holdings, Inc. are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (the Code). In addition, each entity qualifies for the charitable contribution deduction under Code Section 170 and has been classified as an organization other than a private foundation under Code Sections 509(a)(1), and 509(a)(3), respectively. Accordingly, no provision for income taxes is made for federal, state, or local taxes.

The Foundation applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax provisions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2012 or 2011.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of June 30, 2012 or 2011.

Income from activities not directly related to each entity's tax-exempt purpose is subject to taxation as unrelated business taxable income. During fiscal years 2012 and 2011, the unrelated business income tax liability was immaterial.

Tax years that remain subject to examination include 2007 through the current year for Federal and State returns.

CUF Boulder II, LLC is a single-member limited liability company and does not file separate tax returns. Their activity is reported in the Foundation's IRS Form 990, *Return of Organization Exempt From Income Taxes*.

Subsequent Events

The Foundation has evaluated all subsequent events through October 31, 2012, which is the date the financial statements were available to be issued (see Note 16).

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net of allowance for uncollectibles and unamortized discount, are summarized as follows at:

June 30,	2012	2011
Contributions receivable	$ 67,424,303	$ 60,181,938
Less allowance for uncollectibles	(8,441,948)	(6,523,742)
Less unamortized discount	(999,426)	(991,175)
Net contributions receivable	$ 57,982,929	$ 52,667,021

Discount rates used by the Foundation to determine the net present value of contributions receivable are based on the duration over which payments are received, and are commensurate with United States Treasury Zero-Coupon Bond rates for the same period. Discount rates used for outstanding contributions receivable range from 0.03% to 5.81%.

Scheduled estimated collections of contributions receivable, net of allowance for uncollectibles and unamortized discount, are as follows at:

June 30,	2012	2011
Amount due in:		
Less than one year	$ 26,611,292	$ 29,298,935
One to five years	30,270,661	23,214,093
More than five years	1,100,976	153,993
Net contributions receivable	$ 57,982,929	$ 52,667,021

Contributions receivable related to long-term purposes, such as for an endowment, are classified as non-current assets due to the long-term nature of the underlying purpose.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of cash, receivables, accounts payable, accrued liabilities, and deferred revenue approximate fair value due to the short-term nature of the items. The carrying amounts of contributions receivable due in more than one year and the liabilities associated with split-interest agreements are based on the discounted net present value of the expected future cash flows. The fair value of the Foundation's investments, including custodial funds, are determined based on quoted market price, or in the absence thereof, other third-party and internally developed estimates of fair value using pricing methodologies appropriate in the circumstances.

The Foundation has adopted FASB guidance surrounding fair value measurements. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of quality, risk or liquidity.

Accounting Standards Update ("ASU") No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share,* was issued and adopted by the Foundation. This accounting standard update allows the Foundation to use net asset value (NAV) per share, or its equivalent ("practical expedient"), such as member units or an ownership interest in partners' capital, to estimate the fair value of an alternative investment and requires additional fair value disclosures for the Foundation's alternative investments.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income: Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Alternative investments: Value calculated using the NAV per share of the investments.

The following tables summarize the Foundation's fair value of assets using fair value hierarchy levels.

As of June 30, 2012:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 13,227,178	$ 13,227,178	$ –	$ –
Domestic Equities				
Large Cap	208,369,783	208,369,783	–	–
Small Cap	28,876,473	28,876,473	–	–
Total Domestic Equities	237,246,256	237,246,256	–	–
International Equities				
Europe	74,714,606	74,714,606	–	–
Emerging Markets	51,911,285	51,911,285	–	–
Asia-Pacific	28,418,594	28,418,594	–	–
Other	15,900,785	15,900,785	–	–
Total International Equities	170,945,270	170,945,270	–	–
Fixed Income				
US Government Secuirities	82,640,885	82,640,885	–	–
Asset Backed Securities	31,623,317	31,623,317	–	–
Investment Grade Credit	35,050,281	35,050,281	–	–
Net Cash Equivalents	3,777,086	3,777,086	–	–
Non-US Developed	4,195,150	4,195,150	–	–
Emerging Markets	2,996,536	2,996,536	–	–
High Yield Credit	6,520,404	6,520,404	–	–
Other	7,205,175	7,205,175	–	–
Total Fixed Income	174,008,834	174,008,834	–	–
Alternative:				
Real Estate	48,782,576	–	–	48,782,576
Private Equity				
Buyout-United States	46,299,608	–	–	46,299,608
Buyout-Global	37,072,676	–	–	37,072,676
Distressed	31,513,594	–	–	31,513,594
Banking	29,000,000	–	29,000,000	–
Total Private Equity	143,885,878	–	29,000,000	114,885,878
Long/Short Hedged Equity	58,790,365	–	–	58,790,365
Absolute Return				
Multi-Strategy	66,767,548	–	–	66,767,548
Opportunistic	42,915,163	–	–	42,915,163
Total Absolute Return	109,682,711	–	–	109,682,711
Venture Capital				
Technology and Life Sciences	43,602,136	–	–	43,602,136
Healthcare	11,643,188	–	–	11,643,188
Other	199,542	–	–	199,542
Total Venture Capital	55,444,866	–	–	55,444,866
Oil and Gas	27,735,685	–	–	27,735,685
Other	476,563	–	257,147	219,416
Total investments at fair value	1,040,226,182	595,427,538	29,257,147	415,541,497
Assets held under split interest agreements:				
Charitable remainder trusts	55,975,163	55,975,163	–	–
Charitable lead trusts	2,107,130	–	2,107,130	–
Pooled income fund	181,834	181,834	–	–
Total assets held under split interest agreements	58,264,127	56,156,997	2,107,130	–
Benefical interest in charitable trusts held by others	5,278,368	–	–	5,278,368
	$ 1,103,768,677	$ 651,584,535	$ 31,364,277	$ 420,819,865

As of June 30, 2011:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 13,504,083	$ 13,504,083	$ –	$ –
Domestic Equities				
Large Cap	218,172,783	218,172,783	–	–
Small Cap	32,702,183	32,702,183	–	–
Total Domestic Equities	250,874,966	250,874,966	–	–
International Equities				
Europe	86,101,238	86,101,238	–	–
Emerging Markets	53,574,104	53,574,104	–	–
Asia–Pacific	42,093,939	42,093,939	–	–
Other	9,566,804	9,566,804	–	–
Total International Equities	191,336,085	191,336,085	–	–
Fixed Income				
US Government Securities	62,397,903	62,397,903	–	–
Asset Backed Securities	35,655,944	35,655,944	–	–
Investment Grade Credit	33,873,147	33,873,147	–	–
Net Cash Equivalents	21,393,567	21,393,567	–	–
Non-US Developed	8,913,986	8,913,986	–	–
Emerging Markets	7,131,189	7,131,189	–	–
High Yield Credit	5,348,392	5,348,392		
Other	3,565,594	3,565,594	–	–
Total Fixed Income	178,279,722	178,279,722	–	–
Alternative:				
Real Estate	36,541,699	–	–	36,541,699
Private Equity				
Buyout–United States	51,628,827	–	–	51,628,827
Buyout–Global	32,852,493	–	–	32,852,493
Distressed	29,844,564	–	–	29,844,564
Banking	29,000,000	–	29,000,000	–
Total Private Equity	143,325,884	–	29,000,000	114,325,884
Long/Short Hedged Equity	68,099,891	–	–	68,099,891
Absolute Return				
Multi-Strategy	75,003,126	–	–	75,003,126
Opportunistic	37,247,756	–	–	37,247,756
Total Absolute Return	112,250,882	–	–	112,250,882
Venture Capital				
Technology and Life Sciences	40,603,534	–	–	40,603,534
Healthcare	10,760,592	–	–	10,760,592
Other	107,762	–	–	107,762
Total Venture Capital	51,471,888	–	–	51,471,888
Oil and Gas	23,975,726	–	–	23,975,726
Other	741,514	–	266,644	474,870
Total investments at fair value	1,070,402,340	633,994,856	29,266,644	407,140,840
Assets held under split interest agreements:				
Charitable remainder trusts	58,717,748	58,717,748	–	–
Charitable lead trusts	2,916,781	–	2,916,781	–
Pooled income fund	293,353	293,353	–	–
Total assets held under split interest agreements	61,927,882	59,011,101	2,916,781	–
Benefical interest in charitable trusts held by others	4,015,661	–	–	4,015,661
	$ 1,136,345,883	$ 693,005,957	$ 32,183,425	$ 411,156,501

In addition to the total investments at fair value, the Foundation holds investment assets at cost or present value at June 30, 2012 and 2011 totaling $24,099,262 and $23,651,190, respectively.

The changes in the financial assets for which the Foundation has used Level 3 inputs to determine fair value are as follows:

	Investments	Beneficial interest in charitable trusts held by others
June 30, 2011 balance	$ 407,140,840	$ 4,015,661
Net realized gains	22,012,506	–
Net unrealized gains (losses)	(18,435,042)	(230,155)
Interest, dividends, other income/ losses	24,990	–
Investment management fees	(3,018,929)	–
Purchases	66,798,933	1,492,862
Distributions	(58,981,801)	–
June 30, 2012 balance	$ 415,541,497	$ 5,278,368

	Investments	Beneficial interest in charitable trusts held by others
June 30, 2010 balance	$ 365,789,764	$ 3,890,173
Net realized gains	19,250,520	–
Net unrealized gains	39,174,233	445,488
Interest, dividends, other income/ losses	2,926,695	–
Investment management fees	(2,831,148)	–
Purchases	102,306,406	–
Distributions	(119,475,630)	(320,000)
June 30, 2011 balance	$ 407,140,840	$ 4,015,661

Net unrealized losses of $18,665,197 and gains of $39,619,721 are included in the net investment return in the accompanying statement of activities which are attributable to Level 3 investments held at June 30, 2012 and 2011, respectively.

Investments in certain entities that calculate net asset value per share are as follows:

Fund description	Fair Value 6/30/2011	Fair Value 6/30/2012	Unfunded Commitments 6/30/2012	Redemption Frequency	Redemption Notice Period
Real Estate	$ 36,541,699	$ 48,782,576	$ 37,040,074	none	n/a
Private Equity	114,325,884	114,885,877	69,362,735	none	n/a
Long/Short Hedge Funds	68,099,891	58,790,365	12,382,500	varies	60 to 180 days
Absolute Return Funds	112,250,882	109,682,712	–	varies	45 to 65 days
Venture Capital	51,471,888	55,444,866	14,483,713	none	n/a
Oil & Gas	23,975,726	27,735,685	7,293,738	none	n/a
Other	474,870	219,416	–	n/a	n/a
Ending balance	$ 407,140,840	$ 415,541,497	$ 140,562,760		

Real Estate includes private equity funds that focus on real estate assets primarily located in the U.S. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The term of each of these investments ranges from 1 to 10 years. As of June 30, 2012, the fair values of the investments in this category have been estimated using the practical expedient provided by the underlying general partner.

Private Equity funds focus on buyout, growth equity and/or distressed debt. These investments are not readily redeemable, but a secondary market does exist. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The term of these investments range from 1 to 12 years. As of June 30, 2012, the fair values of the investments in this category have been estimated using the practical expedient provided by the underlying general partner.

Long/Short Hedge Funds are funds that can invest both long and short primarily in common stocks. Management of these funds may invest in value, growth, or event-driven equity opportunities and are typically not restricted by market capitalization, sector, or geography. The underlying portfolios may, at times, have a net short position and may utilize leverage. The fair values in this category have been estimated using the net asset value per share of the investments. As of June 30, 2012, all of the investments in this category are eligible for redemption, but such redemptions may require the payment of a fee or be subject to other restrictions at certain time periods.

Absolute Return Funds are funds that seek to generate returns through the implementation of specialized strategies that have historically exhibited a low correlation to the broad equity markets. These managers may employ strategies such as long/short equity or credit, distressed debt, merger arbitrage, litigation, direct lending, or event-driven strategies, among others, and the allocation to these strategies may vary over time. As of June 30, 2012, all of the investments in this category are subject to certain lock-up restrictions which may limit the amount of capital eligible for redemption at certain time periods.

Venture Capital includes private equity funds that focus on venture capital. These investments are not readily redeemable, but a secondary market does exist. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The term of these investments ranges from 0.5 to 12 years. As of June 30, 2012, the fair values of the investments in this category have been estimated using the practical expedient provided by the underlying general partner.

Oil & Gas includes private equity funds that focus on the oil and gas sector and energy focused mezzanine debt. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from 1 to 10 years. As of June 30, 2012, the fair values of the investments in this category have been estimated using the practical expedient provided by the underlying general partner.

5. INVESTMENTS

In July 2009, the Foundation entered into an investment advisory agreement with a third party to provide investment management services for the Foundation. The Foundation may terminate this arrangement any time after the third anniversary of this agreement provided it gives 90 days' written notice.

The Foundation's investments include private and publicly held investments, and are structured to provide the financial resources needed to meet the Foundation's charitable objectives. They include a variety of investment products, such as commingled mutual funds and trusts, foreign-domiciled hedge funds and limited partnerships. Marketable and private alternative investments are exposed to various risks that may cause the reported value of the Foundation's investments to fluctuate from period to period and could result in material changes to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions, and the state and perceived direction of the economy. The values of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions. Investments in private equity and real estate funds can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction.

Certain investment managers selected by the Foundation are permitted to use investment strategies and techniques designed to achieve higher investment returns with volatility that may be higher or lower than traditional strategies, but exhibit lower correlations to major market indices and other asset classes. Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements, and other derivative instruments create special risks and could increase the impact of adverse security price movements on the Foundation's investment portfolio. Certain investments contain liquidity restrictions ranging from less than one month to more than one year.

Many of the investments held in the portfolio have a management cost component which may or may not be discretely reported, and which can vary depending on the timing of capital investments, life cycle of the fund, accounting methodology followed by the fund, flows of investments and redemptions within the accounting period, and the degree to which a manager charges an incentive fee. Discrete investment management fees are included in the net investment return tables below.

Investments consisted of the following at:

June 30,	**2012**	**2011**
Cash and cash equivalents	$ 13,227,178	$ 13,504,083
Equities		
Domestic	237,246,256	250,773,314
International	170,945,270	191,336,085
Fixed Income	174,008,833	178,279,722
Alternative:		
Real Estate	72,490,226	59,662,695
Private Equity	143,885,880	143,325,884
Long/Short Hedge Funds	58,790,365	68,099,891
Absolute Return Funds	109,682,710	112,250,882
Venture Capital	55,444,866	51,471,888
Oil and Gas	27,735,685	23,975,726
Other	868,175	1,373,360
Total investments	$1,064,325,444	$1,094,053,530

Net investment return for the year ended June 30, 2012 consisted of the following:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net realized gains/(losses)	$ 1,654,110	$ 11,623,214	$ (6,477)	$ 13,270,847
Net unrealized (losses)	(3,696,737)	(19,755,139)	(19,909)	(23,471,785)
Interest, dividends and other income	4,682,314	6,208,331	(3,642)	10,887,003
Investment management and custodial fees	(992,410)	(5,202,762)	3,393	(6,191,779)
Net investment return	$ 1,647,277	$ (7,126,356)	$ (26,635)	$ (5,505,714)

Net investment return for the year ended June 30, 2011 consisted of the following:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net realized gains	$ 4,940,252	$ 14,068,180	$ 12,833	$ 19,021,265
Net unrealized gains	10,362,177	86,913,047	83,976	97,359,200
Interest, dividends and other income	4,981,533	7,253,794	6,460	12,241,787
Investment management and custodial fees	(811,673)	(4,644,727)	(4,358)	(5,460,758)
Net investment return	$ 19,472,289	$ 103,590,294	$ 98,911	$ 123,161,494

6. ENDOWMENTS

Total managed endowments at the Foundation were $771,320,359 and $784,579,862, respectively, at June 30, 2012 and June 30, 2011. Included in these totals are custodial endowments (see Note 2) totaling $121,339,938 and $128,280,444 respectively, at June 30, 2012 and June 30, 2011. Foundation endowments consist of various individual funds established for a variety of purposes.

The composition of endowments (net of custodial endowments) by type of fund as of June 30, 2012 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ –	$ 98,342,086	$ 320,784,107	$ 419,126,193
Quasi-endowment funds	24,000	209,385,192	–	209,409,192
Board-designated endowment funds	21,445,036	–	–	21,445,036
Total	$ 21,469,036	$ 307,727,278	$ 320,784,107	$ 649,980,421

The composition of endowments (net of custodial endowments) by type of fund as of June 30, 2011 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ –	$ 127,738,514	$ 297,976,901	$ 425,715,415
Quasi endowment funds	100,000	207,616,998	–	207,716,998
Board-designated endowment funds	22,867,005	–	–	22,867,005
Total	$ 22,967,005	$ 335,355,512	$ 297,976,901	$ 656,299,418

The endowments include donor-restricted endowment funds, quasi-endowments and board-designated endowment funds. Donor-restricted endowment funds are permanent charitable funds whose principal is treated in accordance with a defined spending policy or which must be preserved in perpetuity as a condition imposed by the donor. Quasi-endowments are those purpose restricted gifts which are intended to be maintained in perpetuity; however, under specific circumstances defined by the donor, the principal may be invaded fully to meet the defined purpose. Board-designated endowments are unrestricted funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. In 2008, the State of Colorado enacted UPMIFA and the FASB issued FASB Staff Position (FSP) No. 117-1 which provides guidance on the net asset classification of donor-restricted endowment funds subject to UPMIFA as well as additional disclosure requirements for both donor-restricted and board-designated endowments.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purpose of the Foundation and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;

(6) Other resources of the Foundation; and

(7) The investment policies of the Foundation.

Changes in endowment net assets for the fiscal year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 22,967,005	$ 335,355,512	$ 297,976,901	$ 656,299,418
Investment return:				
Investment income	216,519	6,123,512	–	6,340,031
Net depreciation (realized and unrealized)	(628,429)	(14,151,373)	(17,131)	(14,796,933)
Total investment return	(411,910)	(8,027,861)	(17,131)	(8,456,902)
Contributions received	25,480	6,411,545	22,756,146	29,193,171
Appropriation of endowment assets for expenditure	(1,051,393)	(36,737,747)	–	(37,789,140)
Other reclassifications and additions	(60,146)	10,725,829	68,191	10,733,874
Endowment Assets (end of year June 30, 2012)	$ 21,469,036	$ 307,727,278	$ 320,784,107	$ 649,980,421

Changes in endowment net assets for the fiscal year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 20,027,329	$ 256,201,863	$ 279,005,647	$ 555,234,839
Investment return:				
Investment income	536,631	14,611,293	–	15,147,924
Net appreciation (realized and unrealized)	3,097,351	88,209,498	87,016	91,393,865
Total investment return	3,633,982	102,820,791	87,016	106,541,789
Contributions received	756,635	6,352,835	18,661,957	25,771,427
Appropriation of endowment assets for expenditure	(1,083,434)	(34,310,522)	–	(35,393,956)
Other reclassifications and additions	(367,507)	4,290,545	222,281	4,145,319
Endowment Assets (end of year June 30, 2011)	$ 22,967,005	$ 335,355,512	$ 297,976,901	$ 656,299,418

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, accumulated deficiencies of this nature are reported in unrestricted net assets and were $196,793 and $51,972 in fiscal years ending June 30, 2012 and June 30, 2011, respectively (see Note 11). These deficiencies resulted from unfavorable market fluctuations. Disclosure of these deficiencies is required under GAAP; however, there is no legal obligation for the Foundation to fund these deficiencies.

Return Objective and Risk Parameters

The Foundation has adopted an investment policy for endowment assets with an objective to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an average annual total return in excess of a Policy Index, net of investment management expenses, over a rolling five-year period. The Policy Index is a blend of 40% Russell 3000 index, 40% MSCI EAFE and 20% Barclay's Capital Aggregate Bond Index. The risk objective is to attain a risk level (as measured by standard deviation over a rolling five-year period) below the Policy Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation's policy, as approved by the Board of Directors, is to appropriate for distribution each year the greater of: (A) four percent (4%) of the current market value of the endowment, or (B) four point five percent (4.5%) of the endowment's trailing thirty-six (36) month average fair market value. Distributions are appropriated monthly. This policy has not changed for the fiscal years presented. The policy is intended to be consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

7. SPLIT-INTEREST AGREEMENTS

The Foundation follows the provisions of the American Institute of Certified Public Accountants (AICPA) audit and accounting guide, *Not-For-Profit Organizations*, which requires the recording of all unconditional, irrevocable split-interest agreements under which the Foundation is entitled to receive a benefit. With the exception of charitable gift annuities, split-interest agreements are carried out through the formation of charitable trusts, the trustees of which may be either the Foundation or third parties such as commercial banks. A summary of the Foundation's split-interest agreements follows.

Charitable Gift Annuities

The Foundation has entered into several charitable gift annuity contracts. These contracts require the Foundation to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Foundation are immediately available for use by the Foundation, and as such, are not held in trust separately from other investments of the Foundation. The obligation to make periodic disbursements to the beneficiaries becomes a general obligation of the Foundation. On the date each charitable gift annuity was established, the Foundation recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using a discount rate equal to the then current Applicable Federal Rate.

The Foundation has a liability for Charitable Gift Annuities of $738,955 and $613,766 as of June 30, 2012 and June 30, 2011, respectively.

Charitable Trusts Held by the Foundation

Charitable Remainder Trusts: The Foundation is the remainder beneficiary of various charitable remainder trusts requiring it to make annual distributions to the specified life income beneficiaries. Charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trusts' terms and/or designated beneficiaries' lifetimes, respectively. At the end of the trusts' terms, the remaining assets are available for the Foundation's use. Certain trusts specify that payments to the beneficiaries are limited to total trust income. Other trusts require that the Foundation make fixed payments or payments based on a fixed percentage of the fair value of the trusts' assets. At the end of the trusts' terms, the remaining assets are available for the Foundation's use.

In the case of a charitable remainder annuity trust, the distribution is a fixed amount, whereas in the case of a charitable remainder unitrust, the distribution is computed at a fixed percentage of the fair value of the trust's assets at rates ranging from 5 percent to 10 percent.

On the date each trust was established, the Foundation recorded a contribution equal to the difference between the fair value of the assets placed in trust and the amount of the estimated present value of the distributions to be made to the life income beneficiaries over the terms of the trusts, discounted at the then current Applicable Federal Rate. After recording the initial contribution, the Foundation has been making the stipulated annual distributions, recording investment gains and losses on the assets held in the trusts, and amortizing the discounts to present value. On any given date, the Foundation's remainder interest is represented by the difference between the fair value of the assets held by the trust and the present value of the estimated remaining distributions to be made to the life income beneficiaries.

Charitable Lead Trust: The Foundation is the beneficiary of two charitable lead trusts. The trusts are designed to make periodic payments to the Foundation for a fixed period of years, after which the trusts terminate and the assets pass to the designated individuals.

On the date the trusts were established, the Foundation recorded a contribution equal to the present value of the distributions to be made to the Foundation over the term of the trusts, using an estimated discount rate of three percent (3%).

Pooled Life Income Fund: The Foundation manages a Pooled Life Income Fund whereby the contributions of many donors may be combined for investment purposes. Each donor receives actual investment earnings in proportion to his or her ownership interest in the Fund. At the time of the donor's death, the value of the donor's ownership interest is assigned to the Foundation. On the date each Pooled Life Income Fund account was established, the Foundation recorded a contribution equal to the fair value of the assets received discounted for a term equal to the life expectancy of the donor at a rate mandated by the IRS based on the average of the monthly IRS discount rate over the past three calendar years.

Total split-interest agreements associated with trusts administered by the Foundation are as follows at:

June 30,	2012	2011
Assets held in charitable remainder trusts	$ 55,975,163	$ 58,717,748
Assets held in charitable lead trusts	2,107,130	2,916,781
Assets held in pooled life income fund	181,834	293,353
	58,264,127	61,927,882
Less associated liabilities	(18,629,498)	(21,958,108)
Net present value of trust assets administered by Foundation	$ 39,634,629	$ 39,969,774

For the years ended June 30, 2012 and 2011, $121,504 and $2,514,441 respectively, were included in contributions revenue relating to new split-interest agreements.

Charitable Trusts Held by Others

Charitable Remainder Trusts: The Foundation is the remainder beneficiary of various charitable remainder trusts held by others. Charitable remainder trusts provide for the payment of distributions to the donor or other designated beneficiaries over the donor's or other designated beneficiaries' lifetimes. At the end of the trusts' terms, the remaining assets are available for the Foundation's use. At the inception of each trust, the Foundation recorded a contribution equal to the estimated discounted present value of the distribution expected to be received upon the termination of each trust. Thereafter, the Foundation has been recording adjustments to that estimate based on changes in the fair value of trust assets, changes in actuarial assumptions, and amortization of the discount to net present value.

The net present value of the Foundation's beneficial interest in these trusts is as follows at:

June 30,	2012	2011
Gross value of beneficial interests	$ 16,925,965	$ 12,373,054
Less unamortized discount	(11,780,435)	(8,499,735)
Net present value of beneficial interests	$ 5,145,530	$ 3,873,319

Perpetual Trusts: Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts. At June 30, 2012 and 2011, the fair value of assets held in perpetual trusts for the benefit of the Foundation was $132,838 and $142,342, respectively.

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

June 30,	2012	2011
Land, building and improvements	$ 6,992,889	$ 6,885,494
Furniture and fixture	1,532,265	1,550,907
Equipment and other	3,201,444	3,199,006
	11,726,598	11,635,407
Less accumulated depreciation	(9,678,191)	(9,098,263)
Property and equipment, net	$ 2,048,407	$ 2,537,144

9. LINE OF CREDIT

In February 2011, the Foundation renewed a $20 million, three-year committed, unsecured line of credit with a bank. The interest rate on draws will be at the LIBOR index floating rate plus 1.75 percentage points. The line of credit contains both a borrowing base calculation and annual loan covenants. The loan covenants were met and the borrowing base calculations allowed for full access to the line of credit at June 30, 2012 and June 30, 2011. No amounts were outstanding at June 30, 2012 or June 30, 2011.

10. CAPITAL LEASE OBLIGATIONS

Effective October 1, 1999, the Foundation entered into an agreement to lease the building in which it operates at Walnut Street in Boulder, Colorado. Under terms of the lease, payments of $54,750 are to be paid monthly through September 2014, subject to an annual CPI adjustment. Interest on the capital lease liability is imputed at 11.3% annually. The Foundation is also responsible for its share of the total costs incurred for operation, maintenance, and repair of the common areas as the sole tenant. In addition, the lessor has promised to make a nonreciprocal transfer of the building or its cash equivalent to the Foundation on or before September 2014. As a result of the commitment to transfer ownership of the building, the Foundation has accounted for the lease as a capital lease.

Future payments and interest are due under the capital lease as follows at June 30, 2012:

Total minimum lease payments required	$ 2,317,795
Less amount representing interest	(282,777)
Present value of minimum lease payments	$ 2,035,018

Minimum lease payments due in each of the next five years and for the period thereafter are as follows:

Year ending June 30:	
2013	$ 1,009,512
2014	1,044,845
2015	263,438
2016	–
2017	–
	$ 2,317,795

At June 30, 2012, the book value and accumulated depreciation of property and equipment under the capital lease totaled $5,750,000 and $4,475,250 respectively.

11. NET ASSETS

Unrestricted net assets are comprised of the following at:

June 30,	2012	2011
Biofrontiers Institute	$ 7,011,504	$ 9,510,301
Stem Cell Center—Anschutz Medical Campus	3,000,000	4,000,000
University of Colorado Springs	4,636,563	–
Endowment to support fundraising budget	20,449,284	21,839,527
Funds held for Boulder Alumni Association	772,946	971,382
Total designated	35,870,297	36,321,210
Undesignated	27,566,180	36,606,803
Less reserve for underwater endowments	(196,793)	(51,972)
Total undesignated	27,369,387	36,554,831
Total unrestricted net assets	$ 63,239,684	$ 72,876,041

Restricted net assets are comprised of the following at:

June 30,	2012	2011
Temporarily restricted:		
Academic	$130,954,950	$130,378,022
Athletics	5,474,579	4,243,516
Faculty and staff compensation	14,307,820	14,087,010
Financial aid	102,272,657	114,205,034
Land, buildings, and equipment	50,823,035	65,587,871
Library	5,318,173	6,097,943
Other academic purposes	43,152,978	44,785,936
Professorship chairs	109,015,471	120,325,249
Research	46,986,994	49,354,968
Total temporarily restricted	$508,306,657	$549,065,549

June 30,	2012	2011
Permanently restricted:		
Academic	$ 27,511,747	$ 26,811,613
Athletics	262,044	464,374
Faculty and staff compensation	14,039,352	12,409,142
Financial aid	111,394,370	102,365,325
Land, buildings, and equipment	174,290	174,146
Library	5,836,887	5,827,585
Other academic purposes	14,828,643	14,233,356
Professorship chairs	158,657,640	143,734,001
Research	17,514,867	16,504,203
Total permanently restricted	$350,219,840	$322,523,745

12. NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS

Net assets released from purpose restrictions are comprised of the following at:

Year ended June 30,	2012	2011
Academic	$ 28,763,825	$ 26,096,602
Athletics	6,337,216	6,926,531
Faculty and staff compensation	1,537,361	1,708,140
Financial aid	15,531,647	14,723,221
Land, buildings, and equipment	25,793,029	21,463,985
Library	608,549	461,687
Other academic purposes	6,812,055	7,765,237
Professorship chairs	8,219,867	6,722,570
Research	9,732,059	9,524,450
Distributed to other charitable entities	368,274	1,600,266
Total net assets released	$103,703,882	$ 96,992,689

13. OPERATING LEASES

The Foundation leases office space and equipment under various non-cancelable operating lease agreements that expire at various dates through 2016. The approximate future minimum lease payments under these leases are as follows:

Year ending June 30:		
2013	$	161,167
2014		159,469
2015		148,192
2016		27,720
Total	$	496,548

Lease expense incurred during the years ended June 30, 2012 and 2011 was $161,489 and $156,071, respectively.

14. COMMITMENTS AND CONTINGENCIES

Employee Benefit Plan

The Foundation sponsors a 401(k) plan for the benefit of its employees. Under the 401(k) plan, the Foundation matches employee contributions up to 6% of the employee's salary. For the fiscal years ended June 30, 2012 and 2011, the Foundation's matching contributions were $636,851 and $558,477, respectively.

Guarantees

The Foundation assists the University by guaranteeing a limited number of primary residence loans, through a local federal credit union, for qualified University full-time tenured and tenure–track faculty members under a program called the Faculty Housing Assistance Program (FHAP). The Foundation guarantees up to $80,000 for each qualified loan. As of June 30, 2012, the Foundation has guaranteed 22 FHAP loans totaling $1,416,556. As a condition of the guarantees made by the Foundation, the sponsoring institution has required the Foundation to maintain a designated cash balance of approximately $250,000. This balance is included in other assets.

Legal

The Foundation has been involved in various claims and other legal proceedings that arise from time to time in the ordinary course of business. The Foundation does not believe such matters will have a material adverse effect on its financial position, changes in net assets or cash flows.

15. RELATED PARTY TRANSACTIONS

In addition to amounts and transactions disclosed in the preceding notes and financial statements, the following is a summary of related party transactions between the Foundation and the University.

As part of its program operations, the Foundation received certain development service fees from the University for the years ended June 30, 2012 and 2011, respectively, as follows: $5.1 million and $5.1 million for fundraising operations and other programs; $2.3 million and $2.2 million for development service fees from the University's custodial funds.

16. SUBSEQUENT EVENTS

In August 2012, a charitable remainder trust was liquidated at a value of approximately $19.3 million. These net proceeds are held in cash and investments as of October 31, 2012. The University intends to use the net proceeds of the trust for the purchase of land, buildings, and equipment during fiscal year 2013, in accordance with the donor's wishes.

CU Foundation Officers, Leadership and Locations

CHAIR

Mary Lee Beauregard (MPA '83) has served as a trustee of the CU Foundation since 2000 and a director since 2002. In 2010, she was elected board chair for a two-year term. She was director of public affairs for the university from 1987 to '92. From 1992 to '97, she worked at the Health Sciences Center as special assistant to the chancellor. One of her primary roles in this position was working on the acquisition of the Anschutz Medical Campus from the U.S. Army. In addition to serving on the CU Foundation board, she is a former member of the University of Colorado Cancer Center Board of Directors and currently serves on the Buechner Institute for Governance board. She is also a member of the CU Denver Campaign Committee. Mary Lee is a past member of the Council of Advisors for the School of Medicine and the steering committee of the Center for Women's Health Research. She has served on numerous search committees for the university. In 1990 she received the University of Colorado Denver Alumni Recognition Award, and in 2005 was awarded a University Medal. Mary Lee lives in Denver with her husband, Don; together they support various campus programs.

VICE CHAIR

Carl A. ("Spike") Eklund ('67 AS, '71 JD) is a partner at Ballard Spahr in Denver, specializing in bankruptcy and corporate restructuring. Carl has served on the CU Foundation board since 2005 as a trustee, director and chair of the Membership and Governance committees. Prior to his Foundation work, he was involved at the campus level as a member of the Law School Building steering committee. Carl and Nan Eklund serve as the *Creating Futures* campaign chairs for the Anschutz Medical Campus. Carl is a recipient of the Law School Alumni Board's Award for Distinguished Achievement in Private Practice (1995). In 2000, he became a member of The Honorary Order of the Coif. Carl and his wife Nan, who holds a master's degree in the Child Health Associate Program from CU Denver, live in Denver.

BOARD OF DIRECTORS: COMMITTEE CHAIR 2011-12

• Audit Committee	Andrew J. Safir
• Compensation Committee	Jeremy O. May
• Finance/Operations Committee	Gary R. Anderson
• Governance Committee	Carl A. ("Spike") Eklund
• Investment Policy Committee	Earl L. Wright
• Membership Committee	Jandel Allen-Davis, MD

BOARD OF TRUSTEES: COMMITTEE CHAIRS 2011-12

• Development Committee	Karen L. Possehl and Betsy A. Mangone

OFFICERS*

Richard W. Lawrence
President & CEO

Dennis C. Piper
Vice President & CFO

Dan B. Palmquist
Vice President, Controller

Kathy Rasco
Vice President, Human Resources

A. Keller Young
Vice President and General Counsel

VICE PRESIDENTS*

Enid Ablowitz
Vice President, Development

Kristen A. Dugdale
Vice President, Gift Planning

Megan Fisher
Assistant Vice President, Development
University of Colorado Colorado Springs

Cheryl J. Kisling
Vice President, Development
University of Colorado Anschutz Medical Campus

Matt Wasserman
Vice President, Development
University of Colorado Denver

Patrick Kramer
Vice President, Campaign and Development Services

Gigi Reynolds
Vice President, Marketing and Communications

Carolyn Whitehead
Vice President, Development
University of Colorado Boulder

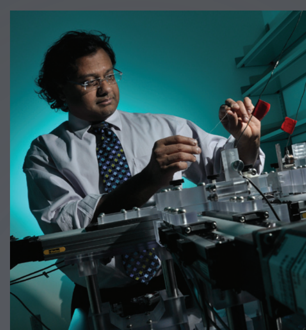
ADMINISTRATION

Boulder Headquarters
4740 Walnut Street
Boulder, CO 80301
Phone: 303-541-1200
Toll Free: 800-405-9488
Fax: 303-541-1296
Shuttle Address:
Campus Box 57
Boulder, CO 80309-0057

Denver Headquarters
1800 Grant Street, Suite 725
Denver, CO 80203
Phone: 303-813-7904
Fax: 303-813-7956

* As of November 2, 2012

2011-12 BOARD OF TRUSTEES



cufund.org