University of Colorado Foundation

Consolidated Financial Report
with Supplemental Information
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
University of Colorado Foundation

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, 2021 and 2020 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020 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.

To the Board of Directors
University of Colorado Foundation

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 $2,026,100,000 and $1,403,100,000 (66 and 61 percent of total assets) at June 30, 2021 and 2020, respectively. Additionally, there is approximately $291,340,000 and $302,070,000 in unfunded future commitments related to these investments as of June 30, 2021 and 2020, respectively. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

October 26, 2021

Consolidated Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 40,785,193	$ 44,844,948
Contributions receivable (Note 4)	31,514,509	26,724,610
Other assets	176,626	406,073
Total current assets	72,476,328	71,975,631
Investments (Notes 5 and 6)	2,848,785,825	2,091,070,728
Contributions Receivable - Net (Note 4)	108,767,327	96,974,860
Property and Equipment - Net (Note 7)	1,251,818	1,332,152
Assets Held Under Split-interest Agreements (Notes 6 and 8)	45,088,985	37,653,424
Beneficial Interest in Charitable Trusts Held by Others (Notes 6 and 8)	15,457,955	13,388,403
Total assets	**$ 3,091,828,238**	**$ 2,312,395,198**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 980,674	$ 431,722
Accounts payable and accrued liabilities - University	12,707,919	14,214,282
Liabilities under split-interest agreements (Note 8)	2,853,610	2,484,386
Custodial funds (Note 9)	19,738,424	18,466,379
Total current liabilities	36,280,627	35,596,769
Funds Held in Trust for Others	3,337,389	2,390,936
Liabilities Under Split-interest Agreements - Net of current portion (Note 8)	21,927,982	19,239,729
Custodial Funds - Net of current portion (Note 9)	605,171,620	445,383,020
Total liabilities	666,717,618	502,610,454
Net Assets (Notes 10 and 12)		
Without donor restrictions:		
Undesignated	77,527,547	37,420,055
Board designated	33,401,176	26,478,661
Total without donor restrictions	110,928,723	63,898,716
With donor restrictions	2,314,181,897	1,745,886,028
Total net assets	2,425,110,620	1,809,784,744
Total liabilities and net assets	**$ 3,091,828,238**	**$ 2,312,395,198**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	$ 47,099	$ 262,565,393	$ 262,612,492	$ 121,112	$ 193,311,896	$ 193,433,008
Advancement support assessment (Note 16)	24,267,334	(18,720,502)	5,546,832	20,131,140	(15,389,750)	4,741,390
Investment return - Net	74,883,508	481,541,527	556,425,035	15,042,848	54,319,566	69,362,414
Change in value of split-interest agreements (Note 8)	(8,212)	6,955,944	6,947,732	(8,204)	(1,652,242)	(1,660,446)
Other revenue	-	18,342	18,342	27,205	295,410	322,615
Transfers from the University	-	459,457	459,457	-	1,875,000	1,875,000
Other changes in net assets	(23,136)	23,136	-	(618,258)	618,258	-
Net assets released from restrictions (Note 11)	164,547,428	(164,547,428)	-	182,205,537	(182,205,537)	-
Total revenue, gains, and other support	263,714,021	568,295,869	832,009,890	216,901,380	51,172,601	268,073,981
Distributions and Expenses						
Transfers to the University	182,281,293	-	182,281,293	184,507,046	-	184,507,046
Support services:						
Advancement support to the University (Note 16)	29,500,934	-	29,500,934	24,409,094	-	24,409,094
Administrative (Note 13)	4,901,787	-	4,901,787	5,154,159	-	5,154,159
Total support services	34,402,721	-	34,402,721	29,563,253	-	29,563,253
Total distributions and expenses	216,684,014	-	216,684,014	214,070,299	-	214,070,299
Change in Net Assets	47,030,007	568,295,869	615,325,876	2,831,081	51,172,601	54,003,682
Net Assets - Beginning of year	63,898,716	1,745,886,028	1,809,784,744	61,067,635	1,694,713,427	1,755,781,062
Net Assets - End of year	**$ 110,928,723**	**$ 2,314,181,897**	**$ 2,425,110,620**	**$ 63,898,716**	**$ 1,745,886,028**	**$ 1,809,784,744**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 615,325,876	$ 54,003,682
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	80,334	95,307
Realized and unrealized gains - Net	(541,438,220)	(75,497,706)
Change in beneficial interest in charitable trusts held by others	(2,069,552)	(4,292,105)
Contributions restricted for long-term investments	(75,734,748)	(49,763,001)
Change in value of split-interest agreements	(1,847,048)	4,026,614
Changes in operating assets and liabilities that provided cash and cash equivalents:		
Contributions receivable - Net	(16,582,366)	40,667,554
Other assets	229,447	183,789
Accounts payable and accrued expenses	(957,411)	4,485,299
Custodial funds	(234,865)	8,024,538
Funds held in trust for others	946,453	20,883
Net cash and cash equivalents used in operating activities	(22,282,100)	(18,045,146)
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(94,036)
Purchase of investments	(1,584,139,243)	(1,194,161,477)
Sale of investments	1,529,157,876	1,200,567,098
Net cash and cash equivalents (used in) provided by investing activities	(54,981,367)	6,311,585
Cash Flows from Financing Activities		
Contributions received for long-term investment	75,734,748	49,763,001
Payments on split-interest agreement obligations	(2,531,036)	(2,456,064)
Net cash and cash equivalents provided by financing activities	73,203,712	47,306,937
Net (Decrease) Increase in Cash and Cash Equivalents	(4,059,755)	35,573,376
Cash and Cash Equivalents - Beginning of year	44,844,948	9,271,572
Cash and Cash Equivalents - End of year	**$ 40,785,193**	**$ 44,844,948**

See notes to consolidated financial statements.

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 generally accepted accounting principles (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.

Adoption of New Accounting Pronouncement

As of July 1, 2020, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*, which removed requirements to disclose (1) the valuation processes for Level 3 fair value measurements and (2) the changes in unrealized gains and losses for the period for recurring Level 3 fair value measurements and modifies the disclosure requirements for a rollforward for Level 3 fair value measurements to instead require only disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, among other changes not currently relevant to the Foundation. The Foundation adopted the new standard on a retrospective basis.

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, 2021 and 2020 were $1,102,222 and $1,147,524, respectively.

Note 2 - Significant Accounting Policies (Continued)

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.

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 within the year in which it is 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.

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 in value 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 received $459,457 and $1,875,000 in the years ended June 30, 2021 and 2020, respectively. 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. Custodial endowments in the amount of $334,457 were converted in the year ended June 30, 2021. The University converted no such funds in the year ended June 30, 2020.

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).

Reclassifications

Certain 2020 amounts on the consolidated statement of cash flows related to purchases and sales of investments have been reclassified to conform to 2021 presentation.

Upcoming Accounting Pronouncements

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, functional expenses, 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.

Note 2 - Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be 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 description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Foundation’s year ending June 30, 2022 and will be applied using the retrospective method.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 26, 2021, which is the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

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

	2021	2020
Total assets	$ 3,091,828,238	$ 2,312,395,198
Less fixed and nonfinancial assets	(61,975,384)	(52,780,052)
Financial assets	3,029,852,854	2,259,615,146
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Endowment assets	1,825,512,110	1,298,574,857
Custodial funds	625,699,916	464,105,976
Restricted by donor with time or purpose restrictions	462,932,386	429,175,552
Investments held in annuity trust	5,116,675	4,915,170
Board designations:		
Quasi-endowment funds	24,159,490	18,560,979
Designated for university programs	9,241,686	7,917,682
Financial assets available to meet cash needs for general expenditures within one year	$ 77,190,591	$ 36,364,930

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.

Note 3 - Liquidity and Availability of Resources (Continued)

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/losses on the STIP increase/decrease the financial assets available for general expenditure. 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.

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 currently only distributions from this quasi endowment are being used, the entire balance could be liquidated if necessary. The balance of this board-designated quasi endowment as of June 30, 2021 and 2020 is $21,516,020 and $16,571,234, respectively.

Note 4 - Contributions Receivable

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

	2021	2020
Gross contributions receivable before unamortized discount	$ 150,093,234	$ 134,289,431
Allowance for uncollectible contributions	(7,480,383)	(6,627,936)
Allowance for net present value discount	(2,331,015)	(3,962,025)
Contributions receivable - Net	$ 140,281,836	$ 123,699,470
Amounts due in:		
Less than one year	$ 53,013,418	$ 44,236,415
One to five years	87,441,231	79,649,758
More than five years	9,638,585	10,403,258
Total	$ 150,093,234	$ 134,289,431

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 2.97 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.

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, lifecycle 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 STIP and are included in the following net investment return tables

Note 5 - Investments (Continued)

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

	2021	2020
Cash and cash equivalents	$ 19,533,394	$ 80,320,817
Mutual funds:		
Domestic	116,471,985	17,836,250
International	254,539,349	154,087,261
Fixed income	2,212,479	2,103,280
Equity securities	228,598,724	283,859,068
Fixed-income securities	198,439,362	146,306,586
Alternative:		
Real estate	64,071,203	60,789,694
Private equity	434,038,363	323,444,548
Commingled equity funds	817,136,856	503,392,928
Absolute return	350,760,285	304,803,014
Venture capital	337,585,733	197,432,489
Commodities	24,455,109	15,797,551
Other	942,983	897,242
Total	$ 2,848,785,825	$ 2,091,070,728

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.

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, 2021 and 2020 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, 2021				
	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, 2021
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 securities	-	-	-	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 assets 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.

Note 6 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020				
	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, 2020
Assets					
Investments held at fair value and net asset value:					
Mutual funds:					
Domestic equities	$ 17,836,250	$ -	$ -	$ -	$ 17,836,250
International equities	154,087,261	-	-	-	154,087,261
Fixed income	2,103,280	-	-	-	2,103,280
Equity securities	243,059,068	-	40,800,000	-	283,859,068
Fixed-income securities	-	146,306,586	-	-	146,306,586
Alternatives:					
Real estate	-	-	-	58,794,628	58,794,628
Private equity	-	-	-	323,444,548	323,444,548
Commingled equity securities	-	-	-	503,392,928	503,392,928
Absolute return	-	-	-	304,803,014	304,803,014
Venture capital	-	-	566,828	196,865,661	197,432,489
Commodities	-	-	-	15,797,551	15,797,551
Other	-	568,718	223,524	-	792,242
Total assets held under split-interest agreements	417,085,859	146,875,304	41,590,352	1,403,098,330	2,008,649,845
Assets held under split-interest agreements:					
Domestic equities	12,085,171	-	-	-	12,085,171
International equities	7,965,490	-	-	-	7,965,490
Real estate	5,141,678	-	-	-	5,141,678
Fixed income	9,617,451	-	-	-	9,617,451
International equities	34,809,790	-	-	-	34,809,790
Beneficial interest in charitable trusts held by others	-	-	13,388,403	-	13,388,403
Total	$ 451,895,649	$ 146,875,304	$ 54,978,755	$ 1,403,098,330	$ 2,056,848,038

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, 2020, the Foundation held money market funds and cash equivalents in the amount of $80,320,817, certain investments held at cost or present value of $2,100,066, and cash and cash equivalents under split-interest arrangements of $1,278,634. 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, 2020.

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, 2021 and 2020 are as follows:

	Investments	Beneficial Interest in Charitable Trusts Held by Others
Balance at July 1, 2020	$ 41,590,352	$ 13,388,403
Purchases	2,446,215	1,697,588
Total unrealized gains	8,934,252	641,777
Transfers out of Level 3	(2,400,000)	(269,813)
Balance at June 30, 2021	$ 50,570,819	$ 15,457,955

	Investments	Beneficial Interest in Charitable Trusts Held by Others
Balance at July 1, 2019	$ 46,650,352	$ 9,096,298
Purchases	2,440,000	5,240,708
Total unrealized losses	(5,100,000)	(897,344)
Transfers out of Level 3	(2,400,000)	(51,259)
Balance at June 30, 2020	$ 41,590,352	$ 13,388,403

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

Fund Description	Unfunded Commitments June 30, 2021	Fair Value June 30, 2021	Fair Value June 30, 2020	Redemption Frequency	Redemption Notice Period
Real estate	$ 75,035,044	$ 62,596,981	$ 58,794,628	None	N/A
Private equity	123,201,186	434,038,363	323,444,548	None	N/A
Commingled equity funds	-	817,136,856	503,392,928	Varies	30 to 90 days
Absolute return	-	350,760,285	304,803,014	Varies	45 to 90 days
Venture capital	85,093,134	337,084,653	196,865,661	None	N/A
Commodities	8,008,621	24,455,109	15,797,551	None	N/A
Total	$ 291,337,985	$ 2,026,072,247	$ 1,403,098,330		

As of June 30, 2021, 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.

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, 2021, 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 three to five years.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
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	4,288,161	4,207,827
Property and equipment - Net	$ 1,251,818	$ 1,332,152

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.

Note 8 - Split-interest Agreements (Continued)

For the years ended June 30, 2021 and 2020, $1,741,045 and $6,068,750, respectively, was included in contributions 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 75 charitable gift annuity contracts outstanding at June 30, 2021. 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 $2,911,287 and $3,189,486 as of June 30, 2021 and 2020, respectively.

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:

	2021	2020
Assets held in charitable remainder trusts	$ 40,470,313	$ 33,502,986
Assets held in charitable lead trusts	2,887,969	2,420,732
Assets held in life interest in real estate	1,565,000	1,565,000
Assets held in pooled life income fund	165,703	164,706
Total	45,088,985	37,653,424
Less associated liabilities	(21,574,493)	(18,204,555)
Less associated deferred revenue	(295,812)	(330,074)
Net present value of trust assets administered by the Foundation	$ 23,218,680	$ 19,118,795

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.

Note 8 - Split-interest Agreements (Continued)

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

	2021	2020
Gross value of beneficial interests	$ 20,019,213	$ 17,143,804
Less unamortized discount	(10,839,992)	(9,471,230)
Net present value of beneficial interests	$ 9,179,221	$ 7,672,574

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, 2021 and 2020, the fair value of assets held in perpetual trusts for the benefit of the Foundation was $6,278,734 and $5,715,829, respectively.

Note 9 - Custodial Funds

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	620,018,419	5,681,497	625,699,916
Accounts payable and accrued expenses - University	(789,871)	-	(789,871)
Total	$ 619,228,547	$ 5,681,497	$ 624,910,044

Custodial funds held at June 30, 2020 consisted of the following:

	University of Colorado	Other Not-for-profits	Total
Endowment	$ 206,532,697	$ 4,277,561	$ 210,810,258
Nonendowed	253,295,718	-	253,295,718
Custodial funds held	459,828,415	4,277,561	464,105,976
Accounts payable and accrued expenses - University	(256,577)	-	(256,577)
Total	$ 459,571,838	$ 4,277,561	$ 463,849,399

Note 10 - Net Assets

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

	2021	2020
Undesignated	$ 77,527,547	$ 37,420,055
Board designated:		
University of Colorado Colorado Springs - Engineering Building Renovations	8,000,000	6,000,000
University of Colorado Boulder - Biofrontiers Institute - Operating	1,757	4,935
University of Colorado System Central Advancement - Capacity Building	-	450,609
University of Colorado Anschutz Medical Campus - Gates Center for Regenerative Medicine	600,000	600,000
University of Colorado Colorado Springs - Biofrontiers	356,741	437,971
University of Colorado Denver - Venture Capital Investment Pool	266,925	318,175
University of Colorado Boulder - Deming Center	2,571	95,071
Board-designated endowment to support advancement and foundation operations	21,516,020	16,571,234
Board-designated funds held for Boulder Alumni Association	1,536,611	1,140,006
Board designation - Undesignated bequests	1,120,551	860,660
Total board designated	33,401,176	26,478,661
Total net assets without donor restrictions	$ 110,928,723	$ 63,898,716

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	$ 395,080,696	$ 1,303,836,289
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	27,290,555	250,016,935
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	$ 584,156,876	$ 11,778,618	$ 50,724,243	$ 786,305,669	$ 122,211,338	$ 185,342,677	$ 573,662,476	$ 2,314,181,897

Note 10 - Net Assets (Continued)

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020:

	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	$ 99,771,317	$ 1,428,775	$ 568,723	$ 461,285,181	$ 39,237,366	$ 42,064,452	$ 275,295,284	$ 919,651,098
Quasi	133,129,606	1,217,764	10,220,147	86,829,618	25,330,221	36,546,356	85,650,047	378,923,759
Subject to expenditure for specified purpose	108,590,013	2,368,710	19,278,560	13,326,310	18,588,698	44,388,899	26,467,830	233,009,020
Endowment distributions	15,050,189	61,046	1,675,546	21,294,712	4,015,876	5,179,492	14,586,322	61,863,183
Subject to passage of time and/or purpose:								
Life income arrangements	6,237,880	48,019	646,716	5,612,946	5,302,237	2,491,466	7,252,710	27,591,974
Promises to give:								
Endowment - Pure	20,043,678	126,390	-	11,571,761	186,717	1,260,858	5,085,611	38,275,015
Endowment - Quasi	7,253,927	32,866	-	1,144,923	11,377	77,391	48,064	8,568,548
Endowment distribution funds	40,572	6,583	-	336,882	43,572	151,308	495,237	1,074,154
Current expendable	21,120,454	2,888,667	18,885,326	5,001,579	2,829,939	18,678,402	6,377,386	75,781,753
Not subject to spending policy or appropriation - UCUK	-	-	-	-	1,147,524	-	-	1,147,524
Total net assets with donor restrictions	$ 411,237,636	$ 8,178,820	$ 51,275,018	$ 606,403,912	$ 96,693,527	$ 150,838,624	$ 421,258,491	$ 1,745,886,028

Note 11 - Net Assets Released from Purpose Restrictions

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

	2021	2020
Academic support	$ 66,424,772	$ 74,720,017
Athletics	2,286,616	1,923,510
Capital projects	15,304,699	25,214,179
Chairs, professorships, and other faculty support	21,872,695	20,963,057
Public service, library, and other support	1,797,912	9,044,228
Research	29,705,829	25,205,954
Scholarships	27,154,905	25,134,592
Total	$ 164,547,428	$ 182,205,537

Note 12 - Donor-restricted and Board-designated Endowments

The Foundation's endowments consist of over 3,150 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.

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*.

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

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 $2,124,539,178 and $1,527,946,094 at June 30, 2021 and 2020, respectively. Included in these totals are custodial endowments (see Notes 2 and 9) totaling $274,867,578 and $210,810,258 at June 30, 2021 and 2020, 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, 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	$ 24,159,490	$ 1,825,512,110	$ 1,849,671,600

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

	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	$ 24,159,490	$ 1,825,512,110	$ 1,849,671,600

The composition and changes of endowments (net of custodial endowments) by type of fund as of June 30, 2020 consisted of the following:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 18,560,979	$ -	$ 18,560,979
Donor-restricted quasi-endowment funds	-	402,780,756	402,780,756
Donor-restricted pure endowment funds:			
Accumulated investment gains	-	223,889,896	223,889,896
Amount required by donor to be held in perpetuity	-	671,904,205	671,904,205
Total	$ 18,560,979	$ 1,298,574,857	$ 1,317,135,836

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 18,502,193	$ 1,222,002,223	$ 1,240,504,416
Investment return - Net	732,878	53,665,875	54,398,753
Contributions	223,180	76,159,900	76,383,080
Appropriation of endowment assets for expenditure	(853,087)	(54,198,824)	(55,051,911)
Other changes	(44,185)	945,683	901,498
Endowment net assets - End of year	$ 18,560,979	$ 1,298,574,857	$ 1,317,135,836

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, 2021 and 2020, 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.

Note 13 - Functional Expenses

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

	2021	2020
Administrative:		
Salaries and wages	$ 2,459,581	$ 2,457,316
Retirement plan contributions	133,892	127,380
Health and other employee benefits	237,874	259,720
Payroll taxes	163,524	155,465
Legal	494,943	170,665
Accounting	122,072	115,913
Contracted services	392,829	602,646
Office expenses	261,134	252,921
Information technology	208,844	208,661
Occupancy	147,394	241,182
Travel	-	19,614
Professional development	22,182	110,742
Depreciation and amortization	80,334	95,307
Donor stewardship	55,499	177,363
Insurance	105,878	100,682
Dues and subscriptions	14,974	49,035
Other	833	9,547
Total	$ 4,901,787	$ 5,154,159

Note 14 - Operating Leases

The Foundation is obligated under operating leases primarily for office space and equipment, expiring at various dates through July 2022. The leases require the Foundation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was approximately $168,000 and $223,000 for 2021 and 2020, respectively.

The Foundation's lease for office space expires in September 2021; however, it includes an optional extension by the Foundation for a five-year period. The Foundation intends to exercise this option, which has not been signed as of the date of the consolidated financial statements. As the Foundation intends to exercise this option, future minimum annual commitments related to this lease are included in the table below.

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

Years Ending June 30	Amount
2022	$ 158,000
2023	147,000
2024	147,000
2025	147,000
2026	147,000
Thereafter	147,000
Total	$ 893,000

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, 2021 and 2020, the Foundation's matching contributions were $133,892 and $127,380, 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 university treasury funds in the LTIP. In 2021 and 2020, the Foundation assessed 1.5 percent on the University's endowments to align with the policy described in Note 12. The Foundation collected approximately $5,500,000 and $4,700,000 from the University for the years ended June 30, 2021 and 2020, respectively.

As discussed in Note 2, the Foundation transferred these 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 $29,500,934 and $24,409,094 during the years ended June 30, 2021 and 2020, respectively.

Note 17 - Contingencies

Risks and Uncertainties Related to COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted hundreds of millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In this second year of the COVID-19 pandemic, the impacts and risks for the Foundation have been changing.

COVID-19 recovery is uneven globally and is presenting a variety of challenges and risks from economic uncertainty to changes in consumer demand, disrupted supply chains and staff shortages, new hybrid working patterns, the ending of government support packages, and increased merger and acquisitions activity.

However, the Foundation’s investment portfolio had experienced over 36 percent growth in its fair market value of investments during the period from July 1, 2020 to June 30, 2021. The Foundation’s LTIP is invested in a wide range of asset classes consistent with the legal requirements of UPMIFA and the best practices of the largest college and university endowments. These exceptional investment results coupled with the continued philanthropic support of our generous donors have enabled the Foundation to be a reliable partner to the University. This has been especially important in a year in which the University faced budgetary challenges responding to the COVID-19 pandemic and related economic disruptions. The Foundation transferred more than $200 million in funding to the University during the last fiscal year, including funds for emergency student tuition relief and supplemental funding for student, faculty, and staff mental health services.

While the Foundation’s consolidated results of operations, cash flows, and financial condition were positively impacted this past fiscal year, the financial condition could be negatively impacted by the pandemic in the future, and the extent of any potential impact cannot be reasonably estimated at this time.

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, 2021 and 2020, the Foundation guaranteed 79 and 95 FHAP loans totaling $5,113,112 and $6,019,842, respectively.