

THE FORT LEWIS COLLEGE FOUNDATION

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2021 and 2020

# THE FORT LEWIS COLLEGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Fort Lewis College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, of functional expenses, and of cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fort Lewis College Foundation as of June 30, 2021 and 2020, 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.

**Emphasis of Matter - Restatement of Prior Period Net Assets**

As discussed in Note 12 to the financial statements, the financial statements for the year ended June 30, 2020 reflect a prior period adjustment. Our opinion is not modified with respect to this matter.

*FredrickZink & Associates, PC*

FredrickZink & Associates, PC  
October 8, 2021

## FINANCIAL STATEMENTS

# THE FORT LEWIS COLLEGE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

|   | 2021                 | (Restated)<br>2020   |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                     |                      |                      |
| Cash and cash equivalents.....                    | \$ 326,405           | \$ 545,287           |
| Promises to give, net.....                        | 1,728,186            | 3,364,191            |
| Advance to Fort Lewis College for programs.....   | 165,734              | 132,654              |
| Investments.....                                  | 27,890,878           | 21,575,780           |
| Property and equipment, net.....                  | 1,102,619            | 1,139,381            |
| Collection items.....                             | 5,677,400            | 5,667,400            |
| Beneficial interest in assets held by others..... | 762,842              | 684,804              |
| <b>Total assets.....</b>                          | <b>\$ 37,654,064</b> | <b>\$ 33,109,497</b> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                      |                      |
| <b>Liabilities</b>                                |                      |                      |
| Accounts payable and accrued expenses.....        | \$ 3,609             | \$ 315               |
| Due to Fort Lewis College.....                    | 53,499               | 592,473              |
| Gift annuity obligation payable.....              | 1,596                | 2,156                |
| <b>Total liabilities.....</b>                     | <b>58,704</b>        | <b>594,944</b>       |
| <b>Net Assets</b>                                 |                      |                      |
| Net assets without donor restrictions             |                      |                      |
| Undesignated.....                                 | 1,748,165            | 2,467,226            |
| Board designated.....                             | 2,019,612            | 1,695,453            |
| Total net assets without donor restrictions.....  | 3,767,777            | 4,162,679            |
| Net assets with donor restrictions.....           | 33,827,583           | 28,351,874           |
| <b>Total net assets.....</b>                      | <b>37,595,360</b>    | <b>32,514,553</b>    |
| <b>Total liabilities and net assets.....</b>      | <b>\$ 37,654,064</b> | <b>\$ 33,109,497</b> |

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

# THE FORT LEWIS COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021

|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                       |
|---|----------------------------------|-------------------------------|-----------------------------|
| <b>Revenue, Gains and Other Support</b>                                 |                                  |                               |                             |
| Donations.....  | \$ 145,624                       | \$ 2,591,171                  | \$ 2,736,795                |
| In-kind donations.....  | 57,955                           | 302,439                       | 360,394                     |
| Fundraising revenue.....  | -                                | 55,674                        | 55,674                      |
| Investment return, net.....   | 563,022                          | 4,217,784                     | 4,780,806                   |
| Other revenue.....  | 35,730                           | 7,036                         | 42,766                      |
| Change in value of beneficial interest in<br>assets held by others..... | -                                | 78,038                        | 78,038                      |
| Other changes in net assets.....  | (978,514)                        | 978,514                       | -                           |
| Net assets released from restrictions                                   | 2,754,947                        | (2,754,947)                   | -                           |
| Total revenue, gains and other support.....                             | <u>2,578,764</u>                 | <u>5,475,709</u>              | <u>8,054,473</u>            |
| <b>Expenses</b>   |                                  |                               |                             |
| Program services.....   | 2,633,936                        | -                             | 2,633,936                   |
| Support services  |                                  |                               |                             |
| Management and general.....   | 199,044                          | -                             | 199,044                     |
| Fundraising.....  | 140,686                          | -                             | 140,686                     |
| Total expenses.....   | <u>2,973,666</u>                 | <u>-</u>                      | <u>2,973,666</u>            |
| <b>Change in Net Assets.....</b>  | <b>(394,902)</b>                 | <b>5,475,709</b>              | <b>5,080,807</b>            |
| <b>Net Assets - Beginning of year.....</b>                              | <u>4,162,679</u>                 | <u>28,351,874</u>             | <u>32,514,553</u>           |
| <b>Net Assets - End of year.....</b>                                    | <u><b>\$ 3,767,777</b></u>       | <u><b>\$ 33,827,583</b></u>   | <u><b>\$ 37,595,360</b></u> |

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

# THE FORT LEWIS COLLEGE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

| Description                     | Program<br>Services | Supporting Services       |                   | Total               |
|---------------------------------|---------------------|---------------------------|-------------------|---------------------|
|                                 |                     | Management<br>and General | Fund<br>Raising   |                     |
| Fort Lewis College support..... | \$ 1,370,784        | \$ -                      | \$ -              | \$ 1,370,784        |
| Scholarships.....               | 1,034,999           | -                         | -                 | 1,034,999           |
| Fees for College services.....  | 110,492             | 126,106                   | 126,106           | 362,704             |
| Professional fees.....          | 61,667              | 43,116                    | -                 | 104,783             |
| Depreciation.....               | 26,736              | -                         | -                 | 26,736              |
| Bad debts.....                  | 16,623              | -                         | -                 | 16,623              |
| Licenses, dues and fees.....    | -                   | 15,458                    | -                 | 15,458              |
| Bank and credit card fees.....  | -                   | -                         | 12,737            | 12,737              |
| Other expense.....              | 8,686               | 962                       | 403               | 10,051              |
| Insurance.....                  | -                   | 6,656                     | -                 | 6,656               |
| Food and beverage.....          | 3,949               | -                         | 1,440             | 5,389               |
| Property management expense..   | -                   | 2,989                     | -                 | 2,989               |
| Repairs and maintenance.....    | -                   | 1,879                     | -                 | 1,879               |
| Property taxes.....             | -                   | 1,878                     | -                 | 1,878               |
| Total expenses.....             | <u>\$ 2,633,936</u> | <u>\$ 199,044</u>         | <u>\$ 140,686</u> | <u>\$ 2,973,666</u> |

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

# THE FORT LEWIS COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

|   | (Restated)                       |                               |                      |
|---|----------------------------------|-------------------------------|----------------------|
|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                |
| <b>Revenue, Gains and Other Support</b>                                 |                                  |                               |                      |
| Donations.....  | \$ 88,239                        | \$ 5,641,228                  | \$ 5,729,467         |
| In-kind donations.....  | -                                | 120,029                       | 120,029              |
| Fundraising revenue.....  | -                                | 119,775                       | 119,775              |
| Investment loss, net.....   | (53,400)                         | (355,937)                     | (409,337)            |
| Other revenue.....  | 43,466                           | 11,350                        | 54,816               |
| Gain on sale of property.....   | 110,627                          | -                             | 110,627              |
| Change in value of beneficial interest in<br>assets held by others..... | -                                | (23,451)                      | (23,451)             |
| Other changes in net assets.....  | (45,401)                         | 45,401                        | -                    |
| Net assets released from restrictions                                   | 3,069,028                        | (3,069,028)                   | -                    |
| Total revenue, gains and other support.....                             | 3,212,559                        | 2,489,367                     | 5,701,926            |
| <b>Expenses</b>   |                                  |                               |                      |
| Program services.....   | 2,739,447                        | -                             | 2,739,447            |
| Support services  |                                  |                               |                      |
| Management and general.....   | 249,306                          | -                             | 249,306              |
| Fundraising.....  | 168,794                          | -                             | 168,794              |
| Total expenses.....   | 3,157,547                        | -                             | 3,157,547            |
| <b>Change in Net Assets.....</b>  | <b>55,012</b>                    | <b>2,489,367</b>              | <b>2,544,379</b>     |
| <b>Net Assets - Beginning of year, as previously reported.....</b>      | <b>4,131,555</b>                 | <b>25,564,762</b>             | <b>29,696,317</b>    |
| <b>Restatement of prior year net assets.....</b>                        | <b>(23,888)</b>                  | <b>297,745</b>                | <b>273,857</b>       |
| <b>Net Assets - End of year.....</b>                                    | <b>\$ 4,162,679</b>              | <b>\$ 28,351,874</b>          | <b>\$ 32,514,553</b> |

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



# THE FORT LEWIS COLLEGE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

| Description                      | (Restated)          |                           |                   |                     |
|----------------------------------|---------------------|---------------------------|-------------------|---------------------|
|                                  | Program<br>Services | Supporting Services       |                   | Total               |
|                                  |                     | Management<br>and General | Fund<br>Raising   |                     |
| Fort Lewis College support.....  | \$ 1,395,913        | \$ -                      | \$ -              | \$ 1,395,913        |
| Scholarships.....                | 1,125,685           | -                         | -                 | 1,125,685           |
| Fees for College services.....   | 72,540              | 145,082                   | 145,082           | 362,704             |
| Professional fees.....           | 39,076              | 50,757                    | -                 | 89,833              |
| Other expense.....               | 48,855              | 1,106                     | 9,614             | 59,575              |
| Depreciation.....                | 27,193              | -                         | -                 | 27,193              |
| Food and beverage.....           | 18,185              | -                         | 4,648             | 22,833              |
| Repairs and maintenance.....     | -                   | 20,187                    | -                 | 20,187              |
| Bad debts.....                   | 12,000              | -                         | -                 | 12,000              |
| Licenses, dues and fees.....     | -                   | 11,833                    | -                 | 11,833              |
| Bank and credit card fees.....   | -                   | -                         | 9,450             | 9,450               |
| Insurance.....                   | -                   | 9,306                     | -                 | 9,306               |
| Property taxes.....              | -                   | 7,487                     | -                 | 7,487               |
| Property management expense..... | -                   | 3,548                     | -                 | 3,548               |
| Total expenses.....              | <u>\$ 2,739,447</u> | <u>\$ 249,306</u>         | <u>\$ 168,794</u> | <u>\$ 3,157,547</u> |

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

# THE FORT LEWIS COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2021 and 2020

|  | 2021              | (Restated)<br>2020 |
|--|-------------------|--------------------|
| <b>Cash Flows from Operating Activities:</b>   |                   |                    |
| Change in net assets.....  | \$ 5,080,807      | \$ 2,544,379       |
| Adjustments to reconcile change in net assets to net cash and cash equivalents used by operating activities: |                   |                    |
| Depreciation.....  | 26,736            | 27,193             |
| Realized and unrealized (gains) losses on investments, net.....  | (4,247,987)       | 937,053            |
| Loss (gain) on sale of property.....   | 10,026            | (110,627)          |
| Bad debts.....   | 16,623            | 12,000             |
| Donations restricted for long-term investments.....  | (179,963)         | (274,312)          |
| Donations of non-cash items.....   | (10,000)          | (72,516)           |
| Change in beneficial interest in charitable trust held by others.....  | (78,038)          | 23,451             |
| Changes in operating assets and liabilities:   |                   |                    |
| Promises to give.....  | 1,619,382         | (3,013,188)        |
| Advance to Fort Lewis College for programs.....  | (33,080)          | (132,654)          |
| Accounts payable and accrued expenses.....   | 3,294             | (10,989)           |
| Due to Fort Lewis College.....   | (538,974)         | 199,343            |
| Net cash and cash equivalents provided by operating activities.....  | 1,668,826         | 129,133            |
| <b>Cash Flows from Investing Activities:</b>   |                   |                    |
| Proceeds from sales of investments.....  | 11,478,158        | 13,748,187         |
| Purchases of investments.....  | (13,545,269)      | (14,111,994)       |
| Proceeds from sale of property and equipment.....  | -                 | 550,471            |
| Net cash and cash equivalents provided (used) by investing activities.....                                   | (2,067,111)       | 186,664            |
| <b>Cash flows from Financing Activities:</b>   |                   |                    |
| Contributions restricted for long-term investment.....   | 179,963           | 234,275            |
| Payments on margin loan.....   | -                 | (63,733)           |
| Payments on obligation under split-interest and gift annuity agreements.....                                 | (560)             | (420)              |
| Net cash and cash equivalents provided by financing activities.....  | 179,403           | 170,122            |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>   | <b>(218,882)</b>  | <b>485,919</b>     |
| <b>Cash and Cash Equivalents - Beginning of year.....</b>  | <b>545,287</b>    | <b>59,368</b>      |
| <b>Cash and Cash Equivalents - End of year.....</b>  | <b>\$ 326,405</b> | <b>\$ 545,287</b>  |

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

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 1 - PURPOSE AND ACTIVITIES OF THE FOUNDATION

#### Purpose

The 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 assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College (the College) and to provide broader educational opportunities for, and service to, its 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.

#### Impact of COVID-19 Pandemic

In early 2020, an outbreak of the novel strain of a new coronavirus (COVID-19) spread rapidly into a global pandemic. The outbreak has impacted millions of individuals, financial markets and business operations worldwide. The College immediately took proactive measures to ensure the health and well-being of students, faculty and staff, while maintaining educational opportunities in compliance with evolving mandated protocols.

The Foundation has not experienced any significant sustained negative impact to its investments, contributions, or operations as a result of the pandemic. Funding for programs, service to students and asset protection have continued. As the pandemic continues, the Foundation may experience future fluctuations in its investment portfolio due to market volatility, as well as other impacts to its activities, functional expenses, cash flows, and financial condition, which are unpredictable.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting and presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Foundation maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds established in accordance with the activities or objectives specified by donors. Separate accounts are maintained for each fund.

#### Cash and cash equivalents

The Foundation considers all unrestricted cash and highly liquid investments with original maturities of three months or less which are not held as components of the Foundation's investment portfolio to be cash and cash equivalents. Cash balances in commercial banks have, at times, exceeded the level of insurance provided by the Federal Deposit Insurance Corporation. The Foundation strives to limit these occurrences, has not experienced any losses, and considers the risk of loss to be minimal.

#### Promises to give

Donations are recognized as revenue when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and are reported as an increase in net assets with or without donor restrictions, depending on the nature of donor-imposed restrictions, if any. Unconditional promises to give expected to be collected in future years are discounted to the net present value of estimated future cash flows, at appropriate discount rates commensurate with the risks involved. In subsequent years, amortization of the discounts is included in donation revenue in the statement of activities. Promises to give are written off when deemed uncollectible.

Conditional promises to give and indication of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The Foundation had no conditional promises to give as of June 30, 2021 and 2020.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

#### Investments and investment valuation

The Foundation maintains pooled investment accounts for the majority of its funds. Investment income and realized and unrealized gains and losses, net of investment management fees, from securities in the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the fair value of the interest of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Investments in equity securities having a readily determinable fair value and all debt securities are generally stated at fair value, as further described in Note 5. The Foundation holds alternative investments, which are not readily marketable, the Foundation reviews and utilizes fair value assumptions and determinations provided by investment managers. Investment returns include dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In certain cases, investment managers report realized and unrealized gains and losses net of investment fees; accordingly, the Foundation has reported the net amount in unrealized and realized gains and losses on the accompanying statements of activities. Investment returns are reflected on the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions on those earnings.

#### Property and equipment

Property and equipment will generally be capitalized at cost, if purchased or at the estimated fair value at the date received in accordance with the Foundation's gift acceptance policy (gifts-in-kind) if donated. Acquisitions of depreciable property and equipment in excess of \$5,000 and having a useful life of over one year are capitalized. Lesser amounts are expensed. When property and equipment are sold or transferred, the cost and any related depreciation are removed from the accounts, and any gain or loss is included in the statements of activities. Any costs of maintenance and repairs are expensed when incurred. 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. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

#### Collections

Collections are defined as historical treasures and works of art, which are items considered inexhaustible and held for public exhibition, educational purposes, or research in enhancement of public services instead of financial gain. Generally, because collections are considered inexhaustible, they are not depreciated. Collections are maintained by the College in various venues on campus, primarily in the Center for Southwest Studies, and are subject to policy that requires the proceeds from deaccession of collection items to be used only for acquisition or direct care of the collections. Gains and losses on the deaccession of collection items, if any, are classified on the statement of activities depending on donor restrictions, if any, placed on the item at the time of accession.

#### Gifts-in-kind

Gifts-in-kind are non-cash gifts including real estate, collections, and other property and equipment items. Gifts in excess of \$5,000 are capitalized at the values placed on them by qualified independent appraisers as required by the Internal Revenue Service.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

#### Gifts-in-kind - Continued

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in September 2020. The ASU requires new presentation and disclosure standards for gifts-in-kind. Under the new standard's requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the Foundation's statement of activities. Additionally, gifts-in-kind are to be disaggregated into categories based on the type of gift received, with disclosures made for each category. The new standards will be effective for the Foundation's year beginning on July 1, 2021 using a retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Foundation is still evaluating which method it will apply.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- (or certain grantor) imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The Foundation's Board has designated, from net assets without donor restrictions, net assets for a board designated endowment (see Note 9).

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports donations restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### Revenue recognition

The Foundation records donations in accordance with the requirements of U.S. GAAP for nonprofit entities. The Foundation generally recognizes revenue for donations (and grants considered to be donations) based upon the presence or absence of donor-imposed conditions.

Unconditional promises to give are recognized at fair value. Fair value is estimated giving consideration to anticipated future cash receipts and discounting such amounts at a risk-adjusted rate. Amortization of the discounts is recorded as additional donation revenue. Unconditional promises to give supporting College capital campaigns are reported as restricted support.

Donations of marketable securities are recorded at the estimated fair value as of the date of the gift. Gifts of publicly traded securities are typically sold immediately but may be retained under certain circumstances.

The Foundation reports gifts-in-kind, including any gifts of depreciable property and equipment, as donations without donor restrictions unless explicit donor stipulations specify how the gift must be used.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

#### Donated services and services received from the College

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. The Foundation and the Board of Trustees of the College enter into an annual Memorandum of Understanding which addresses payment for the use of facilities, personnel and services provided directly by the College, as well as other less tangible support. (Note 11)

#### Income taxes

The Foundation is a non-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under Colorado statutes, any organization receiving exemption from federal income tax is also exempt from Colorado income tax. Income from activities not directly related to the entity's tax-exempt purpose may be subject to taxation as unrelated business taxable income. During the years ended June 30, 2021 and 2020, the unrelated business income tax liability was not significant. Accordingly, no provision for income taxes is made in these financial statements.

The Foundation is annually required to file a federal Return of Organization Exempt From Income Taxes (Form 990) and an Exempt Organization Business Income Tax Return (Form 990-T) to report its unrelated business taxable income.

The Foundation applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. Management has analyzed the tax positions taken or expected to be taken by the Foundation and has concluded that, as of June 30, 2021 and 2020, there are no uncertain positions that would require recognition of a liability or disclosure in the financial statements.

#### Functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function.

Costs that are directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. 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. Although the methods of allocation used are consistently applied and considered appropriate, other methods could be used that would produce different results.

#### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates, and those differences could be material.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

#### Fundraising and special event costs

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 support with donor restrictions for the purpose of the associated fund.

#### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. There was no effect on the change in net assets resulting from these reclassifications.

#### Concentrations of credit risk

Potential concentration of credit risk includes cash and cash equivalents, investments and promises to give.

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals supportive of the Foundation's purpose and activities. Investments are made by diversified investment managers whose performance is monitored by management and the Foundation's Investment Committee. Although the fair values of investments are subject to fluctuation, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

#### Subsequent events

The financial statements and related disclosures include evaluation of events up through and including October 8, 2021, which is the date the financial statements were available to be issued. No subsequent events were identified that required additional disclosure in the financial statements.

### NOTE 3 - LIQUIDITY

The Foundation's primary sources of support are contributions and income from investing. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded annual program and supporting activities, with any remainder funded by investment income without donor restrictions.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 3 - LIQUIDITY - Continued

The following table reflects the Foundation's financial assets as of June 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or Board designations. In the event the need arises to utilize Board designated funds for liquidity purposes, such funds could be drawn upon through resolution.

|   | 2021         | 2020         |
|---|--------------|--------------|
| Financial assets:   |              |              |
| Cash and cash equivalents   | \$ 326,405   | \$ 545,287   |
| Promises to give  | 1,728,186    | 3,364,191    |
| Investments   | 27,890,878   | 21,575,780   |
| Beneficial interest in assets held by others  | 762,842      | 684,804      |
| Financial assets, at year-end   | 30,708,311   | 26,170,062   |
| Less those unavailable for general expenditure within one year due to:                  |              |              |
| Contract or donor-imposed restrictions:   |              |              |
| Restricted by donor with time or purpose restrictions                                   | (13,211,727) | (11,024,397) |
| Subject to appropriation and satisfaction of donor restrictions                         | (14,109,317) | (11,337,179) |
| Beneficial interest in assets held by others  | (762,842)    | (684,804)    |
| Board designations:   |              |              |
| Quasi-endowment fund  | (1,834,409)  | (1,521,673)  |
| Scholarships  | (185,203)    | (173,780)    |
| Financial assets available to meet cash needs for general expenditures within one year: | \$ 604,813   | \$ 1,428,229 |

### NOTE 4 - PROMISES TO GIVE

Unconditional promises to give, net of unamortized discount is as follows at June 30, 2021 and 2020:

|                                      | 2021         | 2020         |
|--------------------------------------|--------------|--------------|
| Gross unconditional promises to give | \$ 1,812,484 | \$ 3,664,191 |
| Less: unamortized discount           | (84,298)     | (300,000)    |
| Net unconditional promises to give   | \$ 1,728,186 | \$ 3,364,191 |
| Amounts due in                       | 2021         | 2020         |
| Less than one year                   | \$ 548,234   | \$ 1,959,613 |
| One to five years                    | 1,264,250    | 886,794      |
| More than five years                 | -            | 817,784      |
| Total                                | \$ 1,812,484 | \$ 3,664,191 |

The discount rate used for unconditional promises to give outstanding at June 30, 2021 is 2%. Approximately 88% and 91% of the Foundation's unconditional promises to give as of June 30, 2021, and 2020, respectively, consisted of pledges from one and two donors, respectively.



# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 5 - FAIR VALUE MEASUREMENTS

The Foundation values its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest level priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

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

Equity securities and mutual funds (cash, equities, fixed income, commodities) - Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

Fixed income (bond funds or individual bonds) - Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings (other than investments in certain entities that calculate net asset value ("NAV") per share).

Alternative investments - Valued at the NAV as provided by the investment managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2021 and 2020, the Foundation had no plans to sell investments at amounts different from NAV. Funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 5 - FAIR VALUE MEASUREMENTS - Continued

No changes were made to the valuation methodologies during the years ended June 30, 2021 and 2020. 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, 2021 and 2020:

| Description                                  | Assets Measured at Fair Value on Recurring Basis at June 30, 2021 |             |                   |                                  |                          |
|--|---|-------------|-------------------|----------------------------------|--------------------------|
|  | Level 1   | Level 2     | Level 3           | Carried at Net Asset Value (NAV) | Balance at June 30, 2021 |
| Cash with brokerage firm                     | \$ 27,112   | \$ -        | \$ -              | \$ -                             | \$ 27,112                |
| Equities                                     |   |             |                   |                                  |                          |
| Domestic                                     | 6,432,325   | -           | -                 | -                                | 6,432,325                |
| International                                | 3,994,723   | -           | -                 | -                                | 3,994,723                |
| Emerging markets                             | 2,780,674   | -           | -                 | -                                | 2,780,674                |
| Fixed Income                                 |   |             |                   |                                  |                          |
| Domestic                                     | 10,879,857  | -           | -                 | -                                | 10,879,857               |
| International                                | 511,330   | -           | -                 | -                                | 511,330                  |
| Emerging markets                             | 1,885,510   | -           | -                 | -                                | 1,885,510                |
| Alternative Investments                      |   |             |                   |                                  |                          |
| Private Equity                               | -   | -           | -                 | 908,894                          | 908,894                  |
| Master limited partnerships                  | 470,454   | -           | -                 | -                                | 470,454                  |
| Total Investments at Fair Value              | 26,981,984  | -           | -                 | 908,894                          | 27,890,878               |
| Beneficial interest in assets held by others | -   | -           | 762,842           | -                                | 762,842                  |
| <b>Total</b>                                 | <b>\$ 26,981,984</b>  | <b>\$ -</b> | <b>\$ 762,842</b> | <b>\$ 908,894</b>                | <b>\$ 28,653,720</b>     |

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 5 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

| Description                                  | Assets Measured at Fair Value on Recurring Basis at June 30, 2020 |                    |                          | Carried at Net Asset Value (NAV) | Balance at June 30, 2020    |
|--|---|--------------------|--------------------------|----------------------------------|-----------------------------|
|  | Level 1   | Level 2            | Level 3                  |                                  |                             |
| Cash with brokerage firm                     | \$ 1,293,853  | \$ -               | \$ -                     | \$ -                             | \$ 1,293,853                |
| Equities                                     |   |                    |                          |                                  |                             |
| Domestic                                     | 5,163,301   | -                  | -                        | -                                | 5,163,301                   |
| International                                | 4,185,879   | -                  | -                        | -                                | 4,185,879                   |
| Emerging markets                             | 1,216,938   | -                  | -                        | -                                | 1,216,938                   |
| Fixed Income                                 |   |                    |                          |                                  |                             |
| Domestic                                     | 7,028,881   | -                  | -                        | -                                | 7,028,881                   |
| International                                | 597,362   | -                  | -                        | -                                | 597,362                     |
| Emerging markets                             | 1,026,229   | -                  | -                        | -                                | 1,026,229                   |
| Alternative Investments                      |   |                    |                          |                                  |                             |
| Private Equity                               | -   | -                  | -                        | 662,411                          | 662,411                     |
| Master limited partnerships                  | 400,927   | -                  | -                        | -                                | 400,927                     |
| Total Investments at Fair Value              | <u>20,913,369</u>   | <u>-</u>           | <u>-</u>                 | <u>662,411</u>                   | <u>21,575,780</u>           |
| Beneficial interest in assets held by others | -   | -                  | 684,804                  | -                                | 684,804                     |
| <b>Total</b>                                 | <b><u>\$ 20,913,369</u></b>                                       | <b><u>\$ -</u></b> | <b><u>\$ 684,804</u></b> | <b><u>\$ 662,411</u></b>         | <b><u>\$ 22,260,584</u></b> |

Investments in certain entities that calculate NAV per share are as follows:

| <u>Description</u>             | <u>NAV</u>        | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> |
|--------------------------------|-------------------|-----------------------------|-----------------------------|
| Private equity – June 30, 2021 | <u>\$ 908,894</u> | <u>\$ 268,000</u>           | Upon fund termination       |
| Private equity – June 30, 2020 | <u>\$ 662,411</u> | <u>\$ 384,000</u>           | Upon fund termination       |

Private equity funds focus on buyout, growth equity, and/or distressed debt. These investments are not readily redeemable, but a secondary market does exist. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from 1 to 12 years.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 5 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

Return on investments is summarized as follows for the respective years ended June 30, 2021 and 2020:

|  | 2021         | 2020         |
|--|--------------|--------------|
| Interest   | \$ 107,352   | \$ 139,432   |
| Dividends  | 553,807      | 518,160      |
| Total interest and dividends                       | 661,159      | 657,592      |
| Net realized gain (loss)                           | 970,414      | (34,440)     |
| Total realized investment income                   | 1,631,573    | 623,152      |
| Net unrealized gain (loss)                         | 3,277,573    | (902,613)    |
| Total return (loss) on investments before expenses | 4,909,146    | (279,461)    |
| Brokerage and custodial fees                       | (128,340)    | (117,146)    |
| Interest expense                                   | -            | (12,730)     |
| Return (loss) on investments, net of expenses      | \$ 4,780,806 | \$ (409,337) |

### NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment include gifts-in-kind and purchased items held by the Foundation, including "offered for lease" Durango area townhomes and the President's residence which are depreciated over a period of forty years using the straight-line method. During the year ended June 30, 2020, the Foundation recognized a net gain of \$110,156 on the sale of one of the townhomes. Total depreciation expense for the years ended June 30, 2021 and 2020 was \$26,736 and \$27,193, respectively.

At June 30, 2021, property and equipment are composed of the following:

|                                   | 2021                          |                            |              |
|-----------------------------------|-------------------------------|----------------------------|--------------|
|                                   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
| Gifts-in-kind                     |                               |                            |              |
| Land and buildings                | \$ 500,000                    | \$ -                       | \$ 500,000   |
| Equipment                         | 20,000                        | 336,910                    | 356,610      |
| Accumulated depreciation          | (123,125)                     | (336,910)                  | (463,735)    |
| Total gifts-in-kind               | 396,875                       | -                          | 396,875      |
| Purchased assets                  |                               |                            |              |
| Land and buildings                | 998,699                       | -                          | 998,699      |
| Equipment                         | -                             | 73,900                     | 73,900       |
| Accumulated depreciation          | (292,955)                     | (73,900)                   | (366,855)    |
| Total purchased assets            | 705,744                       | -                          | 705,744      |
| Total property and equipment, net | \$ 1,102,619                  | \$ -                       | \$ 1,102,619 |

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 6 - PROPERTY AND EQUIPMENT - Continued

At June 30, 2020, property and equipment are composed of the following:

|                                       | 2020                          |                            |              |
|---------------------------------------|-------------------------------|----------------------------|--------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
| Gifts-in-kind                         |                               |                            |              |
| Land and buildings                    | \$ 500,000                    | \$ 12,000                  | \$ 512,000   |
| Equipment                             | 20,000                        | 336,610                    | 356,610      |
| Accumulated depreciation              | (113,750)                     | (336,610)                  | (450,360)    |
| Total gifts-in-kind                   | 406,250                       | 12,000                     | 418,250      |
| <br>Purchased assets                  |                               |                            |              |
| Land and buildings                    | 996,725                       | -                          | 996,725      |
| Equipment                             | -                             | 73,900                     | 73,900       |
| Accumulated depreciation              | (275,594)                     | (73,900)                   | (349,494)    |
| Total purchased assets                | 721,131                       | -                          | 721,131      |
| <br>Total property and equipment, net | \$ 1,127,381                  | \$ 12,000                  | \$ 1,139,381 |

### NOTE 7 - COLLECTION ITEMS

The Foundation's collection items are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Collections are maintained in various venues on campus, primarily in the Center for Southwest Studies. Each of the items is cataloged, preserved, and cared for by college staff, and activities verifying their existence and assessing their condition are performed continuously.

### NOTE 8 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Historically, the Foundation has been named an irrevocable beneficiary of several perpetual or long-term trusts administered by others. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trust. Pursuant to U.S. GAAP, beneficial interest in such arrangements and donation revenues are recorded at fair value when the beneficiary has sufficient information.

Citizens Bank of Farmington, New Mexico is the trustee of a perpetual trust established in 1988 by the estate of Roy Dalpra for the benefit of Fort Lewis College students who are residents of La Plata County, Colorado. The trustee determines the use of the funds and the amount to be distributed to the Foundation annually. Although the Foundation has no right to the trust's assets the trustee may distribute principal if deemed necessary or desirable to do so.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 9 - NET ASSETS

The following net assets without donor restriction have been designated by the Foundation's Board for the following purposes:

|                             | 2021         | 2020         |
|-----------------------------|--------------|--------------|
| Endowment                   | \$ 1,834,409 | \$ 1,521,673 |
| Scholarships                | 185,203      | 173,780      |
| Total designated net assets | \$ 2,019,612 | \$ 1,695,453 |

Net assets with donor restrictions are available for the following purposes:

|   | 2021          | 2020          |
|---|---------------|---------------|
| Assets available for:                                   |               |               |
| Scholarships, awards and other                          | \$ 17,956,860 | \$ 11,608,157 |
| Assets available for future periods:                    |               |               |
| Promises to give  | 1,661,352     | 3,311,390     |
| Investments in perpetuity, the income is available for: |               |               |
| Scholarships  | 10,324,893    | 9,639,920     |
| Artists in Residence                                    | 260,257       | 260,257       |
| Durango Collection                                      | 2,794,545     | 2,794,545     |
| Future investments in perpetuity:                       |               |               |
| Promises to give  | 66,834        | 52,801        |
| Life income trust                                       | 762,842       | 684,804       |
| Total net assets with donor restrictions                | \$ 33,827,583 | \$ 28,351,874 |

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

|                                  | 2021         | 2020         |
|----------------------------------|--------------|--------------|
| Purpose restriction accomplished |              |              |
| Scholarships                     | \$ 999,249   | \$ 1,113,935 |
| Other program expense            | 1,561,753    | 1,945,417    |
| Capital projects                 | 192,962      | -            |
| Fundraising expense              | 983          | 9,676        |
| Total released from restriction  | \$ 2,754,947 | \$ 3,069,028 |

During the normal course of business, the Foundation receives and records contributions from the best information available. From time to time, additional information becomes available, or the donor will change their initial restriction. The Foundation will reclassify the amounts involved to the new classification. These reclassifications have no effect on the overall financial position.

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 10 - ENDOWMENTS

The Foundation's endowments consist of approximately 130 individual donor-restricted or quasi endowments. Donor restricted endowment funds are permanent charitable funds whose principal is treated in accordance with a defined spending policy or that must be preserved in perpetuity as a condition imposed by the donor. The Foundation also has certain funds without donor restrictions that have been designated by the Foundation's Board to function as endowments.

#### Relevant law

The Foundation follows the Uniform Prudent Management of Institutional 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.

The Foundation's Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gifts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of applicable gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a decision to appropriate or accumulate donor-restricted endowment funds:

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

# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 10 - ENDOWMENTS - Continued

#### Spending Policy

The Foundation's Board has full discretion to adjust the spending rate for a given year, depending on short/long-term needs of the College and the anticipated near-term trends in inflation and investment returns, consistent with the Foundation's investment policy.

#### Endowment net asset composition and changes

Endowment net asset composition by type of fund as of June 30, 2021 is summarized as follows:

|                                  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-restricted endowment funds | \$ -                                  | \$ 14,115,813                      | \$ 14,115,813        |
| Board-designated endowment funds | <u>1,834,409</u>                      | <u>-</u>                           | <u>1,834,409</u>     |
| Total funds                      | <u>\$ 1,834,409</u>                   | <u>\$ 14,115,813</u>               | <u>\$ 15,950,222</u> |

Endowment net asset composition by type of fund as of June 30, 2020 is summarized as follows:

|                                  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Donor-restricted endowment funds | \$ -                                  | \$ 11,251,830                      | \$ 11,251,830        |
| Board-designated endowment funds | <u>1,521,673</u>                      | <u>-</u>                           | <u>1,521,673</u>     |
| Total funds                      | <u>\$ 1,521,673</u>                   | <u>\$ 11,251,830</u>               | <u>\$ 12,773,503</u> |

The change in endowment net assets for the two-year period ended June 30, 2021 is as follows:

|                                       | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|---------------------------------------|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets, July 1, 2019    | \$ 1,577,373                          | \$ 11,641,796                      | \$ 13,219,169        |
| Contributions                         | -                                     | 365,184                            | 365,184              |
| Investment loss - net                 | (31,728)                              | (192,686)                          | (224,414)            |
| Program expenditures and scholarships | (23,972)                              | (574,408)                          | (598,380)            |
| Other changes                         | <u>-</u>                              | <u>11,944</u>                      | <u>11,944</u>        |
| Endowment net assets, June 30, 2020   | 1,521,673                             | 11,251,830                         | 12,773,503           |
| Contributions                         | -                                     | 221,796                            | 221,796              |
| Investment return - net               | 339,540                               | 2,489,363                          | 2,828,903            |
| Program expenditures and scholarships | (26,804)                              | (371,733)                          | (398,537)            |
| Other changes                         | <u>-</u>                              | <u>524,557</u>                     | <u>524,557</u>       |
| Endowment net assets, June 30, 2021   | <u>\$ 1,834,409</u>                   | <u>\$ 14,115,813</u>               | <u>\$ 15,950,222</u> |



# THE FORT LEWIS COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 10 - ENDOWMENTS - Continued

#### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, accumulated deficiencies of this nature are to be reported in net assets without donor restrictions. Disclosure of these deficiencies is required; however, there is no legal obligation for the Foundation to fund these deficiencies. There were no endowment funds with deficiencies for the years ended June 30, 2021 and 2020.

### NOTE 11 - 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, 2021 and 2020, the Foundation recognized support and offsetting expenses of \$324,304 under the terms of the respective MOUs.

At June 30, 2021 and 2020, the Foundation reflected \$53,499 and \$592,473, respectively, as the balance due to Fort Lewis College for reimbursements from individual department funds for amounts advanced by the College.

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 the years ended June 30, 2021 and 2020.

### NOTE 12 - RESTATEMENT OF PRIOR PERIOD

In prior years, equipment was not depreciated over its useful life. To record this depreciation, prior years' financial statements have been restated. The effect of the restatement on the June 30, 2020, beginning balances was an increase in accumulated depreciation and decrease in net assets of \$434,398.

During the current year, the Foundation reviewed the accounting for the Dalpra perpetual trust assets and determined that the Foundation's interest in the fair value of the trust should be reflected on the statements of financial position (see Note 8). Accordingly, prior year comparative financial statements have been restated. The fair value of the trust assets at June 30, 2019 of \$708,255 was recognized in the accompanying statement of financial position and an associated decrease in value of \$23,451 was recognized in the June 30, 2020 restated statement of activities.

The cumulative effect of the restatements to the June 30, 2020 beginning balances was an increase beneficial interest in assets held by others by \$708,255, increase accumulated depreciation by \$434,398, and increase net assets by \$273,857.