

THE FORT LEWIS COLLEGE FOUNDATION

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2020 and 2019

THE FORT LEWIS COLLEGE FOUNDATION

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June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Fort Lewis College Foundation
Durango, Colorado

We have audited the accompanying financial statements of The Fort Lewis College Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 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 The Fort Lewis College Foundation as of June 30, 2020 and 2019, 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.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
January 8, 2021

FINANCIAL STATEMENTS

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents.....	\$ 1,838,623	\$ 115,555
Investments.....	20,215,540	21,986,044
Promises to give, net (Note 3).....	3,364,191	363,003
Beneficial interest in assets held by others.....	66,904	66,834
Tangible assets, net (Note 4).....	<u>7,241,179</u>	<u>7,635,623</u>
Total assets.....	<u>\$ 32,726,437</u>	<u>\$ 30,167,059</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses.....	\$ 315	\$ 11,303
Due to Fort Lewis College.....	592,473	393,130
Gift annuity obligation payable.....	2,156	2,576
Margin loan.....	<u>-</u>	<u>63,733</u>
Total liabilities.....	<u>594,944</u>	<u>470,742</u>

Net assets

Net assets without donor restrictions		
General unrestricted.....	1,292,072	717,868
Board designated endowments.....	1,521,673	1,577,373
Other board designations.....	173,779	188,734
Gifts-in-kind and other tangible assets, net.....	<u>1,199,043</u>	<u>1,647,580</u>
Total net assets without donor restrictions.....	<u>4,186,567</u>	<u>4,131,555</u>

Net assets with donor restrictions

Purpose and/or time restricted		
Scholarships, awards and other.....	10,650,960	7,934,923
Endowment funds.....	1,298,851	2,040,111
Gifts-in-kind and other tangible assets, net.....	<u>3,247,591</u>	<u>3,193,498</u>
Total purpose and time restricted net assets.....	<u>15,197,402</u>	<u>13,168,532</u>

Restricted in perpetuity

Endowment funds.....	9,952,979	9,601,685
Gifts-in-kind and other tangible assets, net.....	<u>2,794,545</u>	<u>2,794,545</u>
Total restricted in perpetuity.....	<u>12,747,524</u>	<u>12,396,230</u>
Total net assets with donor restrictions.....	<u>27,944,926</u>	<u>25,564,762</u>

Total net assets.....	<u>32,131,493</u>	<u>29,696,317</u>
Total liabilities and net assets.....	<u>\$ 32,726,437</u>	<u>\$ 30,167,059</u>

The accompanying notes are an integral part of these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions			2020 Total
		Purpose or time	Perpetuity	Total	
Net assets at beginning of year.....	\$ 4,131,555	\$ 13,168,532	\$ 12,396,230	\$ 25,564,762	\$ 29,696,317
Operating Activities:					
Support, revenue and gains					
Donations.....	88,239	5,236,520	274,312	5,510,832	5,599,071
Donations - marketable securities.....	-	138,875	40,037	178,912	178,912
Donations - gifts-in-kind and other non-cash.....	-	81,629	-	81,629	81,629
Other income.....	43,466	121,009	-	121,009	164,475
Subtotal of donations and other income.....	131,705	5,578,033	314,349	5,892,382	6,024,087
Investment loss, net.....	(53,400)	(355,937)	-	(355,937)	(409,337)
Gain on sale of tangible assets.....	110,627	-	-	-	110,627
Total before reclassifications.....	188,932	5,222,096	314,349	5,536,445	5,725,377
Reclassification of net assets					
released from restriction.....	3,201,682	(3,201,682)	-	(3,201,682)	-
Total support, revenue and gains.....	3,390,614	2,020,414	314,349	2,334,763	5,725,377
Expenses					
Program.....	2,860,101				2,860,101
Management and general.....	261,306				261,306
Fundraising.....	168,794				168,794
Total expenses.....	3,290,201				3,290,201
Change in net assets					
from operating activities.....	100,413	2,020,414	314,349	2,334,763	2,435,176
Nonoperating Activities:					
Changes in donor restrictions, net.....	(45,401)	8,456	36,945	45,401	-
Change in net assets					
from nonoperating activities.....	(45,401)	8,456	36,945	45,401	-
Change in net assets for the year.....	55,012	2,028,870	351,294	2,380,164	2,435,176
Net assets at end of year.....	\$ 4,186,567	\$ 15,197,402	\$ 12,747,524	\$ 27,944,926	\$ 32,131,493

The accompanying notes are an integral part of these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions			2019 Total
		Purpose or time	Perpetuity	Total	
Net assets at beginning of year.....	\$ 5,023,322	\$ 10,507,417	\$ 11,777,090	\$ 22,284,507	\$ 27,307,829
Operating Activities:					
Support, revenue and gains					
Donations.....	209,357	2,865,109	496,985	3,362,094	3,571,451
Donations - marketable securities.....	-	643,938	-	643,938	643,938
Donations - gifts-in-kind and other non-cash.....	-	270,715	-	270,715	270,715
Other income.....	55,555	273,539	-	273,539	329,094
Subtotal of donations and other income.....	264,912	4,053,301	496,985	4,550,286	4,815,198
Investment income, net.....	140,049	973,106	-	973,106	1,113,155
Total before reclassifications.....	404,961	5,026,407	496,985	5,523,392	5,928,353
Reclassification of net assets					
released from restriction.....	3,084,779	(3,084,779)	-	(3,084,779)	-
Total support, revenue and gains.....	3,489,740	1,941,628	496,985	2,438,613	5,928,353
Expenses					
Program.....	2,835,803				2,835,803
Management and general.....	299,055				299,055
Fundraising.....	180,007				180,007
Total expenses.....	3,314,865				3,314,865
Change in net assets					
from operating activities.....	174,875	1,941,628	496,985	2,438,613	2,613,488
Nonoperating Activities:					
Loss in value of donated property.....	(225,000)	-	-	-	(225,000)
Changes in donor restrictions, net.....	(841,642)	719,487	122,155	841,642	-
Change in net assets					
from nonoperating activities.....	(1,066,642)	719,487	122,155	841,642	(225,000)
Change in net assets for the year.....					
	(891,767)	2,661,115	619,140	3,280,255	2,388,488
Net assets at end of year.....	\$ 4,131,555	\$ 13,168,532	\$ 12,396,230	\$ 25,564,762	\$ 29,696,317

The accompanying notes are an integral part of these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

With Comparative Totals for 2019

Description	Program Services	Supporting Services			Total 2020 Expenses	Total 2019 Expenses
		Management and General	Fund Raising	Total Supporting Services		
Fort Lewis College support.....	\$ 1,513,567	\$ -	\$ -	\$ -	\$ 1,513,567	\$ 1,782,117
Scholarships.....	1,140,685	-	-	-	1,140,685	840,240
Fees for College services.....	72,540	145,082	145,082	290,164	362,704	362,704
Professional fees.....	39,076	50,757	-	50,757	89,833	99,738
Other expense.....	48,855	13,106	9,614	22,720	71,575	115,883
Depreciation.....	27,193	-	-	-	27,193	35,787
Food and beverage.....	18,185	-	4,648	4,648	22,833	35,494
Bank and credit card fees.....	-	-	9,450	9,450	9,450	2,894
Insurance.....	-	9,306	-	9,306	9,306	8,583
Rental expense.....	-	3,548	-	3,548	3,548	7,430
Repairs and maintenance.....	-	20,187	-	20,187	20,187	15,155
Licenses, dues and fees.....	-	11,833	-	11,833	11,833	5,200
Property taxes.....	-	7,487	-	7,487	7,487	3,640
Total expenses.....	\$ 2,860,101	\$ 261,306	\$ 168,794	\$ 430,100	\$ 3,290,201	\$ 3,314,865

The accompanying notes are an integral part of these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

Description	Supporting Services			Total Supporting Services	Total 2019 Expenses
	Program Services	Management and General	Fund Raising		
Fort Lewis College support.....	\$ 1,782,117	\$ -	\$ -	\$ -	\$ 1,782,117
Scholarships.....	840,240	-	-	-	840,240
Fees for College services.....	72,540	145,082	145,082	290,164	362,704
Professional fees.....	21,600	78,138	-	78,138	99,738
Other expense.....	58,768	35,827	21,288	57,115	115,883
Depreciation.....	35,787	-	-	-	35,787
Food and beverage.....	24,751	-	10,743	10,743	35,494
Bank and credit card fees.....	-	-	2,894	2,894	2,894
Insurance.....	-	8,583	-	8,583	8,583
Rental Expenses.....	-	7,430	-	7,430	7,430
Repairs and maintenance.....	-	15,155	-	15,155	15,155
Licenses, dues and fees.....	-	5,200	-	5,200	5,200
Property taxes.....	-	3,640	-	3,640	3,640
Total expenses.....	<u>\$ 2,835,803</u>	<u>\$ 299,055</u>	<u>\$ 180,007</u>	<u>\$ 479,062</u>	<u>\$ 3,314,865</u>

The accompanying notes are an integral part of these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2020 and 2019

Increase (Decrease) in Cash and Cash Equivalents

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from donors and others.....	\$ 2,421,364	\$ 3,637,610
Investment income received.....	530,549	653,617
Scholarships and awards paid.....	(1,140,685)	(840,240)
Cash paid for program and other expenses.....	(1,853,901)	(2,188,415)
Interest paid.....	(614)	(17,429)
Net cash provided (used) by operating activities.....	<u>(43,287)</u>	<u>1,245,143</u>
Cash flows from investing activities:		
Proceeds from sales of investments.....	13,748,187	21,063,582
Purchases of investments.....	(12,738,113)	(22,498,632)
Proceeds from sale of tangible assets.....	546,122	-
Payments on gift annuity obligation.....	(420)	(560)
Net cash provided (used) by investing activities.....	<u>1,555,776</u>	<u>(1,435,610)</u>
Cash flows from financing activities:		
Endowment donations received in cash.....	274,312	496,985
Borrowing from margin loan.....	-	145,752
Payments on margin loan (Note 5).....	(63,733)	(814,376)
Net cash provided (used) by financing activities.....	<u>210,579</u>	<u>(171,639)</u>
Net increase (decrease) in cash and cash equivalents.....	1,723,068	(362,106)
Cash and cash equivalents, beginning of year.....	<u>115,555</u>	<u>477,661</u>
Cash and cash equivalents, end of year.....	<u>\$ 1,838,623</u>	<u>\$ 115,555</u>

Non-cash investing and financing activities

During the year ended June 30, 2019, the Foundation recognized a determinable value adjustment on donated land of \$225,000.

THE FORT LEWIS COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS - Continued For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets.....	\$ 2,435,176	\$ 2,388,488
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Permanent endowment donations, cash and non-cash.....	(274,312)	(496,985)
Other non-cash donations received.....	(251,504)	(729,766)
Depreciation.....	27,193	35,787
Net realized and unrealized (gains) losses on investments.....	939,272	(547,532)
Unamortized discount on promises to give.....	300,000	-
Net gain on sale of tangible assets.....	(110,627)	-
Decrease in value of donated property.....	-	225,000
Decrease (increase) in promises to give, net.....	(3,301,188)	257,540
Increase in amount due to Fort Lewis College.....	199,343	108,032
Increase (decrease) in accounts payable.....	(6,640)	4,579
Total adjustments.....	<u>(2,478,463)</u>	<u>(1,143,345)</u>
Net cash provided (used) by operating activities.....	<u>\$ (43,287)</u>	<u>\$ 1,245,143</u>

The accompanying notes are an integral part of these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - PURPOSE AND ACTIVITIES OF THE FOUNDATION

Purpose

The Fort Lewis College Foundation (the Foundation) was organized in 1969 as a Colorado nonprofit corporation exempt from federal and state income taxes. Its purpose is to assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College (the College) and to provide broader educational opportunities for, and service to, its students, faculty and alumni. Although legally separate, Fort Lewis College considers the Foundation a component unit under its governmental reporting requirements. Accordingly, the financial statements of Fort Lewis College include a discrete presentation of assets, liabilities, net assets and activities of the Foundation.

Significant 2020 activities

Major gifts –

The Foundation received \$6,159,612 in gifts and promises to give for the fiscal year ended June 30, 2020, a record amount. Two of the largest gifts in College history paced the record-setting year -- \$2,050,000 from the Schlessman Family Foundation toward the Health Sciences Center and \$1,600,000 from the John and Sophie Ottens Foundation for the Native American Center.

The Schlessman gift, which included a \$1,800,000 promise to give (see Note 3), completed the College's matching requirement for State of Colorado funding for the estimated \$33 million Health Sciences Center, an academic research and teaching facility. Construction on the Health Sciences Center commenced October 9, 2020.

The \$1,600,000 from the Ottens Foundation, the largest single cash gift in College history, is to cover the Native American Center's yearly costs and services to support student needs.

COVID-19 pandemic –

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) spread rapidly into a global pandemic. As a result of its development within the United States, there have been periods of investment market volatility and weakness and evolving mandates from federal, state and local authorities. The College immediately took proactive measures to ensure the health and well-being of students, faculty and staff, while maintaining educational opportunities in compliance with mandated protocols.

While the Foundation has had to move to a largely remote and online work environment during the pandemic, funding for programs, service to students, and asset protection have continued, and Foundation staffing is safe and stable. At the date of these financial statements, earlier declines in investment market positions had been recovered. At this time, future impacts of COVID-19 on the College or the Foundation are unknown and may be significant.

Software implementation –

During 2020, the Foundation implemented, through its Memorandum of Understanding with the College (see Note 9), a suite of third-party provided fund accounting/ financial, relationship/program management, and fundraising cloud-based software applications. Management anticipates enhanced efficiencies in data gathering and analytical capabilities in supporting the College as it implements expanded and more complex fundraising strategies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The Foundation maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds established in accordance with the activities or objectives specified by donors. Separate accounts are maintained for each fund.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories follow:

Without Donor Restrictions – These net assets are not subject to donor restrictions, or the donor-imposed restrictions have expired or been fulfilled.

With Donor Restrictions – Some net assets are subject to temporary donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and cash equivalents

The Foundation considers all cash and highly liquid investments 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. Cash funds are pooled to maximize amounts available for investment. Cash funds are pooled to maximize amounts available for investment. Cash balances have, at times, exceeded the level of insurance provided by the Federal Deposit Insurance Corporation. The Foundation strives to limit these occurrences, has not experienced any losses in such account, and considers the risk of loss to be minimal.

Investments and investment valuation

The Foundation maintains pooled investment accounts for the majority of its funds. Investment income and realized and unrealized gains and losses, net of investment management fees, from securities in the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the fair value of the interest of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Investments in equity securities having a readily determinable fair value and all debt securities are generally stated at fair value, as further described in Note 12. Where the Foundation holds alternative investments, which are not readily marketable, the Foundation reviews and utilizes fair value assumptions and determinations provided by investment managers. Investment returns include dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In certain cases, investment managers report realized and unrealized gains and losses net of investment fees; accordingly, the Foundation has reported the net amount in unrealized and realized gains and losses on the accompanying statements of activities. Investment returns are reflected on the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions on those earnings.

Fair value of financial instruments

The Foundation follows accounting guidance surrounding fair value measurements. This guidance requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (Note 12).

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to give

Donations are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and are reported as an increase in net assets with or without donor restrictions, depending on the nature of the donor-imposed restriction, if any. Unconditional promises to give expected to be collected in future years are discounted to the net present value of estimated future cash flows, at an appropriate discount rate commensurate with the risks involved. In subsequent years, amortization of the discounts is included in donation revenue in the statement of activities. Promises to give are written off when deemed uncollectible by management.

Conditional promises to give are recognized in the Foundation's financial statements when the conditions on which they depend are substantially met and the promises become unconditional.

Tangible assets

Tangible assets are capitalized at cost if purchased or at the estimated fair value at the date received if donated. In accordance with the Foundation's gift acceptance policy, acquisitions of tangible assets in excess of \$5,000 and having a useful life of over one year, whether purchased or donated, are capitalized. Lesser amounts are expensed. Absent a specific time restriction on donated real estate, it is the Foundation's policy to imply a time restriction on the use of donated real estate that expires over the assets' useful lives. Buildings and building improvements are being depreciated over estimated useful lives of 40 years using the straight-line method.

Gifts-in-kind

Gifts-in-kind are non-cash gifts including real estate, collection items and other assets, recorded as contributions at estimated fair value as of the date received by the Foundation. Independent appraisals are obtained for significant contributions. Gifts in excess of \$5,000 are capitalized, while smaller gifts are recognized and expensed along with program and other expenses.

Collections

Collections are defined as historical treasures and works of art, which are items that do not have a useful life because they are considered inexhaustible and held for public exhibition, educational purposes, or research in enhancement of public services instead of financial gain. Generally, because collections are considered inexhaustible, they are not depreciated. Collections are maintained by the College in various venues on campus, primarily in the Center for Southwest Studies, and are subject to policy that requires the proceeds from deaccession of collection items to be used only for acquisition or direct care of the collections. Gains and losses on the deaccession of collection items, if any, are classified on the statement of activities depending on donor restrictions, if any, placed on the item at the time of accession.

Income taxes

The Foundation is a non-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under Colorado statutes, any organization receiving exemption from federal income tax is also exempt from Colorado income tax. Income from activities not directly related to the entity's tax-exempt purpose may be subject to taxation as unrelated business taxable income. During the years ended June 30, 2020 and 2019, the unrelated business income tax liability was not significant. Accordingly, no provision for income taxes is made in these financial statements.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes - Continued

The Foundation is annually required to file a federal Return of Organization Exempt From Income Taxes (Form 990). The Foundation applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. Management has analyzed the tax positions taken or expected to be taken by the Foundation and has concluded that, as of June 30, 2020 and 2019, there are no uncertain positions that would require recognition of a liability or disclosure in the financial statements.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on the statements of functional expenses. Where it is difficult or impractical to directly identify costs, the costs are pooled and then allocated to the programs and supporting services benefited based upon estimates by management. Although the methods of allocation used are consistently applied and considered appropriate, other methods could be used that would produce different results.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Fundraising and special event cost

To the extent that direct costs of a fundraising event or drive are associated with income received by a particular fund, income is deemed to be available to cover those direct costs. The excess of income over those expenses is treated as support with donor restrictions for the purpose of the associated fund.

Subsequent events

The financial statements and related disclosures include evaluation of events up through and including January 8, 2021, which is the date the financial statements were available to be issued. No subsequent events were identified that required additional disclosure in the financial statements.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

Amounts due in	2020	2019
Less than one year	\$ 1,959,613	\$ 185,888
One to five years	886,794	146,543
More than five years	817,784	30,572
Unconditional promises to give	\$ 3,664,191	\$ 363,003
Unamortized discount on promises to give	(300,000)	-
Unconditional promises to give, net	<u>\$ 3,364,191</u>	<u>\$ 363,003</u>

Approximately 91% and 69% of the Foundation's unconditional promises to give as of June 30, 2020 and 2019, respectively, consisted of pledges from two and three donors, respectively.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 4 - TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation, including "offered for lease" Durango area townhomes and the President's residence which are depreciated over a period of forty years using the straight-line method. During the year ended June 30, 2020, the Foundation recognized a net gain of \$110,156 on the sale of one of the townhomes. Total depreciation expense for the years ended June 30, 2020 and 2019 was \$27,193 and \$35,787, respectively.

The Foundation's collection items are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Collections are maintained in various venues on campus, primarily in the Center for Southwest Studies. Each of the items is cataloged, preserved and cared for by College staff, and activities verifying their existence and assessing their condition are performed continuously.

At June 30, 2020, tangible assets are composed of the following:

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or time	Perpetuity	
Gifts-in-kind				
Land and buildings	\$ 500,000	\$ 12,000	\$ -	\$ 512,000
Accumulated depreciation	(93,750)	-	-	(93,750)
Collection items	70,100	3,069,356	2,641,550	5,781,006
Total gifts-in-kind	476,350	3,081,356	2,641,550	6,199,256
Purchased assets				
Land and buildings	994,400	-	-	994,400
Accumulated depreciation	(271,707)	-	-	(271,707)
Collection items	-	92,335	152,995	245,330
Concert pianos	-	73,900	-	73,900
Total purchased assets	722,693	166,235	152,995	1,041,923
Total tangible assets, net	\$ 1,199,043	\$ 3,247,591	\$ 2,794,545	\$ 7,241,179

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 4 - TANGIBLE ASSETS - Continued

At June 30, 2019, tangible assets are composed of the following:

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or time	Perpetuity	
Gifts-in-kind				
Land and buildings	\$ 1,025,000 (a)	\$ 12,000	\$ -	\$ 1,037,000
Accumulated depreciation	(168,750)	-	-	(168,750)
Collection items	<u>51,600</u>	<u>3,015,263</u>	<u>2,641,550</u>	<u>5,708,413</u>
Total gifts-in-kind	<u>907,850</u>	<u>3,027,263</u>	<u>2,641,550</u>	<u>6,576,663</u>
Purchased assets				
Land and buildings	994,400	-	-	994,400
Accumulated depreciation	(254,670)	-	-	(254,670)
Collection items	-	92,335	152,995	245,330
Concert pianos	<u>-</u>	<u>73,900</u>	<u>-</u>	<u>73,900</u>
Total purchased assets	<u>739,730</u>	<u>166,235</u>	<u>152,995</u>	<u>1,058,960</u>
Total tangible assets	<u>\$ 1,647,580</u>	<u>\$ 3,193,498</u>	<u>\$ 2,794,545</u>	<u>\$ 7,635,623</u>

(a) The Foundation recognized a determinable market value loss of \$225,000 on land donated in a prior year.

NOTE 5 - MARGIN LOAN

The margin loan balance of \$63,733 at June 30, 2019, was collateralized by investment securities to the full extent of the outstanding loan balance and was subject to a variable interest. Interest expense was \$641 and \$17,429 for the years ended June 30, 2020 and 2019, respectively. The outstanding margin loan was fully retired in August 2019.

NOTE 6 - BOARD DESIGNATED FUNDS

Board designated endowments

The activity in Board designated endowments during the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Beginning balance	\$ 1,577,373	\$ 1,499,289
Net investment income (loss)	<u>(55,700)</u>	<u>78,084</u>
Ending balance	<u>\$ 1,521,673</u>	<u>\$ 1,577,373</u>

Other Board designations

At June 30, 2020 and 2019, the respective \$173,780 and \$188,734 balances of other Board designations represented funds without donor restrictions designated primarily for scholarships.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donor restrictions by either satisfying the purpose or time restriction. Net assets were released as follows:

	<u>2020</u>	<u>2019</u>
Purpose restriction accomplished		
Scholarships	\$ 1,113,935	\$ 808,990
Other program expense	2,078,071	2,249,624
Fundraising expense	<u>9,676</u>	<u>26,165</u>
Total released from restriction	<u>\$ 3,201,682</u>	<u>\$ 3,084,779</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY

Net assets held in perpetuity at June 30, 2020 and 2019 were for the following purposes:

	<u>2020</u>	<u>2019</u>
Specific scholarship programs	\$ 9,416,007	\$ 9,064,713
Artists in Residence	260,257	260,257
Durango Collection	<u>3,071,260</u>	<u>3,071,260</u>
Total net assets with donor restrictions in perpetuity	<u>\$ 12,747,524</u>	<u>\$ 12,396,230</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

The Foundation exists only to benefit Fort Lewis College students, programs and activities and, as such, is supported in several ways by the College, which is thus deemed to be a related party. The Foundation Board and the Board of Trustees of the College enter into an annual Memorandum of Understanding (MOU) which addresses payment for the use of facilities, personnel and services provided directly by the College, as well as other less tangible support. The College also provides coordination of fundraising initiatives and major gift solicitations. For each of the years ended June 30, 2020 and 2019, the Foundation recognized support and offsetting expenses of \$324,304 under the terms of the respective MOUs.

At June 30, 2020 and 2019, respectively, the Foundation reflected \$300,229 and \$393,130 as the balance due to Fort Lewis College for reimbursements from individual department funds for amounts advanced by the College.

During the years ended June 30, 2020 and 2019, the College contributed \$4,250 and \$25,629, respectively, to the Foundation, restricted for payment of professional fees incurred on behalf of the College.

The College leases the residence of the College President from the Foundation at an estimated annual value of \$38,400 which was recorded as rental income during each of the years ended June 30, 2020 and 2019.

Related party pledges represented 2% (\$73,300) and 10% (\$45,000) of unconditional promises to give as of June 30, 2020 and 2019, respectively. Related party pledges totaling \$2,500 and \$32,230 were written off during the years ended June 30, 2020 and 2019, respectively.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 9 - RELATED PARTY TRANSACTIONS - Continued

The Foundation charged an administrative fee to all funds for the years ended June 30, 2020 and 2019 to support operations and advancement activities. Fees assessed to the funds with and without donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Funds without donor restrictions	\$ 42,695	\$ 47,125
Funds with donor restrictions		
Endowment funds	175,048	213,495
Other donor restricted funds	<u>118,903</u>	<u>189,875</u>
Total funds with donor restrictions	<u>293,951</u>	<u>403,370</u>
Total administrative fee	<u>\$ 336,646</u>	<u>\$ 450,495</u>

NOTE 10 - ENDOWMENTS

Foundation endowment funds consist of cash, securities, or other assets held to provide income to fulfill the purpose of the Foundation. The use of the assets may be with or without donor restrictions. The portion of the funds that must be maintained in perpetuity, not used up, expended or otherwise exhausted and the portion of the funds that must be maintained for a specific term or for a specified purpose are classified as net assets with donor restrictions. The portion of the funds that may be expended at the discretion of the Board is classified as net assets without restrictions.

Relevant law

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as stated in Colorado Revised Statutes, as well as other applicable state and federal laws 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 without donor restrictions until the amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed in UPMIFA.

Return objectives and risk parameters

The Foundation's investment and spending policies for endowment assets are intended to address the needs of future generations and maintain spendable value of the investments which provide funding for student scholarships, finance 'special projects' needs of the College, and supplemental operating budget needs as necessary in periods of negative cash flow. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that equal or exceed the Dow Jones Global Moderately Aggressive Portfolio while assuming a moderate level of investment risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategic (non-tactical) investment approach in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 10 - ENDOWMENTS - Continued

Endowment net asset composition and changes

Endowment net asset composition by type of fund as of June 30, 2020 is summarized as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose or time</u>	<u>Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$ 1,298,851	\$ 9,952,979	\$ 11,251,830
Board-designated endowment funds	1,521,673	-	-	1,521,673
Total funds	<u>\$ 1,521,673</u>	<u>\$ 1,298,851</u>	<u>\$ 9,952,979</u>	<u>\$ 12,773,503</u>

Endowment net asset composition by type of fund as of June 30, 2019 is summarized as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		<u>Restrictions</u>
		<u>Purpose or time</u>	<u>Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$ 2,040,111	\$ 9,601,685	\$ 11,641,796
Board-designated endowment funds	1,577,373	-	-	1,577,373
Total funds	<u>\$ 1,577,373</u>	<u>\$ 2,040,111</u>	<u>\$ 9,601,685</u>	<u>\$ 13,219,169</u>

The change in endowment net assets for the two-year period ended June 30, 2020 is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		<u>Restrictions</u>
		<u>Purpose or time</u>	<u>Perpetuity</u>	
Endowment net assets, July 1, 2018	\$ 1,499,289	\$ 1,857,415	\$ 8,982,545	\$ 12,339,249
Contributions and other income	-	53,906	496,985	550,891
Investment income and net appreciation	78,222	578,356	-	656,578
Program expenditures and scholarships	(138)	(607,258)	-	(607,396)
Changes in donor restrictions	-	<u>157,692</u>	<u>122,155</u>	<u>279,847</u>
Endowment net assets, June 30, 2019	1,577,373	2,040,111	9,601,685	13,219,169
Contributions and other income	-	25,834	339,350	365,184
Investment loss and net appreciation	(31,728)	(192,686)	-	(224,414)
Program expenditures and scholarships	(23,972)	(574,408)	-	(598,380)
Changes in donor restrictions	-	-	<u>11,944</u>	<u>11,944</u>
Endowment net assets, June 30, 2020	<u>\$ 1,521,673</u>	<u>\$ 1,298,851</u>	<u>\$ 9,952,979</u>	<u>\$ 12,773,503</u>

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 10 - ENDOWMENTS - Continued

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, accumulated deficiencies of this nature are to be reported in net assets without donor restrictions. Disclosure of these deficiencies is required; however, there is no legal obligation for the Foundation to fund these deficiencies. There were no endowment funds with deficiencies for the years ended June 30, 2020 and 2019.

NOTE 11 - FUNDS HELD IN TRUST

Generally accepted accounting principles require the recording of all unconditional, irrevocable split-interest agreements under which the Foundation is entitled to receive a benefit. With the exception of charitable gift annuities, split interest agreements are carried out through the formation of charitable trusts, the trustees of which may be either the Foundation or third parties, such as commercial banks.

Citizens Bank of Farmington, New Mexico is the trustee of a perpetual trust established by the estate of Roy Dalpra for the benefit of Fort Lewis College students who are residents of La Plata County, Colorado. The trustee determines the use of the funds and the amount to be transferred to the Foundation during the year.

Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trust. At June 30, 2020 and 2019, the fair value of assets held in the trust for the benefit of the Foundation was \$684,804 and \$708,255, respectively.

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the statement of financial position for cash and cash equivalents, accounts payable and accrued expenses, and certain other liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were considered by the Foundation in estimating the fair value of its other financial instruments. Any variance in resulting fair value from recorded values was insignificant.

Promises to give

The fair value of unconditional promises to give is determined by discounting multi-year gifts to net present value using discount rates commensurate with the payment terms of each gift.

Beneficial interest in long-term trusts held by others

The fair value of the beneficial interest in long-term trusts held by others is determined by the fair value of the underlying investments held by the third-party trustees.

Obligations under gift annuity agreements

The fair value of obligations under gift annuity agreements is based upon the payments to be made over the estimated remaining lives of the income beneficiaries and is discounted to present value using an applicable discount rate.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

Investments

The Foundation values its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest level priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

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

Equity securities and mutual funds (cash, equities, fixed income, commodities) - Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

Fixed income (bond funds or individual bonds) - Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings (other than investments in certain entities that calculate net asset value ("NAV") per share).

Alternative investments - Valued at the NAV as provided by the investment managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, the Foundation had no plans to sell investments at amounts different from NAV. Funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

No changes were made to the valuation methodologies during the years ended June 30, 2020 and 2019. The following tables set forth, by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis, as of June 30, 2020 and 2019:

Description	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,838,623	\$ -	\$ -	\$ 1,838,623
Investments at fair value				
Equities				
Domestic	5,147,483	-	-	5,147,483
International	4,028,008	-	-	4,028,008
Emerging markets	1,612,605	-	-	1,612,605
Fixed income				
Domestic	7,002,484	-	-	7,002,484
International	594,940	-	-	594,940
Emerging markets	1,021,931	-	-	1,021,931
Alternative investments				
Private equity - measured at NAV	-	-	-	662,490
Master limited partnerships	145,678	-	-	145,678
Total investments at fair value	19,553,129	-	-	20,215,619
Beneficial interest in assets held by others	66,904	-	-	66,904
Total	<u>\$ 21,458,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,121,146</u>

Description	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 115,555	\$ -	\$ -	\$ 115,555
Investments at fair value				
Equities				
Domestic	5,968,395	-	-	5,968,395
International	4,477,077	-	-	4,477,077
Emerging markets	1,700,487	-	-	1,700,487
Fixed income				
Domestic	7,194,687	-	-	7,194,687
International	1,034,299	-	-	1,034,299
Emerging markets	1,301,370	-	-	1,301,370
Alternative investments				
Private equity - measured at NAV	-	-	-	159,456
Master limited partnerships	150,273	-	-	150,273
Total Investments	21,826,588	-	-	21,986,044
Beneficial interest in assets held by others	66,834	-	-	66,834
Total	<u>\$ 22,008,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,168,433</u>

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 12 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

Investments in certain entities that calculate NAV per share are as follows:

<u>Description</u>	<u>June 30, 2020 NAV</u>	<u>June 30, 2020 Unfunded Commitments</u>	<u>Redemption Frequency</u>
Private equity – June 30, 2020	<u>\$ 662,490</u>	<u>\$ 384,000</u>	Upon fund termination
Private equity – June 30, 2019	<u>\$ 159,456</u>	<u>\$ 594,000</u>	Upon fund termination

Private equity funds focus on buyout, growth equity, and/or distressed debt. These investments are not readily redeemable, but a secondary market does exist. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from 1 to 12 years.

Return on investments is summarized as follows for the respective years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest	\$ 139,432	\$ 173,789
Dividends	<u>518,160</u>	<u>520,910</u>
Total interest and dividends	657,592	694,699
Net realized gain (loss)	<u>(34,440)</u>	<u>(64,550)</u>
Total realized investment income	623,152	630,149
Net unrealized gain (loss)	<u>(902,613)</u>	<u>603,266</u>
Total return (loss) on investments before expenses	(279,461)	1,233,415
Brokerage and custodial fees	(117,146)	(102,831)
Interest expense	<u>(12,730)</u>	<u>(17,429)</u>
Return (loss) on investments, net of expenses	<u>\$ (409,337)</u>	<u>\$ 1,113,155</u>

NOTE 13 - LIQUIDITY

The Foundation's primary sources of support are contributions and income from investing. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded approximately 80% of annual program and supporting activities, with the remainder funded by investment income without donor restrictions.

THE FORT LEWIS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 13 - LIQUIDITY - Continued

The following table reflects the Foundation's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or Board designations. In the event the need arises to utilize Board designated funds for liquidity purposes, such funds could be drawn upon through resolution.

Financial assets:	
Cash and cash equivalents	\$ 1,838,623
Promises to give	3,364,191
Investments	20,215,540
Beneficial interest in assets	66,904
Current liabilities	<u>(594,944)</u>
Financial assets, at year-end	24,890,314
Less those unavailable for general expenditure within one year due to:	
Promises to give	(1,704,578)
Purpose restrictions	(11,176,742)
Perpetual endowments	(9,927,978)
Board designated endowments	<u>(1,521,673)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 559,343</u>