Consolidated Financial Statements
June 30, 2015 and 2014

Metropolitan State University of Denver Foundation

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Metropolitan State University of Denver Foundation
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan State University of Denver Foundation, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit 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 Metropolitan State University of Denver Foundation as of June 30, 2015 and 2014, 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.

Eide Bailly LLP

Golden, Colorado
October 17, 2015

	2015	2014
Assets		
Cash and cash equivalents	$ 602,785	$ 1,367,272
Investments	5,422,992	3,563,140
Receivable from University	14,203	204,592
Promises to give, net	461,225	808,613
Prepaids and other assets	28,645	25,655
Property and equipment, net	1,549,202	1,618,572
Beneficial interest in charitable trust held by others	110,706	111,645
Endowment		
Promises to give, net	957,948	1,292,526
Investments	7,109,108	6,524,854
Total assets	$ 16,256,814	$ 15,516,869
Liabilities and Net Assets		
Accounts payable and other liabilities	$ 34,607	$ 14,000
Due to University		
Accounts payable	101,890	115,515
Distributions for Athletic Fields	446,011	-
Distributions to HLC@Metro	34,314	14,005
Agency funds held in trust	200,000	-
Liabilities under charitable gift annuities	50,077	51,543
Total liabilities	866,899	195,063
Net Assets		
Unrestricted		
Undesignated	808,017	706,169
Invested in property and equipment, net	1,549,202	1,618,572
	2,357,219	2,324,741
Temporarily restricted	9,785,678	9,988,489
Permanently restricted	3,247,018	3,008,576
Total net assets	15,389,915	15,321,806
Total liabilities and net assets	$ 16,256,814	$ 15,516,869

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Gains				
Contributions	$ 71,855	$ 2,583,606	$ 239,381	$ 2,894,842
Donated professional services and in-kind contributions	1,391,753	43,332	-	1,435,085
Endowment management fees	126,256	-	-	126,256
Net special events revenue	-	362,744	-	362,744
Net investment return (loss)	27,358	(15,900)	-	11,458
Change in value of split-interest agreements	(4,364)	-	(939)	(5,303)
Rent and other income	124,757	-	-	124,757
Net assets released from restrictions	3,176,593	(3,176,593)	-	-
Total support, revenue, and gains	4,914,208	(202,811)	238,442	4,949,839
Expenses				
Program services expense				
Support provided to University	2,987,972	-	-	2,987,972
CVA operating expenses	94,575	-	-	94,575
Total program services expense	3,082,547	-	-	3,082,547
Supporting services expense				
General and administrative costs	407,680	-	-	407,680
Donor development costs	1,391,503	-	-	1,391,503
Total supporting services expense	1,799,183	-	-	1,799,183
Total expenses	4,881,730	-	-	4,881,730
Change in Net Assets	32,478	(202,811)	238,442	68,109
Net Assets, Beginning of Year	2,324,741	9,988,489	3,008,576	15,321,806
Net Assets, End of Year	$ 2,357,219	$ 9,785,678	$ 3,247,018	$ 15,389,915

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Gains				
Contributions	$ 109,362	$ 3,035,812	$ 1,741,230	$ 4,886,404
Donated professional services and in-kind contributions	1,375,485	71,950	-	1,447,435
Endowment management fees	93,349	-	-	93,349
Net special events revenue	-	443,594	-	443,594
Net investment return (loss)	162,221	651,933	-	814,154
Change in value of split-interest agreements	(4,471)	-	13,434	8,963
Rent and other income	132,679	-	-	132,679
Cancellation of below-market lease provision in CVA lease to University	200,000	-	-	200,000
Net assets released from restrictions	2,765,455	(2,765,455)	-	-
Total support, revenue, and gains	4,834,080	1,437,834	1,754,664	8,026,578
Expenses				
Program services expense				
Support provided to University	2,523,732	-	-	2,523,732
CVA operating expenses	69,293	-	-	69,293
Total program services expense	2,593,025	-	-	2,593,025
Supporting services expense				
General and administrative costs	344,589	-	-	344,589
Donor development costs	1,374,485	-	-	1,374,485
Total supporting services expense	1,719,074	-	-	1,719,074
Total expenses	4,312,099	-	-	4,312,099
Change in Net Assets	521,981	1,437,834	1,754,664	3,714,479
Net Assets, Beginning of Year	1,802,760	8,550,655	1,253,912	11,607,327
Net Assets, End of Year	$ 2,324,741	$ 9,988,489	$ 3,008,576	$ 15,321,806

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 68,109	$ 3,714,479
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	69,370	35,442
Realized and unrealized (gain) loss on investments	41,119	(105,843)
Cancellation of below-market lease provision in CVA lease to University	-	(200,000)
Amortization of discount on promises to give	3,546	67,379
Contributions restricted to quasi-endowment	(236,202)	(98,111)
Contributions restricted to permanent endowment	(241,920)	(1,741,230)
Endowment net investment (return) loss	17,568	(652,745)
Change in value of beneficial interest in charitable trust held by others	939	(13,434)
Changes in operating assets and liabilities		
Receivable from University	190,389	(204,592)
Promises to give, net	343,842	315,576
Prepaids and other assets	(2,990)	(5,748)
Accounts payable and other liabilities	20,607	(2,007)
Due to University	652,695	(1,038,760)
Liabilities under charitable gift annuities	4,364	4,471
Net Cash from (used for) Operating Activities	931,436	74,877
Cash flows from Investing Activities		
Purchases of investments	(2,279,590)	(777,514)
Proceeds from sale of investments	378,619	571,745
(Additions to) withdrawals from endowment	(601,822)	(657,846)
Net Cash from (used for) Investing Activities	(2,502,793)	(863,615)
Cash Flows from Financing Activities		
Payments under charitable gift annuities	(5,830)	(5,830)
Collections of contributions restricted to endowment	812,700	629,987
Net cash from (used for) Financing Activities	806,870	624,157
Net Change in Cash and Cash Equivalents	(764,487)	(164,581)
Cash and Cash Equivalents, Beginning of Year	1,367,272	1,531,853
Cash and Cash Equivalents, End of Year	$ 602,785	$ 1,367,272

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Metropolitan State University of Denver Foundation (the Foundation) is a Colorado nonprofit organization established to promote the general welfare and development of Metropolitan State University of Denver (the University).

965 Santa Fe, LLC (the LLC), a Colorado limited liability company whose sole member is the Foundation, owns and rents the Center for Visual Arts (the CVA) facility to the University.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the LLC because the Foundation has both control and an economic interest in the LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the “Foundation”.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2015 and 2014, the allowance was $33,200 and $135,000, respectively.

Property and Equipment

Property and equipment additions over $5,000 with useful lives exceeding one year are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, presently consisting solely of the building at 965 Santa Fe, of thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2015 and 2014.

Property and equipment also includes works of art which are capitalized at original cost, or fair value if donated, and are not depreciated because the Foundation intends to preserve assets in perpetuity.

Assets Held and Liabilities Under Split-Interest Agreements

Beneficial Interest in Charitable Trust Held by Others

The Foundation has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by the donor and is administered by an outside agent designated by the donor. Therefore, the Foundation has neither possession nor control over the assets of the trust. At the date the Foundation received notice of the beneficial interest, a permanently restricted contribution was recorded in the statement of activities, and a beneficial interest in charitable trust held by others was recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, the beneficial interest in the trust has been reported at fair value in the statement of financial position. At the end of the trust's term, the assets of the trust will be transferred to the permanent endowment for scholarships; earnings on the assets will be available for scholarships.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation's Board of Directors.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Professional Services and In-kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received (Note 9).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 10 presents total expenses by function.

Income Taxes

The Foundation is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv), and has been determined not to be a private foundation under Section 509(a)(1). The LLC is treated as a disregarded entity for tax purposes, and is incorporated into the tax return filed by the Foundation.

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The entity's Form 990 and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2011.

Estimates

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

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals, corporations, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

The Foundation has evaluated subsequent events through October 17, 2015, the date the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

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

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

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

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

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

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the Foundation's beneficial interest in a charitable trust held by others is based on the fair value of the trust investments as reported by the trustee, which is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2015:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 459,939	$ -	$ -	$ -
Fixed income funds				
U.S. Government securities funds	2,503,866	2,503,866	-	-
Bond funds	1,284,505	1,284,505	-	-
Emerging market funds	1,575	1,575	-	-
Equity funds				
U.S. common stocks	958,077	958,077	-	-
Preferred stocks	150,897	150,897	-	-
Real estate investment trusts	64,133	64,133	-	-
	$ 5,422,992	$ 4,963,053	$ -	$ -
Endowment Investments				
Cash and money market funds (at cost)	$ 333,713	$ -	$ -	$ -
Fixed income funds				
U.S. Government securities funds	92,083	92,083	-	-
Bond funds	1,772,610	1,772,610	-	-
Emerging market funds	109,562	109,562	-	-
High-yield bond funds	132,267	132,267	-	-
Equity Funds				
U.S. common stocks	2,179,278	2,179,278	-	-
Small to mid-cap equity funds	831,257	831,257	-	-
International equity funds	578,774	578,774	-	-
Emerging market funds	369,331	369,331	-	-
Futures and commodity funds	501,367	501,367	-	-
Preferred stocks	55,359	55,359	-	-
Real estate investment trusts	153,507	153,507	-	-
	$ 7,109,108	$ 6,775,395	$ -	$ -
Beneficial interest in charitable trust held by others	$ 110,706	$ -	$ -	$ 110,706

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2014:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 148,058	$ -	$ -	$ -
Fixed income funds				
U.S. Government securities funds	1,765,826	1,765,826	-	-
Bond funds	842,370	842,370	-	-
Emerging market funds	4,621	4,621	-	-
High-yield bond funds	13,168	13,168	-	-
Equity funds				
U.S. common stocks	683,631	683,631	-	-
Preferred stocks	73,254	73,254	-	-
Real estate investment trusts	32,212	32,212	-	-
	$ 3,563,140	$ 3,415,082	$ -	$ -
Endowment Investments				
Cash and money market funds (at cost)	$ 702,007	$ -	$ -	$ -
Fixed income funds				
U.S. Government securities funds	128,338	128,338	-	-
Bond funds	1,465,245	1,465,245	-	-
Emerging market funds	86,866	86,866	-	-
High-yield bond funds	156,843	156,843	-	-
Inflation-adjusted funds			-	-
Equity funds	1,928,444	1,928,444		
U.S. common stocks	614,593	614,593	-	-
Small to mid-cap equity funds	486,045	486,045	-	-
International equity funds	565,367	565,367	-	-
Emerging market funds	248,700	248,700	-	-
Futures and commodity funds	33,316	33,316	-	-
Real estate investment trusts	109,090	109,090	-	-
	$ 6,524,854	$ 5,822,847	$ -	$ -
Beneficial interest in charitable trust held by others	$ 111,645	$ -	$ -	$ 111,645

Below is a reconciliation of the beginning and ending balances of the beneficial interest in charitable trust held by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014:

	2015	2014
Beginning Balance	$ 111,645	$ 98,211
Change in value of beneficial interest	(939)	13,434
Ending Balance	$ 110,706	$ 111,645
Unrealized gain (loss) included in change in value of split-interest agreements in the consolidated statements of activities relating to assets still held at June 30, 2015 and 2014	$ (939)	$ 13,434

Note 3 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Investments		
Interest and dividend income	$ 91,348	$ 79,476
Net realized and unrealized gain (loss)	(41,119)	105,843
Less investment management and custodial fees	(21,203)	(23,910)
	29,026	161,409
Endowment investments		
Interest and dividend income	$ 136,018	$ 203,899
Net realized and unrealized gain (loss)	5,245	584,393
Less investment management and custodial fees	(158,831)	(135,547)
	(17,568)	652,745
	$ 11,458	$ 814,154

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2015 and 2014:

	2015	2014
Within one year	$ 699,530	$ 794,174
In one to five years	797,799	1,478,298
Over five years	14,895	37,396
	1,512,224	2,309,868
Less discount to net present value (0.17% - 3.30%)	(59,851)	(73,729)
Less allowance for uncollectable promises to give	(33,200)	(135,000)
	$ 1,419,173	$ 2,101,139

At June 30, 2015 and 2014, three donors accounted for 81% and 82% of total promises to give, respectively. Promises to give of $957,948 and $1,292,526 were restricted to endowment as of June 30, 2015 and 2014, respectively.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2015 and 2014:

	2015	2014
Center for Visual Arts		
Land	$ 456,400	$ 456,400
Building	1,023,472	1,072,398
	1,479,872	1,528,798
Less accumulated depreciation	(194,620)	(174,176)
	1,285,252	1,354,622
Nondepreciated artwork	263,950	263,950
	$ 1,549,202	$ 1,618,572

Note 6 - Leases

During the year ended June 30, 2010, the LLC purchased a commercial building at 965 Santa Fe Drive to house the operations of the CVA. Effective March 1, 2010, the LLC and the University entered into a three-year non-cancellable lease which has since been renewed through June 30, 2016. During the year ended June 30, 2013, the Foundation agreed to waive the rental payments on 965 Santa Fe for the years ending June 30, 2015 and 2016, totaling $200,000, and recorded support to the University and a payable to the University at June 30, 2013. During the year ended June 30, 2014, the Foundation and the University modified the agreement, and the University will pay the rent, previously waived, for the years ending June 30, 2015 and 2016 for a total of $200,000. In addition to the annual minimum rent, the University reimburses the LLC for actual expenses incurred for the maintenance and operation of the premises, which approximate $35,000 per year.

Note 7 - Endowment

The Foundation's endowment (Endowment) is composed of 43 individual permanent endowment funds (Permanent Endowment) and 111 purpose-restricted quasi-endowment funds (Quasi-Endowment). The funds were established by donors primarily to provide scholarships to eligible students of the University, and support for academic departments, student activities, and other purposes of the University. Permanent Endowment funds are permanent charitable funds whose principal must be preserved in perpetuity as a condition imposed by the donor. Quasi-Endowment funds are purpose-restricted board-designated gifts whose principal is intended to be maintained in perpetuity, but which may be expended in accordance with the University's spending-rate policy with no requirement that any such expenditure be replenished. The Foundation's Board of Directors has not designated any of the Foundation's unrestricted net assets to function as endowment. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair values of original Permanent Endowment gifts, as of each gift date, absent explicit donor instructions to the contrary. At June 30, 2015 and 2014, there were no contrary donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts to the Permanent Endowment, (b) the original value of subsequent gifts to the Permanent Endowment, and (c) accumulations to the Permanent Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the Permanent Endowment funds not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate permanent endowment funds:

- The duration and preservation of the fund
- The purposes 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

As of June 30, 2015 and 2014, the Foundation had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2015				
Purpose-restricted quasi-endowment	$ -	4,812,936	$ -	$ 4,812,936
Donor-restricted permanent endowment	(5,685)	123,493	3,136,312	3,254,120
	$ (5,685)	$ 4,936,429	$ 3,136,312	$ 8,067,056
June 30, 2014				
Purpose-restricted quasi-endowment	$ -	$ 4,764,923	$ -	$ 4,764,923
Donor-restricted permanent endowment	(4,019)	159,545	2,896,931	3,052,457
	$ (4,019)	$ 4,924,468	$ 2,896,931	$ 7,817,380

At June 30, 2015 and 2014, certain Permanent Endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of $5,685 and $4,019 have been reported in unrestricted net assets on those dates, respectively. The deficiencies resulted from unfavorable market fluctuations. The Foundation has suspended distributions from these funds until such time as the deficiencies are recovered via market returns; however, there is no legal obligation for the Foundation to fund the deficiencies.

Investment and Spending Policies

The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner intended to maintain or increase the dollar value of the portfolio after annual distribution expenses and fees in order to provide the benefit intended by donors. 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.

Through December 31, 2013, the Foundation used a 4.5% endowment spending-rate to determine the amount to spend from the Endowment each year. Effective January 1, 2014, the Foundation adopted a banded inflation method to determine endowment distributions based on the Higher Education Price Index (HEPI), with the resulting rate subject to a minimum of 3% and a maximum of 5%. Barring specific requirements for each individual endowment, distributions from Permanent Endowments are limited to the excess of the fair values of the Permanent Endowments over the sum of the original and subsequent gift amounts. In establishing this policy, the Foundation considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2015				
Endowment net assets, beginning of year	$ (4,019)	$ 4,924,468	$ 2,896,931	$ 7,817,380
Investment return (loss)				
Investment income, net of fees	-	(22,813)	-	(22,813)
Net realized and unrealized gain (loss)	(1,666)	6,911	-	5,245
Total investment return (loss)	(1,666)	(15,902)	-	(17,568)
Contributions	-	235,601	239,381	474,982
Distributions pursuant to endowment spending-rate formula	-	(207,738)	-	(207,738)
Endowment net assets, end of year	$ (5,685)	$ 4,936,429	$ 3,136,312	$ 8,067,056
Year ended June 30, 2014				
Endowment net assets, beginning of year	$ (15,582)	$ 4,217,685	$ 1,155,701	$ 5,357,804
Investment return (loss)				
Investment income, net of fees	-	68,352	-	68,352
Net realized and unrealized gain	11,563	572,830	-	584,393
Total investment return (loss)	11,563	641,182	-	652,745
Contributions	-	98,111	1,741,230	1,839,341
Distributions pursuant to endowment spending-rate formula	-	(32,510)	-	(32,510)
Endowment net assets, end of year	$ (4,019)	$ 4,924,468	$ 2,896,931	$ 7,817,380

Note 8 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2015 and 2014, consist of:

	2015	2014
Restricted by donors for		
Scholarships	$ 1,657,285	$ 1,017,092
Academic, student and other activities	3,191,964	3,767,914
Capital projects	-	279,015
Purpose-restricted quasi-endowments		
Scholarships	4,468,530	4,419,336
Academic and other departments	344,406	345,587
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	123,493	159,545
	$ 9,785,678	$ 9,988,489

Net assets were released from restrictions or otherwise reclassified as follows during the years ended June 30, 2015 and 2014:

	2015	2014
Satisfaction of purpose restrictions		
Scholarships	$ 999,101	$ 938,792
Academic, student and other activities	1,425,697	1,290,712
Capital projects	751,795	535,951
	$ 3,176,593	$ 2,765,455

Permanently Restricted

Permanently restricted net assets consist of a beneficial interest in a charitable trust administered by an independent trustee, the proceeds of which will be added to the Foundation's Permanent Endowment for scholarships upon dissolution of the trust, and various endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available to the Foundation for the purposes specified by the donors.

Permanently restricted net asset balances, categorized by the nature of the restrictions on their earnings, are as follows at June 30, 2015 and 2014:

	2015	2014
Restricted by donors for		
Scholarships	$ 1,676,488	$ 1,443,639
Academic, student and other activities	1,570,530	1,564,937
	$ 3,247,018	$ 3,008,576

Note 9 - Donated Professional Services and In-kind Contributions

The Foundation received donated professional services and materials as follows during the years ended June 30, 2015 and 2014:

	2015	2014
Program services		
Materials	$ 43,582	$ 71,950
Fundraising and development		
Development office compensation - University	1,391,503	1,375,485
	$ 1,435,085	$ 1,447,435

Note 10 - Functionalized Expenses

Total expenses by function were as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Program services expense	$ 3,082,547	$ 2,593,025
General and administrative costs (includes investment management fees of $180,034 and $159,457, respectively)	587,714	504,046
Donor development costs	1,391,503	1,374,485
Cost of direct benefits to donors	-	26,669
Total functionalized expenses	$ 5,061,764	$ 4,498,225

Note 11 - Commitments and Contingencies

The Foundation has agreements with the University to use its best efforts to raise cash and in-kind contributions for University Hospitality Center (HLC@Metro), and for recently completed construction and improvement of the University's athletic fields. The agreements are conditioned on the Foundation's ability to collect donor contributions restricted to the respective projects; as contributions are collected, the Foundation records a liability to HLC@Metro or the University, as appropriate, and a corresponding contribution expense.

Note 12 - Related Party Transactions

The Foundation leases certain office space from the University with automatic one-year renewals at the beginning of each fiscal year. Annual rent expense was $8,274 for the years ended June 30, 2015 and 2014.

Funding provided by the Foundation directly to the University, which includes HLC@Metro, for scholarships, academic and other departments, and other activities, totaled $2,987,972 and $2,523,732 for the years ended June 30, 2015 and 2014, respectively. The Foundation owed the University $747,901 and $115,515 at June 30, 2015 and 2014, respectively. The Foundation paid the University $236,505 and $186,469 for salaries and benefits of certain University personnel provided to the Foundation during the years ended June 30, 2015 and 2014, respectively. In addition, the University provided development and other personnel to the Foundation at no cost. The Foundation recorded professional services donated by the University in the amount of $1,391,503 and $1,374,485 for the years ended June 30, 2015 and 2014, respectively. The corresponding expenses have been reflected in the accompanying statements of activities as donor development costs. Further, the University reimbursed the Foundation $24,546 and $32,006 for CVA operating expenses and $100,000 for CVA rent expense during the years ended June 30, 2015 and 2014, respectively.

The University leases space for the CVA from the LLC (Note 6). Amounts due from the University to the Foundation for expense reimbursements including rent expense were $14,203 and $204,592 at June 30, 2015 and 2014, respectively.