

COLORADO MESA UNIVERSITY
REAL ESTATE ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019 WITH COMPARITIVE
YEAR END JUNE 30, 2018

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Paul D. Miller CPA, LLC.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Colorado Mesa University Real Estate Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Mesa University Real Estate Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Paul D. Miller, CPA, LLC

Grand Junction, CO
August 23, 2019

Paul D. Miller, C.P.A.
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COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019 with Comparative Year June 30, 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 424,798	\$ 308,674
Accounts Receivable (Net of Allowance of \$70,200 for 2019 and \$71,677 for 2018)	2,082	19,628
Total Current Assets	426,880	328,302
OTHER ASSETS		
Cash with Donor Restrictions	172,452	-
Land held for Investment	880,393	880,393
Total Long-Term Investment	1,052,845	880,393
Total Assets	\$ 1,479,725	\$ 1,208,695
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 26,712	\$ 3,913
Prepaid Rent	4,204	1,675
Total Current Liabilities	30,916	5,588
NON-CURRENT LIABILITIES		
Tenant Deposits	28,535	28,533
Total Non-Current Liabilities	28,535	28,533
Total Liabilities	59,451	34,121
NET ASSETS		
Without Donor Restrictions	1,247,822	1,174,574
With Donor Restrictions	172,452	-
Total Net Assets	1,420,274	1,174,574
Total Liabilities and Net Assets	\$ 1,479,725	\$ 1,208,695

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
STATEMENT OF ACTIVITIES

For the year ended June 30, 2019 with Comparative Totals for the year ended June 30, 2018

WITHOUT DONOR RESTRICTIONS

	2019	2018
REVENUE AND SUPPORT		
Real Estate Management Fees	\$ 114,168	\$ 115,196
Net Assets Released from Restrictions	-	-
Total Revenue and Support	114,168	115,196
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expense	33,420	69,963
Colorado Mesa University - Transfer of Property		-
Supporting Services		
Management and General	7,600	6,076
Total Expenses	41,020	76,039
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	73,148	39,157

WITH DONOR RESTRICTIONS

REVENUE AND SUPPORT		
Support from Colorado Mesa University	1,560,327	1,886,134
Support from Colorado Mesa University Foundation	100,000	100,000
Net Assets Released from Restriction	-	-
Total Revenue and Support	1,660,327	1,986,134
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	1,487,775	1,985,942
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	172,552	192
INCREASE (DECREASE) IN NET ASSETS	245,700	39,349
Net Assets-Beginning	1,174,574	1,135,225
Net Assets-Ending	\$ 1,420,274	\$ 1,174,574

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
STATEMENT OF CASH FLOWS

For the year ended June 30, 2019 with Comparative Totals for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 245,700	\$ 39,349
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Operating Activities:		
Colorado Mesa University-Transfer of Property	-	-
(Increase) Decrease in Operating Activities		
Accounts Receivable	17,546	27,503
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	22,799	1,253
Prepaid Rent	2,529	1,675
Tenant Deposits	2	6,673
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	288,576	76,453
Net Increase (Decrease) in Cash and Cash Equivalents	288,576	76,453
Beginning Cash	308,674	232,221
Ending Cash	\$ 597,250	\$ 308,674
Cash Detail:		
Without Donor Restrictions	\$ 424,798	\$ 308,674
With Donor Restrictions	172,452	-
	\$ 597,250	\$ 308,674
SUPPLEMENTAL DISCLOSURES		
Noncash Investing and Financing Transactions:		
Property and Equipment Transferred to Colorado Mesa University	\$ 1,487,775	\$ 1,985,942
Total Transfer of Property	\$ 1,487,775	\$ 1,985,942

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY REAL ESTATE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets; with donor restrictions, and without donor restrictions.

Net Assets Without Donor Restrictions-These are net assets that are not subject to donor-imposed restrictions. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purpose and operations.

Net Assets With Donor Restriction-These net assets are subject to donor-imposed stipulations that may or will be met, either by the Organization's actions and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

COLORADO MESA UNIVERSITY REAL ESTATE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Property and Equipment

The Organization follows the practice of capitalizing all expenditures of land, buildings, and equipment of \$500 or more that has a life of two years or longer. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follow:

30 years for buildings and improvements
5-7 years for equipment

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events

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

NOTE 2 - LAND HELD FOR INVESTMENT AND OTHER LONG-TERM ASSETS

Colorado Mesa University contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future by CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and was being depreciated over a 6 year life. As of June 30, 2019, the building is fully depreciated. The Cost of the land held for investments plus development costs in \$880,393. The building cost is \$22,352 less depreciation of \$22,352.

COLORADO MESA UNIVERSITY REAL ESTATE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - OPERATING LEASE COMMITMENTS

CMUREF leases four commercial spaces in Grand Junction from Colorado Mesa University to tenants under non-cancelable operating leases with terms of 5 to 10 years. CMUREF retains 20% of rental income as a management fee, and the other 80% is remitted to the University.

CMUREF entered into a master lease with the University to rent 6 commercial spaces in the North Avenue Student Housing complex (NASH). CMUREF retains, as a management fee, rental income over \$15 per square foot. Terms of the leases range from 5 to 10 years and rents range from \$17 to \$22 per square foot.

CMUREF has agreements with Colorado Mesa University to lease other properties that are owned by the University. CMUREF has a non-cancelable operating lease on these properties with terms of 5 to 10 years. CMUREF retains 20% of the rental income as a management fee, and the remaining 80% is paid to the University.

CMUREF also leases land and a building it owns in Grand Junction to tenants under non-cancelable operating leases, with terms of 1 to 5 years. CMUREF retains 20% of rental income as a management fee, and the remaining 80% is paid to the University.

The rental income for the year ending June 30, 2019 was \$600,008, of which CMUREF retained \$114,168 as a management fee.

The future minimum rental payments and expected management fees to CMUREF for the next 5 years are as follows:

	<u>Minimum Rentals</u>	<u>Minimun Expected Management Fees</u>
June 30, 2020	\$ 338,337	\$ 72,348
June 30, 2021	258,805	47,929
June 30, 2022	204,592	40,570
June 30, 2023	204,048	40,810
June 30, 2024	186,606	37,321
	<u>\$ 1,192,388</u>	<u>\$ 238,978</u>

COLORADO MESA UNIVERSITY REAL ESTATE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CONCENTRATION AND RELATED PARTY

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

Approximately 90% of CMUREF's support was received from Colorado Mesa University (CMU). Another 4.7% of CMUREF's support was received from Colorado Mesa University Organization (CMUF). CMUREF received \$1,986,134 from CMU and CMUF that was used to acquire real estate properties in the surrounding area of the University, in order to grow and expand. Ownership of the acquired properties was conveyed back to the University in the amount \$1,487,775.

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

NOTE 5 – RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance.

The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents.

COLORADO MESA UNIVERSITY REAL ESTATE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – RECENTLY ISSUED ACCOUNTING STANDARDS-Continued

The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have of the financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changes the current guidance for assets classification, governing board designations, investment returns, underwater endowment funds, expenses, liquidity, and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 206-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purpose of governing board designations and appropriations. AUS 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a NFP to disclose it interpretations of the ability to spend from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 required not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method of the indirect method.

ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted the provision of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the Year ending June 30, 2019.

COLORADO MESA UNIVERSITY REAL ESTATE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – LIQUIDITY AND AVAILABILITY

The Organization receives significant revenue with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives management fees for servicing the rentals managed by the Organization; such support has historically represented the funding necessary to operate the general expenses of the Organization.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that future property purchases can be can be obtained.

The Organization’s Board of Directors (Board) meets periodically to review leases, rents, and future needs of Colorado Mesa University. Due to this timing, the Organization strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative and general, expenses plus an amount that represents any future purchase of property that is in process of closing.

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 424,798
Rents receivable	2,082
Plus-amount with timing restrictions available within one year	<u>172,452</u>
Total Financial Assets Available Within One Year	<u>\$ 599,332</u>