

COLORADO MESA UNIVERSITY
REAL ESTATE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 & 2016

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Office of the State Auditor

May 2, 2018

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Colorado Mesa University Real Estate Foundation
1100 North Avenue
Grand Junction, CO 81501

We have audited the accompanying financial statements of Colorado Mesa University Real Estate Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 aspects, the financial position of Colorado Mesa University Real Estate Foundation as of June 30, 2017 & 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting practices generally accepted in the United States of America.


SORONEN, DONLEY, PATTERSON CPA'S, P.C.
September 18, 2017

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$232,221	\$162,610
Accounts Receivable (Net of Allowance of \$50,664 for 2017, & \$30,177 for 2016)	47,131	37,374
TOTAL CURRENT ASSETS	<u>279,352</u>	<u>199,984</u>
LONG-TERM ASSETS		
Land Held for Investment	880,393	880,393
TOTAL LONG-TERM ASSETS	<u>880,393</u>	<u>880,393</u>
TOTAL ASSETS	<u>\$1,159,745</u>	<u>\$1,080,377</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$2,660	\$8,253
TOTAL CURRENT LIABILITIES	<u>2,660</u>	<u>8,253</u>
NON-CURRENT LIABILITIES		
Tenant Deposits	21,860	21,556
TOTAL NON-CURRENT LIABILITIES	<u>21,860</u>	<u>21,556</u>
TOTAL LIABILITIES	<u>24,520</u>	<u>29,809</u>
NET ASSETS		
Unrestricted Net Assets	1,135,225	1,050,568
TOTAL NET ASSETS	<u>1,135,225</u>	<u>1,050,568</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$1,159,745</u>	<u>\$1,080,377</u>

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 & 2016

UNRESTRICTED NET ASSETS

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
Real Estate Management Fee	\$158,228	\$150,677
Net Assets Released From Restrictions	100	521,454
TOTAL REVENUE AND SUPPORT	<u>158,328</u>	<u>672,131</u>
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expenses	67,813	124,888
Colorado Mesa University - Transfer of Property	0	1,154,730
Supporting Services		
Management & General	5,858	5,770
TOTAL EXPENSES	<u>73,671</u>	<u>1,285,388</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>84,657</u>	<u>(613,257)</u>

TEMPORARILY RESTRICTED NET ASSETS

REVENUE AND SUPPORT		
Support from Colorado Mesa University	6,210,556	3,968,192
Support from Colorado Mesa University Foundation	500,000	0
Net Assets Released From Restrictions	(100)	(521,454)
TOTAL REVENUE AND SUPPORT	<u>6,710,456</u>	<u>3,446,738</u>
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	6,710,456	3,446,738
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN NET ASSETS	84,657	(613,257)
NET ASSETS - BEGINNING	<u>1,050,568</u>	<u>1,663,825</u>
NET ASSETS - ENDING	<u>\$1,135,225</u>	<u>\$1,050,568</u>

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$84,657	(\$613,257)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by		
Operating Activities:		
Colorado Mesa University - Transfer of Property	0	657,230
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(9,757)	(5,076)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(5,593)	(19,380)
Accrued Interest Payable	0	(22,672)
Tenant Deposits	304	3,200
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>69,611</u>	<u>45</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,611	45
BEGINNING CASH	<u>162,610</u>	<u>162,565</u>
ENDING CASH	<u><u>\$232,221</u></u>	<u><u>\$162,610</u></u>
SUPPLEMENTAL DISCLOSURES		
Noncash Investing and Financing Transaction:		
Property and Equipment Transferred to Colorado Mesa University	\$2,875,000	\$1,154,730
Note Payable Assumed by Colorado Mesa University	<u>(2,875,000)</u>	<u>(497,500)</u>
Transfer of Property	<u><u>\$0</u></u>	<u><u>\$657,230</u></u>

See accompanying notes.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

The Foundation (CMUREF) was incorporated under the laws of the State of Colorado in May 2006. The purpose of the Foundation is to receive, hold, invest, and administer real and personal property, borrow money, and to make expenditures to or for the benefit of Colorado Mesa University (The University). CMUREF may receive gifts of real and personal property that persons and entities wish to donate for the benefit of the University in support and furtherance of the University's educational purposes. CMUREF may hold, maintain, improve, leverage, manage and lease such donated property in a manner consistent with donor intent until such time as CMUREF deems it advisable to convey, transfer, or otherwise dispose of the property and then donate to support the University.

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

The Foundation considers all cash on hand and in banks, certificates of deposit, and other highly liquid investments with maturities of three months or less to be cash equivalents.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for land, buildings, and equipment of \$500 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of 30 years for buildings and improvements.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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 B – LAND HELD FOR INVESTMENT AND OTHER LONG-TERM ASSETS

Colorado Mesa University contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future years by the CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6 year life.

	<u>6/30/17</u>	<u>6/30/16</u>
Cost of land held for investment and development costs	\$ 880,393	\$ 880,993
Building	22,352	22,352
Accumulated Depreciation	<u>(22,352)</u>	<u>(22,352)</u>
Total Land Held for Investment	<u>\$ 880,393</u>	<u>\$ 880,393</u>

NOTE C – OPERATING LEASE COMMITMENTS

CMUREF leases four commercial spaces in Grand Junction from Colorado Mesa University to tenants under non-cancelable operating leases with terms of five to ten years. CMUREF retains 20% of rental income as a management fee, and the other 80% is remitted to the University.

CMUREF entered into a master lease with the University to rent six commercial spaces in the North Avenue Student Housing complex (NASH). CMUREF retains, as a management fee, rental income over \$15 per square foot. Terms of the leases range from five to ten years and rents range from \$17 to \$20 per square foot.

CMUREF has agreements with Colorado Mesa University to lease other properties that are owned by the University. CMUREF has non-cancelable operating leases on these properties with terms of five to ten years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

CMUREF also leases land and a building it owns in Grand Junction, to tenants under non-cancelable operating leases, with terms of one to five years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE C – OPERATING LEASE COMMITMENTS – Continued

The rental income for the year was \$487,962, of which CMUREF kept \$158,228 as a management fee.

Future minimum rentals and expected management fees to CMUREF for the next five years are as follows:

	<u>Minimum Rentals</u>	<u>Minimum Expected Management Fees</u>
June 30, 2018	\$ 432,310	\$ 103,033
June 30, 2019	389,157	85,249
June 30, 2020	276,963	82,459
June 30, 2021	211,963	37,164
June 30, 2022	68,467	8,466
	<u>\$ 1,378,860</u>	<u>\$ 316,371</u>

NOTE D – CONCENTRATIONS AND RELATED PARTY

At various times during the year, CMUREF maintained significant amounts of cash in a checking account with one financial institution. Such concentrations of cash may exceed the federally insured limits provided on such accounts. Management is aware of such exposure and is willing to accept the risks associated with the potential losses involved.

Approximately 90% of the CMUREF's support was received from Colorado Mesa University (CMU). Another 7.3% of CMUREF's support was received from Colorado Mesa University Foundation (CMUF). CMUREF received \$6,710,456 from CMU and CMUF that was used to acquire real estate properties in the surrounding area of the University, in order to grow and expand. Ownership of the acquired properties was conveyed back to the University in the amount of \$5,509,088. One of the acquisitions involved a cash payment of \$1,201,368 plus a note payable to the seller in the amount of \$2,875,000. CMUREF has an assumption agreement with Colorado Mesa University, where the University agreed to assume the note payable. Direct note payable payments by the University were made to the seller in the amount of \$2,400,000 as of June 30, 2017. Title for the property is in CMUREF's name as is the note payable. Since the University has an assumption agreement with CMUREF, has substantially paid down the note payable, and the intent for the property is to benefit the University, the property and note payable were not recorded as an asset and liability on CMUREF. The University has recorded the asset and note payable on their books.

Colorado Mesa University provides staff and office space to perform the administrative functions of CMUREF. The value of these is not reflected on the statement of activities.