Consolidated Financial Statements
June 30, 2017 and 2016

Metropolitan State University of Denver Foundation

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, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2017 and 2016, 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

Denver, Colorado
October 10, 2017

	2017	2016
Assets		
Cash and cash equivalents	$ 766,013	$ 751,431
Investments	7,807,942	5,724,057
Receivable from University	9,798	10,438
Promises to give, net	1,109,616	209,539
Prepaids and other assets	38,741	32,270
Property and equipment, net	1,476,402	1,511,802
Beneficial interest in charitable trust held by others	118,403	112,570
Endowment		
Promises to give, net	2,507,454	972,419
Investments	9,453,414	7,113,321
Total assets	$ 23,287,783	$ 16,437,847
Liabilities and Net Assets		
Accounts payable and other liabilities	$ 67,752	$ 72,107
Due to University		
Accounts payable	332,561	268,929
Distributions for Athletic Fields	103,347	275,304
Distributions to HLC@Metro	71,715	1,916
Total liabilities	575,375	618,256
Net Assets		
Unrestricted		
Undesignated	1,649,851	884,621
Board designated	1,891,192	-
Invested in property and equipment, net	1,476,402	1,511,802
	5,017,445	2,396,423
Temporarily restricted	11,213,398	10,030,094
Permanently restricted	6,481,565	3,393,074
Total net assets	22,712,408	15,819,591
Total liabilities and net assets	$ 23,287,783	$ 16,437,847

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Gains				
Contributions	$ 58,248	$ 3,805,106	$ 2,693,893	$ 6,557,247
Donated professional services	1,523,913	-	-	1,523,913
Endowment management fees	138,874	-	-	138,874
Gross special events revenue	68,905	73,123	232,261	374,289
Less cost of direct benefits to donors	(180,292)	-	-	(180,292)
Net special events revenue	(111,387)	73,123	232,261	193,997
Net investment return	358,153	726,652	-	1,084,805
Change in value of beneficial interest in charitable trust held by others	-	-	5,833	5,833
Rent and other income	592,255	-	-	592,255
Change in donor restriction	-	(145,746)	145,746	-
Net assets released from restrictions	3,265,073	(3,275,831)	10,758	-
Total support, revenue, and gains	5,825,129	1,183,304	3,088,491	10,096,924
Expenses				
Program services expense				
Support provided to University	3,107,250	-	-	3,107,250
CVA operating expenses	63,577	-	-	63,577
Total program services expense	3,170,827	-	-	3,170,827
Supporting services expense				
General and administrative costs	509,367	-	-	509,367
Donor development costs	1,523,913	-	-	1,523,913
Total supporting services expense	2,033,280	-	-	2,033,280
Total expenses	5,204,107	-	-	5,204,107
Distribution from HLC@Metro	2,000,000	-	-	2,000,000
Change in Net Assets	2,621,022	1,183,304	3,088,491	6,892,817
Net Assets, Beginning of Year	2,396,423	10,030,094	3,393,074	15,819,591
Net Assets, End of Year	$ 5,017,445	$ 11,213,398	$ 6,481,565	$ 22,712,408

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Gains				
Contributions	$ 92,380	$ 2,721,515	$ 144,117	$ 2,958,012
Donated professional services and in-kind contributions	1,539,127	95,135	-	1,634,262
Endowment management fees	129,146	-	-	129,146
Net special events revenue	-	565,152	75	565,227
Net investment return (loss)	87,415	(187,795)	-	(100,380)
Change in value of beneficial interest in charitable trust held by others	-	-	1,864	1,864
Rent and other income	118,058	-	-	118,058
Net assets released from restrictions	2,949,591	(2,949,591)	-	-
Total support, revenue, and gains	4,915,717	244,416	146,056	5,306,189
Expenses				
Program services expense				
Support provided to University	2,832,855	-	-	2,832,855
CVA operating expenses	61,221	-	-	61,221
Total program services expense	2,894,076	-	-	2,894,076
Supporting services expense				
General and administrative costs	443,310	-	-	443,310
Donor development costs	1,539,127	-	-	1,539,127
Total supporting services expense	1,982,437	-	-	1,982,437
Total expenses	4,876,513	-	-	4,876,513
Change in Net Assets	39,204	244,416	146,056	429,676
Net Assets, Beginning of Year	2,357,219	9,785,678	3,247,018	15,389,915
Net Assets, End of Year	$ 2,396,423	$ 10,030,094	$ 3,393,074	$ 15,819,591

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 6,892,817	$ 429,676
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	35,400	37,400
Realized and unrealized gain on investments	(274,206)	(8,530)
Amortization of discount on promises to give	(228,265)	(15,530)
Contributions restricted to endowment	(3,195,423)	(420,000)
Endowment net investment (return) loss	(728,264)	196,977
Change in value of beneficial interest in charitable trust held by others	(5,833)	(1,864)
Changes in operating assets and liabilities		
Receivable from University	640	3,765
Promises to give, net	(867,298)	251,545
Prepaids and other assets	(6,471)	(3,625)
Accounts payable and other liabilities	(4,355)	(12,577)
Due to University	(38,526)	(236,066)
Net Cash from Operating Activities	1,580,216	221,171
Cash flows from Investing Activities		
Purchases of investments	(3,550,633)	(646,083)
Proceeds from sales of investments	1,740,954	353,548
Additions to endowment	(1,611,829)	(201,190)
Net Cash used for Investing Activities	(3,421,508)	(493,725)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	1,855,874	421,200
Net Cash from Financing Activities	1,855,874	421,200
Net Change in Cash and Cash Equivalents	14,582	148,646
Cash and Cash Equivalents, Beginning of Year	751,431	602,785
Cash and Cash Equivalents, End of Year	$ 766,013	$ 751,431

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).

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

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 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.

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, at present solely 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, 2017 and 2016.

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 these assets in perpetuity.

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.

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 statement of financial position. Net investment return (loss) is reported in the statement 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. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for particular uses (Note 8).

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 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 actions 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, and donated professional services are recorded 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 statement 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 files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes that the Foundation 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 consolidated 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 Foundation's Forms 990, 990-T 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 2013.

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 10, 2017, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the 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 and investment trusts 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. The investment in private equity is not readily marketable and is reported at fair value utilizing the most current information provided by the investee. These are considered to be Level 3 measurements.

We use net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair value of a limited partnership, which does not have a readily determinable fair value. The investment, which is valued at NAV, is classified within Level 2 because we have the ability to redeem the investment at NAV per share.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2017:

		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)	$ 694,515	$ -	$ -	$ -
Fixed income mutual funds				
U.S. Government securities	1,555,176	1,555,176	-	-
Bond	1,061,402	1,061,402	-	-
High-yield bond	314,503	314,503	-	-
Equity and other mutual funds				
U.S. common stocks	1,563,594	1,563,594	-	-
Small to mid-cap equity	931,036	931,036	-	-
International equity	599,330	599,330	-	-
Emerging market	307,799	307,799	-	-
Futures and commodity	568,212	568,212	-	-
Preferred stocks	18,046	18,046	-	-
Real estate investment trusts	107,386	107,386	-	-
Private equity	86,943	-	-	86,943
	$ 7,807,942	$ 7,026,484	$ -	$ 86,943

	Total	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment Investments				
Cash and money market funds (at cost)	$ 598,879	$ -	$ -	$ -
Fixed income mutual funds				
U.S. Government securities	115,932	115,932	-	-
Bond	1,628,057	1,628,057	-	-
High-yield bond	520,519	520,519	-	-
Equity and other mutual funds				
U.S. common stocks	2,653,610	2,653,610	-	-
Small to mid-cap equity	1,323,481	1,323,481	-	-
International equity	944,490	944,490	-	-
Emerging market	489,181	489,181	-	-
Futures and commodity	703,905	703,905	-	-
Preferred stocks	29,099	29,099	-	-
Real estate investment trusts	167,737	167,737	-	-
Limited partnership	278,524	-	278,524	-
	$ 9,453,414	$ 8,576,011	$ -	$ -
Beneficial interest in				
Charitable trust held by others	$ 118,403	$ -	$ -	$ 118,403

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2016:

	Total	Fair Value Measurements at Report Date Using: 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)	$ 232,985	$ -	$ -	$ -
Fixed income mutual funds				
U.S. Government securities	2,510,224	2,510,224	-	-
Bond	1,396,101	1,396,101	-	-
Equity mutual funds				
U.S. common stocks	1,280,064	1,280,064	-	-
Preferred stocks	158,366	158,366	-	-
Real estate investment trusts	46,317	46,317	-	-
Private equity	100,000	-	-	100,000
	$ 5,724,057	$ 5,391,072	$ -	$ -

	Total	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment Investments				
Fixed income mutual funds				
U.S. Government securities	$ 76,689	$ 76,689	$ -	$ -
Bond	1,614,985	1,614,985	-	-
High-yield bond	130,113	130,113	-	-
Equity and other mutual funds				
U.S. common stocks	2,171,838	2,171,838	-	-
Small to mid-cap equity	955,524	955,524	-	-
International equity	959,649	959,649	-	-
Emerging market	265,013	265,013	-	-
Futures and commodity	446,896	446,896	-	-
Preferred stocks	60,303	60,303	-	-
Real estate investment trusts	175,357	175,357	-	-
Limited partnership	256,954	-	256,954	-
	$ 7,113,321	$ 6,856,367	$ 256,954	$ -
Beneficial interest in charitable trust held by others	$ 112,570	$ -	$ -	$ 112,570

Below is a reconciliation of the beginning and ending balances of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3): Beneficial interest in charitable trust	Private equity
Year ended June 30, 2017		
Balance, beginning of year	$ 112,570	$ 100,000
Net realized and unrealized gain (loss)	5,833	(13,057)
Balance, end of year	$ 118,403	$ 86,943
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at June 30, 2017	$ 5,833	$ (13,057)

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
Year ended June 30, 2016	Beneficial interest in charitable trust	Private equity
Balance, beginning of year	$ 110,706	$ -
Purchases/contributions of investments	-	100,000
Net realized and unrealized gain	1,864	-
Balance, end of year	$ 112,570	$ 100,000
Unrealized gain included in net investment return in the statement of activities relating to assets still held at June 30, 2016	$ 1,864	$ -

The Foundation has an investment in an entity that calculates NAV per share with the fair value of $278,524 and $256,954 at June 30, 2017 and 2016, respectively. Redemptions are permitted monthly and quarterly with a 90 day redemption notice. The Foundation has no unfunded commitments as of June 30, 2017. The investment's objective is to provide exposure to European and U.S. sub-investment grade corporate debt while seeking to achieve total returns with modest volatility and focusing on capital preservation and risk mitigation.

Note 3 - Net Investment Return (Loss)

Net investment return (loss) consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Investments		
Interest and dividend income	$ 108,621	$ 111,786
Net realized and unrealized gain	274,206	8,530
Less investment management and custodial fees	(26,286)	(23,719)
	356,541	96,597
Endowment investments		
Interest and dividend income	160,914	144,264
Net realized and unrealized gain (loss)	740,637	(180,251)
Less investment management and custodial fees	(173,287)	(160,990)
	728,264	(196,977)
	$ 1,084,805	$ (100,380)

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017 and 2016**:**

	2017	2016
Within one year	$ 1,118,186	$ 818,285
In one to five years	2,804,086	425,226
In more than five years	6,384	12,768
	3,928,656	1,256,279
Less discount to net present value (3.5% - 4.25%)	(272,586)	(44,321)
Less allowance for uncollectable promises to give	(39,000)	(30,000)
	$ 3,617,070	$ 1,181,958

Promises to give appear as follows in the consolidated statement of financial position:

	2017	2016
Promises to give, net	$ 1,109,616	$ 209,539
Endowment promises to give, net	2,507,454	972,419
	$ 3,617,070	$ 1,181,958

At June 30, 2017 and 2016, three and one donors accounted for 71% and 72% of total promises to give, respectively.

During the year ended June 30, 2017, the Foundation received an intention to give totaling $2,000,000 for the Endowed Scholarship and Capital Improvement Funds. The donors retain the right to extend the time frame of payments and intend to fulfill the gift from the remainder of their estate, the future value of which is not determinable; therefore the intention has not been recognized.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Center for Visual Arts		
Land	$ 456,400	$ 456,400
Building	1,023,472	1,023,472
	1,479,872	1,479,872
Less accumulated depreciation	(265,420)	(230,020)
	1,214,452	1,249,852
Nondepreciated artwork	261,950	261,950
	$ 1,476,402	$ 1,511,802

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, 2021. Under the agreement the University paid annual rent for the years ended June 30, 2017 and 2016 in the amount of $100,000. 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 48 individual permanent endowment funds (Permanent Endowment) and 127 purpose-restricted quasi-endowment funds (Quasi-Endowment). The funds were established by donors primarily to provide scholarships to eligible students of the University, and to support 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, 2017 and 2016, 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, 2017 and 2016, the Foundation had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017				
Purpose-restricted quasi-endowment	$ -	$ 5,367,885	$ -	$ 5,367,885
Donor-restricted permanent endowment	(902)	230,723	6,363,162	6,592,983
	$ (902)	$ 5,598,608	$ 6,363,162	$ 11,960,868
June 30, 2016				
Purpose-restricted quasi-endowment	$ -	$ 4,784,867	$ -	$ 4,784,867
Donor-restricted permanent endowment	(21,993)	42,362	3,280,504	3,300,873
	$ (21,993)	$ 4,827,229	$ 3,280,504	$ 8,085,740

At June 30, 2017 and 2016, certain Permanent Endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of $902 and $21,993 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.

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, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2017				
Endowment net assets, beginning of year	$ (21,993)	$ 4,827,229	$ 3,280,504	$ 8,085,740
Net investment return				
Investment income, net of fees	-	(12,373)	-	(12,373)
Net realized and unrealized gain	21,091	719,546	-	740,637
Total net investment return	21,091	707,173	-	728,264
Contributions	-	269,269	2,926,154	3,195,423
Matching pursuant to donor agreements	-	14,050	10,758	24,808
Distributions pursuant to endowment spending-rate formula	-	(257,992)	-	(257,992)
Change in donor intent	-	38,879	145,746	184,625
Endowment net assets, end of year	$ (902)	$ 5,598,608	$ 6,363,162	$ 11,960,868
Year ended June 30, 2016				
Endowment net assets, beginning of year	$ (5,685)	$ 4,936,429	$ 3,136,312	$ 8,067,056
Net investment loss				
Investment income, net of fees	-	(16,726)	-	(16,726)
Net realized and unrealized loss	(16,308)	(163,943)	-	(180,251)
Total net investment loss	(16,308)	(180,669)	-	(196,977)
Contributions	-	275,808	144,192	420,000
Distributions pursuant to endowment spending-rate formula	-	(204,339)	-	(204,339)
Endowment net assets, end of year	$ (21,993)	$ 4,827,229	$ 3,280,504	$ 8,085,740

Note 8 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, consist of:

	2017	2016
Restricted by donors for		
Scholarships	$ 2,456,257	$ 1,828,534
Academic, student and other activities	3,023,342	3,277,511
University capital projects	135,191	96,820
Purpose-restricted quasi-endowments		
Scholarships	5,016,251	4,419,056
Academic and other departments	351,634	365,811
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	230,723	42,362
	$ 11,213,398	$ 10,030,094

Net assets were released from (added to) restrictions as follows during the years ended June 30, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Scholarships	$ 1,344,918	$ 1,292,189
Academic, student and other activities	1,815,709	1,263,973
University capital projects	213,254	393,429
Extension of donor restrictions under endowment challenge match		
Scholarships (temporarily restricted)	(98,050)	-
Scholarships (permanently restricted)	(10,758)	-
	$ 3,265,073	$ 2,949,591

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, 2017 and 2016:

	2017	2016
Restricted by donors for		
Scholarships	$ 4,346,903	$ 1,801,366
Academic, student and other activities	2,134,662	1,591,708
	$ 6,481,565	$ 3,393,074

Board-designated net assets at June 30, 2017 consist of:

	2017	2016
University program	$ 1,000,000	$ -
Matching	891,192	-
	$ 1,891,192	$ -

HLC@Metro transferred excess revenues of $2,000,000 to the Foundation during the year ended June 30, 2017 (Note 11). The Board of Directors designated $1,000,000 as reserve funding for the establishment of a new School within the University. The remaining $1,000,000 was designated for scholarships and applied to creating matching opportunities for gifts from new or lapsed donors, or stimulating increased levels of support from current donors. During the year ended June 30, 2017, $108,808 of the funds were undesignated and used to satisfy the extension of donor restrictions under the endowment challenge match program.

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, 2017 and 2016:

	2017	2016
Program services		
Materials (related to special events in 2017)	$ 27,196	$ 95,135
Donor development		
Development office compensation - University	1,523,913	1,539,127
	$ 1,551,109	$ 1,634,262

Note 10 - Functionalized Expenses

Total expenses by function were as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Program services expense	$ 3,170,827	$ 2,894,076
General and administrative costs (includes investment management fees of $199,573 and $184,709, respectively)	708,940	628,019
Donor development costs	1,523,913	1,539,127
Cost of direct benefits to donors	180,292	101,641
Total functionalized expenses	$ 5,583,972	$ 5,162,863

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.

The agreements also require HLC@Metro to transfer excess revenues, after paying expenses and funding certain reserves, to the Foundation. The Foundation may use the funds distributed from HLC@Metro's excess revenues to further the general academic objectives and priorities of the University so long as at least 50% of such funds are used for scholarships.

Note 12 - Related Party Transactions

Transactions with the University consist of the following during the years ended June 30, 2017 and 2016:

	2017	2016
Funding provided to the University	$ 3,107,250	$ 2,832,855
Payable to the University	507,623	546,146
Payments for salaries and benefits to the University	348,420	268,771
Payments for rent to the University	8,274	8,274
Professional services donated by the University	1,523,913	1,539,127
Support provided by University for Summer Soiree	56,345	101,641
HLC@Metro distribution	2,000,000	-
Due from University	9,798	10,438
Reimbursement for CVA operating expenses	27,547	25,119
Reimbursement for CVA rent expense	100,000	100,000