



COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019 AND 2018

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS -	
Consolidated Statements of Financial Position – June 30, 2019 and 2018	2
Consolidated Statement of Activities – June 30, 2019	3
Consolidated Statement of Functional Expenses – June 30, 2019	4
Consolidated Statement of Activities – June 30, 2018	5
Consolidated Statement of Functional Expenses – June 30, 2018	6
Consolidated Statements of Cash Flows – June 30, 2019 and 2018	7
Notes to Consolidated Financial Statements	8

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Colorado State University-Pueblo Foundation (a nonprofit organization) and its wholly-owned subsidiaries (collectively, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, during the year ended June 30, 2019, Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries' June 30, 2018 consolidated financial statements, and our report dated October 18, 2018 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

October 9, 2019

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,050,488	\$ 1,712,682
Accounts receivable	13,311	27,956
Unconditional promises to give, net	1,242,623	366,994
Prepaid expenses	32,349	32,349
Marketable securities	38,348,277	38,186,925
Miscellaneous assets	602	602
Beneficial interest in charitable trusts held by others	246,385	246,406
Investment in limited partnership	249,948	249,948
Commercial real estate projects	2,376,940	2,328,940
Leasehold improvements and office equipment	34,357	103,554
Less accumulated depreciation	<u>(21,529)</u>	<u>(86,735)</u>
TOTAL ASSETS	<u>\$ 43,573,751</u>	<u>\$ 43,169,621</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,349,315	\$ 2,878,841
Other liabilities	38,168	42,919
Mortgage payable	<u>1,146,551</u>	<u>2,395,338</u>
TOTAL LIABILITIES	<u>3,534,034</u>	<u>5,317,098</u>
NET ASSETS		
Without donor restrictions	3,519,902	2,932,733
With donor restrictions	<u>36,519,815</u>	<u>34,919,790</u>
TOTAL NET ASSETS	<u>40,039,717</u>	<u>37,852,523</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,573,751</u>	<u>\$ 43,169,621</u>

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 71,556	\$ 4,037,609	\$ 4,109,165
In-kind contributions	21,250	232,563	253,813
Fundraising revenue	530	283,653	284,183
Net investment return	612,268	2,261,164	2,873,432
Miscellaneous revenue (loss)	(32,145)	96,454	64,309
Changes in the value of beneficial interest in assets held by others	-	(21)	(21)
Reclassification of net assets	(31,862)	31,862	-
Net assets released from restrictions	<u>5,343,259</u>	<u>(5,343,259)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>5,984,856</u>	<u>1,600,025</u>	<u>7,584,881</u>
EXPENSES			
Program expenses	4,301,066	-	4,301,066
Management and general	461,517	-	461,517
Fundraising	<u>635,104</u>	<u>-</u>	<u>635,104</u>
TOTAL EXPENSES	<u>5,397,687</u>	<u>-</u>	<u>5,397,687</u>
CHANGES IN NET ASSETS	587,169	1,600,025	2,187,194
NET ASSETS - BEGINNING OF YEAR	<u>2,932,733</u>	<u>34,919,790</u>	<u>37,852,523</u>
NET ASSETS - ENDING OF YEAR	<u><u>\$ 3,519,902</u></u>	<u><u>\$ 36,519,815</u></u>	<u><u>\$ 40,039,717</u></u>

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Expenses	Management and General	Fundraising	Total
Scholarships	\$ 2,316,262	\$ -	\$ -	\$ 2,316,262
Salaries and fringe benefits	725,879	256,338	291,764	1,273,981
Construction projects / University expenses	678,111	-	24,553	702,664
In-kind program expenses	232,563	-	-	232,563
Direct costs of fundraising events	-	-	191,582	191,582
Supplies	78,838	15,046	20,840	114,724
Official functions	50,316	-	56,533	106,849
Travel	74,316	10,214	408	84,938
Professional fees	-	63,618	-	63,618
Repairs and facilities costs	4,221	49,686	5,909	59,816
Equipment and software	41,318	2,260	-	43,578
Prizes and awards	28,549	-	4,105	32,654
Bad debts	-	-	32,420	32,420
Marketing expenses	27,003	-	45	27,048
Dues, registrations, memberships	20,508	4,805	-	25,313
Printing, reproduction, publications	19,173	1,462	976	21,611
In-kind office rent and other expenses	-	21,250	-	21,250
Training and conferences	-	16,882	-	16,882
Insurance	2,564	5,625	-	8,189
Telephone	870	6,433	-	7,303
Postage	575	3,727	275	4,577
Depreciation	-	3,991	-	3,991
Miscellaneous	-	180	5,694	5,874
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 4,301,066</u>	<u>\$ 461,517</u>	<u>\$ 635,104</u>	<u>\$ 5,397,687</u>

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 78,926	\$ 2,070,384	\$ 2,149,310
In-kind contributions	20,220	16,326	36,546
Fundraising revenue	345	280,564	280,909
Net investment return	401,494	2,971,673	3,373,167
Miscellaneous revenue (loss)	(55,579)	41,365	(14,214)
Changes in the value of beneficial interests in assets held by others	-	(1,876)	(1,876)
Reclassification of net assets	(59,983)	59,983	-
Net assets released from restrictions	<u>4,876,365</u>	<u>(4,876,365)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>5,261,788</u>	<u>562,054</u>	<u>5,823,842</u>
EXPENSES			
Program expenses	3,857,339	-	3,857,339
Management and general	432,931	-	432,931
Fundraising	<u>477,481</u>	<u>-</u>	<u>477,481</u>
TOTAL EXPENSES	<u>4,767,751</u>	<u>-</u>	<u>4,767,751</u>
CHANGES IN NET ASSETS	494,037	562,054	1,056,091
NET ASSETS - BEGINNING OF YEAR	<u>2,438,696</u>	<u>34,357,736</u>	<u>36,796,432</u>
NET ASSETS - ENDING OF YEAR	<u><u>\$ 2,932,733</u></u>	<u><u>\$ 34,919,790</u></u>	<u><u>\$ 37,852,523</u></u>

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Expenses	Management and General	Fundraising	Total
Scholarships	\$ 2,149,238	\$ -	\$ -	\$ 2,149,238
Salaries and fringe benefits	686,345	247,342	241,863	1,175,550
Construction projects / University expenses	522,764	-	20,093	542,857
Equipment and software	173,865	1,069	-	174,934
Direct costs of fundraising events	-	-	123,082	123,082
Official functions, conferences	61,363	-	53,292	114,655
Supplies	67,800	9,059	20,235	97,094
Travel	75,593	14,809	3,169	93,571
Professional fees	-	63,032	-	63,032
Repairs and facilities costs	10,027	32,653	5,339	48,019
Prizes and awards	44,449	-	2,048	46,497
Advertising	22,075	-	2,920	24,995
In-kind office rent	-	20,000	-	20,000
Printing, reproduction, publications	13,431	1,121	2,954	17,506
In-kind program expenses	16,326	220	-	16,546
Dues, registrations, memberships	11,572	4,134	-	15,706
Training and conferences	-	10,794	-	10,794
Insurance	644	9,427	-	10,071
Telephone	918	6,107	-	7,025
Postage	929	3,182	307	4,418
Depreciation	-	4,252	-	4,252
Miscellaneous	-	5,730	2,179	7,909
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u><u>\$ 3,857,339</u></u>	<u><u>\$ 432,931</u></u>	<u><u>\$ 477,481</u></u>	<u><u>\$ 4,767,751</u></u>

The accompanying notes are an integral part of these statements.

COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS USED BY OPERATIONS		
Change in net assets	\$ 2,187,194	\$ 1,056,091
Adjustments to reconcile change in net assets to net cash used by operations:		
Depreciation	3,991	4,252
Unrealized gain on sale of marketable securities	(541,668)	(1,486,886)
Realized gain on sale of marketable securities	(27,334)	(42,862)
Collections of contributions restricted to endowments	(318,131)	(166,141)
Bad debt expense	32,420	-
Change in beneficial interest in trusts	21	1,876
Changes in operating assets -		
Accounts receivable	14,645	47,874
Unconditional promises to give	(908,049)	420,434
Prepaid expenses	-	(32,349)
Accounts payable	(529,526)	(618,987)
Other liabilities	(4,751)	16,660
NET CASH USED BY OPERATIONS	<u>(91,188)</u>	<u>(800,038)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Maturities and sales of marketable securities	7,125,343	1,770,000
Proceeds from sale of commercial real estate	50,000	-
Purchase of marketable securities	(6,717,693)	(1,787,553)
Purchase of and improvements to commercial real estate projects	(98,000)	(224,747)
Purchase of leasehold improvements and equipment	-	(1,321)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>359,650</u>	<u>(243,621)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from mortgage payable	-	2,400,000
Proceeds from line of credit advances	-	200,963
Payments on mortgage payable	(1,248,787)	(4,662)
Payments on line of credit	-	(422,507)
Collections of contributions restricted to endowments	318,131	166,141
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(930,656)</u>	<u>2,339,935</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(662,194)	1,296,276
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,712,682</u>	<u>416,406</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,050,488</u>	<u>\$ 1,712,682</u>
Supplemental information		
Income taxes paid	\$ -	\$ 16,800
Interest paid	74,849	68,250

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation – The consolidated financial statements reflect all assets, liabilities, revenues and expenses of Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries, Thunder Village I, LLC, Land Holdings Management and Development, LLC, Dillon Healy, LLC and Paul Harvey Healy, LLC (collectively referred to as the Foundation). All significant intercompany accounts and transactions have been eliminated in the consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “the Foundation.”

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

Use of Estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program services and or fundraising activities that have occurred and donors have participated in, but payment has not been received by the date of the consolidated financial statements. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2019 and 2018 all amounts were deemed collectible.

Promises to Give

We record unconditional promises to give that are expected to be collected within one year at a net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Promises to give are written off when deemed uncollectible. At June 30, 2019 and 2018, the allowance was \$47,000 and \$14,600, respectively.

Property and Equipment

Effective July 1, 2018, we record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of the donation. Prior to that date, the amount was \$500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Services and Other In-kind Contributions

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

Contributed Use of Facilities - During the years ended June 30, 2019 and 2018, the value of the facilities used by the Foundation on the campus of the Colorado State University-Pueblo totaled \$20,000 each year. These amounts are recorded in the consolidated statements of activities and statements of functional expenses under the captions "In-kind contributions" and "In-kind office rent".

Beneficial Interest in Charitable Trusts Held by Others

We have been named as an irrevocable beneficiary of a charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we neither have possession nor control over the assets of the trusts. At the date we receive notice of beneficial interest, a contribution with donor restrictions is recorded in the consolidated statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reposted at the fair value in the consolidated statements of financial position, with changes in fair value recognized in the consolidated statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions without donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor restrictions are not released.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return/(loss) is reported in the consolidated statements of activities and consisted of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investment Income (Loss) Allocation

We pool investments of the various net asset accounts. The income from such investments, including gains and losses, are allocated to the participating net asset accounts.

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

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

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from assets without donor restrictions, net assets for subsequent year's expenses.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Program Expenses – Program expenses as detailed in the consolidated statements of functional expenses are primarily reimbursements paid directly to Colorado State University-Pueblo or directly to vendors who have provided a service to or goods directly to Colorado State University-Pueblo. Most of these payments are made in accordance with donor's restrictions at the time the contributions were made.

The salaries, payroll taxes and fringe benefits of the Foundation employees are allocated to the appropriate function based on what duties the employee performs.

Retirement Plan

Effective January 1, 2013, the Foundation started leasing employees through an employee leasing agency and the employees participate in a 401(k) plan. The Foundation contributes up to 4.9% for years ended June 30, 2019 and 2018 of covered salaries to the plan. Covered salaries totaled \$459,388 and \$410,354 for the years ended June 30, 2019 and 2018, respectively. Foundation contributions to the plans totaled \$22,378 and \$20,028, at June 30, 2019 and 2018, respectively.

Administrative Fee

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

Income Taxes

The Foundation is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(a) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Taxes (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have filed the appropriate forms, but the forms reported a loss and therefore no tax was due. The Foundation believes that it has appropriate support for any tax

position taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Change in Accounting Principle

On August 15, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all period presented. A key change required by ASU 2016-14 is the net asset class used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Evaluation of Subsequent Events

We have evaluated subsequent events through the date of the independent auditors' report, the date that the consolidated financial statements are available to be issued, and have considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,050,488
Accounts receivable	13,311
Unconditional promises to give	1,242,623
Investments	<u>38,348,277</u>
Total financial assets	<u>40,654,699</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Net assets with donor restrictions	<u>(36,519,815)</u>
Financial assets and liquid resources available within one year	<u>\$ 4,134,884</u>

The Foundation's goal is to maintain financial assets to meet one year of general operating expenses. As part of the Foundation's liquidity plan, excess cash is invested in short-term CD's and mutual funds that are of short-term duration. The Foundation is substantially supported by charitable contributions in addition to administrative fees earned from the management of income producing accounts with donor-imposed restrictions. As those charged with management of those accounts request expenses to be made, assets with donor restrictions can be liquidated to cover

those expenses. As mentioned in Note 14, the Foundation does have a \$2,500,000 operating line of credit that can be borrowed upon if needed.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2019	2018
Restricted for scholarships or other particular purposes	\$ 1,324,727	\$ 382,778
Less: Allowance for uncollectible unconditional promises to give	<u>(47,000)</u>	<u>(14,600)</u>
Gross unconditional promises to give	1,277,727	368,178
Less: unamortized discount	<u>(35,104)</u>	<u>(1,184)</u>
Net unconditional promises to give	<u><u>\$ 1,242,623</u></u>	<u><u>\$ 366,994</u></u>
Amounts due in:		
Less than one year	\$ 522,912	\$ 337,678
One to five years	<u>719,711</u>	<u>29,316</u>
TOTAL	<u><u>\$ 1,242,623</u></u>	<u><u>\$ 366,994</u></u>

The allowance for uncollectible unconditional promises to give was arrived at by identifying specific donors that have failed to keep their promises and by applying a historical percentage of 2% to the remaining amount at June 30, 2019 and 2018.

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

NOTE 4 - INVESTMENTS – NET INVESTMENT RETURN

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

	<u>2019</u>		<u>2018</u>	
	Cost	Carrying Value	Cost	Carrying Value
Registered Investment Co.	<u>\$ 34,560,177</u>	<u>\$ 38,348,277</u>	<u>\$ 34,183,025</u>	<u>\$ 38,186,925</u>

The following schedule summarizes the net investment return and its classification in the consolidated statement of activities for the years ended June 30, 2019 and 2018:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Dividend income	\$ 502,443	\$ 1,855,571	\$ 2,358,014	\$ 229,939	\$ 1,701,900	\$ 1,931,839
Interest income	1,234	4,559	5,793	500	3,703	4,203
Realized gains						
(losses) securities	5,824	21,510	27,334	5,102	37,760	42,862
Unrealized gains						
(losses)	115,419	426,249	541,668	176,978	1,309,908	1,486,886
SEC settlement fees	6,866	25,355	32,221			
Investment expenses	<u>(19,518)</u>	<u>(72,080)</u>	<u>(91,598)</u>	<u>(11,025)</u>	<u>(81,598)</u>	<u>(92,623)</u>
Total investment income (loss)	<u>\$ 612,268</u>	<u>\$ 2,261,164</u>	<u>\$ 2,873,432</u>	<u>\$ 401,494</u>	<u>\$ 2,971,673</u>	<u>\$ 3,373,167</u>

NOTE 5 – BENEFICIAL INTEREST IN CHARITABLE TRUSTS HELD BY OTHERS

We have been named as a remainder beneficiary of a charitable trust held by others. A summary follows:

Helen Jones Charitable Trust (Jones Trust) – The trust was established on December 27, 1999. The Foundation is named as one of 10 remainder beneficiaries. Each February 1, the trustee is required to make certain established payments to eight individuals and all 10 remainder beneficiaries. The balance of the prior year's income, if any, is then remitted to the 10 remainder beneficiaries according to predetermined percentages in the trust. If any of the remainder beneficiaries cease, their percentage of income is allocated to the remaining beneficiaries. As of June 30, 2019, one of the beneficiaries has ceased operations. The trust is to stay intact until six of the eight individuals pass away. As of June 30, 2019, three of the eight have passed away. The Foundation has made the assumption that the income generated is equal to the required payments each year and therefore the balance of the trust will be intact to distribute when the day arrives. The assets of the trust consist of marketable securities with readily determinable values. The recorded value on the books of the Foundation is equal to the fair market value of the trust assets at June 30 multiplied by the percentage (currently 32.25%) the Foundation is to receive upon termination of the trust.

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

	2019	2018
Foundation's share of the value of assets	\$ 246,385	\$ 246,406
Change in value of beneficial interest in charitable trusts held by others	(21)	(1,876)

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

On July 1, 2002, the Foundation transferred assets and related items to Land Holdings Management and Development, LLC. During the year ended June 30, 2011, the Foundation acquired assets from an estate for the benefit of the Healy Business Institute and placed them into three separate LLC's. During the years ended June 30, 2018 and 2017, the Foundation through Thunder Village I, LLC completed construction of commercial real estate which is being treated as an investment once fully occupied. The assets, liabilities, revenues and expenses of all of these LLC's are included in the consolidated financial statements of the Foundation. The following is a summary of the assets and liabilities in the LLC's at June 30:

	2019	2018
Cash in checking and savings	\$ 76,431	\$ 288,188
Other current assets	5,682	-
Accounts payable and accrued expenses	18,685	21,143
Unsecured note payable	1,146,551	2,395,338
Investments in real estate and the limited partnership carried at the lower of cost or fair value –		
Dillon Drive, Pueblo, CO real estate	\$ 95,000	\$ 95,000
Paul Harvey Blvd., Pueblo, CO real estate	-	50,000
Thunder Village I	2,281,940	2,183,940
Investment in limited partnership	249,848	249,848

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

Paul Harvey Boulevard, Pueblo, CO – The Foundation owns 40.34 acres of land at the corner of E. Highway 96 and Paul Harvey Boulevard. The land is unimproved and minimal income is received. The investment is carried at the lower of current fair value or the fair value as of the date of receipt of property. This property was sold during the year ended June 30, 2019 and the Paul Harvey Healy, LLC has been liquidated.

Thunder Village – The Foundation is completing construction on a commercial facility close to the football and soccer/lacrosse complexes on the campus of the University. The Foundation has committed up to \$2,400,000 for the construction. Costs incurred through June 30, 2019 total \$2,281,940.

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

NOTE 7 – RENTAL INCOME TO BE RECEIVED

The Foundation, through Thunder Village I, LLC, has entered into non-cancelable operating leases with two entities for commercial real estate located in Pueblo. The leases require monthly rental payments from \$2,390 to \$6,210 per month plus the entity's percentage of common area maintenance costs. The following is a summary of the future rents to be received under these leases:

Year Ending June 30,	Amount
2020	\$ 97,554
2021	100,481
2022	103,495
2023	81,016
2024	<u>32,280</u>
Total	<u>\$ 414,826</u>

NOTE 8 - DESIGNATED NET ASSETS

At June 30, 2019 and 2018, the Foundation had designated net assets without donor restriction for the following purposes:

	2019	2018
Operating reserve for subsequent years' expense	\$ 1,757,904	\$ 1,746,758
Special projects awarded to University groups for next year expenses	35,543	35,000
University personnel discretionary funds	<u>102,202</u>	<u>73,510</u>
TOTAL	<u>\$ 1,895,649</u>	<u>\$ 1,855,268</u>

NOTE 9 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose or time:		
Academic support (counseling, student services, library, athletics, etc.)	\$ 6,417,544	\$ 6,234,740
Instructional support	101,357	128,479
Research / public service	24,330	22,016
Scholarships	6,016,637	5,946,649
Promises to give, the proceeds from which have been restricted by donors for		
Academic support (counseling, student services, library, athletics, etc.)	1,237,031	358,202
Scholarships	<u>5,592</u>	<u>8,792</u>
	<u>13,802,491</u>	<u>12,698,878</u>

Subject to passage of time:

Beneficial interest in charitable trusts held by others	<u>246,385</u>	<u>246,406</u>
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Endowments

Subject to the Foundation endowment spending policy
and appropriation:

Academic support	2,143,481	1,891,391
Instructional support	2,557,085	2,495,463
Scholarships	<u>17,770,373</u>	<u>17,587,652</u>

Total Endowments	<u>22,470,939</u>	<u>21,974,506</u>
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Total	<u>\$36,519,815</u>	<u>\$34,919,790</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Academic support (counseling, student services, library, athletics, etc.)	\$ 1,998,547	\$ 1,695,558
Administrative fee expense	1,001,478	1,012,569
Instructional support	26,972	19,000
Scholarships	<u>2,316,262</u>	<u>2,149,238</u>
Total net assets with restrictions released	<u>\$ 5,343,259</u>	<u>\$ 4,876,365</u>

NOTE 10 - RECLASSIFICATION OF NET ASSETS

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

NOTE 11 – MAJOR NET ASSET PROJECTS/MAJOR DONORS

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

	2019	2018
Capozzolo Center for Creative and Performing Arts	\$ 4,321,801	\$ 4,330,734
Art H. Gonzales Baseball Fund	4,137,890	4,128,918
Lois W. and Roland Mathis Educational Funds	5,155,346	5,239,223

During the year ended June 30, 2019 the Foundation had two donors provide a total of \$741,501 and for the year ended June 30, 2018, the Foundation had two donors provide \$760,498 in contributions.

NOTE 12 - RISKS AND UNCERTAINTIES

Concentration of Credit Risk - In the normal course of business, the Foundation has cash balances with financial institutions and money market funds with the brokerage house of Stifel Nicolaus. The financial institutions' balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, all amounts are insured.

The money market funds with Stifel Nicolaus are insured by Securities Investor Protection Corp. (SIPC) for amounts up to \$500,000 per account and by Travelers Casualty and Surety Company of America for the full equity of their account and unlimited cash coverage. At June 30, 2019, all amounts are insured.

NOTE 13 – CONDITIONAL PROMISES TO GIVE

The Foundation has been named as the beneficiary of various trusts and life insurance policies. In accordance with accounting principles generally accepted in the United States, as events occur that make these unconditional and amounts to be received are known, they are recorded in the financial records of the Foundation. Known conditional promises to give consist of the following at June 30:

	2018	2017
Will designation (estimated amounts), restricted for:		
As directed by the Foundation's Board	\$ 3,500,000	\$ 3,500,000
Life insurance designations, restricted for:		
As directed by the Foundation's Board	<u>50,000</u>	<u>50,000</u>
TOTAL	<u>\$ 3,550,000</u>	<u>\$ 3,550,000</u>

NOTE 14 – LINE OF CREDIT

In November 2013 the Foundation obtained a \$2,500,000 unsecured line of credit with Legacy Bank. Interest due at 4% is due monthly and the line originally matured on May 13, 2015, was extended to May 13, 2018 and has been subsequently extended to November 13, 2019. No amounts were outstanding on this line at June 30, 2019 and 2018.

NOTE 15 – UNSECURED NOTE PAYABLE

On July 31, 2017, the Foundation obtained an unsecured 130-month note payable from Legacy Bank. The Foundation used the proceeds to repay the line of credit that was outstanding at June 30, 2017 and replenish the cash that had been spent on the Thunder Village I project. The note payable carries interest at a rate of 3.75% required interest only payments through May 2018 and then principal and interest payments of \$12,411.88 starting June 10, 2018 through May 10, 2028. In February 2019, the Foundation decreased the principal outstanding by \$1,200,000 to reduce the monthly payment. The new monthly principal and interest payments are \$6,085 through May 10, 2028. The following is a summary of the principal payments due on this note payable subsequent to June 30, 2019:

Year Ended June 30,	<u>Amount</u>
2020	\$ 31,712
2021	32,922
2022	34,178
2023	35,482
2024	34,795
Thereafter	<u>977,462</u>
	<u>\$ 1,146,551</u>

NOTE 16 – ENDOWMENTS

Our endowment consists of approximately 115 individual projects established by donors to provide annual funding for a variety of purposes. At June 30, 2019 and 2018 our endowment is made up of projects with donor restrictions.

Our Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation we retain in perpetuity (a) the original value of initial and subsequent gifts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of applicable gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a decision to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation has established an accounting system whereby the original value of an endowment is recorded in one project and the earnings from the investment of the endowment is recorded in another project. If the terms of the endowment require a portion of the earnings to be reinvested in the corpus, that amount is transferred from the income project to the endowment project on the day income is allocated. The accounting system allows easy identification of donor-restricted endowment projects that may have fair values less than the amount to be maintained by donors or law (underwater endowments). If this situation occurs, we have chosen to cease further distributions until the balance in the income account becomes positive. No deficiencies of this nature were reported in net assets with donor restrictions as of June 30, 2019 and 2018.

Investment and Spending Policies

We have adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for the projects while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target rate of return is 7 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

We use an endowment spending-rate formula to determine the amount to spend from the endowment projects each year. The rate, currently at 3% but can be adjusted by the Board of Directors, is applied to the average fair value of the endowment projects at December 31 and June 30 of each year. In establishing this policy, we considered the long-term expected return on the endowment projects and set the rate with the objective of maintaining the purchasing power of the endowment over time.

Below is a summary of the activity in our endowment accounts:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Balance, June 30, 2017	\$ -	\$ 20,952,296	\$ 20,952,296
Net asset reclassification	-	(98,725)	(98,725)
Investment income –			
Interest and dividend income	-	1,224,415	1,224,415
Realized and unrealized appreciation	-	967,462	967,462
Investment fees	-	(58,578)	(58,578)
Administrative fees	-	(708,050)	(708,050)
Contributions	-	183,232	183,232
Appropriation of endowment assets for expenditure	-	(487,546)	(487,546)
Balance, June 30, 2018	\$ -	\$ 21,974,506	\$ 21,974,506

Net asset reclassification	-	(291,124)	(291,124)
Investment income –			
Interest and dividend income	-	1,384,908	1,384,908
Realized and unrealized			
appreciation	-	328,883	328,883
Investment fees	-	(52,943)	(52,943)
Administrative fees	-	(666,681)	(666,681)
Contributions	-	327,897	327,897
Appropriation of endowment assets			
for expenditure	-	(534,507)	(534,507)
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 22,470,939</u>	<u>\$ 22,470,939</u>

The Foundation's investment committee, in addition to a professional investment advisor, has addressed the various types of investments to be used for the endowments. The Foundation's investments consist of mutual funds at June 30, 2019 and 2018. The objective of the mutual fund investments is both appreciation and rates of returns (dividend income).

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

We report certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under the current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumption that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted process for similar assets in active markets, quoted process for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of the asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that

is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgement, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of beneficial interests in charitable trusts are determined by us using present value techniques and risk adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of the trust investments as reported by the trustees. This is considered to be a Level 3 measurement.

The following table presents the Foundation's fair value hierarchy for financial assets measured at fair value on a recurring basis as of June 30, 2019 and 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
Marketable equity securities -				
Domestic emphasis	\$ 18,732,237	\$ 18,732,237	\$ -	\$ -
International emphasis	6,398,976	6,398,976	-	-
Marketable debt securities –				
Domestic emphasis	13,217,064	13,217,064	-	-
Beneficial interest in charitable trusts held by others	<u>246,385</u>	<u> </u>	<u>-</u>	<u>246,385</u>
TOTAL	<u>\$ 38,594,662</u>	<u>\$ 38,348,277</u>	<u>\$ -</u>	<u>\$ 246,385</u>
June 30, 2018				
Marketable equity securities -				
Domestic emphasis	\$ 19,883,198	\$ 19,883,198	\$ -	\$ -
International emphasis	5,183,568	5,183,568	-	-
Marketable debt securities –				
Domestic emphasis	12,767,523	12,767,523	-	-
Master limited partnership	352,636	352,636	-	-
Beneficial interest in remainder trusts	<u>246,406</u>	<u>-</u>	<u>-</u>	<u>246,406</u>
TOTAL	<u>\$ 38,433,331</u>	<u>\$ 38,186,925</u>	<u>\$ -</u>	<u>\$ 246,406</u>

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

Beneficial interest in charitable trusts held by others -

Balance, June 30, 2017	\$ 248,282
Change in value of split-interest agreements	(1,876)
Transfers in and/or out of Level 3	<u>-</u>
Balance, June 30, 2018	\$ 246,406
Change in value of split-interest agreements	(21)
Transfers in and/or out of Level 3	<u>-</u>
Balance, June 30, 2019	<u>\$ 246,385</u>

NOTE 18 – RELATED PARTIES

One of the Board of Trustees of the Foundation is the President of Legacy Bank. Many of the Foundation's operating bank accounts are located at Legacy Bank. In addition, the line of credit as described in Note 14 is with Legacy Bank (balance at June 30, 2019 is \$0) and the unsecured note payable as described in Note 15 is with Legacy Bank (balance at June 30, 2019 is \$1,146,551). Interest and fees paid to Legacy Bank during the year ended June 30, 2019 totaled \$74,849.