

COLORADO MESA UNIVERSITY
REAL ESTATE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023, WITH COMPARATIVE
YEAR END JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Colorado Mesa University,
Real Estate Foundation

Opinion

We have audited the accompanying financial statements of Colorado Mesa University, Real Estate Foundation (nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

In our 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Colorado Mesa University, Real Estate Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Colorado Mesa University, Real Estate Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Colorado Mesa University, Real Estate Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Colorado Mesa University, Real Estate Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blair and Associates, P.C.

Cedaredge, Colorado
August 22, 2023

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2023 with Comparative Year June 30, 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 504,785	\$ 682,568
Accounts Receivable - CMU	22,270	-
Accounts Receivable (Net of Allowance of \$21,613 and \$15,761, respectively)	26,140	40,684
Total Current Assets	553,195	723,252
OTHER ASSETS		
Property Held for CMU	6,342,538	4,597,325
Land held for Investment	880,393	880,393
Total Long-Term Investment	7,222,931	5,477,718
Total Assets	\$ 7,776,126	\$ 6,200,970
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 897	\$ -
Security Deposit	1,757	1,757
Note Payable- CMU Support	6,342,538	4,597,325
Total Current Liabilities	6,345,192	4,599,082
NON-CURRENT LIABILITIES		
Tenant Deposits	32,367	27,085
Total Non-Current Liabilities	32,367	27,085
Total Liabilities	6,377,559	4,626,167
NET ASSETS		
Without Donor Restrictions	1,398,567	1,574,803
With Donor Restrictions	-	-
Total Net Assets	1,398,567	1,574,803
Total Liabilities and Net Assets	\$ 7,776,126	\$ 6,200,970

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, 2023 with Comparative Totals for the year ended June 30, 2022

WITHOUT DONOR RESTRICTIONS

	2023	2022
REVENUE AND SUPPORT		
Real Estate Rental Income, CMU Share, CAM, Insurance	\$ 460,239	\$ 315,867
Management Fee	126,712	201,139
Total Revenue and Support	586,951	517,006
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expense	182,222	68,245
Supporting Services		
Management and General	85,072	46,557
Total Expenses	267,294	114,802
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	319,657	402,204

WITH DONOR RESTRICTIONS

REVENUE AND SUPPORT		
Support from Colorado Mesa University	5,619,634	1,905,982
Total Revenue and Support	5,619,634	1,905,982
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Rental Share	495,894	315,867
Purchase of Real Estate	5,619,634	1,906,031
Total Program Expenses	6,115,528	2,221,898
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(495,894)	(315,916)
INCREASE (DECREASE) IN NET ASSETS	(176,237)	86,288
Net Assets-Beginning	1,574,804	1,488,516
Net Assets-Ending	\$ 1,398,567	\$ 1,574,804

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, 2023 with Comparative Totals for the year ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (176,237)	\$ 86,288
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
(Increase) Decrease in Operating Activities		
Accounts Receivable	(7,726)	(35,951)
Property Held for CMU	(1,745,213)	(1,422,208)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	897	-
Note Payable-CMU Support	1,745,213	1,422,208
Tenant Deposits	5,283	255
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(177,783)	50,592
Net Increase (Decrease) in Cash and Cash Equivalents	(177,783)	50,592
Beginning Cash	682,568	631,976
Ending Cash	\$ 504,785	\$ 682,568
Cash Detail:		
Without Donor Restrictions	\$ 504,785	\$ 682,568
With Donor Restrictions	-	-
	\$ 504,785	\$ 682,568
SUPPLEMENTAL DISCLOSURES		
Noncash Investing and Financing Transactions:		
Property and Equipment Transferred to Colorado Mesa University	\$ 5,619,634	\$ 1,905,982
Total Transfer of Property	\$ 5,619,634	\$ 1,905,982

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, 2023

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.

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

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2022, the building is fully depreciated. The Cost of the land held for investments plus development costs in \$880,393.

NOTE 3 - OPERATING LEASE COMMITMENTS-continued

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 six 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.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - OPERATING LEASE COMMITMENTS

CMUREF has an agreement 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, 2023 was \$460,239, of which CMUREF retained \$126,712 as a management fee.

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

Year	Minimum Rent	Minimum Expected Management Fees	CMU Share
June 30, 2024	\$ 593,841	\$ 122,350	\$ 471,491
June 30, 2025	280,690	63,454	217,236
June 30, 2026	119,127	23,825	95,302
June 30, 2027	78,194	15,639	62,555
June 30, 2028	24,060	4,812	19,248
June 30, 2029	<u>2,005</u>	<u>401</u>	<u>1,604</u>
	<u>\$ 1,097,917</u>	<u>\$ 230,481</u>	<u>\$ 867,436</u>

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 a 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 86% of CMUREF's support was received from Colorado Mesa University (CMU). CMUREF received \$5,619,634 from CMU that was used to acquire real estate properties in the surrounding area of the University, to grow and expand the campus. Ownership of the acquired properties was conveyed back to the University in the amount \$5,619,634. Other properties that were purchased in FY23 are 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 items is not reflected in 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, 2023

NOTE 5 – LIQUIDITY AND AVAILABILITY-continued

The table below presents financial assets available for general expenditures within one year on June 30, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 504,785
Rents Receivable	<u>48,410</u>
Total Financial Assets Available Within One Year	<u>\$ 553,195</u>