stockman kast ryan + co LLP

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2014 AND 2013

CONTENTS

stockman kast ryan + co LLP

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Colorado State University-Pueblo Foundation
Pueblo, Colorado

We have audited the accompanying consolidated financial statements of Colorado State University-Pueblo Foundation (a nonprofit organization) and its wholly-owned subsidiaries, CA Capps, LLC, Land Holdings and Development Management, LLC, Baculite Mesa Tower, LLC, Dillon Healy, LLC and Paul Harvey, LLC (collectively, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditors' 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 auditors' 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 consolidated financial position of Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stockman Kast Ryan & Co., LLP

October 8, 2014

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 2,638,598	$ 2,506,047
Accounts receivable	3,255	54,308
Other prepaid expenses	-	73,870
Unconditional promises to give, net	2,035,184	786,902
Marketable securities	27,516,843	18,224,914
Miscellaneous assets	602	1,882
Beneficial interest in remainder trusts	1,649,520	1,418,532
Investment in real estate	165,000	5,701,000
Investment in limited partnership	297,500	297,500
Leasehold improvements and office equipment	75,962	87,677
Less accumulated depreciation	(65,668)	(79,275)
TOTAL ASSETS	**$ 34,316,796**	**$ 29,073,357**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 1,568,483	$ 1,440,974
Other liabilities	25,989	113,084
Income taxes payable	4,039	3,843
TOTAL LIABILITIES	1,598,511	1,557,901
NET ASSETS		
Unrestricted	4,794,979	2,537,558
Temporarily restricted	15,123,152	12,561,529
Permanently restricted	12,800,154	12,416,369
TOTAL NET ASSETS	32,718,285	27,515,456
TOTAL LIABILITIES AND NET ASSETS	**$ 34,316,796**	**$ 29,073,357**

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 87,584	$ 3,613,691	$ 36,850	$ 3,738,125
In-kind contributions	18,887	326,353	-	345,240
Fundraising revenue	-	347,260	-	347,260
Dividends	277,355	1,154,161	-	1,431,516
Interest	890	3,701	-	4,591
Realized gain on sale of marketable securities	41,126	171,140	-	212,266
Unrealized gain on marketable securities	374,265	1,557,439	-	1,931,704
Net rental income	29,243	121,687	-	150,930
Realized gain on sale of real estate investments	1,317,604	1,321,652	-	2,639,256
Miscellaneous income	11,429	25,047	-	36,476
Changes in the value of split-interest agreements	-	18,712	212,276	230,988
Reclassification of net assets	37,920	(172,579)	134,659	-
Net assets released from restrictions	5,926,641	(5,926,641)	-	-
TOTAL REVENUE AND SUPPORT	8,122,944	2,561,623	383,785	11,068,352
EXPENSES				
Program expenses	5,096,971	-	-	5,096,971
Management and general	390,201	-	-	390,201
Fundraising	378,351	-	-	378,351
TOTAL EXPENSES	5,865,523	-	-	5,865,523
CHANGES IN NET ASSETS	2,257,421	2,561,623	383,785	5,202,829
NET ASSETS - BEGINNING OF YEAR	2,537,558	12,561,529	12,416,369	27,515,456
NET ASSETS - ENDING OF YEAR	**$ 4,794,979**	**$ 15,123,152**	**$ 12,800,154**	**$ 32,718,285**

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Expenses	Management and General	Fundraising	Total
Soccer / lacrosse stadium	$ 2,500,000	$ -	$ -	$ 2,500,000
Scholarships	1,527,999	-	-	1,527,999
Salaries and fringe benefits	131,619	196,065	195,929	523,613
Other payments in accordance with donor's wishes	351,477	-	74,670	426,147
In-kind program expenses	310,493	-	16,747	327,240
Supplies	88,726	5,630	3,612	97,968
Interest expense - soccer/lacrosse stadium loan	69,300	-	-	69,300
Investment management fees	-	64,931	-	64,931
Official functions, conferences	53,016	-	-	53,016
Direct costs of fundraising events	-	-	49,939	49,939
Professional fees	-	49,441	-	49,441
Travel	24,630	7,382	-	32,012
Repairs and facilities costs	8,088	23,134	-	31,222
Bad debt expense	-	-	24,185	24,185
In-kind office rent	-	18,000	-	18,000
Income taxes	-	-	13,159	13,159
Dues, registrations, memberships	11,356	1,048	-	12,404
Equipment and software	7,926	975	-	8,901
Prizes and awards	7,550	-	-	7,550
Insurance	-	6,102	-	6,102
Depreciation	-	4,874	-	4,874
Printing, reproduction, publications	3,079	1,783	-	4,862
Training and conferences	-	4,551	-	4,551
Postage	469	3,385	110	3,964
Miscellaneous	-	2,203	-	2,203
Advertising	1,172	-	-	1,172
Telephone	71	697	-	768
TOTAL	$ 5,096,971	$ 390,201	$ 378,351	$ 5,865,523

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 38,531	$ 2,254,801	$ 101,779	$ 2,395,111
In-kind contributions	39,480	39,342	-	78,822
Fundraising revenue	-	305,117	-	305,117
Dividends	89,002	460,591	-	549,593
Interest	2,256	11,677	-	13,933
Realized gain on sale of marketable securities	8,071	41,771	-	49,842
Unrealized gain on marketable securities	251,731	1,302,731	-	1,554,462
Net rental income	72,956	377,552	-	450,508
Miscellaneous revenue	41,384	17,274	-	58,658
Changes in the value of split-interest agreements	-	2,379	146,745	149,124
Reclassification of net assets	370,595	(420,104)	49,509	-
Net assets released from restrictions	2,735,949	(2,735,949)	-	-
TOTAL REVENUE AND SUPPORT	3,649,955	1,657,182	298,033	5,605,170
EXPENSES				
Program expenses	2,081,259	-	-	2,081,259
Management and general	389,342	-	-	389,342
Fundraising	290,273	-	-	290,273
TOTAL EXPENSES	2,760,874	-	-	2,760,874
CHANGES IN NET ASSETS	889,081	1,657,182	298,033	2,844,296
NET ASSETS - BEGINNING OF YEAR	1,648,477	10,904,347	12,118,336	24,671,160
NET ASSETS - ENDING OF YEAR	**$ 2,537,558**	**$ 12,561,529**	**$ 12,416,369**	**$ 27,515,456**

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Expenses	Management and General	Fundraising	Total
Scholarships	$ 1,186,053	$ -	$ -	$ 1,186,053
Other payments in accordance with donor's wishes	596,245	-	57,434	653,679
Salaries and fringe benefits	66,008	219,903	153,538	439,449
Supplies	73,590	7,215	8,006	88,811
In-kind program expenses	45,945	-	14,877	60,822
Equipment and software	36,019	11,116	-	47,135
Official functions, conferences	42,482	-	3,870	46,352
Professional fees	-	43,816	-	43,816
Investment management fees	-	42,557	-	42,557
Bad debts	-	-	30,720	30,720
Repairs and facilities costs	8,072	14,377	1,612	24,061
In-kind office rent	-	18,000	-	18,000
Travel	9,704	6,919	-	16,623
Dues, registrations, memberships	12,227	2,775	-	15,002
Income taxes	-	-	9,803	9,803
Direct costs of fundraising events	-	-	9,633	9,633
Insurance	-	5,432	-	5,432
Training and conferences	-	5,225	-	5,225
Depreciation	-	4,201	-	4,201
Prizes and awards	3,653	-	320	3,973
Postage	288	2,315	460	3,063
Printing, reproduction, publications	25	2,691	-	2,716
Miscellaneous	-	2,362	-	2,362
Public relations and promotional	927	-	-	927
Telephone	21	438	-	459
TOTAL	$ 2,081,259	$ 389,342	$ 290,273	$ 2,760,874

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 5,202,829	$ 2,844,296
Adjustments to reconcile change in net assets to net cash provided (used) by operations:		
Depreciation	4,874	4,201
Unrealized gain on sale of marketable securities	(1,931,704)	(1,554,462)
Realized gain on sale of marketable securities	(212,266)	(49,842)
Realized gain on sale of real estate investments	(2,639,256)	-
Bad debt expense	24,185	30,720
Change in beneficial interest in trusts	(230,988)	(149,124)
Changes in operating assets -		
Accounts receivable	51,053	194,454
Accrued interest receivable	-	3,465
Prepaid expenses	73,870	4,345
Unconditional promises to give	(1,272,467)	(644,493)
Accounts payable	127,509	(233)
Income taxes payable	196	5,417
Other liabilities	(87,095)	(12,657)
NET CASH PROVIDED BY (USED IN) OPERATIONS	(889,260)	676,087
INVESTING ACTIVITIES		
Maturities and sales of marketable securities	4,630,436	1,067,404
Proceeds from sale of real estate investments	8,175,256	-
Proceeds from sale of other assets	1,280	919
Purchase of marketable securities	(11,778,395)	(1,795,590)
Purchase of equipment	(6,766)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,021,811	(727,267)
FINANCING ACTIVITIES		
Proceeds from loan for soccer / lacrosse stadium	2,500,000	-
Prinicipal repayments on loan for soccer / lacrosse stadium	(2,500,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**132,551**	**(51,180)**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,506,047	2,557,227
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 2,638,598**	**$ 2,506,047**
SUPPLEMENTAL INFORMATION		
Income taxes paid	$ 9,120	$ 4,386
Interest paid	69,300	-
Non-cash activities		
Receipt of marketable securities held for liquidation	-	33,505

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Colorado State University-Pueblo Foundation, a nonprofit organization, was established to promote and account for contributions from the general public for the benefit of the Colorado State University-Pueblo. The Foundation collects contributions and distributes them in accordance with the donor's restrictions, if any. Contributions are primarily from businesses and individuals located in Southeastern Colorado and from alumni of the Colorado State University-Pueblo.

Consolidated Financial Statements – The financial statements reflect all assets, liabilities, revenues and expenses of Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries, CA Capps, LLC, Land Holdings and Development Management, LLC, Baculite Mesa Tower, LLC, Dillon Healy, LLC and Paul Harvey Healy, LLC (collectively referred to as the Foundation). All inter-company transactions have been eliminated.

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and other assets along with payables and other liabilities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from estimated amounts.

Financial Statement Presentation – The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributed Services and Other In-kind Contributions – Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A number of volunteers have contributed significant amounts of their time in the Foundation's program services and its fundraising campaigns, but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria.

Contributed Use of Facilities - During the years ended June 30, 2014 and 2013, the value of the facilities used by the Foundation on the campus of the Colorado State University-Pueblo totaled $18,000 each year, and is recorded in the statement of activities and statement of functional expenses under the captions "In-kind contributions" and "In-kind office rent".

Contributed Assets – Contributed marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Promises To Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease in liabilities or expenses depending on the form of benefits received. Donor-restricted promises to give are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires or has been met, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment - Purchased property and equipment with a value of $500 or more are recorded at cost and capitalized. Donated property and equipment with a value of $500 or more are recorded as support at their estimated fair value and capitalized. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of office equipment is 3-5 years. The estimated useful life of leasehold improvements is 10 years. For the years ended June 30, 2014 and 2013 depreciation expense of $4,874 and $4,201, respectively was charged to operations.

Cash and Cash Equivalents – For the purpose of the statements of financial position and the statements of cash flows, the Foundation considers all deposits with financial institutions and brokerage firms with an initial maturity of three months or less when acquired to be cash equivalents.

Retirement Plan – The Foundation sponsored a Section 403(b) plan through December 31, 2012. At that time the Foundation started leasing employees through an employee leasing agency and the employees participate in a 401(k) plan. The Foundation contributed 4.9% for years ended June 30, 2014 and 2013 of covered salaries to the plan. Covered salaries totaled $322,160 and $322,449 for the years ended June 30, 2014 and 2013, respectively. Foundation contributions to the plans totaled $15,786 and $15,800, respectively.

Income Tax Status - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation is subject to income taxes on unrelated business income from the sale of corporate sponsorships and advertising. The Foundation believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's information and income tax returns for the years ended June 30, 2011, 2012, 2013 and 2014 remain subject to examination by taxing authorities.

Investments – The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment Income (Loss) Allocation - The Foundation pools investments of the various net asset accounts. The income from such investments, including gains and losses, are allocated to the participating net asset accounts.

The distributable income (loss) is allocated to all income producing accounts for which the Executive Committee of the Foundation specifies allocation. Individual accounts cannot be allocated investment income that is more than 90% of the Foundation's gross yield on its investments. Any excess investment income due to this limitation is credited to the Unspecified Capital Campaign account. See note 4 for calculation of net investment income.

In an effort to enhance the timeliness and reporting to the persons in charge of the accounts described above, the Foundation is allocating investment income each June 30 and December 31.

Administrative Fee – The Foundation charges a 3% annual administrative fee to all income producing accounts. The administrative fee is calculated each time the investment income is allocated. The administrative fee is used to allow the Foundation to carry out its operations and assist where they can.

Reclassifications – Certain amounts from prior year financial statements have been reclassified to meet the format of current year financial statements. There is no effect on net assets due to these reclassifications.

Marketable Securities Held for Liquidation – Close to June 30, 2013, the Foundation received a contribution from a donor in the form of marketable securities. In accordance with Foundation policies, these were to be liquidated immediately. However, there was a misunderstanding and the securities were transferred to an account in the Foundation's name. Soon after the end of the year, the Foundation discovered the misunderstanding and had the securities liquidated.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2014	2013
Restricted for scholarships or other particular purposes	$ 2,119,607	$ 847,670
Restricted for endowments	-	24,950
Less: Allowance for uncollectible unconditional promises to give	(36,000)	(62,950)
Gross unconditional promises to give	2,083,607	809,670
Less: unamortized discount	(48,423)	(22,768)
Net unconditional promises to give	$ 2,035,184	$ 786,902

	2014	**2013**
Amounts due in:		
Less than one year	$ 968,782	$ 325,421
One to five years	1,066,402	461,481
TOTAL	$ 2,035,184	$ 786,902

The allowance for uncollectible unconditional promises to give was arrived at by identifying specific donors that have failed to keep their promises and by applying a historical percentage of 1.5% to the remaining amount.

Unamortized discount was arrived at by discounting amounts to be received in the future by a market rate of 2%.

NOTE 3 - INVESTMENTS - MARKETABLE SECURITIES

Marketable debt and equity securities are presented in the financial statements at fair market value:

	2014		**2013**	
	Cost	**Carrying Value**	**Cost**	**Carrying Value**
Registered Investment Co.	$ 23,746,571	$ 27,516,843	$ 15,892,423	$ 18,224,914

The following schedule summarizes the net investment return and its classification in the statement of activities for the years ended June 30, 2014 and 2013:

	2014			**2013**		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Dividend income	$ 277,355	$ 1,154,161	$ 1,431,516	$ 89,002	$ 460,591	$ 549,593
Interest income	890	3,701	4,591	2,256	11,677	13,933
Net rental income	29,243	121,687	150,930	72,956	377,552	450,508
Realized gains – securities	41,126	171,140	212,266	8,071	41,771	49,842
Realized gains – real estate	1,317,604	1,321,652	2,639,256	-	-	-
Unrealized gains	374,265	1,557,439	1,931,704	251,731	1,302,731	1,554,462
Total investment income	$ 2,040,483	$ 4,329,780	$ 6,370,263	$ 424,016	$ 2,194,322	$ 2,618,338

NOTE 4 - NET INVESTMENT INCOME CALCULATION

As mentioned in Note 1, investment income is being allocated to specific projects on a semi-annual basis. The following is a summary of allocations for the years ended June 30, 2014 and 2013:

	2014	**2013**
Investment income –		
Dividend income	$ 1,431,516	$ 549,593
Interest income	4,591	13,933
Net rental income	150,930	450,508
Realized gains on sales of securities	212,266	49,842
Realized gains on sales of real estate investments	2,639,256	-
Unrealized gains on investments	1,931,704	1,554,462
Total investment income	6,370,263	2,618,338
Investment fees	(64,931)	(42,557)
Administrative fees	(726,428)	(636,659)
Net investment income allocated to specific projects	$ 5,578,904	$ 1,939,122

NOTE 5 – SPLIT-INTEREST AGREEMENTS

The Foundation has been named as a remainder beneficiary of two split-interest agreements. A summary of each is as follows:

Helen Jones Charitable Trust (Jones Trust) – The trust was established on December 27, 1999. The Foundation is named as one of 10 remainder beneficiaries. Each February 1, the trustee is required to make certain established payments to eight individuals and all 10 remainder beneficiaries. The balance of the prior year's income, if any, is then remitted to the 10 remainder beneficiaries according to predetermined percentages in the trust. If any of the remainder beneficiaries cease, their percentage of income is allocated to the remaining beneficiaries. As of June 30, 2014, one of the beneficiaries has ceased operations. The trust is to stay intact until six of the eight individuals pass away. As of June 30, 2014, three of the eight have passed away. The Foundation has made the assumption that the income generated is equal to the required payments each year and therefore the balance of the trust will be intact to distribute when the day arrives. The assets of the trust consist of marketable securities with readily determinable values. The recorded value on the books of the Foundation is equal to the fair market value of the trust assets at June 30 multiplied by the percentage (currently 31.3491%) the Foundation is to receive upon termination of the trust.

A summary of the values at June 30 and the change from the previous year are as follows:

	2014	**2013**
Foundation's share of the value of assets	$ 254,231	$ 235,519
Change in value of split-interest agreement	18,712	2,379

Lois Mathis Unitrust (Mathis Trust) – The trust was created on May 12, 2003. The trust has a valuation date and tax year-end of December 31. Each year, the trust is to remit 6% of the trust value each year as a distribution to Walter Ward Mathis, whose date of birth is June 27, 1940. The Foundation is to receive the balance of the trust upon his death. The assets of the trust consist of cash and cash equivalents and marketable securities with readily determinable market values. Cash and cash equivalents are valued at face value and the marketable securities are valued at fair market value. The Foundation arrives at its anticipated amount to be received by taking the total value of the trust as of the previous valuation date and discounting it 6% over Mr. Mathis' remaining life expectancy of 13.2 years, based on ordinary life tables prepared by the Internal Revenue Service.

A summary of the discounted net present values at June 30 and the change from the previous year are as follows:

	2014	**2013**
Net present value of assets to be received	$ 1,395,289	$ 1,183,013
Change in value of split-interest agreement	212,276	146,745

NOTE 6 – REAL ESTATE INVESTMENTS / OTHER ASSETS OF LLC'S

On July 1, 2002, the Foundation transferred assets and related items to Land Holdings Management and Development, LLC. The "Capps" split interest agreement matured during the year ended June 30, 2012. The Foundation transferred real estate in California and associated items to CA Capps, LLC and real estate located in Pennsylvania to CSU-P Foundation PA Property Management, a division of Colorado State University Pueblo Foundation. During the year ended June 30, 2014, the real estate investments in both of these entities were sold and the entities liquidated. During the year ended June 30, 2011, the Foundation acquired assets from an estate for the benefit of the Healy Business Institute and placed them into three separate LLC's. The assets, liabilities, revenues and expenses of all of these LLC's are included in the consolidated financial statements of the Foundation. The following is a summary of the assets and liabilities in the LLC's at June 30:

	2014	**2013**
Cash in checking and savings	$ 113,535	$ 283,608
Other current assets	905	109,268
Liabilities	2,977	91,385
Investments in real estate and the limited partnership carried at the lower of cost or fair value –		
California commercial real estate	-	3,600,000
Pennsylvania commercial real estate	-	1,936,000
Dillon Drive, Pueblo, CO real estate	95,000	95,000
Paul Harvey Blvd., Pueblo, CO real estate	50,000	50,000
Channel 8 antenna site on Baculite Mesa	20,000	20,000
Investment in limited partnership	297,500	297,500

California commercial real estate – The real estate was sold during the year ended June 30, 2014.

Pennsylvania commercial real estate – The real estate was sold during the year ended June 30, 2014.

Channel 8 Antenna Site – The Foundation owns a small parcel of land on the Baculite Mesa. The land is unimproved with the exception of an antenna which is used by the public television station. The investment is carried at the fair value on the date of receipt.

Dillon Drive, Pueblo, CO - The Foundation holds a 3/16th interest in real estate located at the southwest intersection of Eagleridge Boulevard and Dillon Drive in Pueblo, CO. The site consists of two vacant lots, namely lots 1 and 2, Block 2, North Pueblo Commercial Park #1. The investment is carried at the fair value as of the date of receipt of the property.

Paul Harvey Boulevard, Pueblo, CO – The Foundation owns 40.34 acres of land at the corner of E. Highway 96 and Paul Harvey Boulevard. The land is unimproved and minimal income is received. The investment is carried at the fair value as of the date of receipt of property.

Investment in limited partnership – The Foundation owns 425 units (approximately 6%) in W.L. Enterprises, Ltd. a New Mexico partnership. The assets of W.L. Enterprises, Ltd. consist of commercial and residential real estate parcels in the City and County of Pueblo. The investment is carried at the fair value on date of receipt.

NOTE 7 – RENTAL INCOME TO BE RECEIVED

The Foundation and its LLC's have entered into non-cancelable operating leases with various entities for commercial real estate discussed in footnote 6 and located in Pueblo. The Pueblo lease requires a monthly lease payment of $700 and matures January 2015. The following is a summary of future rents to be received under these leases:

Year Ending June 30,	
2015	$ 4,900

NOTE 8 - DESIGNATED NET ASSETS

At June 30, 2014 and 2013, the Foundation had designated unrestricted net assets for the following purposes:

	2014	2013
Operating reserve for subsequent years' expense	$ 827,317	$ 1,072,269
Soccer / lacrosse complex deficit	2,432,131	-
University Center renovation/enhancements	1,000,000	-
Special projects awarded to University groups for fiscal year 2014/2015	494,040	-
University personnel discretionary funds	41,491	40,659
TOTAL	$ 4,794,979	$ 1,112,928

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are either time restricted ($254,231 and $235,519 at June 30, 2014 and 2013, respectively), or restricted for other specific purposes for the benefit of the University ($15,868,921 and $12,326,010 at June 30, 2014 and 2013, respectively) as specified by the donor, i.e., athletics, scholarships, repairs of facilities, etc. Permanently restricted net assets are endowments that are to be held in perpetuity.

NOTE 10 - RECLASSIFICATION OF NET ASSETS

During the normal course of business, the Foundation receives and records contributions from the best information available. From time to time, additional information becomes available or the donor will change his initial restriction. The Foundation will reclassify the amounts involved to the new classification. In addition, there are some donor restrictions requiring that a portion of the net investment income earned to be added to their endowments. The reclassification includes these amounts. The reclassification of net assets also includes amounts of temporarily restricted and permanently restricted contributions that have been determined to be uncollectible.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the years ended June 30, 2014 and 2013.

	2014	2013
Purpose restrictions accomplished:		
Scholarships awarded	$ 1,527,999	$ 1,186,053
Construction of soccer/lacrosse stadium	2,500,000	-
Other donor intended purposes	1,808,111	1,466,028
Fundraising including associated office expenses	90,531	83,868
TOTAL	$ 5,926,641	$ 2,735,949

NOTE 12 – MAJOR NET ASSET PROJECTS/MAJOR DONORS

The following is a listing of significant Net Asset Projects (net assets projects with balances exceeding 10% of the total net assets of the Foundation):

	2014	2013
Capozzolo Center for Creative and Performing Arts	$ 4,417,656	$ 3,972,942

NOTE 13 - RISKS AND UNCERTAINTIES

Concentration of Credit Risk - In the normal course of business, the Foundation has cash balances with financial institutions and money market funds with the brokerage house of Stifel Nicolaus. The financial institutions' balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2014, all amounts are insured.

The money market funds with Stifel Nicolaus are insured by Securities Investor Protection Corp. (SIPC) for amounts up to $500,000 per account and by Travelers Casualty and Surety Company of America for the full equity of their account and unlimited cash coverage. The account balance of money market funds at June 30, 2014 is $212,507. At June 30, 2014, all amounts are insured.

NOTE 14 – CONDITIONAL PROMISES TO GIVE

The Foundation has been named as the beneficiary of various trusts and life insurance policies. In accordance with GAAP, as events occur that make these unconditional and amounts to be received are known, they are recorded in the financial records of the Foundation.

NOTE 15 – NOTES PAYABLE / LINE OF CREDIT

In November 2013 the Foundation obtained a $2,500,000 line of credit with Legacy Bank. Interest due at 4% is due monthly and the line matures on May 13, 2015. The full amount of the line of credit was advanced in November 2013, $2,475,000 was provided to the University to assist with the construction of the new soccer/lacrosse facility and $25,000 was paid as a loan fee to Legacy Bank. The advance was paid in full in April 2014. There was no balance outstanding at June 30, 2014.

NOTE 16 – RELATED PARTY TRANSACTIONS

One of the Board of Trustees of the Foundation is President of Legacy Bank. Many of the Foundation's operating bank accounts are located at Legacy Bank. In addition, the line of credit described in Note 15 is also with Legacy Bank. During the year ended June 30, 2014, the Foundation paid Legacy Bank a loan origination fee of $25,000 and $69,300 in interest expense.

NOTE 17 – ENDOWMENTS

The Foundation's endowments consist of approximately 95 individual projects established for a variety of purposes. Its endowment consists only of donor-related endowment funds. As required by generally accepted accounting principles in the United Stated of America (GAAP), net assets associated with the endowment funds, are classified and reported based on the existence or absence of donor imposed restrictions.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets				
Balance, June 30, 2012	$ (347,954)	$ 379,361	$ 12,118,336	$ 12,149,743
Net asset reclassification	-	(113,922)	49,509	(64,413)
Investment income –				
Interest and dividend income	-	293,515	-	293,515
Net rental income	-	234,649	-	234,649
Realized and unrealized appreciation	347,954	487,654	-	835,608
Investment fees	-	(22,166)	-	(22,166)
Management fees	-	(361,323)	-	(361,323)
Contributions	-	10,110	101,779	111,889
Change in split interest agreements	-	-	146,745	146,745
Appropriation of endowment assets for expenditure	-	(97,273)	-	(97,273)
Balance, June 30, 2013	-	810,605	12,416,369	13,226,974
Net asset reclassification	-	(84,708)	134,659	49,951
Investment income –				
Interest and dividend income	-	714,598	-	714,598
Net rental income	-	75,102	-	75,102
Realized and unrealized appreciation	-	1,882,513	-	1,882,513
Investment fees	-	(32,309)	-	(32,309)
Management fees	-	(432,078)	-	(432,078)
Contributions	-	21,684	36,850	58,534
Change in split interest agreements	-	-	212,276	212,276
Appropriation of endowment assets for expenditure	-	(177,355)	-	(177,355)
Balance, June 30, 2014	$ -	$ 2,778,052	$ 12,800,154	$ 15,578,206

During calendar year 2008, the State of Colorado enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Foundation and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

The Foundation has established an accounting system whereby the original value of an endowment is recorded in one project and the earnings from the investment of the endowment is recorded in another project. If the terms of the endowment requires a portion of the earnings to be reinvested in the corpus, that amount is transferred from the income project to the endowment project on the day income is allocated. The accounting system allows easy identification of endowments that may be underwater, that is distributions and allocations of investment losses may cause the total value to be less than the endowment amount. If this situation occurs, the Foundation will allow no further distributions until the balance in the income account becomes positive. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2014 and 2013.

The Foundation's investment committee, in addition to a professional investment advisor, has addressed the various types of investments to be used for the endowments. Through June 30, 2009, the Foundation had invested in investments with guaranteed rates of returns (U.S. Treasury securities and corporate bonds) and a wide variety registered investment companies (mutual funds). The objective of the mutual fund investments were both appreciation and rates of returns (dividend income). Subsequent to June 30, 2009, the Foundation further diversified its investments to match the types of restrictions and time frames of estimated use of funds. The new investments range from maturities of less than one year, one year to three years, three years to five years and those in excess of five years. Those in excess of five years are invested in mutual funds paying dividends but will have an emphasis on appreciation.

NOTE 18 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

The Foundation is subject to the provisions of FASB ASC 820-10, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the Foundation's fair value hierarchy for financial assets measured at fair value on a recurring basis as of June 30, 2014 and 2013:

	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
June 30, 2014				
Marketable equity securities -				
Domestic emphasis	$ 14,485,157	$ 14,485,157	$ -	$ -
International emphasis	3,360,233	3,360,233	-	-
Marketable debt securities –				
Domestic emphasis	7,336,724	7,336,724	-	-
International emphasis	1,284,190	1,284,190	-	-
Real estate investment trust	521,632	521,632	-	-
Master limited partnership	528,907	528,907	-	-
Beneficial interest in				
remainder trusts	1,649,520	-	-	1,649,520
TOTAL	$ 29,166,363	$ 27,516,843	$ -	$ 1,649,520

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Marketable equity securities -				
Domestic emphasis	$ 11,871,694	$ 11,871,694	$ -	$ -
International emphasis	1,178,771	1,178,771	-	-
Marketable debt securities –				
Domestic emphasis	4,522,244	4,522,244	-	-
International emphasis	652,205	652,205	-	-
Marketable securities held for liquidation	33,505	33,505	-	-
Beneficial interest in remainder trusts	1,418,532	-	-	1,418,532
TOTAL	$ 19,676,951	$ 18,258,419	$ -	$ 1,418,532

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Beneficial interest in remainder trusts-

Balance, June 30, 2012	$ 1,269,408
Change in value of split-interest agreements	149,124
Transfers in and/or out of Level 3	-
Balance, June 30, 2013	1,418,532
Change in value of split-interest agreements	230,988
Transfers in and/or out of Level 3	-
Balance, June 30, 2014	$ 1,649,520

The changes in value of the split-interest agreements is attributable to the revaluation of the beneficial interest in remainder trusts based on applicable mortality tables and current market conditions.

NOTE 19 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date that the financial statements are available to be issued.