
University of Colorado Foundation

Consolidated Financial Report
June 30, 2022

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Independent Auditor's Report

To the Board of Directors
University of Colorado Foundation

Opinion

We have audited the accompanying consolidated financial statements of the University of Colorado Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2022 and 2021 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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.

Emphasis of Matter

As described in Note 6, the consolidated financial statements include certain investments whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by fund managers and partnership general partners. The investments are valued at approximately \$2,051,600,000 and \$2,076,600,000 (73 and 67 percent of total assets) at June 30, 2022 and 2021, respectively. Additionally, there are approximately \$342,290,000 and \$291,340,000 in unfunded future commitments related to these investments as of June 30, 2022 and 2021, respectively. Our opinion is not modified with respect to this matter.

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; this includes 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 the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

To the Board of Directors
University of Colorado Foundation

Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

October 26, 2022

University of Colorado Foundation

Consolidated Statement of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 48,616,674	\$ 40,785,193
Contributions receivable (Note 4)	16,272,188	31,514,509
Other assets	372,414	176,626
Total current assets	65,261,276	72,476,328
Investments (Notes 5 and 6)	2,642,035,365	2,848,785,825
Contributions Receivable - Net (Note 4)	64,822,432	108,767,327
Property and Equipment - Net (Note 7)	1,177,774	1,251,818
Assets Held Under Split-interest Agreements (Notes 6 and 8)	35,354,948	45,088,985
Beneficial Interest in Charitable Trusts Held by Others (Notes 6 and 8)	14,966,721	15,457,955
Total assets	\$ 2,823,618,516	\$ 3,091,828,238
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 346,966	\$ 980,674
Accounts payable and accrued liabilities - University	7,033,790	12,707,919
Liabilities under split-interest agreements (Note 8)	2,268,819	2,853,610
Custodial funds (Note 9)	21,405,924	19,738,424
Total current liabilities	31,055,499	36,280,627
Funds Held in Trust for Others	2,896,141	3,337,389
Liabilities Under Split-interest Agreements - Net of current portion (Note 8)	18,311,982	21,927,982
Custodial Funds - Net of current portion (Note 9)	554,088,328	605,171,620
Total liabilities	606,351,950	666,717,618
Net Assets (Notes 10 and 12)		
Without donor restrictions:		
Undesignated	(10,615,130)	77,527,547
Board designated	62,919,952	33,401,176
Total without donor restrictions	52,304,822	110,928,723
With donor restrictions	2,164,961,744	2,314,181,897
Total net assets	2,217,266,566	2,425,110,620
Total liabilities and net assets	\$ 2,823,618,516	\$ 3,091,828,238

University of Colorado Foundation

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 49,619	\$ 192,838,910	\$ 192,888,529	\$ 47,099	\$ 262,565,393	\$ 262,612,492
Advancement support assessment (Note 16)	28,216,541	(21,901,626)	6,314,915	24,267,334	(18,720,502)	5,546,832
Investment return - Net	(23,199,693)	(126,242,994)	(149,442,687)	74,883,508	481,541,527	556,425,035
Change in value of split-interest agreements (Note 8)	(8,212)	(3,799,655)	(3,807,867)	(8,212)	6,955,944	6,947,732
Other revenue	69,645	197,767	267,412	-	18,342	18,342
Transfers from the University	-	-	-	-	459,457	459,457
Other changes in net assets	(600,000)	600,000	-	(23,136)	23,136	-
Net assets released from restrictions (Note 11)	175,909,738	(175,909,738)	-	164,547,428	(164,547,428)	-
Total revenue, gains, and other support	180,437,638	(134,217,336)	46,220,302	263,714,021	568,295,869	832,009,890
Distributions and Expenses						
Transfers to the University	199,654,986	-	199,654,986	182,281,293	-	182,281,293
Support services:						
Advancement support to the University (Note 16)	34,502,522	-	34,502,522	29,500,934	-	29,500,934
Administrative (Note 13)	4,904,031	-	4,904,031	4,901,787	-	4,901,787
Total support services	39,406,553	-	39,406,553	34,402,721	-	34,402,721
Total distributions and expenses	239,061,539	-	239,061,539	216,684,014	-	216,684,014
Change in Net Assets - Before other items	(58,623,901)	(134,217,336)	(192,841,237)	47,030,007	568,295,869	615,325,876
Other Items - Write-off of uncollectible contributions receivable (Note 4)	-	(15,002,817)	(15,002,817)	-	-	-
Change in Net Assets	(58,623,901)	(149,220,153)	(207,844,054)	47,030,007	568,295,869	615,325,876
Net Assets - Beginning of year	110,928,723	2,314,181,897	2,425,110,620	63,898,716	1,745,886,028	1,809,784,744
Net Assets - End of year	\$ 52,304,822	\$ 2,164,961,744	\$ 2,217,266,566	\$ 110,928,723	\$ 2,314,181,897	\$ 2,425,110,620

Consolidated Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (207,844,054)	\$ 615,325,876
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	74,044	80,334
Realized and unrealized loss (gains) - Net	159,672,106	(541,438,220)
Change in beneficial interest in charitable trusts held by others	491,234	(2,069,552)
Contributions restricted for long-term investments	(72,753,695)	(75,734,748)
Change in value of split-interest agreements	8,095,025	(1,847,048)
Write-off of uncollectible contributions receivable	15,002,817	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Contributions receivable - Net	44,184,399	(16,582,366)
Other assets	(195,788)	229,447
Accounts payable and accrued expenses	(6,307,837)	(957,411)
Custodial funds	(12,030,814)	(234,865)
Funds held in trust for others	(441,248)	946,453
Net cash and cash equivalents used in operating activities	(72,053,811)	(22,282,100)
Cash Flows from Investing Activities		
Purchase of investments	(1,573,762,074)	(1,584,139,243)
Sale of investments	1,583,455,450	1,529,157,876
Net cash and cash equivalents provided by (used in) investing activities	9,693,376	(54,981,367)
Cash Flows from Financing Activities		
Contributions received for long-term investment	72,753,695	75,734,748
Payments on split-interest agreement obligations	(2,561,779)	(2,531,036)
Net cash and cash equivalents provided by financing activities	70,191,916	73,203,712
Net Increase (Decrease) in Cash and Cash Equivalents	7,831,481	(4,059,755)
Cash and Cash Equivalents - Beginning of year	40,785,193	44,844,948
Cash and Cash Equivalents - End of year	\$ 48,616,674	\$ 40,785,193

Note 1 - Nature of Business

The University of Colorado Foundation (the "Foundation") was founded in 1967 by a group of dedicated alumni and community leaders who sought to raise and invest private support for the University of Colorado (the "University") to augment its other revenue streams. The Foundation is a legally separate 501(c)(3) charitable organization that is governed by a board of directors and operates with a staff of approximately 20 employees.

The Foundation has been authorized by the board of regents of the University to serve as the financial portal for philanthropic giving to and for the benefit of the University. Private support given to the Foundation for the benefit of the University enables the University to transform lives through education, research, clinical care, and community engagement.

The Foundation focuses its efforts on donor stewardship through customer service and assurance in gift acceptance, processing, and administration. The Foundation administers and allocates gift funds in a manner consistent with the purposes established by donors and distributes dollars from its managed funds to support a wide variety of programs and activities throughout the university system and on its four campuses.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the University of Colorado Foundation and the University of Colorado UK Foundation Limited (UCUK) because the University of Colorado Foundation has both control of and an economic interest in UCUK. All significant intercompany balances and transactions have been eliminated in consolidation. Collectively, these consolidated entities are hereinafter referred to as the "Foundation" unless otherwise noted.

UCUK, a charitable company limited by shares, was formed under the laws of England and Wales and incorporated on February 25, 2010. The Foundation is UCUK's sole shareholder. UCUK's purpose is to advance and promote education for the public benefit, in particular for any educational and charitable purposes connected with the University, its affiliates, and its past and present students and staff. UCUK owns property in London for the use of the university faculty and graduate students who are conducting scholarly research in the United Kingdom. UCUK's net assets at June 30, 2022 and 2021 were \$1,052,857 and \$1,102,222, respectively.

Cash Equivalents

For the purpose of the consolidated statement 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.

Note 2 - Significant Accounting Policies (Continued)

Contributions and Contributions Receivable

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying consolidated financial statements. Contributions resulting from split-interest agreements, measured at the time the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipients under the contract.

Contributions of marketable securities are recorded at the estimated fair value as of the date of the gift. It is the Foundation's practice to determine appropriate disposition of such gifts of securities at the time of receipt.

The Foundation reports gifts of property and equipment and other noncash receipts as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports the expiration of donor restrictions when the assets are placed in service.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

As of July 1, 2021, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 provided additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are reported by category within the consolidated financial statements, and there are additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The ASU was implemented on a retrospective basis for the year ended June 30, 2022 and did not have an impact on the consolidated financial statements.

Investments

Investments are recorded at fair value. Fair value is determined as more fully described in Note 6. The majority of investments are held in a long-term investment pool (LTIP) and a short-term investment pool (STIP), both of which are managed by the Foundation's outsourced chief investment officer (OCIO).

Investments in marketable equity and fixed-income securities with readily determinable market values are reported at fair value based on quoted prices in active markets.

Note 2 - Significant Accounting Policies (Continued)

Alternative investments include real estate funds, private equity, hedge funds, investments in partnerships, and investments in limited liability and other investment companies. The fair values for alternative investments 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 OCIO and management of the Foundation. Alternative investments are not publicly traded on national security market exchanges, are generally illiquid, and may be valued differently than if readily available markets exist for such investments. Because of inherent uncertainties of the valuation of alternative investments, the reported fair values of such investments may differ significantly from realized values. Included in the investment portfolio are real estate and note receivable assets. These assets are stated at cost and present value, respectively.

Net investment return reported on the consolidated statement of activities and changes in net assets consists of the Foundation's distributive share of any interest, dividends, and capital gains and losses generated from the Foundation's investments, less investment and custodial fees and the OCIO's fees. Realized gains and losses attributable to the Foundation's investments are reported upon a sale or disposition of the investment. Restricted gains and investment income are generally reported as increases to net investment return with donor restrictions.

Concentrations of Credit Risk

Potential concentrations of credit risk include cash and cash equivalents, investments, and contributions receivable. The Foundation places temporary cash, cash equivalents, and money market accounts with creditworthy, high-quality financial institutions. A significant portion of the funds is not insured by the FDIC or a related entity. Investments are made primarily in investment managers engaged by the Foundation's OCIO, which has been delegated discretion of manager selection by the investment policy committee (IPC) of the board of directors. Investments are regularly monitored by the OCIO, with oversight by management and the IPC. Although 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.

Property and Equipment

Property and equipment valued in excess of \$5,000 are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from 3 to 30 years. The cost of leasehold improvements is amortized over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Custodial Funds

The Foundation holds and invests certain endowment and other funds in the LTIP in trust on behalf of the University. The Foundation also holds funds on behalf of separate not-for-profit corporations. These funds are accounted for as a liability by the Foundation.

Transfers from the University

The University periodically sends the Foundation certain funds approved to be added to foundation endowments and invested in the LTIP. The Foundation did not receive any such funds from the University during the year ended June 30, 2022. The Foundation received \$459,457 in the year ended June 30, 2021. The University also has authority from the board of regents to convert custodial endowments to foundation endowments when doing so enhances operational efficiencies or allows for stronger donor stewardship. There were no conversions of custodial endowments in the year ended June 30, 2022. Custodial endowments in the amount of \$334,457 were converted in the year ended June 30, 2021.

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Board-designated net assets are net assets without donor restrictions designated based on actions taken by the board of directors, which can be altered or revoked at a future time by the board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation and/or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets with donor restrictions unless specifically unrestricted by the donor.

Support Services

The Foundation generates revenue from three primary sources: an assessment on endowed funds in the LTIP, a distribution from the Foundation's STIP, and a distribution from a board-designated quasi endowment. The majority of this income is transferred to the University to support fundraising operations on each of the University's campuses and the central office of advancement and is shown on the consolidated statement of activities and changes in net assets as advancement support to the University. Administrative expenses represent the general operating costs of the Foundation.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the consolidated statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the consolidated statement of financial position. The reporting of lease-related expenses in the consolidated statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Foundation is still evaluating which method it will apply. The new lease standard is not expected to have a significant effect on the Foundation's consolidated financial statements.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 26, 2022, which is the date the consolidated financial statements were available to be issued.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 3 - Liquidity and Availability of Resources

Financial assets available for current obligations are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 2,823,618,516	\$ 3,091,828,238
Less fixed and nonfinancial assets	<u>(51,871,857)</u>	<u>(61,975,384)</u>
Financial assets	2,771,746,659	3,029,852,854
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Endowment assets	1,706,255,481	1,825,512,110
Custodial funds	575,792,116	625,699,916
Restricted by donor with time or purpose restrictions	433,786,081	462,932,386
Investments held in annuity trust	4,661,528	5,116,675
Board designations:		
Quasi-endowment funds	21,724,110	24,159,490
Designated for university programs	<u>41,195,842</u>	<u>9,241,686</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (11,668,499)</u>	<u>\$ 77,190,591</u>

The Foundation receives, holds, and invests contributions that are almost entirely restricted by donors to support specific purposes at the University. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those obligations to its donors and the University. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has two investment pools: the LTIP and the STIP. The STIP policy allocation goal is 50 percent in the LTIP, 40 percent in fixed income, and 10 percent in cash. The STIP consists primarily of donor-restricted current expendable gifts and endowment distributions that are held by the Foundation until called by the University. In addition, the Foundation's operating cash and reserves are part of the STIP. Endowments are generally invested in the LTIP, and life income arrangements are invested in separate mutual funds. Investment gains or losses on the STIP increase or decrease the financial assets available for general expenditure. The Foundation is generally allocated an annual assessment fee for advancement support of approximately 1.5 percent on endowment funds held, which is transferred to the Foundation's undesignated net assets throughout the year. The Foundation's finance/operations committee regularly reviews this balance and recommends a reserve amount to the board of directors. Balances above any reserve are periodically made available for university priorities.

The Foundation's board of directors occasionally designates funds for long-term giving to the University from the Foundation's net assets without donor restrictions. These designations are often for long-term capital projects, for which funds are disbursed to the University in future periods. As a result, board-designated net assets can exceed the undesignated net assets on hand. Although these funds are intended to be used for the purpose designated by the board, they could be undesignated for liquidity purposes if necessary. Additionally, as described in Note 2, the Foundation generates certain revenue from the distributions of a quasi endowment from within the board-designated quasi endowment. While distributions only from this quasi endowment are currently being used, the entire balance could be liquidated if necessary. The balance of this board-designated quasi endowment as of June 30, 2022 and 2021 is \$19,335,079 and \$21,516,020, respectively.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 4 - Contributions Receivable

Contributions receivable, net of allowance for uncollectible contributions and unamortized discount, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Gross contributions receivable before unamortized discount	\$ 92,193,202	\$ 150,093,234
Allowance for uncollectible contributions	(9,471,791)	(7,480,383)
Allowance for net present value discount	<u>(1,626,791)</u>	<u>(2,331,015)</u>
Contributions receivable - Net	<u>\$ 81,094,620</u>	<u>\$ 140,281,836</u>
Amounts due in:		
Less than one year	\$ 19,656,787	\$ 53,013,418
One to five years	60,339,961	87,441,231
More than five years	<u>12,196,454</u>	<u>9,638,585</u>
Total	<u>\$ 92,193,202</u>	<u>\$ 150,093,234</u>

Contributions receivable are recorded at estimated fair value based on the present value of future cash flows, adjusted for uncollectible amounts. 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 0.12 to 3.38 percent.

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

During the year ended June 30, 2022, certain donors notified the Foundation of their intent to restructure unconditional promises to give made in prior years, and to modify the terms of existing arrangements. As a result, the Foundation wrote off approximately \$15,002,817 of contributions receivable balances during the year ended June 30, 2022. There were no significant write-offs of contributions receivable during the year ended June 30, 2021.

Note 5 - Investments

The Foundation has entered into an investment advisory agreement with a third party to provide investment management services as an OCIO. The Foundation may terminate this arrangement at any time provided it gives 90 days' written notice. The OCIO has investment discretion within the framework of the Foundation's investment policy statement (IPS). The IPS was drafted by and is reviewed annually by the Foundation's IPC and approved by the board of directors. The Foundation's management and IPC meet regularly with the OCIO to discuss asset class allocations and to review the LTIP's performance over 1-, 3-, 5-, 7-, and 10-year time horizons. All investment management fees, including the OCIO's, are included in net investment return on the consolidated statement of activities and changes in net assets.

The Foundation's investments include privately 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, creditworthiness 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 OCIO are permitted to use investment strategies and techniques designed to achieve higher investment returns with volatility that may be either 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 management cost components that may or may not be discretely reported and that 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, as well as OCIO and custodial services expenses, are generally paid through the investments held in the LTIP and the STIP and are included in the following net investment return tables.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 5 - Investments (Continued)

The details of the Foundation's investments in trading securities at June 30 are as follows:

	2022	2021
Cash and cash equivalents	\$ 66,517,052	\$ 19,533,394
Mutual funds:		
Domestic	51,848,251	116,471,985
International	269,073,928	254,539,349
Fixed income	2,012,545	2,212,479
Equity securities	81,755,400	228,598,724
Fixed-income securities	164,792,277	198,439,362
Alternative:		
Real estate	92,398,684	64,071,203
Private equity	520,503,093	434,038,363
Commingled equity funds	687,674,734	817,136,856
Absolute return	352,146,551	350,760,285
Venture capital	318,334,590	337,585,733
Commodities	34,024,346	24,455,109
Other	953,914	942,983
Total	<u>\$ 2,642,035,365</u>	<u>\$ 2,848,785,825</u>

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

As required by GAAP, the Foundation uses 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.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 6 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by the Foundation to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carried at Net Asset Value (NAV)	Balance at June 30, 2022
Assets					
Investments held at fair value and net asset value:					
Mutual funds:					
Domestic equities	\$ 51,848,251	\$ -	\$ -	\$ -	\$ 51,848,251
International equities	269,073,928	-	-	-	269,073,928
Fixed income	2,012,545	-	-	-	2,012,545
Equity securities	33,755,400	-	48,000,000	-	81,755,400
Fixed-income securities	-	164,792,277	-	-	164,792,277
Alternatives:					
Real estate	-	-	-	90,708,462	90,708,462
Private equity	-	-	-	520,503,093	520,503,093
Commingled equity funds	-	-	-	687,674,734	687,674,734
Absolute return	-	-	-	352,146,551	352,146,551
Venture capital	-	-	558,580	317,776,010	318,334,590
Commodities	-	-	-	34,024,346	34,024,346
Other	-	578,327	245,586	-	823,913
Total investments held at fair value and net asset value	356,690,124	165,370,604	48,804,166	2,002,833,196	2,573,698,090
Assets held under split-interest agreements:					
Domestic equities	11,481,670	-	-	-	11,481,670
International equities	7,363,442	-	-	-	7,363,442
Real estate	5,030,688	-	-	-	5,030,688
Fixed income	8,778,012	-	-	-	8,778,012
Total assets held under split-interest agreements	32,653,812	-	-	-	32,653,812
Beneficial interest in charitable trusts held by others	-	-	14,966,721	-	14,966,721
Total	\$ 389,343,936	\$ 165,370,604	\$ 63,770,887	\$ 2,002,833,196	\$ 2,621,318,623

Money market funds and cash equivalents and certain investments held at cost or present value are not subject to fair value disclosures and, therefore, are not included in the table above. As of June 30, 2022, the Foundation held money market funds and cash equivalents in the amount of \$66,517,052, certain investments held at cost or present value of \$1,820,223, and cash and cash equivalents under split-interest arrangements of \$1,136,136. In addition to total assets held under split-interest agreements at fair value, the Foundation has \$1,565,000 of real estate held at the appraised value at the date of donation at June 30, 2022.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 6 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021					
	Quoted Prices in			Carried at Net Asset Value (NAV)	Balance at June 30, 2021
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Investments held at fair value and net asset value:					
Mutual funds:					
Domestic equities	\$ 116,471,985	\$ -	\$ -	\$ -	\$ 116,471,985
International equities	254,539,349	-	-	-	254,539,349
Fixed income	2,212,479	-	-	-	2,212,479
Equity securities	178,798,724	-	49,800,000	-	228,598,724
Fixed-income securities	-	198,439,362	-	-	198,439,362
Alternatives:					
Real estate	-	-	-	62,596,981	62,596,981
Private equity	-	-	-	434,038,363	434,038,363
Commingled equity funds	-	-	-	817,136,856	817,136,856
Absolute return	-	-	-	350,760,285	350,760,285
Venture capital	-	-	501,080	337,084,653	337,585,733
Commodities	-	-	-	24,455,109	24,455,109
Other	-	568,243	269,739	-	837,982
Total investments held at fair value and net asset value	552,022,537	199,007,605	50,570,819	2,026,072,247	2,827,673,208
Assets held under split-interest agreements:					
Domestic equities	15,246,545	-	-	-	15,246,545
International equities	9,712,515	-	-	-	9,712,515
Real estate	6,571,317	-	-	-	6,571,317
Fixed income	11,121,967	-	-	-	11,121,967
Total assests held under split-interest agreements	42,652,344	-	-	-	42,652,344
Beneficial interest in charitable trusts held by others	-	-	15,457,955	-	15,457,955
Total	\$ 594,674,881	\$ 199,007,605	\$ 66,028,774	\$ 2,026,072,247	\$ 2,885,783,507

Money market funds and cash equivalents and certain investments held at cost or present value are not subject to fair value disclosures and, therefore, are not included in the table above. As of June 30, 2021, the Foundation held money market funds and cash equivalents in the amount of \$19,533,394, certain investments held at cost or present value of \$1,579,223, and cash and cash equivalents under split-interest arrangements of \$871,641. In addition to total assets held under split-interest agreements at fair value, the Foundation has \$1,565,000 of real estate held at the appraised value at the date of donation at June 30, 2021.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 6 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2022 and 2021 are as follows:

	Investments	Beneficial Interest in Charitable Trusts Held by Others
Balance at July 1, 2021	\$ 50,570,819	\$ 15,457,955
Dividend income	2,400,000	-
Total unrealized (losses) gains	(1,742,653)	56,155
Transfers out of Level 3	(2,424,000)	(547,389)
Balance at June 30, 2022	<u>\$ 48,804,166</u>	<u>\$ 14,966,721</u>

	Investments	Beneficial Interest in Charitable Trusts Held by Others
Balance at July 1, 2020	\$ 41,590,352	\$ 13,388,403
Purchases	46,215	1,697,588
Dividend income	2,400,000	-
Total unrealized gains	8,934,252	641,777
Transfers out of Level 3	(2,400,000)	(269,813)
Balance at June 30, 2021	<u>\$ 50,570,819</u>	<u>\$ 15,457,955</u>

Investments in certain entities that calculate NAV per share are as follows:

Fund Description	Unfunded Commitments June 30, 2022	Fair Value June 30, 2022	Fair Value June 30, 2021	Redemption Frequency	Redemption Notice Period
Real estate	\$ 79,261,175	\$ 90,708,462	\$ 62,596,981	None	N/A
Private equity	121,249,958	520,503,093	434,038,363	None	N/A
Commingled equity funds	5,450,031	687,674,734	817,136,856	Varies	30 to 90 days
Absolute return	8,419,963	352,146,551	350,760,285	Varies	45 to 90 days
Venture capital	87,320,061	317,776,010	337,084,653	None	N/A
Commodities	40,589,868	34,024,346	24,455,109	None	N/A
Total	<u>\$ 342,291,056</u>	<u>\$ 2,002,833,196</u>	<u>\$ 2,026,072,247</u>		

As of June 30, 2022, the fair values of these investments have been provided by the underlying general partner.

Domestic equities include publicly traded U.S. stocks; an investment in a privately held bank holding company; and a fund that may invest in vehicles, including equity-related, hybrid, and credit securities that are publicly and privately traded in U.S. and non-U.S. markets.

International equities primarily include equities and equity-related securities, including securities of emerging and frontier markets, which are listed or traded on recognized exchanges. Some funds may also employ nonequity investments, including fixed-income securities, futures, spot and forward currency contracts, repurchase and reverse repurchase agreements, over-the-counter options, other derivatives, and exchange-traded funds.

Note 6 - Fair Value Measurements (Continued)

Fixed income includes a diversified portfolio of fixed-income securities, including bonds, bank loans, and securitized assets. Some funds may utilize derivative instruments, including futures, swaps, forwards, and options for both hedging and investment purposes.

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.

Private equity funds focus on buyout, growth equity, and/or distressed debt. These investments are not readily redeemable, but a secondary market does exist. 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 12 years.

Commingled equity funds include holdings in U.S. and non-U.S. publicly traded equities and equity-related securities that are listed or traded on recognized market exchanges. Liquidity terms vary by investment manager and typically have monthly or quarterly redemption periods.

Absolute return includes 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 hedged 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, 2022, all of the investments in this category are subject to certain lock-up restrictions, which may limit the amount of capital eligible for redemption for certain time periods.

Venture capital includes private equity funds that focus on startup companies or companies earlier in their growth cycle. These investments are not readily redeemable, but a secondary market does exist in some cases. 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.

Commodities may consist of investments related to food products, energy, metals, and other natural resources. These investments are not readily redeemable. Instead, the nature of these investments relies on interest income and principal repayment from loans made to agricultural firms based in North America. The loans are fully collateralized by the underlying agricultural product or commodity. The term of the investment is generally 3 to 5 years.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021
Land, building, and improvements	\$ 2,289,441	\$ 2,289,441
Furniture and fixtures	427,656	427,656
Equipment, software, and other	2,822,882	2,822,882
Total cost	5,539,979	5,539,979
Accumulated depreciation	4,362,205	4,288,161
Property and equipment - Net	<u>\$ 1,177,774</u>	<u>\$ 1,251,818</u>

Note 8 - Split-interest Agreements

GAAP 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.

For the years ended June 30, 2022 and 2021, \$380,018 and \$1,741,045, respectively, was included in contribution revenue relating to new split-interest agreements.

Charitable Trusts Held by the Foundation

Charitable Remainder Trusts

The Foundation is the trustee and remainder beneficiary of approximately 60 charitable remainder trusts and, as trustee, is required 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 transferred to the Foundation to support the University, as directed by the grantor or donor.

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 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 Trusts

The Foundation is the trustee and 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 3 percent.

Charitable Gift Annuities

The Foundation had approximately 80 charitable gift annuity contracts outstanding at June 30, 2022. 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 had a liability for charitable gift annuities of \$3,106,420 and \$2,911,287 as of June 30, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 8 - Split-interest Agreements (Continued)

Life Interest in Real Estate

The Foundation is the beneficiary of four real estate gifts subject to retained life estates. These gifts are of a remainder interest in a personal residence where an individual irrevocably transfers title to the Foundation with a retained right to the use of the property for a term that is specified in the life estate agreement. At the conclusion of the measuring term, all rights in the property are transferred to the Foundation, and it is used in accordance with the applicable gift instrument.

At the inception of real estate gifts subject to a retained life estate, the Foundation recorded a contribution equal to the fair value of the property less the estimated discounted present value of the use interest. The Foundation records the amortization of the life estate interest, initially recorded as deferred revenue, based upon the life expectancy of the youngest donor or other applicable term.

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:

	<u>2022</u>	<u>2021</u>
Assets held in charitable remainder trusts	\$ 31,335,390	\$ 40,470,313
Assets held in charitable lead trusts	2,309,107	2,887,969
Assets held in life interest in real estate	1,565,000	1,565,000
Assets held in pooled life income fund	<u>145,451</u>	<u>165,703</u>
Total	35,354,948	45,088,985
Less associated liabilities	(17,165,987)	(21,574,493)
Less associated deferred revenue	<u>(261,551)</u>	<u>(295,812)</u>
Net present value of trust assets administered by the Foundation	<u>\$ 17,927,410</u>	<u>\$ 23,218,680</u>

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 transferred to the Foundation to support the University, as directed by the grantor or donor. 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.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 8 - Split-interest Agreements (Continued)

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

	2022	2021
Gross value of beneficial interests	\$ 20,059,498	\$ 20,019,213
Less unamortized discount	(10,859,161)	(10,839,992)
Net present value of beneficial interests	<u>\$ 9,200,337</u>	<u>\$ 9,179,221</u>

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, 2022 and 2021, the fair value of assets held in perpetual trusts for the benefit of the Foundation was \$5,766,384 and \$6,278,734, respectively.

Note 9 - Custodial Funds

Custodial funds held at June 30, 2022 consisted of the following:

	University of Colorado	Other Not-for- profits	Total
Endowment	\$ 241,856,845	\$ 5,192,807	\$ 247,049,652
Nonendowed	328,742,464	-	328,742,464
Custodial funds held	570,599,309	5,192,807	575,792,116
Accounts payable and accrued expenses - University	(297,864)	-	(297,864)
Total	<u>\$ 570,301,445</u>	<u>\$ 5,192,807</u>	<u>\$ 575,494,252</u>

Custodial funds held at June 30, 2021 consisted of the following:

	University of Colorado	Other Not-for- profits	Total
Endowment	\$ 269,186,081	\$ 5,681,497	\$ 274,867,578
Nonendowed	350,832,337	-	350,832,337
Custodial funds held	620,018,418	5,681,497	625,699,915
Accounts payable and accrued expenses - University	(789,871)	-	(789,871)
Total	<u>\$ 619,228,547</u>	<u>\$ 5,681,497</u>	<u>\$ 624,910,044</u>

University of Colorado Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 10 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2022	2021
Undesignated	\$ (10,615,130)	\$ 77,527,547
Board designated:		
University of Colorado Colorado Springs - Engineering Building Renovations	10,350,000	8,000,000
University of Colorado Boulder - Biofrontiers Institute - Operating	-	1,757
University of Colorado Denver - Engineering Building	2,500,000	-
University of Colorado System Advancement - Staff Support	1,834,614	-
University of Colorado Anschutz Medical Campus - Gates Center for Regenerative Medicine	-	600,000
University of Colorado Colorado Springs - Biofrontiers	265,677	356,741
University of Colorado Anschutz - Advancement Staff Support	7,669,124	-
University of Colorado Boulder - Advancement Outreach and Engagement	7,500,000	-
University of Colorado Boulder - Macky Auditorium Renovation	10,826,861	-
University of Colorado Denver - Venture Capital Investment Pool	250,675	266,925
University of Colorado Boulder - Deming Center	-	2,571
Board-designated endowment to support advancement and foundation operations	19,335,079	21,516,020
Board-designated funds held for Boulder Alumni Association	1,368,951	1,536,611
Board designation - Undesignated bequests	1,018,971	1,120,551
	<u>62,919,952</u>	<u>33,401,176</u>
Total board designated	<u>62,919,952</u>	<u>33,401,176</u>
Total net assets without donor restrictions	<u>\$ 52,304,822</u>	<u>\$ 110,928,723</u>

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2022:

	Academic Support	Athletics	Capital Projects	Chairs, Professorships, and Other Faculty Support	Public Service, Library, and Other Support	Research	Scholarships	Total
Endowments - Subject to endowment spending policy and appropriation:								
Pure	\$199,130,209	\$ 3,259,929	\$ 1,318,351	\$ 590,738,255	\$ 22,083,220	\$ 51,900,796	\$373,698,497	\$242,129,257
Quasi	197,815,718	1,635,229	8,706,215	97,678,074	10,762,254	44,874,729	102,654,005	464,126,224
Subject to expenditure for specified purpose	158,829,490	5,088,843	15,065,967	14,947,420	5,425,789	48,058,959	30,683,530	278,099,998
Endowment distributions	20,311,201	200,223	221,533	24,003,473	1,712,805	6,967,763	17,720,036	71,137,034
Subject to passage of time and/or purpose:								
Life income arrangements	11,637,867	52,745	561,859	5,342,134	668,627	3,047,442	6,011,080	27,321,754
Promises to give:								
Endowment - Pure	2,966,936	600,922	375,000	13,336,184	64,500	908,341	9,280,409	27,532,292
Endowment - Quasi	5,669,686	16,050	-	590,025	550,680	60,000	80,278	6,966,719
Endowment distribution funds	153,975	3,858	-	279,500	-	10,000	599,579	1,046,912
Current expendable	9,308,163	7,066,752	15,269,599	1,832,052	50,181	3,829,568	8,192,382	45,548,697
Not subject to spending policy or appropriation - UCUK	-	-	-	-	1,052,857	-	-	1,052,857
Total net assets with donor restrictions	<u>\$605,823,245</u>	<u>\$ 17,924,551</u>	<u>\$ 41,518,524</u>	<u>\$ 748,747,117</u>	<u>\$ 42,370,913</u>	<u>\$159,657,598</u>	<u>\$548,919,796</u>	<u>\$164,961,744</u>

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 10 - Net Assets (Continued)

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2021:

	Academic Support	Athletics	Capital Projects	Chairs, Professorships, and Other Faculty Support	Public Service, Library, and Other Support	Research	Scholarships	Total
Endowments - Subject to endowment spending policy and appropriation:								
Pure	\$175,066,791	\$ 2,570,932	\$ 850,673	\$ 617,021,680	\$ 54,243,368	\$ 59,002,149	\$395,104,295	\$303,859,888
Quasi	202,935,056	1,629,930	13,259,287	109,536,031	32,522,434	48,251,755	113,541,328	521,675,821
Subject to expenditure for specified purpose	128,004,135	3,738,845	16,691,271	14,422,556	15,362,071	44,507,502	27,266,956	249,993,336
Endowment distributions	14,420,895	85,983	1,263,100	21,796,680	5,269,559	5,889,848	15,694,945	64,421,010
Subject to passage of time and/or purpose:								
Life income arrangements	9,146,322	63,239	830,455	6,445,130	6,095,536	3,072,096	7,195,006	32,847,784
Promises to give:								
Endowment - Pure	9,566,598	386,157	354,545	13,811,127	137,028	886,707	6,918,585	32,060,747
Endowment - Quasi	6,347,991	22,949	-	855,058	82,971	55,925	55,400	7,420,294
Endowment distribution funds	177,465	3,312	-	306,221	29,074	14,527	570,915	1,101,514
Current expendable	38,491,623	3,277,271	17,474,912	2,111,186	7,367,075	23,662,168	7,315,046	99,699,281
Not subject to spending policy or appropriation - UCUK	-	-	-	-	1,102,222	-	-	1,102,222
Total net assets with donor restrictions	<u>\$584,156,876</u>	<u>\$ 11,778,618</u>	<u>\$ 50,724,243</u>	<u>\$ 786,305,669</u>	<u>\$122,211,338</u>	<u>\$185,342,677</u>	<u>\$573,662,476</u>	<u>\$314,181,897</u>

Note 11 - Net Assets Released from Purpose Restrictions

Net assets released from purpose restrictions are composed of the following:

	2022	2021
Academic support	\$ 74,741,049	\$ 66,424,772
Athletics	2,139,223	2,286,616
Capital projects	18,747,485	15,304,699
Chairs, professorships, and other faculty support	23,916,953	21,872,695
Public service, library, and other support	4,389,702	1,797,912
Research	22,280,005	29,705,829
Scholarships	29,695,321	27,154,905
Total	<u>\$ 175,909,738</u>	<u>\$ 164,547,428</u>

Note 12 - Donor-restricted and Board-designated Endowments

The Foundation's endowments consist of approximately 3,300 individual donor-restricted pure or quasi endowments. Donor-restricted pure endowment funds are permanent charitable funds whose principal is treated in accordance with a defined spending policy or that must be preserved in perpetuity as a condition imposed by the donor. Donor-restricted quasi-endowment funds are those purpose-restricted gifts that are generally 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. The Foundation also has certain funds without donor restrictions that have been designated by the Foundation's board of directors to function as endowments.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. Accordingly, the Foundation follows FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

The Foundation is subject to the UPMIFA and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Total managed endowments at the Foundation were \$1,975,029,243 and \$2,124,539,178 at June 30, 2022 and 2021, respectively. Included in these totals are custodial endowments (see Note 9) totaling \$247,049,652 and \$274,867,578 at June 30, 2022 and 2021, respectively. Foundation endowments consist of various individual funds established for a variety of purposes.

The composition and changes of endowments (net of custodial endowments) by type of fund as of June 30, 2022 consisted of the following:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 21,724,110	\$ -	\$ 21,724,110
Donor-restricted quasi-endowment funds	-	466,103,815	466,103,815
Donor-restricted pure endowment funds:			
Accumulated investment gains	-	405,423,225	405,423,225
Amount required by donor to be held in perpetuity	-	834,728,441	834,728,441
Total	\$ 21,724,110	\$ 1,706,255,481	\$ 1,727,979,591

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 24,159,490	\$ 1,825,512,110	\$ 1,849,671,600
Investment return - Net	(1,478,493)	(126,272,648)	(127,751,141)
Contributions	49,619	79,979,463	80,029,082
Appropriation of endowment assets for expenditure	(950,027)	(68,684,195)	(69,634,222)
Other changes	(56,479)	(4,279,249)	(4,335,728)
Endowment net assets - End of year	<u>\$ 21,724,110</u>	<u>\$ 1,706,255,481</u>	<u>\$ 1,727,979,591</u>

The composition and changes of endowments (net of custodial endowments) by type of fund as of June 30, 2021 consisted of the following:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 24,159,490	\$ -	\$ 24,159,490
Donor-restricted quasi-endowment funds	-	525,283,476	525,283,476
Donor-restricted pure endowment funds:			
Accumulated investment gains	-	542,525,707	542,525,707
Amount required by donor to be held in perpetuity	-	757,702,927	757,702,927
Total	<u>\$ 24,159,490</u>	<u>\$ 1,825,512,110</u>	<u>\$ 1,849,671,600</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 18,560,979	\$ 1,298,574,857	\$ 1,317,135,836
Investment return - Net	6,534,503	478,806,446	485,340,949
Contributions	3,665	103,904,044	103,907,709
Appropriation of endowment assets for expenditure	(906,787)	(60,814,907)	(61,721,694)
Other changes	(32,870)	5,041,670	5,008,800
Endowment net assets - End of year	<u>\$ 24,159,490</u>	<u>\$ 1,825,512,110</u>	<u>\$ 1,849,671,600</u>

Funds with Deficiencies (Underwater Endowment Funds)

From time to time, as a result of investment losses and board-authorized distributions, the fair value of certain endowments may fall below the historical gift value of a donor-restricted pure endowment. The Foundation's board of directors has determined that the distributions must be suspended if a fund's fair market value falls below 90 percent of its historical gift value. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. As of June 30, 2022 and 2021, there were no funds with such deficiencies.

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

Nearly all endowments are invested in the LTIP. The Foundation has adopted an investment policy for the LTIP with an objective to provide a steady (and increasing) stream of funding to programs supported by the endowments while seeking to maintain the real (inflation-adjusted) 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 benchmark, net of investment management expenses, over a rolling five-year period. The policy benchmark is a blend of 80 percent MSCI All Country World Index and 20 percent Barclays Capital U.S. Aggregate Bond Index.

The risk objective is to attain a risk level (as measured by standard deviation over a rolling five-year period) at or below the policy benchmark. The LTIP is willing to have meaningful levels of illiquid assets within the overall portfolio in order to enhance the returns necessary to achieve investment goals and objectives.

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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's endowment spending policy, as approved by the board of directors, has three components: (1) a distribution formula and timing, (2) rules relating to the suspension of distributions in certain situations when an endowment's value declines, and (3) an advancement support assessment formula. 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 investment returns.

The Foundation annually appropriates for distribution an amount equal to 4 percent of the endowment's trailing 36-month average market value.

The Foundation's policy is to suspend distributions on any pure endowment if the endowment's fair market value is less than 90 percent of its historic gift value.

Endowment funds incur an annual assessment to support advancement operations. The amount of the assessment will be equal to 1.5 percent of the fund's principal account as of December 31 for the year preceding the assessment. The proceeds from this advancement support assessment are used to support advancement services at the University, as discussed in Note 2.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 13 - Functional Expenses

The Foundation's administrative expenses are composed of the following:

	<u>2022</u>	<u>2021</u>
Administrative:		
Salaries and wages	\$ 2,475,376	\$ 2,459,581
Retirement plan contributions	133,937	133,892
Health and other employee benefits	223,964	237,874
Payroll taxes	160,468	163,524
Legal	131,922	494,943
Accounting	157,864	122,072
Contracted services	246,603	392,829
Office expenses	333,500	261,134
Information technology	355,569	208,844
Occupancy	147,394	147,394
Travel	6,595	-
Professional development	76,609	22,182
Depreciation and amortization	74,044	80,334
Donor stewardship	162,322	55,499
Insurance	134,557	105,878
Dues and subscriptions	18,260	14,974
Other	65,047	833
Total	<u>\$ 4,904,031</u>	<u>\$ 4,901,787</u>

Note 14 - Operating Leases

The Foundation is obligated under operating leases primarily for office space and equipment, expiring at various dates through May 2027. The Foundation additionally leases office space under a lease that expired in September 2021 and subsequently became a month-to-month lease, requiring monthly payments of approximately \$12,000. The leases require the Foundation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was approximately \$161,000 and \$168,000 for 2022 and 2021, respectively.

Future minimum annual commitments under these operating leases are approximately as follows:

Years Ending June 30	Amount
2023	\$ 12,000
2024	12,000
2025	12,000
2026	12,000
2027	12,000
Total	<u>\$ 60,000</u>

Note 15 - Employee Retirement 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 percent of the employee's salary. For the years ended June 30, 2022 and 2021, the Foundation's matching contributions were \$133,938 and \$133,892, respectively.

Note 16 - Related Party Transactions

The following is a description of transactions between the Foundation and related parties:

The Foundation holds and invests custodial endowments and treasury funds on behalf of the University in the LTIP. In 2022 and 2021, the Foundation assessed 1.5 percent on the University's custodial endowments and 1.0 percent on the University's treasury funds. These assessments are used to support advancement operations in alignment with the Foundation's endowment spending policy described in Note 12. The Foundation collected approximately \$6,300,000 and \$5,500,000 from the University for the years ended June 30, 2022 and 2021, respectively.

As discussed in Note 2, the Foundation transfers funds to the University to support the budget for the CU Advancement on each of the University's campuses and the central office of advancement. These transferred funds are included on the consolidated statement of activities and changes in net assets as advancement support to the University and totaled \$34,502,522 and \$29,500,934 during the years ended June 30, 2022 and 2021, respectively.

Note 17 - Contingencies

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 \$100,000 for each qualified loan. As of June 30, 2022 and 2021, the Foundation guaranteed 71 and 79 FHAP loans totaling \$4,708,524 and \$5,113,112, respectively.

Other Risks and Uncertainties

During and subsequent to the year ended June 30, 2022, the Foundation's investment portfolio has incurred fluctuations and declines in fair value, consistent with the general fluctuations in the financial markets. Because individual investment values fluctuate with market conditions and the Foundation's investment strategy includes mitigation of losses during market downturns, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.