IOWA STATE UNIVERSITY FOUNDATION

Combined Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

IOWA STATE UNIVERSITY FOUNDATION

Table of Contents

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report

The Board of Directors
Iowa State University Foundation:

We have audited the accompanying combined financial statements of the Iowa State University Foundation, the Iowa State University Achievement Fund, the Original University Foundation, and the ISU Facilities Corporation (herein collectively referred to as the Foundation), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Des Moines, Iowa
December 14, 2017

IOWA STATE UNIVERSITY FOUNDATION

Combined Statements of Financial Position

June 30, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	3,794,434	3,840,176
Receivables:			
Pledges – net		65,515,215	65,080,179
Estates		6,842,756	9,982,471
Funds held in trust by others		19,816,233	25,181,733
Due from related organizations		16,144,753	1,671,102
Total receivables		108,318,957	101,915,485
Investments:			
Pooled investments		798,061,949	738,504,601
Other marketable securities		38,802,641	37,304,473
Real estate and other investments		10,224,890	11,031,340
Investment in Curriculum Associates		221,021,508	—
Total investments		1,068,110,988	786,840,414
Property and equipment – net		3,714,289	3,897,132
Other assets		6,103,120	5,674,351
Total	$	1,190,041,788	902,167,558
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	918,868	868,910
Due to related organizations		12,660,960	13,630,560
Bonds payable		2,063,288	2,199,999
Long-term liabilities		2,084,954	1,782,679
Due to unrelated organization		50,000,000	—
Deferred income tax liability		25,879,038	—
Split-interest agreement obligations		19,985,785	18,880,158
Total liabilities		113,592,893	37,362,306
Net assets:			
Unrestricted		19,346,344	22,569,300
Temporarily restricted		249,987,800	237,851,695
Permanently restricted		807,114,751	604,384,257
Total net assets		1,076,448,895	864,805,252
Total	$	1,190,041,788	902,167,558

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

Combined Statement of Activities and Changes in Net Assets

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Contributions	$ 28,730,847	67,258,357	85,731,410	181,720,614
Investment return:				
Pooled investments	8,070,106	29,639,000	37,834,228	75,543,334
Nonpooled investments	(498,522)	1,628,851	79,825,868	80,956,197
Total investment return	7,571,584	31,267,851	117,660,096	156,499,531
Fundraising service revenue	3,186,709	—	—	3,186,709
Return on funds held in trust by others	—	723,080	56,414	779,494
Other	265,795	899,886	264,965	1,430,646
Net assets released from restrictions	86,872,964	(86,872,964)	—	—
Total revenues, gains and other support	126,627,899	13,276,210	203,712,885	343,616,994
Expenses:				
Program	87,198,321	—	—	87,198,321
Operating:				
Fundraising	12,199,709	—	—	12,199,709
Administrative	4,573,787	—	—	4,573,787
Income tax expense	25,879,038	—	—	25,879,038
Change in value of split-interest agreements	—	1,140,105	982,391	2,122,496
Total expenses	129,850,855	1,140,105	982,391	131,973,351
Change in net assets	(3,222,956)	12,136,105	202,730,494	211,643,643
Net assets – beginning of year	22,569,300	237,851,695	604,384,257	864,805,252
Net assets – end of year	$ 19,346,344	249,987,800	807,114,751	1,076,448,895

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

Combined Statement of Activities and Changes in Net Assets

Year ended June 30, 2016

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:					
Contributions	$	2,741,936	50,541,427	36,833,992	90,117,355
Investment return:					
Pooled investments		7,778,609	22,678,021	(45,760,770)	(15,304,140)
Nonpooled investments		(302,171)	(995,001)	969,589	(327,583)
Total investment return		7,476,438	21,683,020	(44,791,181)	(15,631,723)
Fundraising service revenue		2,950,266	—	—	2,950,266
Return on funds held in trust by others		—	(214,829)	519,634	304,805
Other		53,490	1,053,355	1,433,671	2,540,516
Net assets released from restrictions		79,515,350	(79,515,350)	—	—
Total revenues, gains and other support		92,737,480	(6,452,377)	(6,003,884)	80,281,219
Expenses:					
Program		80,008,697	—	—	80,008,697
Operating:					
Fundraising		11,430,309	—	—	11,430,309
Administrative		4,113,958	—	—	4,113,958
Change in value of split-interest agreements		—	419,392	950,583	1,369,975
Total expenses		95,552,964	419,392	950,583	96,922,939
Change in net assets		(2,815,484)	(6,871,769)	(6,954,467)	(16,641,720)
Net assets – beginning of year		25,384,784	244,723,464	611,338,724	881,446,972
Net assets – end of year	$	22,569,300	237,851,695	604,384,257	864,805,252

See accompanying notes to combined financial statements.

IOWA STATE UNIVERSITY FOUNDATION

Combined Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 211,643,643	(16,641,720)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term investment	(21,039,346)	(21,676,028)
Noncash contributions	(105,900,285)	(16,450,092)
Sales of other marketable securities converted to cash nearly immediately	5,925,404	2,916,074
Additions to split-interest agreement obligations, net of maturities	1,688,872	463,453
Income restricted for long-term investment	(46,508)	(72,679)
Realized and unrealized (gains) losses on pooled and nonpooled investments	(156,685,322)	17,916,887
Return on funds held in trust by others	(779,494)	(304,805)
Depreciation and amortization	310,516	269,689
Split-interest agreement obligations and long-term liabilities	2,041,249	1,743,191
Deferred income taxes	25,879,038	—
Changes in:		
Receivables	8,834,559	9,583,958
Due from related organizations	(14,473,651)	(903,206)
Other assets	—	(22,125)
Cash surrender value of insurance policies	(200,200)	(138,720)
Accounts payable and accrued liabilities	49,958	(258,169)
Due to related organizations	(969,600)	(4,632,207)
Net cash used in operating activities	(43,721,167)	(28,206,499)
Cash flows from investing activities:		
Purchases of pooled investments and other marketable securities	(187,051,197)	(205,541,135)
Sales of pooled investments and other marketable securities	207,997,567	207,687,952
Purchases of property and equipment	(127,673)	(139,393)
Sales of real estate	1,032,637	770,150
Sales of other assets	100,352	11,326
Net cash provided by investing activities	21,951,686	2,788,900
Cash flows from financing activities:		
Contributions restricted for long-term investment	21,039,346	21,676,028
Income restricted for long-term investment	46,508	72,679
Sales of other marketable securities with proceeds restricted for long-term use	3,162,038	6,867,525
Payments on bonds	(136,711)	(133,323)
Split-interest agreement payments	(2,387,442)	(2,470,657)
Net cash provided by financing activities	21,723,739	26,012,252
Change in cash and cash equivalents	(45,742)	594,653
Cash and cash equivalents – beginning of year	3,840,176	3,245,523
Cash and cash equivalents – end of year	$ 3,794,434	3,840,176

See accompanying notes to combined financial statements.

(1) Summary of Significant Accounting and Reporting Policies and Related Matters

(a) Objectives

The mission of the Iowa State University Foundation, the Iowa State University Achievement Fund, the Original University Foundation, and the ISU Facilities Corporation (herein collectively referred to as the Foundation) is to inspire philanthropy to advance Iowa State University's (the University) mission of creating, sharing, and applying knowledge to make Iowa and the world a better place. The Foundation has been recognized as a not-for-profit organization by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

(b) Basis of Presentation

The accompanying combined financial statements include the accounts of the four organizations comprising the Foundation. The Iowa State University Foundation, the Iowa State University Achievement Fund, and the Original University Foundation have a common board of directors, common management, and the common objective to promote the welfare of the University and its faculty, graduates, students, and former students. The ISU Facilities Corporation is a related not-for-profit entity established primarily to issue bonds to assist in funding construction projects at the University. The Foundation has a 60% voting interest in the ISU Facilities Corporation. The University holds the remaining 40% voting interest and constitutes the noncontrolling interest. All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

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

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

Temporarily restricted net assets are those whose use by the Foundation have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and subsequently released from restriction in the accompanying combined financial statements.

Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

(c) Cash and Cash Equivalents

The Foundation considers highly liquid debt instruments purchased with a maturity of three months or less from the date of purchase to be cash and cash equivalents, except for cash and cash equivalents held by the investment portfolio. The Foundation maintains deposits in various financial institutions. Deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per bank are swept into a collateralized overnight repurchase account with the same institution, eliminating the risk of uninsured cash balance. Therefore, there were no uncollateralized amounts in excess of the FDIC insured limit as of June 30, 2017 or 2016. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

(d) Pledges Receivable – Net

The Foundation records pledges receivable at net realizable value. Pledges expected to be collected in future years are reported based on the present value of the estimated future cash flows using discount rates that range between 0.77% and 5.77%. The discount rate approximates the risk-free interest rate at the time of the pledge. An allowance for uncollectible pledges is estimated based upon the Foundation’s collection history and is netted against the gross pledges receivable as an adjustment for credit risk.

(e) Receivables from Estates

The Foundation records receivables from estates at the time it is notified of the death of a donor and there is no evidence that the provisions of the donor’s will are to be contested.

(f) Funds Held in Trust by Others

The Foundation may be a full or partial beneficiary of irrevocable charitable remainder or perpetual trust accounts that are held by another entity, such as a bank or another charitable organization. The Foundation records its interest in these trusts at fair value for perpetual trusts based on prices obtained from third parties and at the present value of the estimated future cash receipts from the assets of the trust for charitable remainder trusts. The balances are recorded upon the discovery of their existence, using the most current information available, which may differ from the amounts actually received.

(Continued)

(g) Due from Related Organization

Due from related organization represents funds held by the University on behalf of the Foundation for a construction project on campus along with funds due to the Foundation for fundraising service support provided to the University.

(h) Investments

Investments in cash and cash equivalents, certain equity securities with readily determinable fair values, and certain debt securities are measured at fair value. Certain pooled investments, other marketable securities, and funds held in trust by others are recorded at fair value by management based on values provided by an external investment manager and quoted market values. Other pooled investments include certain equity and alternative investments whose fair values (net asset values (NAV) used as a practical expedient) have been estimated by management utilizing information provided by the respective funds' general manager and investment managers in the absence of readily determinable fair market values. The estimated values may differ materially from the values that would have been used had readily available markets for the investments existed. Real estate includes farm land carried at fair value based on independent appraisals, which are adjusted by the change in land values based on U.S. Census of Agriculture estimates and the latest survey of Iowa real estate brokers, and other real estate carried at fair value based on independent appraisals and other management estimates.

The Foundation allocates each participating fund its proportionate share of the pooled investments' total return (earnings/loss plus appreciation/depreciation). Periodic distributions are made available for spending based on the fair value of each fund. The current distribution is 4.25% of the average fair value over the preceding twelve quarters. To the extent that the pool's total return is greater or less than the spending distributions, the fair value per fund increases or decreases accordingly. The basis of investments sold is determined by specific identification of the assets sold.

The Foundation has ownership of certain cash and cash equivalents that are not in the possession of the Foundation but are held, along with other marketable securities, by outside investment managers. This also includes cash and cash equivalents in transit at year-end for investment purchases and sales. Although these cash and cash equivalents are readily available to the Foundation, it is the intent of the Foundation to hold these cash and cash equivalents for investment purposes and to classify these cash and cash equivalents as investment assets.

(i) Endowments

The Foundation follows the guidance on the net asset classification of donor-restricted endowment funds for nonprofit entities subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Iowa has enacted a version of the Iowa Uniform Prudent Management of Institutional Funds Act.

UPMIFA establishes regulations in regards to the expenditure and financial statement disclosure of donor-restricted endowment funds. The Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification clarifies the classification and disclosure of donor-restricted endowment funds in response to the guidelines within UPMIFA.

The board of directors of the Foundation has interpreted UPMIFA as requiring the preservation of the endowment in accordance with explicit and implicit donor stipulations. As a result of this interpretation, the Foundation classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) net changes (investment appreciation and depreciation less spending) to the permanent endowment in accordance with donor gift instruments and the Foundation's investment policy. The spending distributed from the endowment in accordance with the Foundation's approved spending policy (see below) is classified as temporarily restricted until those amounts are expended by the University.

In accordance with UPMIFA, the Foundation's board of directors considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Stated investment objectives of the investment policy are as follows:

- The primary financial objective is to preserve and enhance the pool's inflation-adjusted purchasing power net of all investment management costs, while providing funds for current spending.
- The primary investment objective is to attain an average annual real total return (net of all investment related fees) in excess of total expenditures (spending and overhead expenses), as measured over rolling ten-year periods.

The Foundation's investment policy includes a spending policy (as approved annually by the board of directors), which provides quarterly distributions to the University from the endowment funds to be expended by the University in accordance with the applicable donor-restricted purposes. The current spending policy provides an annual distribution of 4.25% of the average fair value of the endowment over the preceding twelve quarters.

(Continued)

(j) Property and Equipment – Net

The Foundation records property and equipment at cost at the date of acquisition and is presented net of accumulated depreciation. Depreciation is based on the estimated useful life of the asset using the straight-line method.

Office furniture/computer equipment	3–5 years
Building	30 years

(k) Due to Related Organizations

The Iowa State University Alumni Association (the Alumni Association) and the University deposit funds with the Foundation. The agreements with these organizations provide that Alumni Association and University funds are to be invested in the pool and are to receive their prorated share of the pool's investment return (gains/losses). The investments held for others represent the Alumni Association's and University's aggregate interests in the pool's assets held by the Foundation.

The University provides certain services on the Foundation's behalf, and periodically invoices the Foundation for reimbursement.

The Foundation raises money and provides funding for programs on campus. These programs include construction projects, scholarship programs, faculty support, and general program support. The University invoices the Foundation periodically for reimbursement of these expenses.

(l) Split-Interest Agreement Obligations

The Foundation accepts contributions in charitable remainder trusts and gift annuities, whereby donors may contribute assets to the Foundation in exchange for the right of a named beneficiary to receive a fixed dollar annual return or a specific percentage of the fair value of the trust assets, valued as of the beginning of the calendar year, during the beneficiary's lifetime. A portion of the donation is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the trust and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift.

At the date of contribution, the Foundation records a split-interest agreement obligation to the named beneficiaries based on the present value of the estimated payments to the named beneficiaries. The liability is reviewed and revalued annually based upon actuarially computed present values. The present value of estimated payments is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 1.2% to 10.0%. If a portion of the remaining interest at termination of the trust is payable to beneficiaries other than the Foundation, this liability is valued based upon actuarially computed present values and recorded as a long-term liability. The resulting actuarial gain (loss) is recorded in the combined statements of activities and changes in net assets.

The assets in the split-interest agreements are stated at fair value in the Foundation's combined financial statements. These assets total approximately $32,384,000 and $30,560,000 at June 30, 2017 and 2016, respectively, and are included in "Other Marketable Securities" in the combined statements of financial position.

(Continued)

(m) Revenue Recognition

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises and other gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Donated assets are initially recorded at their estimated fair value at date of receipt.

(n) Fundraising Service Revenue

Fundraising service revenue is payments from service contracts with the University in support of fundraising services provided by the Foundation. Fundraising service revenue is recognized when the services are performed.

(o) Income Taxes

The Foundation accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse in a future period. Deferred tax liability is adjusted through income tax expense on the combining statement of activities and changes in net assets. See note 4 for further discussion of the tax impact related to the gift of Curriculum Associates received in 2017.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(p) Reclassification

Certain balances in the financial statements for the year ended June 30, 2016 have been reclassified with no effect on net asset classification or the change in net assets, to conform to the classification used for the year ended June 30, 2017.

(q) Recent Accounting Standards

Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* – In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. ASU No. 2015-07 clarifies how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. The amended standard's key provision exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures, however, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the combined statement of financial position. The new guidance is effective for annual reporting periods beginning after December 15, 2016. In fiscal year ended June 30, 2017, the Foundation elected to early adopt the amendment, causing certain investments valued at fair value using the NAV per share practical expedient, formally assessed as Levels 2 and 3, to be removed from the leveling table.

ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* – In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; requires all not-for-profit entities to present expenses by their functional and natural classifications in one location in the financial statements; requires not-for-profit entities to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and retains the option to present operating cash flows in the combined statement of cash flows using either the direct or indirect method. The new guidance is effective for annual reporting periods beginning after December 15, 2017. The Foundation is currently evaluating the effect that this standard will have on the financial statements.

(r) Subsequent Events

Subsequent events related to the combined financial statements have been evaluated through December 14, 2017, which is the date the combined financial statements were issued.

The ISU Facilities Corporation was formed for the purpose of issuing bonds to assist in funding construction projects at Iowa State University. On September 6, 2017, the ISU Facilities Corporation issued $38 million in bonds to provide financial assistance to Iowa State University for the construction of facilities to benefit Iowa State University.

On October 24, 2017, Curriculum Associates, LLC was sold to a private equity firm. The Foundation received $221,021,508 of proceeds, of which $50,000,000 was transferred immediately to an unrelated charitable organization, in accordance with the gift agreement.

(2) Pledges Receivable – Net

The components of the net pledges receivable as of June 30, 2017 and 2016 are as follows:

		2017	2016
Gross pledges receivable	$	70,949,267	70,701,535
Allowance for uncollectible pledges		(1,719,935)	(1,747,175)
Discount to present value		(3,714,117)	(3,874,181)
Net pledges receivable	$	65,515,215	65,080,179

The Foundation estimates that payments on these gross pledges receivable as of June 30, 2017 will be received in each of the fiscal years ending June 30 as follows:

2017/2018	$	22,200,803
2018/2019		11,839,679
2019/2020		8,446,074
2020/2021		6,288,967
2021/2022		4,853,267
Thereafter		17,320,477
	$	70,949,267

In addition, the Foundation has received notification of deferred gifts totaling approximately $609 million and $554 million as of June 30, 2017 and 2016, respectively, primarily in the form of revocable wills. These are considered conditional pledges and have not been recorded in the combined financial statements, but will be when the conditions are met.

(3) Investments

Investments are comprised of the following balances as of June 30, 2017 and 2016:

	2017	2016
Pooled investments:		
Equity:		
U.S.	$ 76,340,217	55,541,850
Non U.S.	80,426,796	68,159,555
Global	145,959,343	129,632,957
Total equity	302,726,356	253,334,362
Fixed income:		
U.S.	137,997,279	153,349,349
Non U.S.	—	12,542,003
Total fixed income	137,997,279	165,891,352
Hedge funds:		
U.S. long short	21,955,763	31,563,718
Global long short	40,138,901	26,618,429
Event driven arbitrage	47,497,692	42,102,861
Other	60,587,044	62,094,958
Total hedge funds	170,179,400	162,379,966
Private equity	93,354,820	89,188,190
Real estate	11,810,705	15,327,608
Natural resources/commodities	27,509,095	22,587,701
Cash and cash equivalents	54,334,017	29,674,029
Accrued interest	400,277	371,393
Accrued manager fees	(250,000)	(250,000)
	798,061,949	738,504,601
Other marketable securities:		
Equity:		
U.S.	15,973,380	15,881,575
Non U.S.	7,884,294	6,949,749
Global	1,845,841	1,669,688
Total equity	25,703,515	24,501,012
Fixed income:		
U.S.	5,934,860	5,831,874
Global	6,346,286	6,181,972
Total fixed income	12,281,146	12,013,846

(Continued)

	2017	2016
Cash and cash equivalents	$ 817,980	789,615
	38,802,641	37,304,473
Real estate and other investments:		
Real estate	8,921,903	9,743,482
Notes receivable from affiliated entities	1,302,987	1,287,858
	10,224,890	11,031,340
Investment in Curriculum Associates	221,021,508	—
Total investments	$ 1,068,110,988	786,840,414

Notes receivable from affiliated entities includes a note receivable from the Iowa State University Research Park (the Research Park), an affiliate. This note resulted from the transfer of 79.6751 acres from the Foundation to the Research Park. Payment to the Foundation occurs upon the sale of any lots or portion of the acreage. The Foundation receives the initial principal amount of the mortgage divided by the number of acres transferred, multiplied by the amount of the acreage of the property sold plus 6% simple interest accrued from September 1, 1996. The note is secured by a mortgage on certain land and premises described in the note agreement.

Investment return was comprised of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Pooled investment return:		
Dividends and interest	$ 1,228,110	3,439,943
Net realized gains (losses)	3,928,878	(6,420,167)
Net unrealized gains (losses)	72,784,456	(10,189,183)
Investment management fees	(1,897,798)	(2,301,824)
Amounts due from (to) related organizations	(500,312)	167,091
Total pooled investment return	75,543,334	(15,304,140)
Nonpooled investment return:		
Dividends and interest	984,209	979,954
Net realized gains	1,139,254	911,869
Net unrealized gains (losses)	78,832,734	(2,219,406)
Total nonpooled investment return	80,956,197	(327,583)
Total investment return	$ 156,499,531	(15,631,723)

(4) Investment in Curriculum Associates

On December 31, 2016, the Foundation was gifted 687,577 Class A units of Curriculum Associates, LLC, resulting in the Foundation having a noncontrolling majority equity interest in the company. Curriculum Associates, LLC is located in Billerica, Massachusetts and provides print and digital products to public schools across the country. As a condition of the gift, a portion of the Foundation's net proceeds upon the sale of the company are to be transferred to an unrelated charitable organization. The amount to be transferred to the unrelated organization is based on the amount of the net proceeds received by the Foundation, not to exceed $50 million.

The initial gift on December 31, 2016 was recorded as a contribution for $92.9 million. This is the estimated fair value of the gift ($120.9 million), less the portion due to the unrelated charitable organization ($28 million) based on the initial fair value of the investment. The estimated fair value of the investment was based on an appraisal of Curriculum Associates as of December 31, 2016.

As of June 30, 2017, the investment was valued at $221 million. To arrive at this estimate, the Foundation considered all available information surrounding the investment, including transactions near the date of the statement of financial position. The Foundation concluded the sale of the investment after year-end provided the best estimate of fair value as of June 30, 2017. An unrealized gain was recorded of $78.1 million, representing the Foundation's portion of the increase in fair value to the sales price. The increase in fair value of the investment also increased the amount due to the unrelated charitable organization by $22 million to $50 million, the maximum amount under the gift agreement.

The sales transaction closed on October 24, 2017 with the Foundation receiving $221 million in proceeds. Immediately after the sale, $50 million was transferred to the designated unrelated charitable organization, as required in the gift agreement.

Additionally, the Foundation has recorded a deferred tax liability based on temporary differences between the book and tax basis of the gifted units of Curriculum Associates at June 30, 2017.

Following is a reconciliation of the financial statement impact of the gift to the financial statements as of and for the year ended June 30, 2017:

Valuation of gift at December 31, 2016	$	120,900,000
Unrealized gain		100,121,508
Investment in Curriculum Associates at June 30, 2017		221,021,508
Due to unrelated organization		(50,000,000)
		171,021,508
Deferred income taxes		(25,879,038)
Addition to permanently restricted net assets	$	145,142,470

(5) Fair Value Measurements

Financial instruments are generally described as cash, contractual obligations, or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments, because of the short-term maturity of these instruments, which include receivables (other than pledges and funds held in trust by others), accrued interest, accounts payable, and due to and due from related organizations. The carrying amount approximates fair value for pledges receivable as the balance, less an allowance for uncollectible accounts, is discounted using a risk-free rate.

Fair value estimates for funds held in trust by others and investments are made at a specific time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying values of other assets, bonds payable, and long-term liabilities approximates fair value because these financial instruments bear interest at rates that approximate current rates the Foundation could obtain on contracts or notes with similar maturities and credit qualities.

The Foundation follows the established framework for measuring fair value in accordance with GAAP and presents expanded disclosures about fair value measurements. Accordingly, certain investments and other assets reported at fair value are classified based on the inputs used to determine the value, as follows:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Fixed-income securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Certain alternative investments are exempted from classification of the above fair value hierarchy and are reported using NAV as a practical expedient as determined by management. These investments are less liquid than the Foundation's other investments and are generally accessed via limited partnerships, limited liability corporations, and off-shore investment funds. There is generally no readily determinable fair value for alternative investments, though certain funds may invest in securities for which there is a public market. These investments are subject to varying degrees of liquidity restrictions.

Investments		Fair value measurements at June 30, 2017		
	Level 1	Level 2	Level 3	Total
Equity:				
U.S.	$ 11,677,507	9,808,391	4,302,810	25,788,708
Non U.S.	35,152,439	—	—	35,152,439
Global	58,551,651	—	—	58,551,651
Total equity	105,381,597	9,808,391	4,302,810	119,492,798
Fixed income:				
U.S.	29,212,062	114,720,076	—	143,932,138
Global	6,346,286	—	—	6,346,286
Total fixed income	35,558,348	114,720,076	—	150,278,424
Hedge funds:				
Other	—	—	178,800	178,800
Total hedge funds	—	—	178,800	178,800
Real estate	—	—	8,921,904	8,921,904
Investment in Curriculum Associates	—	—	221,021,508	221,021,508
Cash and cash equivalents	55,151,997	—	—	55,151,997
	$ 196,091,942	124,528,467	234,425,022	555,045,431
Alternative Investments, measured at NAV practical expedient				
Equity				208,937,073
Hedge funds				170,000,601
Private equity				93,354,820
Real estate				11,810,705
Natural resources/commodities				27,509,094
Accrued interest				400,277
Accrued manager fees				(250,000)
Notes receivable from affiliated entities				1,302,987
Total investments				$ 1,068,110,988

Other assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,794,434	—	—	3,794,434
Funds held in trust by others	—	10,803,507	9,012,726	19,816,233
Cash surrender value of insurance policies	—	—	4,989,840	4,989,840

(Continued)

Investments	Fair value measurements at June 30, 2016 Level 1	Level 2	Level 3	Total
Equity:				
U.S.	$ 11,567,962	—	4,320,551	15,888,513
Non U.S.	36,046,921	—	—	36,046,921
Global	59,869,783	—	—	59,869,783
Total equity	107,484,666	—	4,320,551	111,805,217
Fixed income:				
U.S.	52,103,596	107,077,627	—	159,181,223
Non U.S.	—	12,542,003	—	12,542,003
Global	6,181,972	—	—	6,181,972
Total fixed income	58,285,568	119,619,630	—	177,905,198
Hedge funds:				
Other	—	—	178,800	178,800
Total hedge funds	—	—	178,800	178,800
Real estate	—	—	9,743,481	9,743,481
Cash and cash equivalents	30,463,648	—	—	30,463,648
	$ 196,233,882	119,619,630	14,242,832	330,096,344
Alternative investments, measured at NAV practical expedient				
Equity				166,030,157
Hedge funds				162,201,166
Private equity				89,188,190
Real estate				15,327,605
Natural resources/commodities				22,587,701
Accrued interest				371,393
Accrued manager fees				(250,000)
Notes receivable from affiliated entities				1,287,858
Total investments				$ 786,840,414

Other assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,840,176	—	—	3,840,176
Funds held in trust by others	—	15,439,740	9,741,993	25,181,733
Cash surrender value of insurance policies	—	—	4,789,639	4,789,639

The following tables summarize the change in value of the Foundation's Level 3 investments and Level 3 funds held in trust by others and cash surrender value of insurance policies for the years ended June 30, 2017 and 2016.

	Beginning Balance at July 1, 2016	Realized and unrealized gain (loss)	Contributions	Sales	Ending Balance at June 30, 2017
Equity:					
U.S.	$ 4,320,551	—	—	(17,741)	4,302,810
Hedge funds:					
Other	178,800	—	—	—	178,800
Real estate	9,743,481	(1,060,940)	1,272,000	(1,032,637)	8,921,904
Investment in Curriculum Associates	—	100,121,508	120,900,000	—	221,021,508
	$ 14,242,832	99,060,568	122,172,000	(1,050,378)	234,425,022

	Beginning Balance at July 1, 2015	Realized and unrealized gain (loss)	Contributions	Sales	Ending Balance at June 30, 2016
Equity:					
U.S.	$ 154,439	9,171	4,291,941	(135,000)	4,320,551
Hedge funds:					
Other	178,800	—	—	—	178,800
Real estate	11,422,194	(1,724,872)	701,000	(654,841)	9,743,481
	$ 11,755,433	(1,715,701)	4,992,941	(789,841)	14,242,832

The changes in other investments or financial assets measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows:

	Beginning Balance at July 1, 2016	Realized and unrealized gain (loss)	Contributions	Sales	Ending Balance at June 30, 2017
Funds held in trust for others	$ 9,741,993	(165,974)	—	(563,293)	9,012,726
Cash surrender value of insurance policies	4,789,639	200,201	—	—	4,989,840

	Beginning Balance at July 1, 2015	Realized and unrealized gain (loss)	Contributions	Sales	Ending Balance at June 30, 2016
Funds held in trust for others	$ 10,059,402	(204,816)	—	(112,593)	9,741,993
Cash surrender value of insurance policies	4,650,920	138,719	—	—	4,789,639

The following table summarizes the alternative investments measured by NAV practical expedient with related unfunded commitments and redemption restrictions by each category as of June 30:

		2017			
Alternative investments		**NAV**	**Unfunded commitments**	**Redemption frequency**	**Redemption notice period**
Equity (a)	$	208,937,073	—	Allowed at least quarterly	Varies from 30–60 days
Hedge funds (b)		170,000,601	—	Allowed at least annually	Varies from 30–90 days
Private equity (c)		93,354,820	66,526,646	—	—
Real estate (d)		11,810,705	3,727,213	—	—
Natural resources/ commodities (e)		27,509,094	19,869,045	—	—
	$	511,612,293	90,122,904		

		2016			
Alternative investments		**NAV**	**Unfunded commitments**	**Redemption frequency**	**Redemption notice period**
Equity (a)	$	166,030,157	—	Allowed at least quarterly	Varies from 30–60 days
Hedge funds (b)		162,201,166	—	Allowed at least annually	Varies from 30–90 days
Private equity (c)		89,188,190	55,812,911	—	—
Real estate (d)		15,327,605	5,635,266	—	—
Natural resources/ commodities (e)		22,587,701	23,221,514	—	—
	$	455,334,819	84,669,691		

(a) Equity Funds – this category includes investments directly in common stocks or in funds that invest in common stocks. The managers of the funds have the flexibility to change their exposure based on their view of particular securities and the overall market. Certain funds have redemption and notice of redemption requirements that generally limit the ability to liquidate the positions in a short period of time. The fair values of the investments have been estimated using the net asset value per share of the investments or market prices. This category may also include direct investments in private funds that invest in less liquid but publicly traded common stocks. The fair value of this investment has been estimated using the percentage share of the Foundation's ownership interest in partner's capital.

(b) Hedge Funds – this category includes investments in hedge funds that invest in equity, debt, structured products, and derivative securities. Debt securities include corporate debt, mortgage debt, and sovereign debt. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. The strategies of these funds include event-driven, relative value, arbitrage, and directional strategies. Certain funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time. The fair values of these investments have been estimated using the net asset value per share of the investments.

(c) Private Equity – this category includes direct investments in private equity funds, generally through limited partnerships, that invest in private companies, private debt, intellectual property, structure products and special situations. The fair value of these investments has been estimated using the percentage share of the Foundation's ownership interest in partner's capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the fund will be liquidated over the next one to ten years.

(d) Real Estate – this category includes direct investments in real asset funds, generally through limited partnerships, that invest in real estate. The fair value of these investments has been estimated using the percentage share of the Foundation's ownership interest in partner's capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the fund will be liquidated over the next one to ten years.

(e) Natural Resources – this category includes investments in funds that invest in natural resources common stock and derivative securities. The manager of the fund has the flexibility to change their exposure based on their view of particular securities and the overall market. The fund has redemption and notice of redemption requirements that generally limit the ability to liquidate the position in a short period of time. The fair value of the investment has been estimated using the net asset value per share of the investment. This category may also include direct investments in natural resources generally through limited partnerships that invest in private companies. The fair value of these investments has been estimated using the percentage share of the Foundation's ownership interest in partner's capital. These investments cannot be redeemed. It is the estimated that the underlying assets of these investments will be liquidated over the next one to ten years.

(Continued)

(6) Endowment

The Foundation's endowment consists of donor gifts (permanently restricted) plus any board-designated funds (unrestricted), which are deemed to be held and invested in perpetuity. As of June 30, 2017 and 2016, the Foundation held no board-designated funds. The endowment activity, which is classified as permanently restricted net assets, consisted of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Endowment net assets as of July 1	$ 604,384,257	611,338,724
Contributions	85,731,410	36,833,992
Investment return:		
Dividends and interest	1,291,455	1,886,876
Net realized gains (losses)	4,511,021	(3,687,476)
Net unrealized gains (losses)	147,378,744	(8,717,529)
Investment management fees	(1,897,797)	(2,301,824)
Amount due from (to) related organizations	(100,855)	118,841
Spending appropriation	(25,569,134)	(24,546,884)
Administrative fee	(7,953,338)	(7,543,185)
Total investment return	117,660,096	(44,791,181)
Other earnings and adjustments	(661,012)	1,002,722
Endowment net assets as of June 30	$ 807,114,751	604,384,257

(7) Property and Equipment, Net

Property and equipment, net, is comprised of the following balances as of June 30, 2017 and 2016:

	2017	2016
Land	$ 960,000	960,000
Building	4,251,020	4,136,734
Office furniture and equipment	2,224,271	2,457,640
	7,435,291	7,554,374
Accumulated depreciation	(3,721,002)	(3,657,242)
Net property and equipment	$ 3,714,289	3,897,132

(8) Other Assets

A summary of other assets as of June 30, 2017 and 2016 is as follows:

	2017	2016
Cash surrender value of insurance policies	$ 4,989,840	4,789,639
Other	1,113,280	884,712
Total other assets	$ 6,103,120	5,674,351

(9) Due from/to Related Organizations

Due from related organizations as of June 30, 2017 and 2016 totaled $16,144,753 and $1,671,102, respectively.

A summary of amounts due to related organizations as of June 30, 2017 and 2016 is as follows:

	2017	2016
Investments held for:		
Iowa State University	$ 3,164,976	2,727,394
Iowa State University Alumni Association	3,278,693	3,276,841
Administrative and fundraising expenses	38,715	66,714
Program expenses	6,178,576	7,559,611
Total due to related organizations	$ 12,660,960	13,630,560

(10) Bonds Payable

To finance the purchase and remodeling of the Foundation building, the Foundation issued $3,850,000 of Office Building Revenue Bonds in 2002 under an agreement with the City of Huxley. In November 2013, the bonds were refinanced under an amended agreement with the City of Huxley. The refinanced bonds have a maturity date of January 1, 2020 and carry an interest rate of 2.4% through November 2018. The bonds will carry an adjusted interest rate from November 2018 through the maturity date of January 2020. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation.

Maturities of bond principal for the years subsequent to June 30, 2017 are as follows:

2018	$ 140,034
2019	143,432
2020	1,779,822
	$ 2,063,288

(Continued)

(11) Long-Term Liabilities and Line of Credit

A summary of long-term liabilities as of June 30, 2017 and 2016 is as follows:

		2017	2016
Trust liability due to others	$	1,538,977	1,301,920
Other		545,977	480,759
Total long-term liabilities	$	2,084,954	1,782,679

The trust liability due to others represents the remaining interest upon termination of trusts payable to other beneficiaries in accordance with the donor's designation per the terms of the trust agreements.

The Foundation entered into a revolving line of credit with a bank on March 26, 2003 with a maximum principal amount of $2,000,000. The interest rate on the line is 4% as of June 30, 2017. The commitment matures on December 1, 2018. As of June 30, 2017 and 2016, the Foundation had not drawn on the line of credit.

(12) Deferred Income Taxes

The deferred income tax liability represents the approximate tax effect of temporary differences related to deferred revenues held at Curriculum Associates. For the years ended June 30, 2017 and 2016, deferred income taxes were as follows:

		2017	2016
Federal	$	18,543,046	—
State		7,335,992	—
Total	$	25,879,038	—

(13) Program Expenses

For the years ended June 30, 2017 and 2016, program expenses were as follows:

		2017	2016
Scholarships, loan funds, and awards	$	27,009,118	24,445,847
Faculty and staff support		7,461,653	7,215,769
Program support		28,099,019	24,643,431
Buildings, equipment, and repairs for Iowa State University		20,990,633	21,937,876
Gifts in kind		3,637,898	1,765,774
Total	$	87,198,321	80,008,697

(14) Operating Expenses

For the years ended June 30, 2017 and 2016, operating expenses were as follows:

		2017	2016
Fundraising:			
Salary and benefits	$	9,751,151	9,228,640
Travel		616,914	537,743
Marketing and advertising		701,923	577,422
Professional service		196,254	162,267
Office support		933,467	924,237
Total fundraising		12,199,709	11,430,309
Administrative:			
Salary and benefits		2,381,159	2,188,614
Staff and volunteer development		282,532	259,738
Professional service		651,711	414,456
Office support		1,133,007	1,128,591
Insurance and taxes		125,378	122,559
Total administrative		4,573,787	4,113,958
Total operating expenses	$	16,773,496	15,544,267

(15) Net Assets

Temporarily and permanently restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

		2017	2016
Temporarily restricted:			
College program support	$	96,241,385	84,282,342
Student financial aid		46,083,691	41,490,973
Faculty and staff support		18,017,214	16,948,692
Research		13,126,552	14,041,516
Building, equipment, and maintenance		59,624,709	67,502,195
Other		16,894,249	13,585,977
	$	249,987,800	237,851,695

		2017	2016
Permanently restricted:			
College program support	$	330,831,247	178,489,756
Student financial aid		251,601,041	220,941,002
Faculty and staff support		168,643,534	155,056,352
Research		16,190,312	14,776,462
Building, equipment, and maintenance		4,564,748	4,277,927
Other		35,283,869	30,842,758
	$	807,114,751	604,384,257

(16) Supplemental Cash Flows Information

The summary of supplemental cash flows information for the years ended June 30, 2017 and 2016 were as follows:

		2017	2016
Cash paid for interest	$	51,311	54,699
Noncash contributions (as shown on the combined statements of cash flows):			
Marketable securities	$	11,463,456	15,567,104
Real estate		1,272,000	701,000
Funds held in trust		—	43,248
Other assets		264,829	138,740
Investment in Curriculum Associates		92,900,000	—
Total noncash contributions	$	105,900,285	16,450,092
Noncash transactions:			
Gifts in kind	$	3,637,898	1,765,774

(17) Employee Retirement Plans

During the years ended June 30, 2017 and 2016, the Foundation participated in the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), to which the Foundation contributes 10% of the participant's salary. The Foundation contributions to TIAA-CREF were $672,272 and $712,963 for the years ended June 30, 2017 and 2016, respectively. Employees are automatically enrolled on the date they complete 90 days of continuous active employment.

The Foundation maintains deferred compensation plans for a select group of management employees. Under the plans, participants defer a portion of their income on a pre-tax basis. Per IRS requirements, the employee's deferrals into the plans remain the property of the Foundation, and may thereby be subject to the claims of general creditors of the organization. As of June 30, 2017 and 2016, assets managed under this plan were $545,977 and $480,759, respectively.