

COLORADO MESA UNIVERSITY
REAL ESTATE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE
YEAR END JUNE 30, 2019

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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, 2020, 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, 2020, 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 21, 2020

Paul D. Miller, C.P.A.
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COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2020 with Comparative Year June 30, 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 234,225	\$ 424,798
Accounts Receivable (Net of Allowance of \$30,365 for 2020 and \$72,500 for 2019)	6,895	2,082
Total Current Assets	241,120	426,880
OTHER ASSETS		
Cash with Donor Restrictions	-	172,452
Property Held for CMU	4,102,044	-
Land held for Investment	880,393	880,393
Total Long-Term Investment	4,982,437	1,052,845
Total Assets	\$ 5,223,556	\$ 1,479,725
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	12,736	\$ 26,712
Note Payable-Property Held for CMU	3,732,514	-
Prepaid Rent	3,711	4,204
Total Current Liabilities	3,748,961	30,916
NON-CURRENT LIABILITIES		
Tenant Deposits	29,785	28,535
Total Non-Current Liabilities	29,785	28,535
Total Liabilities	3,778,746	59,451
NET ASSETS		
Without Donor Restrictions	1,175,281	1,247,822
With Donor Restrictions	269,530	172,452
Total Net Assets	1,444,810	1,420,274
Total Liabilities and Net Assets	\$ 5,223,556	\$ 1,479,725

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, 2020 with Comparative Totals for the year ended June 30, 2019

WITHOUT DONOR RESTRICTIONS

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Real Estate Management Fees	143,198	\$ 114,168
Net Assets Released from Restrictions	-	-
Total Revenue and Support	<u>143,198</u>	<u>114,168</u>
 EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expense	35,311	33,420
Supporting Services		
Management and General	10,917	7,600
Total Expenses	<u>46,228</u>	<u>41,020</u>
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>96,970</u>	<u>73,148</u>

WITH DONOR RESTRICTIONS

REVENUE AND SUPPORT		
Support from Colorado Mesa University	4,263,689	1,560,327
Support from Colorado Mesa University Foundation	100,000	100,000
Net Assets Released from Restriction	-	-
Total Revenue and Support	<u>4,363,689</u>	<u>1,660,327</u>
 EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	4,436,122	1,487,775
 INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(72,434)</u>	<u>172,552</u>
 INCREASE (DECREASE) IN NET ASSETS	24,536	245,700
 Net Assets-Beginning	1,420,274	1,174,574
 Net Assets-Ending	<u><u>\$ 1,444,810</u></u>	<u><u>\$ 1,420,274</u></u>

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, 2020 with Comparative Totals for the year ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 24,536	\$ 245,700
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	(4,813)	17,546
Property Held for CMU	(4,102,044)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(13,976)	22,799
Note Payable-Property Held for CMU	3,732,514	-
Prepaid Rent	(493)	2,529
Tenant Deposits	1,250	2
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(363,025)	288,576
Net Increase (Decrease) in Cash and Cash Equivalents	(363,025)	288,576
Beginning Cash	597,250	308,674
Ending Cash	\$ 234,225	\$ 597,250
Cash Detail:		
Without Donor Restrictions	\$ 234,225	\$ 424,798
With Donor Restrictions	-	172,452
	\$ 234,225	\$ 597,250
SUPPLEMENTAL DISCLOSURES		
Noncash Investing and Financing Transactions:		
Property and Equipment Transferred to Colorado Mesa University	\$ 4,705,652	\$ 1,487,775
Total Transfer of Property	\$ 4,705,652	\$ 1,487,775

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

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and FOUNDATION

The Foundation (CMUREF) was incorporated under the laws of the State of Colorado in May 2006. The purpose of the Foundation is to receive, hold, invest, and administer real and personal property, borrow money, and 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 Foundation 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 Foundation may be used at the discretion of the Foundation's management and Board of Directors to support the Foundation'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 Foundation'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 Foundation 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 FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Property and Equipment

The Foundation 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 Foundation is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). 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 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 the development costs. A building is on the investment land and was being depreciated over a 6-year life. As of June 30, 2020, 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 FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 was \$556,398, of which CMUREF retained \$142,523 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>Minimum Expected Management Fees</u>
June 30, 2021	\$ 488,536	\$ 114,506
June 30, 2022	442,696	109,208
June 30, 2023	448,205	113,723
June 30, 2024	435,715	114,705
June 30, 2025	285,480	66,445
	<u>\$ 2,100,632</u>	<u>\$ 518,587</u>

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 95% of CMUREF's support was received from Colorado Mesa University (CMU). Another 2.2% of CMUREF's support was received from Colorado Mesa University Foundation (CMUF). CMUREF received \$4,363,689 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 \$876,078 and \$4,102,044 is being held by CMUREF until the University is ready to develop the property. This property being held is encumbered by a demand promissory note, payable to the University, and carries a 0% interest rate.

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 – LIQUIDITY AND AVAILABILITY

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

The Foundation 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 obtained.

The Foundation's Board of Directors (Board) meets periodically to review leases, rents, and future needs of Colorado Mesa University. Due to this timing, the Foundation 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.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – LIQUIDITY AND AVAILABILITY-continued

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 234,225
Rents receivable	6,895
	<hr/>
Total Financial Assets Available Within One Year	<u>\$ 241,120</u>