

**FORT LEWIS COLLEGE
FOUNDATION, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2015 and 2014

FORT LEWIS COLLEGE FOUNDATION, INC.

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June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Fort Lewis College Foundation, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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

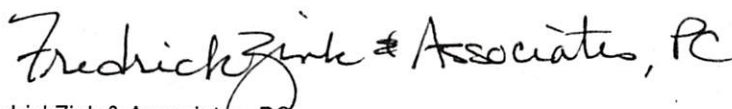
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Fort Lewis College Foundation, Inc. as of June 30, 2015 and 2014, 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
September 23, 2015

FINANCIAL STATEMENTS

FORT LEWIS COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents (Note 3).....	\$ 640,101	\$ 632,332
Investments (Note 3).....	15,594,272	16,239,443
Due from Fort Lewis College (Note 15).....	80,836	-
Pledges receivable (Note 7).....	43,955	50,000
Beneficial interest in assets held by others (Note 5).....	483,328	520,208
Tangible assets, net (Note 8)	<u>7,926,852</u>	<u>7,910,394</u>
Total assets	<u>\$ 24,769,344</u>	<u>\$ 25,352,377</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses.....	\$ 7,384	\$ 1,247
Due to Fort Lewis College (Note 15).....	-	210,823
Gift annuity obligation payable (Note 9).....	79,875	106,122
Line of credit payable (Note 10).....	<u>1,058,133</u>	<u>1,143,071</u>
Total liabilities	<u>1,145,392</u>	<u>1,461,263</u>
Net assets		
Unrestricted		
General unrestricted.....	1,135,029	2,393,977
Board designated endowments (Notes 11 and 16).....	1,338,161	1,279,917
Other board designations (Note 11).....	1,387,121	-
Gifts-in-kind and other tangible assets (Note 8).....	<u>1,609,375</u>	<u>1,675,854</u>
Total unrestricted net assets.....	<u>5,469,686</u>	<u>5,349,748</u>
Temporarily restricted		
Scholarships, awards and other.....	4,280,184	5,366,967
Endowment funds (Note 16).....	1,339,743	1,171,670
Gifts-in-kind and other tangible assets (Note 8).....	<u>3,522,932</u>	<u>3,439,995</u>
Total temporarily restricted net assets.....	<u>9,142,859</u>	<u>9,978,632</u>
Permanently restricted (Note 13)		
Endowment funds (Note 16).....	6,216,862	5,768,189
Gifts-in-kind (Note 8).....	<u>2,794,545</u>	<u>2,794,545</u>
Total permanently restricted net assets.....	<u>9,011,407</u>	<u>8,562,734</u>
Total net assets	<u>23,623,952</u>	<u>23,891,114</u>
Total liabilities and net assets	<u>\$ 24,769,344</u>	<u>\$ 25,352,377</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at beginning of year.....	\$ 5,349,748	\$ 9,978,632	\$ 8,562,734	\$ 23,891,114
Support, revenue and gains				
Donations - cash.....	123,602	1,904,621	95,953	2,124,176
Donations - marketable securities.....	-	62,862	-	62,862
Donations - gifts-in-kind.....	-	157,466	-	157,466
Other income.....	101,205	220,452	-	321,657
Subtotal of donations and other income.....	224,807	2,345,401	95,953	2,666,161
Investment income (loss), net (Note 4).....	416,333	(737,474)	-	(321,141)
Gain on sale of tangible assets.....	-	100,125	-	100,125
Total before reclassifications.....	641,140	1,708,052	95,953	2,445,145
Reclassification of net assets released from restriction (Note 12).....	2,261,548	(2,261,548)	-	-
Total support, revenue and gains.....	2,902,688	(553,496)	95,953	2,445,145
Expenses and losses				
Scholarships and awards.....	736,436			736,436
Program expenses.....	1,627,727			1,627,727
Fundraising.....	182,213			182,213
Management and general.....	165,931			165,931
Total expenses and losses.....	2,712,307			2,712,307
Changes in donor restrictions, net.....	(70,443)	(282,277)	352,720	-
Change in net assets for the year.....	119,938	(835,773)	448,673	(267,162)
Net assets at end of year.....	\$ 5,469,686	\$ 9,142,859	\$ 9,011,407	\$ 23,623,952

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

FORT LEWIS COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at beginning of year as previously reported.....	\$ 2,539,966	\$ 11,997,832	\$ 7,660,299	\$ 22,198,097
Prior period adjustment to correct classification (Note 17).....	1,301,636	(1,301,636)	-	-
Net assets at beginning of year, as restated.....	3,841,602	10,696,196	7,660,299	22,198,097
Support, revenue and gains				
Donations - cash.....	170,444	1,461,250	160,033	1,791,727
Donations - marketable securities.....	-	42,647	318,775	361,422
Donations - gifts-in-kind.....	-	75,485	-	75,485
Other income.....	26,735	244,848	-	271,583
Subtotal of donations and other income.....	197,179	1,824,230	478,808	2,500,217
Investment income, net (Note 4).....	433,978	1,633,486	-	2,067,464
Total before reclassifications.....	631,157	3,457,716	478,808	4,567,681
Reclassification of net assets released from restriction (Note 12).....	3,756,520	(3,756,520)	-	-
Total support, revenue and gains.....	4,387,677	(298,804)	478,808	4,567,681
Expenses and losses				
Scholarships and awards.....	921,846			921,846
Program expenses.....	1,612,668			1,612,668
Fundraising.....	190,597			190,597
Management and general.....	149,553			149,553
Total expenses and losses.....	2,874,664			2,874,664
Changes in donor restrictions, net.....	(4,867)	(418,760)	423,627	-
Change in net assets for the year.....	1,508,146	(717,564)	902,435	1,693,017
Net assets at end of year.....	\$ 5,349,748	\$ 9,978,632	\$ 8,562,734	\$ 23,891,114

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

FORT LEWIS COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from donors and others.....	\$ 2,157,414	\$ 1,855,378
Investment income received.....	611,963	424,388
Scholarships and awards paid.....	(736,436)	(921,846)
Cash paid for program and other expenses.....	(2,062,939)	(1,672,906)
Interest paid.....	(20,872)	(21,886)
Net cash used by operating activities.....	<u>(50,870)</u>	<u>(336,872)</u>
Cash flows from investing activities:		
Proceeds from sales of investments.....	5,002,813	5,101,090
Purchases of investments.....	(5,060,198)	(5,257,902)
Proceeds from sale of tangible items.....	138,479	-
Payments under split-interest gift arrangements.....	(33,470)	(12,847)
Net cash provided (used) by investing activities.....	<u>47,624</u>	<u>(169,659)</u>
Cash flows from financing activities:		
Endowment donations received in cash.....	95,953	160,033
Principal payments on line of credit.....	(84,938)	(113,789)
Net cash provided by financing activities.....	<u>11,015</u>	<u>46,244</u>
Net increase (decrease) in cash and cash equivalents.....	7,769	(460,287)
Cash and cash equivalents, beginning of year.....	<u>632,332</u>	<u>1,092,619</u>
Cash and cash equivalents, end of year.....	<u>\$ 640,101</u>	<u>\$ 632,332</u>

FORT LEWIS COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS - Continued
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets.....	\$ (267,162)	\$ 1,693,017
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Endowment donations received, cash and non-cash.....	(95,953)	(478,808)
Other non-cash donations received.....	(242,112)	(72,175)
Depreciation.....	45,162	46,912
Net realized and unrealized losses (gains) on investments.....	788,672	(1,643,076)
Decrease (increase) in pledges receivable, net.....	6,045	(9,851)
Net change in amounts due to/from Fort Lewis College.....	(291,659)	(23,215)
Increase in accounts payable.....	6,137	150,324
Total adjustments.....	<u>216,292</u>	<u>(2,029,889)</u>
Net cash used by operating activities.....	<u>\$ (50,870)</u>	<u>\$ (336,872)</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 - MISSION OF THE ORGANIZATION

Fort Lewis College Foundation, Inc. (the Foundation) was organized in 1969 as a Colorado nonprofit corporation exempt from federal and state income taxes. Its purpose is to promote, develop and enhance the facilities and programs of Fort Lewis College and to provide broader educational opportunities for, and service to, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles.

The net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either with actions of the Foundation 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 – Permanently restricted net assets are endowment funds restricted in perpetuity by donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for specific or general purposes such as scholarships and awards.

Financial statement presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as described above. Certain reclassifications have been made in the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on total net assets or the change in net assets.

For purposes of individual fund analysis and for allocation of earnings, losses and shared costs, supplemental information has been maintained on the fund accounting basis that has been applied historically. In that context, a “fund” represents the net accumulated resources identified by the original donor, by donor intent, or by specific activity. A fund is increased for additional donations, allocated investment earnings and other income and reduced by allocated losses, scholarships, awards, program expenses, direct fund raising expenses and allocated costs.

Donations

Donations, including any unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of a time or purpose restriction.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and cash equivalents

Cash funds are pooled to maximize amounts available for investment except in the instance where a donor specifies that a gift is to be physically segregated from operating cash.

For purposes of the statement of cash flows, the Foundation considers all demand deposits and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments are carried at fair market value and are composed of fixed income securities, equities, and precious metals. Included in equities are individual stocks, exchange traded funds, and mutual funds. Investment income consists of interest, dividends, realized gains and losses, and unrealized gains and losses.

Use of estimates

The preparation of the financial statements in conformity with the U.S. 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.

Gifts-in-kind

Gifts-in-kind (GIK) 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 along with program and other expenses. Gains and losses on the deaccession of collection items, if any, are classified on the statement of activities as unrestricted or restricted depending on donor restrictions, if any, placed on the item at the time of accession.

Tangible assets

Tangible assets are capitalized at cost if purchased or at the estimated fair value at the date received if donated. Acquisitions of tangible assets in excess of \$5,000 and having a useful life of over one year 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.

Earnings and loss allocations

It is the Foundation's policy that income earned on investments is presumed to be temporarily restricted for the same purpose as the original donations, and that this understanding is implicit in the donation transaction. The policy for allocation of earnings or losses is determined by the Foundation's Executive Board through a Distribution Committee every six months. Allocations are made each six month period ending December 31 and June 30. See Note 4 for allocation results. Charitable gift annuities and gifts-in-kind do not share in the allocation.

Fundraising and special event cost

To the extent that direct costs of a fund raising 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 temporarily restricted support for the purpose of the associated fund.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. 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.

Income taxes

The Foundation is exempt from federal income taxes on income substantially related to the Foundation's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado statutes, any organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

The Foundation files a federal income tax return annually. Federal income tax returns for the years prior to fiscal year 2010 are closed. The Foundation's policy for evaluation of uncertain income tax positions is to take only income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the Foundation classifies interest and penalties as interest expense.

Recent accounting developments

In April 2015, the Financial Accounts Standards Board (FASB) issued an exposure draft of a Proposed Accounting Standards Update, *Presentation of Financial Statements of Not-for-Profit Entities*, which would change several of the existing requirements for financial statements and notes in Accounting Standards Codification Topic 958, Not-for-Profit Entities. Comments on the exposure draft were due by August 20, 2015. The issuance and effective date will be determined by FASB after considering feedback on the proposed Update. Management has not evaluated the potential effect of the proposed change in accounting standards.

Subsequent events

Management has evaluated subsequent events through September 23, 2015 the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

NOTE 3 - CASH AND INVESTMENTS

Investments are identified and allocated using four asset classes. Asset classes include cash and cash equivalents, fixed income securities, equities, and commodities. Asset allocation is reviewed at least annually by the Investment Committee. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Fixed income securities include GNMA pools, other government backed securities individually held and mutual funds. Equities include individual stocks, exchange traded funds, and stock mutual funds. All values are derived from quoted prices in active markets for identical assets.

Investments totaling \$12,625,423 at June 30, 2015, serve as collateral on the line of credit. At June 30, 2014, \$12,535,726 of investments served as collateral. See Note 10.

Concentrations of risk

Cash and cash equivalents include cash in brokerage and bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and considers the risk of loss to be minimal.

The Foundation has significant investments in mutual funds and government backed securities and is therefore subject to concentrations of credit risk. Investment policy is set by the Executive Board and managed through its Investment Committee. Investments are made and monitored by the Foundation's investment advisor.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 3 - CASH AND INVESTMENTS - Continued

Concentrations of risk - continued

The Investment Committee reviews adherence to the investment policy at least quarterly. Even though the market value of investments is subject to short-term fluctuation, management and the Executive Board believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Cash and investments

Cash and investments as of June 30, 2015 are summarized as follows:

	2015			
	Cost basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$ 640,101	\$ 640,101	4%	\$ -
Investments:				
Marketable securities				
Fixed income	5,869,621	6,034,568	37%	164,947
Equities	8,621,401	9,208,074	57%	586,673
Total marketable securities	14,491,022	15,242,642	94%	751,620
Precious metals (gold)	412,551	351,630	2%	(60,921)
Total investments	14,903,573	15,594,272	96%	690,699
Total cash and investments	\$ 15,543,674	\$ 16,234,373	100%	\$ 690,699

Cash and investments as of June 30, 2014 are summarized as follows:

	2014			
	Cost basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$ 632,332	\$ 632,332	4%	\$ -
Investments:				
Marketable securities				
Fixed income	5,312,166	5,562,222	33%	250,056
Equities	8,517,003	10,279,139	61%	1,762,136
Total marketable securities	13,829,169	15,841,361	94%	2,012,192
Precious metals (gold)	412,551	398,082	2%	(14,469)
Total investments	14,241,720	16,239,443	96%	1,997,723
Total cash and investments	\$ 14,874,052	\$ 16,871,775	100%	\$ 1,997,723

During the year ended June 30, 2015, net realized gains of \$666,078 were recognized on investments, along with net unrealized losses of \$1,438,870. During the year ended June 30, 2014, net realized gains of \$711,991 were recognized on investments, along with net unrealized gains of \$927,690.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 4 - INVESTMENT INCOME (LOSS)

Investment income (loss) generated by the investments described in Notes 3 and 5 is summarized as follows for the respective years ended June 30, 2015 and 2014:

	2015	2014
Interest	\$ 223,489	\$ 217,318
Dividends	372,542	317,099
Total interest and dividends	596,031	534,417
Net realized gain	712,023	715,386
Total realized investment income	1,308,054	1,249,803
Net unrealized gain/(loss)	(1,504,313)	927,690
Total investment income (loss) before expenses	(196,259)	2,177,493
Brokerage and custodial fees	(109,934)	(94,068)
Interest expense (Note 10)	(14,948)	(15,961)
Investment income (loss), net of expenses	\$ (321,141)	\$ 2,067,464

The Distribution Committee recommends what is considered a fair rate of return for allocating investment earnings to individual funds as well as recommending allocations made to accomplish specific goals. The allocation methodology is proposed semi-annually, for the six-month periods ending on December 31 and June 30, and requires approval of the Executive Board. For the years ended June 30, 2015 and 2014, the allocation methodology provided for \$305,000 to be added to the general unrestricted fund annually to support operations, while other funds received investment income based on annualized rates varying with fund size as of the end of each six-month period.

During the years ended June 30, 2015 and 2014, allocations were based on the following rates:

	2015		2014	
	December 2014	June 2015	December 2013	June 2014
Annualized rate by fund:				
All funds with balances from \$10,000 - \$25,000	1.0%	1.0%	1.0%	1.0%
Term and unrestricted funds with balances over \$25,000	2.5%	2.5%	2.5%	2.5%
Endowment funds with balances over \$25,000	4.0%	4.0%	3.5%	4.0%
Endowment funds with balances over \$100,000	4.5%	4.5%	4.0%	4.5%

For the year ended June 30, 2015, amounts allocated were as follows:

	December	June	Total
General unrestricted fund	\$ 152,500	\$ 152,500	\$ 305,000
Term funds and unrestricted funds	61,694	72,647	134,341
Endowment funds	200,067	175,238	375,305
Total allocations	\$ 414,261	\$ 400,385	\$ 814,646

Unallocated, undistributed earnings are carried forward as a cushion against possible future market losses and amounted to \$1,303,866 and \$2,425,981 at June 30, 2015 and 2014, respectively. Those balances are included in temporarily restricted net assets in the accompanying statement of financial position under the caption Scholarships, awards and other.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 4 - INVESTMENT INCOME (LOSS) - Continued

For the year ended June 30, 2014, amounts allocated were as follows:

	December	June	Total
General unrestricted fund	\$ 152,500	\$ 152,500	\$ 305,000
Term and unrestricted funds	65,978	58,364	124,342
Endowment funds	158,929	199,108	358,037
Total allocations	\$ 377,407	\$ 409,972	\$ 787,379

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has a beneficial interest in assets held and managed by the Wells Fargo Bank trust department and reports them at fair market value. As described in Note 9, trusts are established to fund long term annuity obligations. When annuity obligations have been satisfied, any remaining funds will be distributed to the Foundation.

Beneficial interest in assets held by others as of June 30, 2015 is summarized as follows:

	2015		
	Cost basis	Fair Value	Unrealized Appreciation
Cash and cash equivalents	\$ 8,496	\$ 8,496	\$ -
Investments:			
Fixed income	99,346	102,288	2,942
Equities	327,423	372,544	45,121
Total investments	426,769	474,832	48,063
Total cash and investments	\$ 435,265	\$ 483,328	\$ 48,063

Beneficial interest in assets held by others as of June 30, 2014 is summarized as follows:

	2014		
	Cost basis	Fair Value	Unrealized Appreciation
Cash and cash equivalents	\$ 14,038	\$ 14,038	\$ -
Investments:			
Marketable securities			
Fixed income	122,909	134,314	11,405
Equities	268,790	371,856	103,066
Total investments	391,699	506,170	114,471
Total cash and investments	\$ 405,737	\$ 520,208	\$ 114,471

During the year ended June 30, 2015, net realized gains of \$45,945 were recognized on these investments, along with net unrealized losses of \$66,443. During the year ended June 30, 2014, net realized gains of \$3,395 were recognized on these investments. There were no unrealized gains or losses as of June 30, 2014.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating its fair value measurements for financial instruments:

Cash and cash equivalents, accounts receivable, accrued interest receivable, short-term unconditional promises to give, accounts payable, and other liabilities: the carrying amounts reported in the statement of financial position approximates fair values because of the short term maturities of those instruments.

Marketable securities: the fair values of investments are based on quoted market prices for those or similar instruments.

Tangible assets: The carrying amounts are represented by fair market value as of the date of donation and management believes the fair market value has not changed significantly. The valuation of major items received are supported by appraisal at the time of receipt.

The estimated fair values of the Foundation's financial instruments at June 30, 2015 are as follows:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Financial assets		
Cash and cash equivalents	\$ 640,101	\$ 640,101
Unconditional promises to give (pledges)	43,955	43,955
Due from Fort Lewis College	80,836	80,836
Investment securities and commodities	15,594,272	15,594,272
Beneficial interest in assets held by others	483,328	483,328
Tangible assets, net	7,926,852	7,926,852
Financial liabilities		
Accounts payable	7,384	7,384
Gift annuity obligation payable	79,875	79,875
Line of credit payable	1,058,133	1,058,133

The Foundation is subject to the provisions of the Financial Accounting Standards Board that establish a framework for measuring fair value of financial instruments. That framework provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted price in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2: Prices determined using significant other observable inputs including the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for sustainability during the full term of the asset or liability.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

Level 3: Prices determined using significant unobservable inputs.

An investment's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2015 and 2014:

	<u>Fair Value</u>	<u>Quoted price in active markets for identical assets (Level1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<u>June 30, 2015</u>				
Fixed income securities	\$ 6,034,568	\$ 6,034,568	\$ -	\$ -
Equities	9,208,074	9,208,074	-	-
Precious metals	351,630	351,630	-	-
Pledges receivable	43,955	-	43,955	-
Beneficial interest in assets held by others	<u>483,328</u>	<u>486,328</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,121,555</u>	<u>\$ 16,077,600</u>	<u>\$ 43,955</u>	<u>\$ -</u>
<u>June 30, 2014</u>				
Fixed income securities	\$ 5,562,222	\$ 5,562,222	\$ -	\$ -
Equities	10,279,139	10,279,139	-	-
Precious metals	398,082	398,082	-	-
Pledges receivable	50,000	-	50,000	-
Beneficial interest in assets held by others	<u>520,208</u>	<u>520,208</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,809,651</u>	<u>\$ 16,759,651</u>	<u>\$ 50,000</u>	<u>\$ -</u>

NOTE 7 - PLEDGES RECEIVABLE

At June 30, 2015, and 2014, the Foundation had a multi-year pledge receivable from one donor. The balance due was \$43,955 and \$50,000, at June 30, 2015 and 2014, respectively. Due to the short duration and low discount rates, the carrying value reasonably approximates fair value at those dates. The Collection of the pledge in full is expected by June 30, 2017.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 8 - TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are condominiums, which the Foundation is depreciating over a period of forty years using the straight-line method. Depreciation expense for each of the years ended June 30, 2015 and 2014 was \$45,162.

The Foundation's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously.

At June 30, 2015, tangible assets are composed of the following:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Gifts-in-kind				
Land and buildings	\$ 1,750,000	\$ 12,000	\$ -	\$ 1,762,000
Accumulated depreciation	(140,625)	-	-	(140,625)
Collection items	-	2,536,819	2,641,550	5,178,369
Total gifts-in-kind	1,609,375	2,548,819	2,641,550	6,799,744
Purchased assets				
Land and buildings	-	994,400	-	994,400
Accumulated depreciation	-	(186,522)	-	(186,522)
Collection items	-	92,335	152,995	245,330
Concert piano	-	73,900	-	73,900
Total purchased assets	-	974,113	152,995	1,127,108
Total tangible assets	\$ 1,609,375	\$ 3,522,932	\$ 2,794,545	\$ 7,926,852

At June 30, 2014, tangible assets are composed of the following:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Gifts-in-kind				
Land and buildings	\$ 1,820,000	\$ 12,000	\$ -	\$ 1,832,000
Accumulated depreciation	(144,146)	-	-	(144,146)
Collection items	-	2,436,845	2,641,550	5,078,395
Total gifts-in-kind	1,675,854	2,448,845	2,641,550	6,766,249
Purchased assets				
Land and buildings	-	994,400	-	994,400
Accumulated depreciation	-	(169,485)	-	(169,485)
Collection items	-	92,335	152,995	245,330
Concert piano	-	73,900	-	73,900
Total purchased assets	-	991,150	152,995	1,114,145
Total tangible assets	\$ 1,675,854	\$ 3,439,995	\$ 2,794,545	\$ 7,910,394

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 9 - GIFT ANNUITY OBLIGATION PAYABLE

During the year ended June 30, 2014, the Foundation accepted a split-interest gift, receiving a beneficial interest in assets valued at \$432,496 in exchange for a commitment to make periodic payments to a specified party during that person's lifetime. Based on life expectancy, an internal rate of return of 5.8%, and a discount rate of 2.2%, a gift of \$318,775 was recognized in 2014, along with a liability of \$113,721. As discussed in Note 5, donors had established trust accounts managed by Wells Fargo Bank trust department to fund this and past obligations. The total of the accounts, the balance of which exceeds the expected obligation, is carried at market value.

As of June 30, 2015 the estimated remaining obligation under the 2014 gift annuity arrangement and a \$10,000 arrangement accepted in 2012, was \$79,875. As of June 30, 2014 the estimated remaining obligation was \$106,122.

NOTE 10 - LINE OF CREDIT

The Foundation has an \$8,000,000 line of credit available with UBS. Any outstanding balance is subject to a variable interest rate (1.935% at June 30, 2015 and 1.905% at June 30, 2014), has no required monthly payment, and is secured by the Foundation's investments in UBS accounts (see Note 3). Initial borrowing under the line was to finance the acquisition of the College President's residence, which the College leases from the Foundation. During the year ended June 30, 2013, the Foundation drew \$1,000,000 on the line for the purpose of investing in equity securities. The balance of \$1,058,133 outstanding at June 30, 2015 consisted of \$765,697 related to the investments and \$292,436 related to the College President's residence. Interest expense for the year ended June 30, 2015 was \$20,872, \$14,948 related to investments (Note 4) and \$5,924 related to the residence. The balance of \$1,143,071 outstanding at June 30, 2014 consisted of \$820,749 related to the investments and \$322,322 related to the residence. Interest expense for the year ended June 30, 2014 was \$21,886, \$15,961 related to investments and \$5,925 related to the residence.

NOTE 11 - BOARD DESIGNATED FUNDS

Board designated endowments

During the years ended June 30, 2003 and 2007, \$267,461 and \$846,115, respectively, was contributed to the Foundation by a decedent's estate. While these gifts were made for the general purposes of the Foundation, the Board elected to treat the gifts as endowments. The activity in these Board designated endowments during the years ended June 30, 2015 and 2014 was as follows:

Quasi-endowment funds	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 1,279,917	\$ 1,227,208
Investment allocation	<u>58,244</u>	<u>52,709</u>
Ending balance	<u>\$ 1,338,161</u>	<u>\$ 1,279,917</u>

Other Board designations

At June 30, 2015 a balance of \$1,387,121 represented unrestricted funds designated by the Board for the GPE (Geosciences, Physics, & Engineering Hall) capital project and for scholarships. At June 30, 2014 the Board had no other designations of unrestricted funds.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTION

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

	<u>2015</u>	<u>2014</u>
Purpose restriction accomplished		
Scholarships	\$ 729,736	\$ 899,896
Other program expense	1,514,840	1,435,121
Fundraising expense	<u>16,972</u>	<u>34,003</u>
Total released from purpose restrictions	2,261,548	2,369,020
Time restriction expired	<u>-</u>	<u>1,387,500</u>
Total released from restriction	<u>\$ 2,261,548</u>	<u>\$ 3,756,520</u>

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Specific scholarship programs	\$ 5,692,015	\$ 5,243,592
Artists in Residence	248,132	247,882
Durango Collection fund	276,715	276,715
Durango Collection	<u>2,794,545</u>	<u>2,794,545</u>
Total permanently restricted net assets	<u>\$ 9,011,407</u>	<u>\$ 8,562,734</u>

NOTE 14 - FUNDS HELD IN TRUST

During the year ended June 30, 1988, a trust was established by the estate of Roy Dalpra for the benefit of Fort Lewis College students who are residents of La Plata County, Colorado. Citizens Bank of Farmington, New Mexico is the trustee of the funds. The Trustee determines the use of the funds and the amount to be transferred to the Foundation during the year. The market value of the trust fund was \$752,172 and \$758,395 at June 30, 2015 and 2014, respectively. During the years ended June 30, 2015 and 2014, the trustee transferred \$21,983 and \$21,008, respectively, to the Foundation's Dalpra term fund for scholarships.

NOTE 15 - 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. Historically, the Foundation Board and the Board of Trustees of the College have entered 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 the years ended June 30, 2015 and 2014, the Foundation recognized support and offsetting expenses of \$324,304 and \$333,504, respectively, under the terms of the respective MOUs.

At June 30, 2015, the Foundation reflected a balance due from Fort Lewis College of \$80,836 for reimbursement of amounts paid by the Foundation on behalf of the College. At June 30, 2014, the Foundation reflected \$210,823 as the balance due to Fort Lewis College for reimbursements from individual department funds for amounts advanced by the College.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 15 - RELATED PARTY TRANSACTIONS - Continued

During the years ended June 30, 2015 and 2014, the College contributed \$117,717 and \$121,741, respectively, to the Foundation, restricted for payment of professional fees.

The College leases the home 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, 2015 and 2014.

NOTE 16 - ENDOWMENTS

Fort Lewis College Foundation endowment funds consist of cash, securities, or other assets to provide income to fulfill the purpose of the Foundation. The use of the assets may be permanently restricted, temporarily restricted, or unrestricted. The portion of the funds that must be maintained permanently, not used up, expended or otherwise exhausted, is classified as permanently restricted net assets. The portion of the funds that must be maintained for a specific term or for a specified purpose is classified as temporarily restricted net assets. The portion of the funds that may be expended at the discretion of the Board is classified as unrestricted net assets.

Interpretation of relevant law

The Fort Lewis College Foundation Board of Directors follows the Uniform Prudent Management of Institution 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 temporarily restricted net assets until the amounts are appropriated for expenditure by the Executive Board in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or to accumulate funds.

1. The duration and preservation of the endowment fund;
2. The purpose of the Foundation and endowment fund;
3. General economic conditions;
4. The possible effects of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

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 school, 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.

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 16 - ENDOWMENTS - Continued

Spending policy and how the investment objectives relate to spending policy

The spending policy calculates the amount of money distributed bi-annually from the Foundation's various endowed funds, for student scholarships, to finance 'special projects' needs of the school, and to supplement operating budget needs as necessary in periods of negative cash flow. The current spending policy is to distribute a portion of the net investment income as recommended by the Distribution Committee and approved by the Executive Board.

Accordingly, over the long term, the Foundation expects its spending policy to allow endowed assets to maintain spendable value as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition and changes

Endowment net asset composition by type of fund as of June 30, 2015 is summarized as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,339,743	\$ 6,216,862	\$ 7,556,605
Board-designated endowment funds	1,338,161	-	-	1,338,161
Total funds	<u>\$ 1,338,161</u>	<u>\$ 1,339,743</u>	<u>\$ 6,216,862</u>	<u>\$ 8,894,766</u>

Endowment net asset composition by type of fund as of June 30, 2014 is summarized as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,171,670	\$ 5,768,189	\$ 6,939,859
Board-designated endowment funds	1,279,917	-	-	1,279,917
Total funds	<u>\$ 1,279,917</u>	<u>\$ 1,171,670</u>	<u>\$ 5,768,189</u>	<u>\$ 8,219,776</u>

The change in endowment net assets for the two year period ended June 30, 2015 is as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 1,227,208	\$ 1,036,315	\$ 4,865,754	\$ 7,129,277
Contributions and other income	-	57,883	478,808	536,691
Investment income and net appreciation	52,709	249,054	-	301,763
Program expenditures and scholarships	-	(179,219)	-	(179,219)
Changes in donor restrictions	-	7,637	423,627	431,264
Endowment net assets, June 30, 2014	1,279,917	1,171,670	5,768,189	8,219,776
Contributions and other income	-	72,142	95,953	168,095
Investment income and net appreciation	58,244	286,226	-	344,470
Program expenditures and scholarships	-	(182,711)	-	(182,711)
Changes in donor restrictions	-	(7,584)	352,720	345,136
Endowment net assets, June 30, 2015	<u>\$ 1,338,161</u>	<u>\$ 1,339,743</u>	<u>\$ 6,216,862</u>	<u>\$ 8,894,766</u>

FORT LEWIS COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2015 and 2014

NOTE 17 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2015, the Foundation addressed a classification error that had been carried forward in the financial records and statements after the expiration of applicable time restrictions. In 1988, the Foundation received \$250,000 from the U.S. Department of Education Title III Endowment fund. Under the terms of that grant, the Foundation matched those funds on a 1 to 1 basis. Annually, one half of the earnings from the combined funds could be used for scholarships or Foundation expenditures. The remaining earnings, combined with the corpus, were to remain unspent for a period of 20 years. Because the initial restricted uses and the continuing uses intended by the Foundation were consistent, the lapsing of the time restriction was overlooked and the funds were not reclassified from temporarily restricted to unrestricted. This classification error has been corrected by adjusting the beginning balances of net assets in the accompanying statement of activities for the year ended June 30, 2014, increasing unrestricted net assets by \$1,301,636 and decreasing temporarily restricted net assets by an equal amount. Investment income of \$55,275, associated with those funds, has also been reclassified from temporarily restricted to unrestricted for the year ended June 30, 2014.