

COLORADO MESA UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, 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 15, 2014

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS	
Cash and Cash Equivalents	\$1,541,106
Investments	22,680,032
Unconditional Promises to Give	1,289,075
Property Subject to Life Estate	508,000
TOTAL ASSETS	<u>\$26,018,213</u>
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	\$1,749,582
Accrued Liabilities	252
TOTAL LIABILITIES	<u>1,749,834</u>
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	103,643
Undesignated	<u>(1,617,155)</u>
Total Unrestricted Net Assets	(1,513,512)
Temporarily Restricted Net Assets	7,288,779
Permanently Restricted Net Assets	<u>18,493,112</u>
TOTAL NET ASSETS	<u>24,268,379</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$26,018,213</u>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$97,868	\$866,958	\$1,401,274	\$2,366,100
Support from Colorado Mesa University	792,675	0	0	792,675
Special Events	0	403,381	0	403,381
Less: Costs of Direct Benefits to Donors	0	(294,805)	0	(294,805)
Investment Income	2,057	415,453	0	417,510
Realized Gain/Loss on Investments	0	309,588	0	309,588
Unrealized Gain/Loss on Investments	0	2,115,734	0	2,115,734
Colorado Mesa University Department & Club Collections	0	1,203,377	0	1,203,377
Gain on Sale of Assets	137,006	0	0	137,006
Other	0	12,121	0	12,121
Net Assets Released from Restrictions	2,284,138	(2,284,138)	0	0
Donor Imposed Classification Change	0	(41,120)	41,120	0
TOTAL REVENUE AND SUPPORT	<u>3,313,744</u>	<u>2,706,549</u>	<u>1,442,394</u>	<u>7,462,687</u>
EXPENSES				
Program Services				
Scholarships	760,070	-	-	760,070
Colorado Mesa University Building Projects & Expansion	837,640	-	-	837,640
Colorado Mesa University Department & Club Transfers	762,394	-	-	762,394
Supporting Services				
Management & General	53,474	-	-	53,474
Fund-raising	150,030	-	-	150,030
TOTAL EXPENSES	<u>2,563,608</u>	<u>0</u>	<u>0</u>	<u>2,563,608</u>
CHANGE IN NET ASSETS	750,136	2,706,549	1,442,394	4,899,079
NET ASSETS (DEFICIT) - BEGINNING	<u>(2,263,648)</u>	<u>4,582,230</u>	<u>17,050,718</u>	<u>19,369,300</u>
NET ASSETS (DEFICIT) - ENDING	<u>(\$1,513,512)</u>	<u>\$7,288,779</u>	<u>\$18,493,112</u>	<u>\$24,268,379</u>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services				Supporting Services		Total
	Colorado Mesa		Colorado Mesa	Total	Management & General	Fund-raising	
	Scholarships	Projects & Expansion	University Dept & Club Transfers	Program Services			
Computer Maintenance & Supplies	\$0	\$0	\$0	\$0	\$9,395	\$56,244	\$65,639
Depreciation	3,353	0	0	3,353	3,353	0	6,706
Insurance	0	0	0	0	7,642	0	7,642
Interest	0	60,730	0	60,730	0	0	60,730
Colorado Mesa University - Building Projects	0	662,440	0	662,440	0	0	662,440
Colorado Mesa University - Expansion Property	0	114,470	0	114,470	0	0	114,470
Colorado Mesa University Student Scholarships	756,717	0	0	756,717	0	0	756,717
Colorado Mesa University - Transfers to Department & Clubs	0	0	762,394	762,394	0	0	762,394
Other	0	0	0	0	5,108	20,522	25,630
Professional Fees	0	0	0	0	23,343	1,500	24,843
Supplies	0	0	0	0	4,106	67,660	71,766
Travel	0	0	0	0	527	4,104	4,631
TOTAL EXPENSES	<u>\$760,070</u>	<u>\$837,640</u>	<u>\$762,394</u>	<u>\$2,360,104</u>	<u>\$53,474</u>	<u>\$150,030</u>	<u>\$2,563,608</u>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$4,899,079
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by:	
Operating Activities:	
Depreciation	6,706
Donation of Equipment Included in Contributions	(81,187)
Realized & Unrealized (Gains)/Losses on Investments	(2,425,322)
Gain on Sale of Assets	(137,006)
(Increase) Decrease in Operating Assets:	
Unconditional Promises to Give	22,918
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	149
Contributions Restricted for Long-Term Purposes:	
Scholarships	1,442,394
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,727,731</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Contributed to Colorado Mesa University	81,187
Proceeds from Sales of Long-Term Investments	3,417,290
Proceeds from Sale of Assets	406,566
Purchases of Long-Term Investments	(5,562,348)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,657,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted for Long-Term Purposes:	
Scholarships	(1,442,394)
New Borrowings - Line of Credit	0
Debt Reduction - Line of Credit	(100,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,542,394)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	528,032
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,013,074</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$1,541,106</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	\$60,730
Noncash Investing and Financing Activities	
Contribution of Building & Equipment	\$81,187

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A – DESCRIPTION OF THE ORGANIZATION

Colorado Mesa University Foundation was formerly Mesa State College Foundation. The Foundation changed its name on August 14, 2011 to coincide with Mesa State College changing its name to Colorado Mesa University. 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Basis of Accounting

The financial statements of the Organization are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, which requires the Organization to report 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 stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by the Foundation'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 which have been restricted by donor or by law to be maintained by the Foundation in perpetuity.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

Investments

The Organization carries investments in marketable securities with readily determinable fair values at their fair value in the Statement of Financial Position. 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.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for land, buildings, and equipment of \$500 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of 20 years for buildings and improvements, and 3-10 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.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501 (c) (3).

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 September 15, 2014, the date the financial statements were available to be issued.

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	\$212,901	\$212,901	\$0
Bonds	2,135,185	2,132,372	(2,813)
Common Stock	13,747,975	15,643,162	1,895,187
Commodities	196,753	211,367	14,614
Mutual Funds	3,711,157	4,480,230	769,073
	<u>\$20,003,971</u>	<u>\$22,680,032</u>	<u>\$2,676,061</u>

The following schedule summarizes the investment return in the statement of activities for the year ended:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest & Dividend Income	\$495,300	\$0	\$495,300
Investment Fees	(79,847)	0	(79,847)
Realized Gains (Losses)	309,588	0	309,588
Unrealized Gains (Losses)	2,115,734	0	2,115,734
Total	<u>\$2,840,775</u>	<u>\$0</u>	<u>\$2,840,775</u>

NOTE D – FAIR VALUE MEASUREMENTS

The carrying amount reported in the statement of financial position for cash, accrued, liabilities, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were used by the Foundation in estimating the fair value of its other financial instruments:

Promises to Give

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.

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE D – FAIR VALUE MEASUREMENTS – Continued

Investments

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Long-Term Investments				
Cash & Money Markets	\$212,901	\$212,901	\$0	\$0
Bonds	2,132,372	0	2,132,372	0
Common Stock	15,643,162	15,643,162	0	0
Commodities	211,367	0	211,367	0
Mutual Funds	4,480,230	4,480,230	0	0
Total Long-Term Investments	<u>\$22,680,032</u>	<u>\$20,336,293</u>	<u>\$2,343,739</u>	<u>\$0</u>

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels for the year ended.

All long-term investments are reported at fair value on a recurring basis determined by reference to yield curves and quoted prices for similar assets.

NOTE E – ENDOWMENT

The Foundation's endowment consists of 190 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 generally accepted accounting principles, 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.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 SPMIFA. In accordance with SPMIFA, 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

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE E – ENDOWMENT – Continued

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.

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	\$4,416,047	\$18,493,112	\$22,909,159
Board-Designated Endowment Funds	103,643	0	0	103,643
	<u>\$103,643</u>	<u>\$4,416,047</u>	<u>\$18,493,112</u>	<u>\$23,012,802</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning	\$103,329	\$2,129,958	\$17,050,718	\$19,284,005
Contributions & Transfers	314	29,938	1,442,394	1,472,646
Investment Income	0	377,716	0	377,716
Net Appreciation (Depreciation)	0	2,425,322	0	2,425,322
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	0	(546,887)	0	(546,887)
Endowment Net Assets - Ending	<u>\$103,643</u>	<u>\$4,416,047</u>	<u>\$18,493,112</u>	<u>\$23,012,802</u>

NOTE F – PROMISES TO GIVE

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

Unrestricted	\$ 406
Colorado Mesa University Building Projects & Expansion	685,542
Colorado Mesa University Departments & Clubs	80,266
Scholarships – Endowment	602,865
Scholarships - Temporary	<u>0</u>
Subtotal	1,369,079
Less discounts to net present value – Discount rate 2.52%	(31,977)
Less allowance for uncollectible promises receivable	<u>(48,027)</u>
Total	<u>\$ 1,289,075</u>
Receivable in less than one year	\$ 624,532
Receivable in one to five years	664,543
Receivable after 5 years	<u>0</u>
Total	<u>\$ 1,289,075</u>

COLORADO MESA UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

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.

Five donors gave 34% of all contributions, and 85% of the unconditional promises to give are from 5 donors.

NOTE H - RESTRICTIONS ON NET ASSETS

Permanently restricted net assets are comprised of the following:

Student Scholarship Endowments	\$13,591,302
Research Endowments	3,200,000
Department Endowments	<u>1,701,810</u>
Total	<u>\$18,493,112</u>

Temporarily restricted net assets are comprised of the following:

Accumulated expendable portion of investment income from student scholarship endowments	\$ 4,416,047
Colorado Mesa University Building Projects & Expansion	690,718
Colorado Mesa University Departments & Clubs	1,633,217
Various other Student Scholarships or Grants	<u>548,797</u>
Total	<u>\$ 7,288,779</u>

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 \$1,749,582. 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.