

COLORADO MESA UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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May 2, 2018

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Independent Auditors' Report

To the Board of Directors
Colorado Mesa University Foundation
1450 North 12th Street
Grand Junction, CO 81501

We have audited the accompanying financial statements of Colorado Mesa University Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the 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 audit. We conducted our audit 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 of 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 financial position of Colorado Mesa University Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting practices generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Soronen Donley Patterson', written in a cursive style.

SORONEN, DONLEY, PATTERSON CPA'S, P.C.

September 20, 2017

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	\$2,539,189
Investments	27,997,959
Unconditional Promises to Give	1,186,271
Accounts Receivable	1,835
Property Subject to Life Estate	508,000
TOTAL ASSETS	<u>\$32,233,254</u>
LIABILITIES & NET ASSETS	
LIABILITIES	
Accounts Payable	<u>\$64,477</u>
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	103,145
Undesignated	211,065
Total Unrestricted Net Assets	<u>314,210</u>
Temporarily Restricted Net Assets	9,801,847
Permanently Restricted Net Assets	22,052,720
TOTAL NET ASSETS	<u>32,168,777</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$32,233,254</u>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$614,426	\$2,843,754	\$1,029,380	\$4,487,560
Support from Colorado Mesa University	324,389	35,329	0	359,718
Special Events	0	514,153	0	514,153
Less: Costs of Direct Benefits to Donors	0	(380,104)	0	(380,104)
Investment Income (net of fees)	2,483	510,287	0	512,770
Realized Gain/Loss on Investments	0	2,229,916	0	2,229,916
Unrealized Gain/Loss on Investments	0	10,800	0	10,800
Colorado Mesa University Department & Club Collections	0	1,743,754	0	1,743,754
Other	132	15	1,822	1,969
Net Assets Released from Restrictions	4,945,504	(4,945,504)		0
Donor Imposed Classification Change	0	(59,555)	59,555	0
TOTAL REVENUE AND SUPPORT	5,886,934	2,502,845	1,090,757	9,480,536
EXPENSES				
Program Services				
Scholarships	1,523,956	-	-	1,523,956
Colorado Mesa University Building Projects & Expansion	1,574,756	-	-	1,574,756
Colorado Mesa University Department & Club Transfers	1,539,259	-	-	1,539,259
Other Support of Colorado Mesa University	299,825	-	-	299,825
Supporting Services				
Management & General	59,507	-	-	59,507
Fund-raising	249,787	-	-	249,787
TOTAL EXPENSES	5,247,090	0	0	5,247,090
CHANGE IN NET ASSETS	639,844	2,502,845	1,090,757	4,233,446
NET ASSETS (DEFICIT) - BEGINNING	(325,634)	7,299,002	20,961,963	27,935,331
NET ASSETS (DEFICIT) - ENDING	\$314,210	\$9,801,847	\$22,052,720	\$32,168,777

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services		Total
	Scholarships	Colorado Mesa University Building Projects & Expansion	Colorado Mesa University Dept & Club Transfers	Other Support of Colorado Mesa University	Management & General	Fund-raising	
Colorado Mesa University - Building Projects	\$0	\$1,566,958	\$0	\$0	\$0	\$0	\$1,566,958
Colorado Mesa University - Student Scholarships	1,491,199	0	0	0	0	0	1,491,199
Other Scholarships	27,025	0	0	0	0	0	27,025
Colorado Mesa University - Transfers and Expenses for Department & Clubs	0	0	1,539,259	0	0	0	1,539,259
Computer Maintenance & Supplies	5,732	0	0	0	8,472	85,179	99,383
Donor Cultivation, Promotion, Hospitality, & Marketing	0	0	0	0	1,009	103,549	104,558
Insurance	0	0	0	0	7,031	0	7,031
In-Kind Transfers to Colorado Mesa University	0	0	0	123,206	0	0	123,206
Interest	0	7,798	0	0	0	7,798	7,798
Other	0	0	0	0	18,706	16,736	35,442
Professional Fees	0	0	0	0	17,245	0	17,245
Supplies	0	0	0	0	6,198	30,102	36,300
Travel	0	0	0	0	846	14,221	15,067
Workforce Development & Applied Research	0	0	0	176,619	0	0	176,619
TOTAL EXPENSES	\$1,523,956	\$1,574,756	\$1,539,259	\$299,825	\$59,507	\$249,787	\$5,247,090

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$4,233,446
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by:	
Operating Activities:	
Donation of Equipment Included in Contributions	(126,648)
Realized & Unrealized (Gains)/Losses on Investments	(2,240,716)
(Increase) Decrease in Operating Assets:	
Unconditional Promises to Give	115,889
Accounts Receivable	(499)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(51,957)
Contributions Restricted for Long-Term Purposes:	
Scholarships	<u>1,029,380</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,958,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Contributed to Colorado Mesa University	126,648
Proceeds from Sales of Long-Term Investments	22,830,432
Purchases of Long-Term Investments	<u>(23,408,415)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(451,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted for Long-Term Purposes:	
Scholarships	(1,029,380)
Debt Reduction - Line of Credit	<u>(600,000)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,629,380)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	878,180
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,661,009</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$2,539,189</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	\$7,798
Noncash Investing and Financing Activities	
Contribution of Equipment	\$126,648

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A – DESCRIPTION OF THE ORGANIZATION

The Foundation was incorporated under the laws of the state of Colorado in August 1961. The Foundation's sole purpose is to provide financial assistance to Colorado Mesa University students, and to otherwise assist Colorado Mesa University in providing education to deserving individuals. The majority of the Foundation's support comes from contributions of western Colorado donors and investment income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Basis of Presentation

The Organization 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.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purposes and operations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by the Organization's actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets that must be maintained permanently by the Organization as required by the donor. The income earned from the investment of these assets is available for use by the Organization in accordance with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges receivable due within the next year are reflected as current receivables, while pledges due after one year are reflected as long-term receivables.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges of future cash contributions, which have been received subject to annual review by the contributors, unsigned pledges, verbal pledges and pledges of future donated services, have not been recorded in the financial statements.

Promises to give are recorded at net realizable value if expected to be collected in one year, and discounted to net present value if expected to be collected in more than one year. The discount rate is commensurate with the payment terms. An allowance for uncollectible pledges is based upon management's judgment and analysis of the creditworthiness of the donors, and past collection history.

Investments

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1 – Quoted prices available in active markets at the measurement date

Level 2 – Observable prices that are based on inputs not quoted in active markets, but corroborated by market data, use of models, or other valuation methods

Level 3 – Unobservable inputs are used when little or no market data is available. Estimates and assumptions are made related to the value of the asset including assumptions regarding risk.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES – Continued

Investments - Continued

The Organization maintains pooled investment accounts for most of its endowments. Investment income, realized and unrealized gains and losses, and management fees are allocated quarterly to the individual endowment expendable accounts based on the relationship of the fair value of each endowment to the total fair value of all endowments.

Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Losses on investments of donor-restricted endowment funds reduce temporarily restricted net assets or permanently restricted net assets, to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets.

Property Subject to Life Estate

A donor has donated property that will be transferred to the Foundation at the end of their lifetime. The property was recorded at its fair value at the time of the donation. An obligation for the life interest was not material to the financial statements and was not recorded; therefore the entire fair value of the donation was recorded at the time of the donation.

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. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501 (c) (3). The Organization 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.

Functional Reporting of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management has evaluated subsequent events through the auditor's report date, which is the date the financial statements were available for issuance, noting no events requiring disclosure.

NOTE C – INVESTMENTS

Investments are stated at fair value from quoted market prices and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash & Money Markets	\$92,735	\$92,735	\$0
Bonds	8,366,754	8,364,640	(2,114)
Common Stock	7,949,170	8,920,277	971,107
Mutual Funds	9,917,752	10,620,307	702,555
	<u>\$26,326,411</u>	<u>\$27,997,959</u>	<u>\$1,671,548</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE C – INVESTMENTS - Continued

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Interest & Dividend Income	\$2,483	\$586,911	\$0	\$589,394
Investment Fees	0	(76,624)	0	(76,624)
Realized Gains (Losses)	0	2,229,916	0	2,229,916
Unrealized Gains (Losses)	0	10,800	0	10,800
Total	<u>\$2,483</u>	<u>\$2,751,003</u>	<u>\$0</u>	<u>\$2,753,486</u>

NOTE D – FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Organization in estimating the fair value of its other financial instruments:

Cash, Accounts Payable, and Debt

The carrying amount reported in the statement of financial position for cash, accounts payable, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments.

Investments

<u>Description</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments				
Cash & Money Markets	\$92,735	\$92,735	\$0	\$0
Bonds	8,364,640	0	8,364,640	0
Common Stock	8,920,277	8,647,739	272,538	0
Mutual Funds	10,620,307	10,620,307	0	0
Total Long-Term Investments	<u>\$27,997,959</u>	<u>\$19,360,781</u>	<u>\$8,637,178</u>	<u>\$0</u>

The Foundation's policy for determining the timing of significant transfers between levels is at the end of the fiscal year.

The following is a description of valuation methodologies used for assets measured at fair value:

Bonds – Value based on yields currently available on comparable bonds, with comparable durations, with similar credit ratings.

Common Stock – Valued at the closing price as reported on the active market on which the stocks are traded. One stock was not traded on an active market; an outside valuation firm was used to value the stock.

Mutual Funds – Valued at the closing price as reported on the active market on which the funds are traded.

NOTE E – ENDOWMENT

The Foundation's endowment consists of 220 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students, research, & other uses for certain Colorado Mesa University departments. Its endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE E – ENDOWMENT – Continued

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the 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 organization, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization 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 organization 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 organization
- (7) The investment policies of the organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the Foundation is responsible for selecting managers and asset mix for the endowments of the Foundation, keeping within ranges outlined in the Board approved investment policy.

Spending Policy

The spending policy is to distribute 3% to 5% of the fair market value of the endowment accounts each year, with the caveat that the Foundation’s Board shall have the discretion to adjust the distribution rate for a given year, depending on short/long term needs of Colorado Mesa University and the anticipated near-term trends in inflation and investment returns, consistent with the Organization’s investment policy.

Endowment Net Asset Composition by Type of Fund at Year End is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net assets</u>
Donor-Restricted Endowment Funds	\$0	\$5,541,862	\$22,052,720	\$27,594,582
Board-Designated Endowment Funds	103,145	0	0	103,145
	<u>\$103,145</u>	<u>\$5,541,862</u>	<u>\$22,052,720</u>	<u>\$27,697,727</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE E – ENDOWMENT – Continued

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets -				
Beginning	\$71,144	\$3,528,133	\$20,961,963	\$24,561,240
Contributions & Transfers	32,001	18,194	1,090,757	1,140,952
Investment Income	0	2,740,203	0	2,740,203
Net Appreciation (Depreciation)	0	10,800	0	10,800
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	0	(755,468)	0	(755,468)
Endowment Net Assets - Ending	<u>\$103,145</u>	<u>\$5,541,862</u>	<u>\$22,052,720</u>	<u>\$27,697,727</u>

NOTE F – PROMISES TO GIVE

Unconditional promises to give at year end consisted of the following:

Unrestricted	\$ 0
Colorado Mesa University Building Projects & Expansion	1,060,409
Colorado Mesa University Departments & Clubs	28,295
Scholarships – Endowment	<u>143,871</u>
Subtotal	1,232,575
Less discounts to net present value – Discount rate 2.35%	(17,717)
Less allowance for uncollectible promises receivable	<u>(28,587)</u>
Total	<u>\$ 1,186,271</u>
Receivable in less than one year	\$ 816,235
Receivable in one to five years	416,340
Receivable after 5 years	<u>0</u>
Total	<u>\$ 1,232,575</u>

NOTE G - CONCENTRATIONS

Amounts in excess of \$250,000 in one bank account are not insured by the FDIC or related entity. The Foundation has one bank account which exceeds the FDIC insured amount but is fully collateralized by the bank with federal Ginnie Mae securities. Additionally, the Organization has significant investments in stocks and bonds, which are subject to the risk of market value fluctuation.

Thirteen donors gave 65% of all contributions, and 65% of the unconditional promises to give are from 6 donors.

NOTE H – RESTRICTIONS ON NET ASSETS

Permanently restricted net assets are comprised of the following:

Student Scholarship Endowments	\$15,842,585
Research Endowments	3,200,000
Department Legacy Endowments	<u>3,010,135</u>
Total	<u>\$22,052,720</u>

Temporarily restricted net assets are comprised of the following:

Accumulated expendable portion of investment income from student scholarship endowments	\$ 5,541,862
Colorado Mesa University Building Projects & Expansion	989,831
Colorado Mesa University Departments & Clubs	2,874,937
Various other Student Scholarships or Grants	<u>395,217</u>
Total	<u>\$ 9,801,847</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE I - LINE OF CREDIT & COLORADO MESA UNIVERSITY CAMPUS EXPANSION

Colorado Mesa University has plans to further expand the size of the university campus. The Foundation is assisting in the expansion by purchasing real estate or collecting monies to purchase real estate needed for campus expansion. Colorado Mesa University Real Estate Foundation (CMUREF) (nonprofit that manages real estate for Colorado Mesa University) also assists in the expansion. If the real estate closing is in the Foundation's name, the Foundation will quitclaim the real estate to Colorado Mesa University. Monies that the Foundation collects for building projects & expansion are transferred to Colorado Mesa University or CMUREF for the purchase of real estate or to reimburse them for purchases that have already occurred. The Foundation transferred \$1,563,190 to Colorado Mesa University and CMUREF during the fiscal year for building projects and expansion.

To facilitate the purchase of real estate at the most advantageous prices and terms, the Foundation had a line of credit with a bank in the amount of \$2,500,000 which matured June 2, 2017. The line of credit was paid off before year end and was not renewed.

NOTE J – RELATED PARTY

Colorado Mesa University provides staff and office space for the Foundation. The value of this is not reflected on the statement of activities.