

COLORADO MESA UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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Independent Auditors' Report

To the Board of Directors
Colorado Mesa University Foundation
1450 North 12th Street
Grand Junction, CO 81501

We have audited the accompanying financial statements of Colorado Mesa University Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the 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 audit. We conducted our audit 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 of 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 that 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 Colorado Mesa University Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting practices generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Soronen Donley Patterson".

SORONEN, DONLEY, PATTERSON CPA'S, P.C.

September 19, 2016

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS	
Cash and Cash Equivalents	\$1,661,009
Investments	25,179,260
Unconditional Promises to Give	1,302,160
Accounts Receivable	1,336
Property Subject to Life Estate	508,000
TOTAL ASSETS	<u>\$28,651,765</u>
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	\$600,000
Accounts Payable	116,434
TOTAL LIABILITIES	<u>716,434</u>
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	71,144
Undesignated	<u>(396,778)</u>
Total Unrestricted Net Assets	(325,634)
Temporarily Restricted Net Assets	7,299,002
Permanently Restricted Net Assets	<u>20,961,963</u>
TOTAL NET ASSETS	<u>27,935,331</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$28,651,765</u>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$28,690	\$1,780,330	\$800,390	\$2,609,410
Support from Colorado Mesa University	324,811	0	0	324,811
Special Events	0	524,798	0	524,798
Less: Costs of Direct Benefits to Donors	0	(347,965)	0	(347,965)
Investment Income (net of fees)	2,028	492,421	0	494,449
Realized Gain/Loss on Investments	217	16,106	0	16,323
Unrealized Gain/Loss on Investments	0	(607,315)	0	(607,315)
Colorado Mesa University Department & Club Collections	0	1,256,380	0	1,256,380
Other	0	2,200	0	2,200
Net Assets Released from Restrictions	3,702,753	(3,702,753)	0	0
Donor Imposed Classification Change	0	(28,098)	28,098	0
TOTAL REVENUE AND SUPPORT	<u>4,058,499</u>	<u>(613,896)</u>	<u>828,488</u>	<u>4,273,091</u>
EXPENSES				
Program Services				
Scholarships	1,186,643	-	-	1,186,643
Colorado Mesa University Building Projects & Expansion	861,162	-	-	861,162
Colorado Mesa University Department & Club Transfers	1,089,158	-	-	1,089,158
Supporting Services				
Management & General	40,427	-	-	40,427
Fund-raising	244,344	-	-	244,344
TOTAL EXPENSES	<u>3,421,734</u>	<u>0</u>	<u>0</u>	<u>3,421,734</u>
CHANGE IN NET ASSETS	636,765	(613,896)	828,488	851,357
NET ASSETS (DEFICIT) - BEGINNING	<u>(962,399)</u>	<u>7,912,898</u>	<u>20,133,475</u>	<u>27,083,974</u>
NET ASSETS (DEFICIT) - ENDING	<u>(\$325,634)</u>	<u>\$7,299,002</u>	<u>\$20,961,963</u>	<u>\$27,935,331</u>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services		
	Colorado Mesa University Building Projects & Expansion	Colorado Mesa University Dept & Club Transfers	Total Program Services	Management & General	Fund-raising	Total	
	Scholarships	Scholarships	Scholarships	Scholarships	Scholarships	Scholarships	
Colorado Mesa University - Building Projects	\$0	\$0	\$832,138	\$0	\$0	\$832,138	
Colorado Mesa University - Student Scholarships	1,153,397	0	1,153,397	0	0	1,153,397	
Other Scholarships	27,775	0	27,775	0	0	27,775	
Colorado Mesa University - Transfers and Expenses for Department & Clubs	0	1,089,158	1,089,158	0	0	1,089,158	
Computer Maintenance & Supplies	5,471	0	5,471	12,506	49,391	67,368	
Donor Cultivation, Promotion, Hospitality, & Marketing	0	0	0	6,518	163,171	169,689	
Interest	0	29,024	29,024	0	0	29,024	
Other	0	0	0	4,750	20,454	25,204	
Professional Fees	0	0	0	10,345	500	10,845	
Supplies	0	0	0	5,093	8,557	13,650	
Travel	0	0	0	1,215	2,271	3,486	
TOTAL EXPENSES	\$1,186,643	\$861,162	\$3,136,963	\$40,427	\$244,344	\$3,421,734	

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$851,357
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by:	
Operating Activities:	
Donation of Equipment Included in Contributions	(79,014)
Realized & Unrealized (Gains)/Losses on Investments	590,992
(Increase) Decrease in Operating Assets:	
Unconditional Promises to Give	255,312
Accounts Receivable	(1,336)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(10,220)
Contributions Restricted for Long-Term Purposes:	
Scholarships	800,390
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,407,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Contributed to Colorado Mesa University	79,014
Proceeds from Sales of Long-Term Investments	4,572,039
Purchases of Long-Term Investments	(6,475,079)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,824,026)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted for Long-Term Purposes:	
Scholarships	(800,390)
New Borrowings - Line of Credit	0
Debt Reduction - Line of Credit	(600,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,400,390)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(816,935)
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,477,944</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$1,661,009</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	\$29,024
Noncash Investing and Financing Activities	
Contribution of Equipment	\$79,014

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – DESCRIPTION OF THE ORGANIZATION

The Foundation was incorporated under the laws of the state of Colorado in August 1961. The Foundation's sole purpose is to provide financial assistance to Colorado Mesa University students, and to otherwise assist Colorado Mesa University in providing education to deserving individuals. The majority of the Foundation's support comes from contributions of western Colorado donors and investment income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – 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 purposes and operations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by the Organization's actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets that must be maintained permanently by the Organization as required by the donor. The income earned from the investment of these assets is available for use by the Organization in accordance with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges receivable due within the next year are reflected as current receivables, while pledges due after one year are reflected as long-term receivables.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges of future cash contributions, which have been received subject to annual review by the contributors, unsigned pledges, verbal pledges and pledges of future donated services, have not been recorded in the financial statements.

Promises to give are recorded at net realizable value if expected to be collected in one year, and discounted to net present value if expected to be collected in more than one year. The discount rate is commensurate with the payment terms. An allowance for uncollectible pledges is based upon management's judgment and analysis of the creditworthiness of the donors, and past collection history.

Investments

Investments are stated at fair value. Fair value 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 available in active markets at the measurement date

Level 2 – Observable prices that are based on inputs not quoted in active markets, but corroborated by market data, use of models, or other valuation methods

Level 3 – Unobservable inputs are used when little or no market data is available. Estimates and assumptions are made related to the value of the asset including assumptions regarding risk.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES – Continued

Investments - Continued

The Organization maintains pooled investment accounts for most of its endowments. Investment income, realized and unrealized gains and losses, and management fees are allocated quarterly to the individual endowment expendable accounts based on the relationship of the fair value of each endowment to the total fair value of all endowments.

Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Losses on investments of donor-restricted endowment funds reduce temporarily restricted net assets or permanently restricted net assets, to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets.

Property Subject to Life Estate

A donor has donated property that will be transferred to the Foundation at the end of their lifetime. The property was recorded at its fair value at the time of the donation. An obligation for the life interest was not material to the financial statements and was not recorded; therefore the entire fair value of the donation was recorded at the time of the donation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 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.

Functional Reporting of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 C – INVESTMENTS

Investments are stated at fair value from quoted market prices and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash & Money Markets	\$321,316	\$321,316	\$0
Bonds	3,036,068	3,013,801	(22,267)
Common Stock	16,130,938	17,573,210	1,442,272
Mutual Funds	4,143,178	4,270,933	127,755
	<u>\$23,631,500</u>	<u>\$25,179,260</u>	<u>\$1,547,760</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE C – INVESTMENTS - Continued

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Interest & Dividend Income	\$2,028	\$580,853	\$0	\$582,881
Investment Fees	0	(88,432)	0	(88,432)
Realized Gains (Losses)	217	16,106	0	16,323
Unrealized Gains (Losses)	0	(607,315)	0	(607,315)
Total	<u>\$2,245</u>	<u>(\$98,788)</u>	<u>\$0</u>	<u>(\$96,543)</u>

NOTE D – FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Organization in estimating the fair value of its other financial instruments:

Cash, Accounts Payable, and Debt

The carrying amount reported in the statement of financial position for cash, accounts payable, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments.

Investments

<u>Description</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments				
Cash & Money Markets	\$321,316	\$321,316	\$0	\$0
Bonds	3,013,801	0	3,013,801	0
Common Stock	17,573,210	17,314,586	258,624	0
Mutual Funds	4,270,933	4,270,933	0	0
Total Long-Term Investments	<u>\$25,179,260</u>	<u>\$21,906,835</u>	<u>\$3,272,425</u>	<u>\$0</u>

The Foundation's policy for determining the timing of significant transfers between levels is at the end of the fiscal year.

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

Bonds – Value based on yields currently available on comparable bonds, with comparable durations, with similar credit ratings.

Common Stock – Valued at the closing price as reported on the active market on which the stocks are traded. One stock was not traded on an active market; an outside valuation firm was used to value the stock.

Mutual Funds – Valued at the closing price as reported on the active market on which the funds are traded.

NOTE E – ENDOWMENT

The Foundation's endowment consists of 212 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students, research, & other uses for certain Colorado Mesa University departments. Its endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE E – ENDOWMENT – Continued

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the Foundation is responsible for selecting managers and asset mix for the endowments of the Foundation, keeping within ranges outlined in the Board approved investment policy.

Spending Policy

The spending policy is to distribute 4% to 7% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board shall have the discretion to adjust the distribution rate for a given year, depending on short/long term needs of Colorado Mesa University and the anticipated near-term trends in inflation and investment returns, consistent with the Organization's investment policy.

Endowment Net Asset Composition by Type of Fund at Year End is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net assets</u>
Donor-Restricted Endowment Funds	\$0	\$3,528,133	\$20,961,963	\$24,490,096
Board-Designated Endowment Funds	71,144	0	0	71,144
	<u>\$71,144</u>	<u>\$3,528,133</u>	<u>\$20,961,963</u>	<u>\$24,561,240</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE E – ENDOWMENT – Continued

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets -				
Beginning	\$68,144	\$4,281,735	\$20,133,475	\$24,483,354
Contributions & Transfers	3,000	41,941	828,488	873,429
Investment Income	0	492,421	0	492,421
Net Appreciation (Depreciation)	0	(591,209)	0	(591,209)
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	0	(696,755)	0	(696,755)
Endowment Net Assets - Ending	<u>\$71,144</u>	<u>\$3,528,133</u>	<u>\$20,961,963</u>	<u>\$24,561,240</u>

NOTE F – PROMISES TO GIVE

Unconditional promises to give at year end consisted of the following:

Unrestricted	\$ 0
Colorado Mesa University Building Projects & Expansion	893,518
Colorado Mesa University Departments & Clubs	39,739
Scholarships – Endowment	<u>417,161</u>
Subtotal	1,350,418
Less discounts to net present value – Discount rate 2.35%	(12,278)
Less allowance for uncollectible promises receivable	<u>(35,980)</u>
Total	<u>\$ 1,302,160</u>
Receivable in less than one year	\$ 842,364
Receivable in one to five years	508,054
Receivable after 5 years	0
Total	<u>\$ 1,350,418</u>

NOTE G - CONCENTRATIONS

Amounts in excess of \$250,000 in one bank account are not insured by the FDIC or related entity. The Foundation has one bank account which exceeds the FDIC insured amount but is fully collateralized by the bank with federal Ginnie Mae securities. Additionally, the Organization has significant investments in stocks and bonds, which are subject to the risk of market value fluctuation.

Fourteen donors gave 62% of all contributions, and 81% of the unconditional promises to give are from 6 donors.

NOTE H – RESTRICTIONS ON NET ASSETS

Permanently restricted net assets are comprised of the following:

Student Scholarship Endowments	\$14,911,071
Research Endowments	3,200,000
Department Legacy Endowments	<u>2,850,892</u>
Total	<u>\$20,961,963</u>

Temporarily restricted net assets are comprised of the following:

Accumulated expendable portion of investment income from student scholarship endowments	\$ 3,528,133
Colorado Mesa University Building Projects & Expansion	818,367
Colorado Mesa University Departments & Clubs	2,623,826
Various other Student Scholarships or Grants	<u>328,676</u>
Total	<u>\$ 7,299,002</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I - LINE OF CREDIT & COLORADO MESA UNIVERSITY CAMPUS EXPANSION

Colorado Mesa University has plans to further expand the size of the university campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to Colorado Mesa University. No real estate was purchased and quitclaimed to Colorado Mesa University during the last year.

To facilitate the purchase of real estate at the most advantageous prices and terms, the Foundation has a line of credit with a bank in the amount of \$2,500,000 which matures June 2, 2017. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate; interest payments are due each month. At year end, the Foundation's balance on this loan was \$600,000. The collateral for the loan is tangible and intangible real and personal property that the Foundation owns.

To fund the purchase of the real estate, the City of Grand Junction has committed to donating \$500,000 per year and Mesa County has committed to donating \$100,000 per year. Should the City or County in future years, decrease their annual funding levels, such that the Foundation were unable to repay the line of credit, Colorado Mesa University signed an agreement with the Foundation to deed over donated real estate or other real estate sufficient to payoff the line of credit.

NOTE J - RELATED PARTY

Colorado Mesa University provides staff and office space for the Foundation. The value of this is not reflected on the statement of activities.