

**FORT LEWIS COLLEGE  
FOUNDATION**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2016 and 2015

# **FORT LEWIS COLLEGE FOUNDATION**

## **STATEMENTS OF FINANCIAL POSITION**

June 30, 2016 and 2015

### **ASSETS**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3).....	\$ 307,276	\$ 640,101
Investments (Note 3).....	17,183,850	15,594,272
Due from Fort Lewis College (Note 14).....	-	80,836
Pledges receivable (Note 7).....	285,900	43,955
Beneficial interest in assets held by others (Note 5).....	94,926	483,328
Tangible assets, net (Note 8) .....	<u>7,547,438</u>	<u>7,926,852</u>
<b>Total assets</b> .....	<b><u>\$ 25,419,390</u></b>	<b><u>\$ 24,769,344</u></b>

### **LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable and accrued expenses.....	\$ 16,811	\$ 7,384
Due to Fort Lewis College (Note 14).....	132,773	-
Gift annuity obligation payable (Note 5).....	4,256	79,875
Line of credit payable (Note 9).....	<u>1,045,033</u>	<u>1,058,133</u>
<b>Total liabilities</b> .....	<u>1,198,873</u>	<u>1,145,392</u>
<b>Net assets</b>		
Unrestricted		
General unrestricted.....	1,627,319	1,135,029
Board designated endowments (Notes 10 and 15).....	1,368,269	1,338,161
Other board designations (Note 10).....	265,816	1,387,121
Gifts-in-kind and other tangible assets (Note 8).....	<u>1,137,500</u>	<u>1,609,375</u>
Total unrestricted net assets.....	<u>4,398,904</u>	<u>5,469,686</u>
Temporarily restricted		
Scholarships, awards and other.....	4,033,363	4,280,184
Endowment funds (Note 15).....	1,410,542	1,339,743
Gifts-in-kind and other tangible assets (Note 8).....	<u>3,615,393</u>	<u>3,522,932</u>
Total temporarily restricted net assets.....	<u>9,059,298</u>	<u>9,142,859</u>
Permanently restricted (Note 12)		
Endowment funds (Note 15).....	7,967,770	6,216,862
Gifts-in-kind and other tangible assets (Note 8).....	<u>2,794,545</u>	<u>2,794,545</u>
Total permanently restricted net assets.....	<u>10,762,315</u>	<u>9,011,407</u>
<b>Total net assets</b> .....	<u>24,220,517</u>	<u>23,623,952</u>
<b>Total liabilities and net assets</b> .....	<b><u>\$ 25,419,390</u></b>	<b><u>\$ 24,769,344</u></b>

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

# **FORT LEWIS COLLEGE FOUNDATION**

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at beginning of year.....	\$ 5,469,686	\$ 9,142,859	\$ 9,011,407	\$ 23,623,952
Support, revenue and gains				
Donations - cash.....	99,104	2,077,003	238,690	2,414,797
Donations - marketable securities.....	25,097	302,711	1,394,773	1,722,581
Donations - gifts-in-kind and other non-cash.....	150,312	256,704	73,384	480,400
Other income.....	81,552	129,856	-	211,408
Subtotal of donations and other income.....	356,065	2,766,274	1,706,847	4,829,186
Investment income (loss), net (Note 4).....	347,253	(199,626)	-	147,627
Gain on sale of tangible assets.....	54,322	-	-	54,322
Total before reclassifications.....	757,640	2,566,648	1,706,847	5,031,135
Reclassification of net assets released from restriction (Note 11).....	2,597,879	(2,597,879)	-	-
Total support, revenue and gains.....	3,355,519	(31,231)	1,706,847	5,031,135
Expenses and losses				
Scholarships and awards.....	927,873			927,873
Program expenses.....	3,173,115			3,173,115
Fundraising.....	167,600			167,600
Management and general.....	165,982			165,982
Total expenses and losses.....	4,434,570			4,434,570
Changes in donor restrictions, net.....	8,269	(52,330)	44,061	-
<b>Change in net assets for the year.....</b>	<b>(1,070,782)</b>	<b>(83,561)</b>	<b>1,750,908</b>	<b>596,565</b>
<b>Net assets at end of year.....</b>	<b>\$ 4,398,904</b>	<b>\$ 9,059,298</b>	<b>\$ 10,762,315</b>	<b>\$ 24,220,517</b>

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

# **FORT LEWIS COLLEGE FOUNDATION**

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at beginning of year as previously reported.....	\$ 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 11).....	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	-
<b>Change in net assets for the year.....</b>	<b>119,938</b>	<b>(835,773)</b>	<b>448,673</b>	<b>(267,162)</b>
<b>Net assets at end of year.....</b>	<b>\$ 5,469,686</b>	<b>\$ 9,142,859</b>	<b>\$ 9,011,407</b>	<b>\$ 23,623,952</b>

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

# **FORT LEWIS COLLEGE FOUNDATION**

## **STATEMENTS OF CASH FLOWS** For the Years Ended June 30, 2016 and 2015

### **Increase (Decrease) in Cash and Cash Equivalents**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Cash received from donors and others.....	\$ 2,151,025	\$ 2,157,414
Investment income received.....	682,004	611,963
Scholarships and awards paid.....	(927,873)	(736,436)
Cash paid for program and other expenses.....	(3,048,322)	(2,062,939)
Interest paid.....	<u>(22,710)</u>	<u>(20,872)</u>
Net cash used by operating activities.....	<u>(1,165,876)</u>	<u>(50,870)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments.....	17,085,291	5,002,813
Purchases of investments.....	(16,983,042)	(5,060,198)
Proceeds from sale of tangible items.....	507,447	138,479
Payments under split-interest gift arrangements.....	<u>(2,235)</u>	<u>(33,470)</u>
Net cash provided by investing activities.....	<u>607,461</u>	<u>47,624</u>
<b>Cash flows from financing activities:</b>		
Endowment donations received in cash.....	238,690	95,953
Principal payments on line of credit.....	<u>(13,100)</u>	<u>(84,938)</u>
Net cash provided by financing activities.....	<u>225,590</u>	<u>11,015</u>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(332,825)</b>	<b>7,769</b>
Cash and cash equivalents, beginning of year.....	<u>640,101</u>	<u>632,332</u>
Cash and cash equivalents, end of year.....	<u><u>\$ 307,276</u></u>	<u><u>\$ 640,101</u></u>

# **FORT LEWIS COLLEGE FOUNDATION**

## **STATEMENTS OF CASH FLOWS - Continued** For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of change in net assets to net cash used by operating activities:</b>		
Change in net assets.....	<u>\$ 596,565</u>	<u>\$ (267,162)</u>
<b>Adjustments to reconcile change in net assets to net cash used by operating activities:</b>		
Permanent endowment donations, cash and non-cash.....	(1,706,847)	(95,953)
Other non-cash donations received.....	(437,306)	(242,112)
Depreciation.....	35,787	45,162
Net realized and unrealized losses on investments.....	419,156	788,672
Net gain on sale of tangible assets.....	(54,322)	-
Decrease (increase) in pledges receivable, net.....	(241,945)	6,045
Net change in amounts due to/from Fort Lewis College.....	213,609	(291,659)
Increase in accounts payable.....	9,427	6,137
Total adjustments.....	<u>(1,762,441)</u>	<u>216,292</u>
Net cash used by operating activities.....	<u>\$ (1,165,876)</u>	<u>\$ (50,870)</u>

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

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

### **NOTE 1 - MISSION AND ACTIVITIES OF THE FOUNDATION**

#### **Mission**

Fort Lewis College Foundation (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 (the 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.

#### **Significant current year activities**

In June 2016, the Foundation provided a cash contribution of \$1,326,383 toward the construction of the Geosciences, Physics & Engineering Hall (GPE) on the Fort Lewis College campus. That amount is reflected as program expenses in the accompanying statement of activities. The contribution consisted of \$950,409 of board designated funding and \$375,974 of donor directed funding. At June 30, 2016, the Foundation is holding another \$258,044 for the GPE capital project, included in temporarily restricted net assets.

In November 2015, the Foundation was the recipient of a contribution of securities and cash valued at \$1,420,700, to establish a permanent endowment fund in the name of Robert and Roberta Barr, for teacher education scholarships.

Also in 2016, the Foundation made changes to its investment policy to enhance investment management and monitoring, providing for continued regular evaluation of investment advisor performance. The investment strategy focuses on maintenance of liquidity for cash flow and on long-term and opportunistic growth. In response, some repositioning of portfolio investments took place, which is the primary reason for the high volume of sales and purchases of investments reflected in the accompanying statement of cash flows for the year ended June 30, 2016.

### **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 restriction.

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.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **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.

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 fundraising 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.

#### **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.

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.

#### **Disbursement policy and how investment objectives relate to disbursement policy**

The disbursement 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 College, and to supplement operating budget needs as necessary in periods of negative cash flow. The current disbursement 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 disbursement policy to allow endowed assets to maintain spendable value as well as to provide additional real growth through new gifts and investment return.

#### **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 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.



# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Tangible assets**

Tangible assets are capitalized at cost if purchased or at the estimated fair value at the date received if donated. In accordance with the gift acceptance policy, acquisitions of tangible assets in excess of \$5,000 and having a useful life of over one year, whether purchased or donated, 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 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. 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 fundraising 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.

#### **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 2012 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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities*, which changes several of the existing requirements for financial statements and notes in Accounting Standards Codification Topic 958, Not-for-Profit Entities. The new ASU is effective for fiscal years beginning after December 15, 2017. Management will be evaluating the effect of the change in accounting standards. For the year ending June 30, 2016 and prior years, there is no impact on the financial statements.

#### **Subsequent events**

Management has evaluated subsequent events through October 5, 2016, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

# **FORT LEWIS COLLEGE FOUNDATION**

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016 and 2015

### **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 quarterly 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 \$17,287,625, including cash in the investment accounts, at June 30, 2016, serve as collateral on the line of credit. At June 30, 2015, \$12,625,423 of investments, including cash in the investment accounts, served as collateral. See Note 9.

#### 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 held by the Foundation's investment manager (UBS Financial Services, Inc.) and monitored regularly by the Investment Committee.

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, 2016 are summarized as follows:

	2016			
	<u>Cost basis</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ <u>307,276</u>	\$ <u>307,276</u>	<u>2%</u>	\$ <u>-</u>
Investments:				
Marketable securities				
Fixed income	<u>7,972,438</u>	<u>8,466,189</u>	<u>48%</u>	<u>493,751</u>
Equities	<u>8,062,502</u>	<u>8,717,661</u>	<u>50%</u>	<u>655,159</u>
Total investments	<u>16,034,940</u>	<u>17,183,850</u>	<u>98%</u>	<u>1,148,910</u>
Total cash and investments	\$ <u>16,342,216</u>	\$ <u>17,491,126</u>	<u>100%</u>	\$ <u>1,148,910</u>

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 3 - CASH AND INVESTMENTS - Continued**

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

	2015			Unrealized Appreciation (Depreciation)
	Cost basis	Fair Value	% of Total	
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

During the year ended June 30, 2016, net realized losses of \$278,740 were recognized on investments, along with net unrealized gains of \$43,845 and amortization of premiums of \$85,479. During the year ended June 30, 2015, net realized gains of \$666,078 were recognized on investments, along with net unrealized losses of \$1,360,902 and \$76,968 of amortization of premiums.

### **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, 2016 and 2015:

	2016	2015
Interest	\$ 220,705	\$ 223,489
Dividends	393,226	372,542
Total interest and dividends	613,931	596,031
Net realized gain (loss)	(276,553)	712,023
Total realized investment income	337,378	1,308,054
Amortization of premiums	(85,479)	(76,968)
Net unrealized gains (losses)	5,150	(1,427,345)
Total investment income (loss) before expenses	257,049	(196,259)
Brokerage and custodial fees	(92,511)	(109,934)
Interest expense (Note 9)	(16,911)	(14,948)
Investment income (loss), net of expenses	\$ 147,627	\$ (321,141)

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, 2016 and 2015, 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.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 4 - INVESTMENT INCOME (LOSS) - Continued**

During the years ended June 30, 2016 and 2015, allocations were applied using the following rates, representing half of the approved annualized rate:

	2016		2015	
	December 2015	June 2016	December 2014	June 2015
Annualized rate by fund:				
All funds with balances from \$10,000 - \$25,000	-	0.50%	0.50%	0.50%
Term and unrestricted funds with balances over \$25,000	-	1.25%	1.25%	1.25%
Endowment funds with balances over \$25,000	-	2.00%	2.00%	2.00%
Endowment funds with balances over \$100,000	-	2.25%	2.25%	2.25%

For the year ended June 30, 2016, amounts allocated were as follows:

	December	June	Total
General unrestricted fund	\$ -	\$ 305,000	\$ 305,000
Term funds and unrestricted funds	-	62,708	62,708
Endowment funds	-	<u>220,952</u>	<u>220,952</u>
Total allocations	<u>\$ -</u>	<u>\$ 588,660</u>	<u>\$ 558,660</u>

Unallocated, undistributed earnings are carried forward as a cushion against possible future market losses and amounted to \$880,930 and \$1,303,866 at June 30, 2016 and 2015, respectively. Those balances are included in temporarily restricted net assets in the accompanying statement of financial position under the caption Scholarships, awards and other.

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 and unrestricted funds	61,694	72,647	134,341
Endowment funds	<u>200,067</u>	<u>175,238</u>	<u>375,305</u>
Total allocations	<u>\$ 414,261</u>	<u>\$ 400,385</u>	<u>\$ 814,646</u>

### **NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS AND GIFT ANNUITY OBLIGATIONS**

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. Trusts are established to fund long term annuity obligations. When annuity obligations have been satisfied, any remaining funds are distributed to the Foundation.

The balance of gift annuity obligations payable was \$4,256 at June 30, 2016, representing two annuitants and \$79,875 at June 30, 2015, representing three annuitants. During 2016, one annuitant passed away, resulting in the remaining related liability of \$73,384 being recognized as contribution income. Accordingly, the related assets of \$354,176, including cash and marketable securities, held as a beneficial interest, were transferred to the Foundation.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS AND GIFT ANNUITY OBLIGATIONS - Continued**

Beneficial interest in assets held by others as of June 30, 2016 is summarized as follows:

	2016		
	Cost basis	Fair Value	Unrealized Appreciation
Cash and cash equivalents	\$ 4,366	\$ 4,366	\$ -
Investments:			
Fixed income	23,827	24,446	619
Equities	59,963	66,114	6,151
Total investments	83,790	90,560	6,770
Total cash and investments	\$ 88,156	\$ 94,926	\$ 6,770

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

During the year ended June 30, 2016, net realized gains of \$2,187 were recognized on these investments, along with net unrealized losses of \$38,695. 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.

### **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.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued**

The estimated fair values of the Foundation's financial instruments at June 30, 2016 are as follows:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Financial assets		
Cash and cash equivalents	\$ 307,276	\$ 307,276
Unconditional promises to give (pledges)	285,900	285,900
Investment securities and commodities	17,183,850	17,183,850
Beneficial interest in assets held by others	94,926	94,926
Tangible assets, net	7,547,438	7,547,438
Financial liabilities		
Accounts payable	149,584	149,584
Gift annuity obligation payable	4,256	4,256
Line of credit payable	1,045,033	1,045,033

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.

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.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued**

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, 2016 and 2015:

	<u>Fair Value</u>	<u>Quoted price in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b><u>June 30, 2016</u></b>				
Fixed income securities	\$ 8,466,189	\$ 8,466,189	\$ -	\$ -
Equities	8,717,661	8,717,661	-	-
Pledges receivable	285,900	-	285,900	-
Beneficial interest in assets held by others	<u>94,926</u>	<u>94,926</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 17,564,676</u>	<u>\$ 17,278,776</u>	<u>\$ 285,900</u>	<u>\$ -</u>
<b><u>June 30, 2015</u></b>				
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>483,328</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,121,555</u>	<u>\$ 16,077,600</u>	<u>\$ 43,955</u>	<u>\$ -</u>

### **NOTE 7 - PLEDGES RECEIVABLE**

At June 30, 2016, and 2015, the Foundation had multi-year pledges receivable from several donors. The balance due was \$285,900 and \$43,955, at June 30, 2016 and 2015, respectively. Due to the short duration (2 to 5 years) and low discount rates, the carrying value reasonably approximates fair value at those dates.

### **NOTE 8 - TANGIBLE ASSETS**

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two (three in 2015) condominiums, which the Foundation is depreciating over a period of forty years using the straight-line method. Depreciation expense for the years ended June 30, 2016 and 2015 was \$35,787 and \$45,162, respectively.

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.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued** June 30, 2016 and 2015

### **NOTE 8 - TANGIBLE ASSETS - Continued**

At June 30, 2016, tangible assets are composed of the following:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Gifts-in-kind				
Land and buildings	\$ 1,250,000	\$ 12,000	\$ -	\$ 1,262,000
Accumulated depreciation	(112,500)	-	-	(112,500)
Collection items	-	2,646,317	2,641,550	5,287,867
Total gifts-in-kind	1,137,500	2,658,317	2,641,550	6,437,367
Purchased assets				
Land and buildings	-	994,400	-	994,400
Accumulated depreciation	-	(203,559)	-	(203,559)
Collection items	-	92,335	152,995	245,330
Concert piano	-	73,900	-	73,900
Total purchased assets	-	957,076	152,995	1,110,071
Total tangible assets	\$ 1,137,500	\$ 3,615,393	\$ 2,794,545	\$ 7,547,438

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



# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 9 - LINE OF CREDIT**

The Foundation has an \$8,000,000 line of credit available with UBS Financial Services, Inc. (UBS). Any outstanding balance is subject to a variable interest rate (2.246% at June 30, 2016 and 1.935% at June 30, 2015), has no required monthly payment, and is secured by the Foundation's investments held by UBS (see Note 3). Initial borrowing under the line was to refinance the mortgage that had funded 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 \$1,045,033 outstanding at June 30, 2016 consisted of \$782,018 related to the investments and \$263,015 related to the College President's residence. Interest expense for the year ended June 30, 2016 was \$22,710, \$16,911 related to investments (Note 4) and \$5,799 related to the residence. 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 and \$5,924 related to the residence.

### **NOTE 10 - BOARD DESIGNATED FUNDS**

#### **Board designated endowments**

In 2007, a total of \$1,113,576 had been contributed to the Foundation by a decedent's estate. While the gifts were made for the general purposes of the Foundation, the Board of Directors elected to treat them as endowments.

The activity in Board designated endowments during the years ended June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,338,161	\$ 1,279,917
Investment allocation	30,108	58,244
Ending balance	<u>\$ 1,368,269</u>	<u>\$ 1,338,161</u>

#### **Other Board designations**

At June 30, 2016, the \$265,816 balance of other Board designations represented unrestricted funds designated by the Board of Directors primarily for scholarships. The balance of \$1,387,121 at June 30, 2015, included \$647,208 designated for the GPE capital project.

### **NOTE 11 - 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>2016</u>	<u>2015</u>
Purpose restriction accomplished		
Scholarships	\$ 772,660	\$ 729,736
Other program expense	1,809,294	1,514,840
Fundraising expense	15,925	16,972
Total released from restriction	<u>\$ 2,597,879</u>	<u>\$ 2,261,548</u>

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Specific scholarship programs	\$ 7,442,173	\$ 5,692,015
Artists in Residence	248,882	248,132
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>\$ 10,762,315</u>	<u>\$ 9,011,407</u>

### **NOTE 13 - 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 \$712,777 and \$752,172 at June 30, 2016 and 2015, respectively. During the years ended June 30, 2016 and 2015, the trustee transferred \$21,983 and \$21,008, respectively, to the Foundation's Dalpra fund for scholarships.

### **NOTE 14 - 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. The Foundation Board and the Board of Trustees of the College enter 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 each of the years ended June 30, 2016 and 2015, the Foundation recognized support and offsetting expenses of \$324,304 under the terms of the respective MOUs.

At June 30, 2016, the Foundation reflected \$132,773 as the balance due to Fort Lewis College for reimbursements from individual department funds for amounts advanced by the College. 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.

During the years ended June 30, 2016 and 2015, the College contributed \$132,968 and \$117,717, respectively, to the Foundation, restricted for payment of professional fees.

The College leases the residence 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, 2016 and 2015.

# **FORT LEWIS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 15 - 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 College, 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**

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016 and 2015

### **NOTE 15 - ENDOWMENTS - Continued**

#### Endowment net asset composition and changes

Endowment net asset composition by type of fund as of June 30, 2016 is summarized as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,410,542	\$ 7,967,770	\$ 9,378,312
Board-designated endowment funds	1,368,269	-	-	1,368,269
Total funds	<u>\$ 1,368,269</u>	<u>\$ 1,410,542</u>	<u>\$ 7,967,770</u>	<u>\$ 10,746,581</u>

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>

The change in endowment net assets for the two year period ended June 30, 2016 is as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 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	1,338,161	1,339,743	6,216,862	8,894,766
Contributions and other income	-	62,241	1,706,847	1,769,088
Investment income and net appreciation	30,108	164,896	-	195,004
Program expenditures and scholarships	-	(261,661)	-	(261,661)
Changes in donor restrictions	-	105,323	44,061	149,384
Endowment net assets, June 30, 2016	<u>\$ 1,368,269</u>	<u>\$ 1,410,542</u>	<u>\$ 7,967,770</u>	<u>\$ 10,746,581</u>