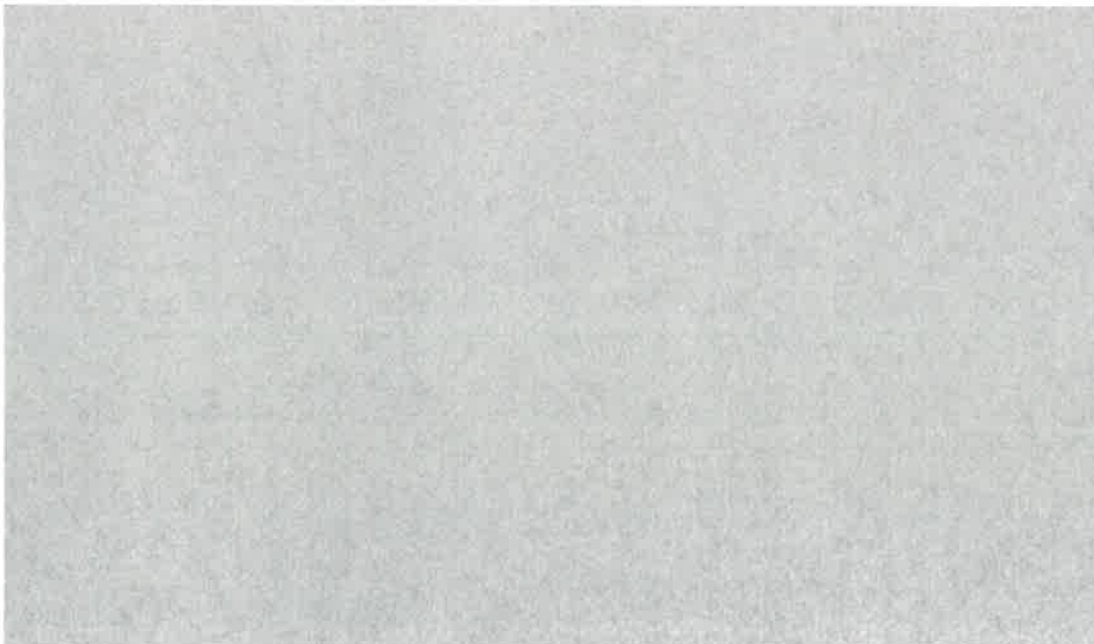


**ADAMS STATE UNIVERSITY FOUNDATION
ALAMOSA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2019 and 2018



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

ADAMS STATE UNIVERSITY FOUNDATION
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June 30, 2019 and 2018

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Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adams State University Foundation, Inc.

We have audited the accompanying financial statements of Adams State University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adams State University Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2019 the Adams State University Foundation, Inc. adopted new accounting guidance, *FASB ASU No. 2016-14 Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 15, 2019

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash in Bank	\$ 96,621	\$ 105,071
Pooled Cash - Brokerage Accounts	354,652	98,358
Segregated Cash - Brokerage Accounts	200,412	131,312
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	14,771,894	14,074,954
Restricted Investments, at Fair Value	7,787,556	7,510,160
Pledges Receivable, net of allowance	13,700	15,525
Inventories	7,240	7,240
Art Collection	15,000	15,000
TOTAL ASSETS	\$ 23,547,075	\$ 22,257,620
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 52,646	\$ 52,881
TOTAL LIABILITIES	52,646	52,881
NET ASSETS		
Without Donor Restriction:		
Unrestricted	920,876	730,213
Board Designated - Investment Reserves Fund	2,464,210	2,308,270
Board Designated - Endowments	658,137	656,971
Total Without Donor Restrictions	4,043,223	3,695,454
With Donor Restrictions:		
Purpose Restricted	2,610,268	2,321,965
Perpetual in Nature	16,840,938	16,187,320
Total With Donor Restrictions	19,451,206	18,509,285
TOTAL NET ASSETS	23,494,429	22,204,739
TOTAL LIABILITIES AND NET ASSETS	\$ 23,547,075	\$ 22,257,620

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	\$ 3,695,454	\$ 18,509,285	\$ 22,204,739
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	254,969	2,024,250	2,279,219
Donations - In-Kind	-	-	-
Investment Income (Net)	62,635	765,344	827,979
Net Realized Gains (Losses) on long-term investments	189,274	82,153	271,427
Net Unrealized Gains (Losses) on long-term investments	183,028	128,257	311,285
Subtotal	689,906	3,000,004	3,689,910
Net Assets Released from Restriction	2,060,274	(2,060,274)	-
Total from Revenues, Gains, and Other Support	2,750,180	939,730	3,689,910
EXPENSES AND LOSSES			
Scholarships and Awards	1,295,652	-	1,295,652
Program Services	807,319	-	807,319
Management and General Activities	100,827	-	100,827
Fundraising	196,422	-	196,422
Total Expenses and Losses	2,400,220	-	2,400,220
Transfers:			
Transfers In/(Out)	(2,191)	2,191	-
Change in Net Assets for the Year	347,769	941,921	1,289,690
NET ASSETS AT END OF YEAR	<u>\$ 4,043,223</u>	<u>\$ 19,451,206</u>	<u>\$ 23,494,429</u>

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	\$ 3,302,179	\$ 17,294,132	\$ 20,596,311
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	158,855	1,815,651	1,974,506
Donations - In-Kind	15,000	-	15,000
Investment Income (Net)	84,355	712,307	796,662
Net Realized Gains (Losses)			
on long-term investments	121,792	75,394	197,186
Net Unrealized Gains (Losses)			
on long-term investments	605,932	87,939	693,871
Subtotal	985,934	2,691,291	3,677,225
Net Assets Released from Restriction	1,708,740	(1,708,740)	-
Total from Revenues, Gains, and Other Support	2,694,674	982,551	3,677,225
EXPENSES AND LOSSES			
Scholarships and Awards	1,152,177	-	1,152,177
Program Services	567,885	-	567,885
Management and General Activities	147,182	-	147,182
Fundraising	201,553	-	201,553
Total Expenses and Losses	2,068,797	-	2,068,797
Transfers:			
Transfers In/(Out)	(232,602)	232,602	-
Change in Net Assets for the Year	393,275	1,215,153	1,608,428
NET ASSETS AT END OF YEAR	\$ 3,695,454	\$ 18,509,285	\$ 22,204,739

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Expenses	General & Admin	Fundraising	Total
Scholarships	\$ 1,295,652	\$ -	\$ -	\$ 1,295,652
Other University Assistance				
Academic Programming	79,860	-	-	79,860
Athletics	352,739	-	-	352,739
Grants and Other Passthrough	225,978	-	-	225,978
Work Study	70,293	-	-	70,293
Alumni and Donor Functions	-	1,560	18,217	19,777
Professional Fees & Consulting	-	14,850	-	14,850
Software and Computer Fees	-	14,863	-	14,863
Rent/Lease	-	1,340	-	1,340
Insurance	-	3,893	-	3,893
Office Supplies	-	1,335	-	1,335
Telephone	-	893	-	893
Salaries	78,449	19,468	149,167	247,084
Dues & Memberships	-	325	-	325
General Administrative	-	957	7,070	8,027
Equipment	-	3,167	-	3,167
Printing, Postage and Publication	-	38,176	8,351	46,527
Phone-a-thon	-	-	6,672	6,672
Travel	-	-	6,945	6,945
	<u>\$ 2,102,971</u>	<u>\$ 100,827</u>	<u>\$ 196,422</u>	<u>\$ 2,400,220</u>

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Expenses	General & Admin	Fundraising	Total
Scholarships	\$ 1,152,177	\$ -	\$ -	\$ 1,152,177
Other University Assistance				
Academic Programming	121,530	-	-	121,530
Athletics	318,527	-	-	318,527
Grants and Other Passthrough	11,961	60,000	-	71,961
Work Study	83,035	-	-	83,035
Alumni and Donor Functions	-	1,284	19,566	20,850
Professional fees & Consulting	-	14,280	-	14,280
Software and Computer Fees	-	8,127	-	8,127
Rent/Lease	-	1,340	-	1,340
Insurance	-	3,975	-	3,975
Office Supplies	-	1,872	-	1,872
Telephone	-	609	-	609
Salaries	32,832	18,479	138,926	190,237
Dues & Memberships	-	325	-	325
General Administrative	-	237	5,004	5,241
Equipment	-	1,728	-	1,728
Printing, Postage and Publication	-	34,926	13,715	48,641
Phone-a-thon	-	-	17,947	17,947
Travel	-	-	6,395	6,395
	<u>\$ 1,720,062</u>	<u>\$ 147,182</u>	<u>\$ 201,553</u>	<u>\$ 2,068,797</u>

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOW
For the Year Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors	\$ 1,932,170	\$ 1,361,197
Investment Income	827,979	796,662
Scholarships and Awards	(1,295,652)	(1,152,177)
Program Services Paid	(807,554)	(556,349)
Supporting Services Paid	(297,249)	(348,735)
	359,694	100,598
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	11,260,623	2,332,204
Payment for Purchase of Investments	(11,652,247)	(3,029,315)
	(391,624)	(697,111)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in Endowment	348,874	621,784
	348,874	621,784
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	316,944	25,271
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	334,741	309,470
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 651,685	\$ 334,741
CHANGE IN NET ASSETS	\$ 1,289,690	\$ 1,608,428
Adjustments to Reconcile Net Income to Net Cash Provided by		
Operating Activities:		
(Increase) Decrease in Pledges Receivable, net	1,825	8,475
(Increase) Decrease in Art Collection	-	(15,000)
Increase (Decrease) in Accounts Payable	(235)	11,536
Net Unrealized and Realized (Gain) Loss on Investments	(582,712)	(891,057)
Gain (Loss) on Sale of Land	-	-
Noncash Contributions Received	-	-
Contributions Restricted for Long-Term Investment	(348,874)	(621,784)
	(929,996)	(1,507,830)
Total Adjustments		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 359,694	\$ 100,598

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOW
For the Year Ended June 30, 2019 and 2018

	2019	2018
Supplemental data for noncash investing activities		
Art Collection	\$ -	\$ 15,000
 Reconciliation to the Statement of Financial Position		
Cash in Bank	\$ 96,621	\$ 105,071
Pooled Cash - Brokerage Accounts	354,652	98,358
Segregated Cash - Brokerage Accounts	200,412	131,312
	\$ 651,685	\$ 334,741

The accompanying notes are an integral part of this financial statement.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

Adams State University Foundation (the Foundation) was incorporated on January 23, 1962, and was recognized as a Colorado nonprofit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code in April of 1964. Its purpose is to promote, develop, and enhance the facilities and programs of Adams State University and to provide broader educational opportunities and services to students, faculty, and alumni. Although legally separate, Adams State University considers the Foundation a component unit under its governmental reporting requirements. Accordingly, the financial statements of Adams State University include a discrete presentation of assets, liabilities, net assets, and activities of the Foundation.

The Foundation receives and accounts for all contributions and expenses for the Adams State University Athletic Foundation and the Associated Alumni of Adams State University. The Memorandum of Understanding with each organization was updated in May 2016, and shall continue on a year to year basis. The memorandum of understanding may be terminated by the appropriate authorities of either party, giving three months' notice to the other party in writing, unless an earlier termination date is mutually agreed upon.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles. The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

For purposes of individual fund analysis and for allocation of earnings, supplemental information has been maintained on the fund accounting basis that has been applied historically. A "fund" represents the net accumulated resources identified by original donor, by donor intent, or by specific activity. A fund is increased for additional donations, allocated earnings and other income and reduced by scholarships, and direct program expenses.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the contributions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all demand deposits and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Inventory

Inventory consists of bronze statues that are valued at cost.

Valuation of Assets

Corporate stocks and partnership interests are recorded at market value on the date of the contribution, or at an estimated value where the market value is not available.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Investments

Under FASB ASC 958-320-25, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Fair values are determined by quoted markets. Unrealized gains and losses are included in the change in net assets.

Administrative Fee

The Foundation approved in February of 2010 an administrative fee to be applied annually as a percentage to the market value of the pooled investments and the Porter Investments. The administrative fee is for costs incurred by the Foundation for the management of assets, the raising of funds to support scholarships, and the distribution of such funds. Annually, the Foundation will review and set the necessary administrative fee. The current year administrative fee was set at 1.25% or \$275,163.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Earnings Allocation

It is the Foundation's policy that available investment earnings are allocated on a pro rata basis among participating funds on the beginning fund balance for the years ending June 30, 2019 and 2018.

Income Taxes

The Foundation is exempt from federal income taxes on income substantially related to the Foundation's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado state statutes, any organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

The Foundation files federal income tax returns. The federal income tax returns prior to fiscal year 2015 are closed. The Foundation's policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the Foundation classifies interest and penalties as interest expense. There is no cumulative effect of the change on net assets of applying the provisions of FASB ASC 740-10, in the statements of financial position.

Endowment Policies

The Foundation follows FASB ASC 958-205 which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was ratified into Colorado state law as of September 1, 2008.

Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of time dedicated to various categories.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Reclassification

Certain amounts in 2018 have been reclassified to conform to the 2019 financial statement presentation.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which is the first phase of a two-phase project makes significant changes in net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The requirement of ASU No. 2016-14 to replace the three classes of net assets (unrestricted, temporarily restricted, and permanently restriction) by two classes of net assets, net assets with donor restrictions and net assets without donor restrictions impacted the classification of net assets which is displayed on the statement of financial position.

June 30, 2018 temporarily restricted assets and permanently restricted net assets of \$2,321,965 and \$16,187,320, respectively are now combined and reported as with donor restrictions on the financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$4,043,223 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses, consisting of cash in bank of \$96,621, certificates of deposit of \$300,000 and investments of \$3,646,602. None of these amounts are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenses within one year of the statement of financial position.

The Foundation manages liquidity needed for operations primarily through budgeted monthly cash inflow and outflows. Cash inflows can be easily predicted since they are materially comprised of donations and investment income. Cash outflows are planned accordingly so as not to exceed those expected inflows.

NOTE 3 INVESTMENTS AND CONCENTRATIONS OF RISK

Investments of the individual net asset classes are combined to form pools of investments, which are managed by four asset management groups (Wells Fargo, Edward Jones, Raymond James, and LPL Financial). For the fiscal years ending June 30, 2019 and 2018, income earned on all pooled investments was recorded in the unrestricted fund and then allocated at a rate of 5.00%, as determined by the board, on the balances of selected funds at the beginning of the fiscal year. Funds that receive this allocation are the endowment funds and a few others as instructed and documented by the board.

For the fiscal years ending June 30, 2019 and 2018, income earned by the Hurley segregated investment was recorded in the “with donor restrictions” net asset fund. For fiscal years ending June 30, 2019 and 2018, income earned on Porter segregated funds was recorded in the “with donor restrictions” fund, used for scholarships and other expenses, and the remainder, if any, continued in the “with donor restrictions” fund.

All values are derived from quoted prices in active markets for identical assets.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation had bank deposits that exceeded insurance coverage by a total of \$677,421 and \$428,823 for years ended June 30, 2019 and 2018, respectively.

Investments recorded at fair value are comprised of pooled and segregated cash and investments.

Pooled cash and investments

Pooled cash and investments at June 30, 2019 and 2018, are summarized as follows:

	2019			2018		
	Cost Basis	Fair Market Value	% of Total	Cost Basis	Fair Market Value	% of Total
Money Market Funds	\$ 322,420	\$ 354,652	2%	\$ 98,358	\$ 98,358	1%
Marketable Securities						
Fixed Income	2,743,620	2,857,768	19%	1,947,365	2,658,252	19%
Equities	9,824,903	10,957,913	72%	8,000,820	10,568,861	75%
Alternative Investments	955,318	956,213	6%	847,841	847,841	5%
Total Marketable Securities	<u>13,523,841</u>	<u>14,771,894</u>	<u>98%</u>	<u>10,796,026</u>	<u>14,074,954</u>	<u>99%</u>
TOTAL	<u>\$ 13,846,261</u>	<u>\$ 15,126,546</u>	<u>100%</u>	<u>\$ 10,894,384</u>	<u>\$ 14,173,312</u>	<u>100%</u>

Segregated cash and investments

Segregated cash and investments at June 30, 2019 and 2018, are summarized as follows:

	2019			2018		
	Cost Basis	Fair Market Value	% of Total	Cost Basis	Fair Market Value	% of Total
Money Market Funds	\$ 199,989	\$ 200,412	3%	\$ 131,461	\$ 131,312	2%
Marketable Securities						
Fixed Income	3,518,387	3,687,000	46%	2,919,450	3,516,314	46%
Equities	2,199,976	4,083,579	51%	3,199,991	3,993,846	52%
Alternative Investments	16,718	16,977	0%	-	-	0%
Total Marketable Securities	<u>5,735,081</u>	<u>7,787,556</u>	<u>97%</u>	<u>6,119,441</u>	<u>7,510,160</u>	<u>98%</u>
TOTAL	<u>\$ 5,935,070</u>	<u>\$ 7,987,968</u>	<u>100%</u>	<u>\$ 6,250,902</u>	<u>\$ 7,641,472</u>	<u>100%</u>

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 INVESTMENT INCOME

Interest and dividend income of \$972,057 and \$933,663 was recognized on marketable securities as of June 30, 2019 and 2018, respectively. Investment fees of \$144,078 and \$132,455 were incurred as of June 30, 2019 and 2018, respectively.

NOTE 5 PLEDGES RECEIVABLE

At June 30, 2019, the Foundation had two pledges receivable from donors. The total balance at June 30, 2019 was \$13,700. This balance approximates fair value. Collection on pledges is expected as follows:

<u>Year Ending June 30,</u>		
2020	\$	6,850
2021		6,850
	<u>\$</u>	<u>13,700</u>

NOTE 6 OPERATING LEASES

The Foundation has entered into an operating lease arrangement for a copy machine.

The future minimum rental payments under all operating leases outstanding at June 30, 2019, are as follows:

2020	\$	2,829
2021		1,179
Total	<u>\$</u>	<u>4,008</u>

Rental expense for the operating lease for the year ended June 30, 2019, was approximately \$2,802.

NOTE 7 RELATED PARTY TRANSACTIONS

The Foundation exists only to benefit the Adams State University students, programs and activities, and, as such, is supported in several ways by the University. Support includes sharing of certain personnel and facilities, as well as through less tangible means. Starting July 1, 2010, Adams State University no longer requires the Foundation to reimburse the University to help defray the cost of the salaries of certain university employees who devote substantial time to the management and operation of the Foundation. However, as of July 1, 2014, the Board of Directors approved a new position and a salary adjustment which will be funded by the Foundation. During the years ended June 30, 2019 and 2018, the University contributed \$206,500 and \$196,380, respectively, of which the Foundation reimbursed Adams State University \$168,634 and \$157,405, respectively.

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 FAIR VALUE MEASUREMENTS

Financial Instruments

Following is a description of the valuation methodologies used for assets and liabilities measure at fair value:

- Cash and cash equivalents, accounts receivable, accrued interest receivable, short-term unconditional promises to give, accounts payable, and other liabilities: The carrying amounts reported in the statement of financial position approximates fair values because of the short maturities of those instruments.
- Marketable securities: The fair values of investments are based on quoted market prices for those or similar instruments.
- Alternative Investments: There is no readily ascertainable market value for these investments, the values are based on the latest available valuations which may be determined by the general partner or fund manager. Due to this uncertainty of valuations, these valuations may differ materially from values that would be determined if the investments were publicly traded.

The fair values of the Foundation’s financial instruments at June 30, 2019, are as follows:

	Carrying Amount	Fair Value
Financial Assets		
Cash and certificates of deposit	\$ 951,685	\$ 951,685
Unconditional promises to give	13,700	13,700
Investment securities	21,586,260	21,586,260
Alternative investments	973,190	973,190
Financial Liabilities		
Accounts payable	\$ 52,646	\$ 52,646

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

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.
- Level 2: Prices determined using significant other observable inputs including the following:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

ADAMS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

Level 3: Prices determined using significant unobservable inputs.

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

The following tables set forth, by level within the fair value hierarchy, the Foundation's financial instrument assets at fair value on a recurring basis as of June 30, 2019 and 2018:

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Market	\$ 555,064	\$ 555,064	\$ -	\$ -
Mutual Funds	15,041,492	15,041,492	-	-
Corporate Bonds	2,684,478	2,684,478	-	-
Municipal Bonds	2,795,952	2,795,952	-	-
Government Bonds	1,064,340	1,064,340	-	-
Alternative Investments	973,190	-	-	973,190
TOTAL	<u>\$ 23,114,515</u>	<u>\$ 22,141,325</u>	<u>\$ -</u>	<u>\$ 973,190</u>

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Market	\$ 229,669	\$ 229,669	\$ -	\$ -
Mutual Funds	14,562,708	14,562,708	-	-
Corporate Bonds	4,482,350	4,482,350	-	-
Municipal Bonds	1,692,216	1,692,216	-	-
Alternative Investments	847,841	-	-	847,841
TOTAL	<u>\$ 21,814,784</u>	<u>\$ 20,966,943</u>	<u>\$ -</u>	<u>\$ 847,841</u>

NOTE 9 ENDOWMENT FUNDS

Adams State University Foundation endowment funds consist of cash, securities, or other assets to provide income to fulfill the purpose of the Foundation. The use of the assets may be restricted in perpetuity, restricted by time or purpose, or unrestricted. The portion of the funds that must be maintained in perpetuity, not used up, expended or otherwise exhausted, is classified as net assets with donor restrictions perpetual in nature. The portion of the funds that must be maintained for a specified term or for a specified purpose are classified as net assets with donor restrictions purpose restricted or time restricted. The portion of the funds that may be expended at the discretion of the Board is classified as net assets without donor restrictions board designated.

ADAMS STATE UNIVERSITY FOUNDATION
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June 30, 2019 and 2018

Interpretation of Relevant Law

The Adams State University Foundation Board of Directors follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to comply with explicit donor stipulations on each gift in determining the classification of net assets as described above. Generally, all gifts to the Foundation include explicit donor stipulations regarding the use of the gifts. However, in the absence of explicit donor stipulations, the gifts are classified as net assets with donor restrictions until the amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or to accumulate funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Foundation and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

Investment and Spending Policies

The Foundation has established an investment pool to support Foundation objectives. The Foundation's investment policy is to: 1) protect the corpus of the Foundation; 2) preserve the spending power of the income from the fund; 3) obtain maximum possible investment return commensurate with reasonable risk and operational considerations; and 4) comply with applicable law.

The investment objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run, achieving at a minimum, annual compound total rate of return of 5% in excess of the rate of inflation, through a combination of investment income and capital appreciation, a competitive investment performance versus appropriate or relative capital market measure, such as securities indices. This objective shall be measured primarily by comparing investment results, over a moving annualized three and five year time period to:

- A. The S&P 500 Index as a benchmark for the Equity Component;
- B. The Barclays Capital Aggregate Index as a benchmark for the Fixed Income Component;
- C. The 90-Day Treasury Bill Index as the benchmark for the Cash and Cash Equivalent Component;
- D. The Morgan Stanley EAFE Index Composite as the benchmark for the International Component.

This does not restrict the Foundation's Board of Directors or Investment Committee from initiating action prior to five years if the action, or lack thereof, of a particular Investment Manager or Custodian warrants such action.

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The Foundation implemented a policy to use excess investment earnings to create an investment reserve fund to be used only in years of investment losses. The investment reserve fund balance is included in the total unrestricted net position as of June 30, 2019 and 2018 and amounted to \$2,464,210 and \$2,308,270 respectively.

Changes in Endowment Net Assets, for the two- year period ending June 30, 2019:

	With Donor Restrictions
Endowment Net Assets, June 30, 2017	\$ 15,911,024
Contributions	669,496
Investment Income	838,386
Program Expenditures/Scholarships	(503,152)
Changes in Donor Restrictions	270,211
Endowment Net Assets, June 30, 2018	17,185,965
Contributions	398,767
Investment Income	954,519
Program Expenditures/Scholarships	(550,967)
Changes in Donor Restrictions	(23,562)
Endowment Net Assets, June 30, 2019	\$ 17,964,722
Donor Purpose Restricted	\$ 1,123,784
Donor Perpetual in Nature	16,840,938
Endowment Net Assets, June 30, 2019	\$ 17,964,722

NOTE 10 SUBSEQUENT EVENTS

Date of Management Evaluation

Subsequent events have been evaluated through the date of the financial statement issuance date of October 15, 2019.



Wall,
Smith,
Bateman Inc.

October 15, 2019

To the Board of Directors
Adams State University Foundation, Inc.

We have audited the financial statements of Adams State University Foundation, Inc. (the Foundation) for the years ended June 30, 2019 and 2018, and have issued our report thereon dated October 15, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Adams State University Foundation, Inc. are described in Note 1 to the financial statements. As described in Note 1, the Foundation adopted Financial Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during Fiscal Year 2019. A change in net asset terminology on the statement of financial position and additional disclosures have been included in the notes to the financial statements as required by the standard. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the fair value of investments as referred to in Note 1 to the financial statements is based on quoted market prices in active markets. We evaluated the key factors and assumptions used to develop the fair value in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule titled "Passed Audit Adjusting Journal Entries" summarizes uncorrected misstatements of the financial statements. Management has determined their effects to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Cash Management

Audit procedures identified a checking account with a balance of \$45,647 belonging to the ASU Grizzly Club which was not recorded in the Foundation's accounting records. We recommend the Foundation review the status of this account and determine proper reporting requirements.

This information is intended solely for the use of the Board of Directors and management of Adams State University Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

ASU FOUNDATION
 2019 Audit
 6/30/2019
 Passed Audit Adjusting Journal Entries

Account	Description	Debit	Credit	Net Income Effect
PAJE-01				
To pass on recording Grizzly Club raffle account balance and activity for FY 2019.				
1-1001	CASH IN BANK	45,467.00	0.00	
1-4500	DONATIONS	0.00	22,010.00	
1-5085	MISCELLANEOUS EXPENSE	12,408.00	0.00	
1-3000	UNRESTRICTED NET ASSETS	0.00	35,865.00	
Total		<u>57,875.00</u>	<u>57,875.00</u>	<u>9,602.00</u>
GRAND TOTAL		<u>57,875.00</u>	<u>57,875.00</u>	<u>9,602.00</u>