



**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees  
Colorado State University-Pueblo Foundation  
Pueblo, Colorado

We have audited the accompanying consolidated financial statements of Colorado State University-Pueblo Foundation (a nonprofit organization) and its wholly-owned subsidiaries (collectively, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 consolidated financial position of Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Stockman Kast Ryan + Co. LLP*

October 18, 2018

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

|   | <b>2018</b>                 | <b>2017</b>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>                               |                             |                             |
| Cash and cash equivalents                   | \$ 1,712,682                | \$ 416,406                  |
| Accounts receivable                         | 27,956                      | 75,830                      |
| Unconditional promises to give, net         | 366,994                     | 787,428                     |
| Prepaid expenses                            | 32,349                      | -                           |
| Marketable securities                       | 38,186,925                  | 36,639,624                  |
| Miscellaneous assets                        | 602                         | 602                         |
| Beneficial interest in remainder trusts     | 246,406                     | 248,282                     |
| Investment in limited partnership           | 249,948                     | 249,948                     |
| Commercial real estate projects             | 2,328,940                   | 2,104,193                   |
| Leasehold improvements and office equipment | 103,554                     | 102,233                     |
| Less accumulated depreciation               | <u>(86,735)</u>             | <u>(82,483)</u>             |
| <b>TOTAL ASSETS</b>                         | <b><u>\$ 43,169,621</u></b> | <b><u>\$ 40,542,063</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>           |                             |                             |
| <b>LIABILITIES</b>                          |                             |                             |
| Accounts payable                            | \$ 2,878,841                | \$ 3,497,828                |
| Other liabilities                           | 42,919                      | 26,259                      |
| Mortgage payable                            | 2,395,338                   | -                           |
| Line of credit payable                      | <u>-</u>                    | <u>221,544</u>              |
| <b>TOTAL LIABILITIES</b>                    | <b><u>5,317,098</u></b>     | <b><u>3,745,631</u></b>     |
| <b>NET ASSETS</b>                           |                             |                             |
| Unrestricted                                | 2,932,733                   | 2,438,696                   |
| Temporarily restricted                      | 16,741,498                  | 16,386,724                  |
| Permanently restricted                      | <u>18,178,292</u>           | <u>17,971,012</u>           |
| <b>TOTAL NET ASSETS</b>                     | <b><u>37,852,523</u></b>    | <b><u>36,796,432</u></b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>     | <b><u>\$ 43,169,621</u></b> | <b><u>\$ 40,542,063</u></b> |

The accompanying notes are an integral part of these statements.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

|   | Unrestricted               | Temporarily<br>Restricted   | Permanently<br>Restricted   | Total                       |
|---|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>REVENUE AND SUPPORT</b>                        |                            |                             |                             |                             |
| Contributions                                     | \$ 78,926                  | \$ 1,904,243                | \$ 166,141                  | \$ 2,149,310                |
| In-kind contributions                             | 20,220                     | 16,326                      | -                           | 36,546                      |
| Fundraising revenue                               | 345                        | 280,564                     | -                           | 280,909                     |
| Dividends   | 229,939                    | 1,701,900                   | -                           | 1,931,839                   |
| Interest  | 500                        | 3,703                       | -                           | 4,203                       |
| Realized gain on sale of marketable securities    | 5,102                      | 37,760                      | -                           | 42,862                      |
| Unrealized gain on marketable securities          | 176,978                    | 1,309,908                   | -                           | 1,486,886                   |
| Miscellaneous revenue (loss)                      | (55,579)                   | 41,365                      | -                           | (14,214)                    |
| Changes in the value of split-interest agreements | -                          | (1,876)                     | -                           | (1,876)                     |
| Reclassification of net assets                    | (59,983)                   | 18,844                      | 41,139                      | -                           |
| Net assets released from restrictions             | <u>4,957,963</u>           | <u>(4,957,963)</u>          | <u>-</u>                    | <u>-</u>                    |
| <b>TOTAL REVENUE AND SUPPORT</b>                  | <u>5,354,411</u>           | <u>354,774</u>              | <u>207,280</u>              | <u>5,916,465</u>            |
| <b>EXPENSES</b>                                   |                            |                             |                             |                             |
| Program expenses                                  | 3,857,339                  | -                           | -                           | 3,857,339                   |
| Management and general                            | 525,554                    | -                           | -                           | 525,554                     |
| Fundraising                                       | <u>477,481</u>             | <u>-</u>                    | <u>-</u>                    | <u>477,481</u>              |
| <b>TOTAL EXPENSES</b>                             | <u>4,860,374</u>           | <u>-</u>                    | <u>-</u>                    | <u>4,860,374</u>            |
| <b>CHANGES IN NET ASSETS</b>                      | 494,037                    | 354,774                     | 207,280                     | 1,056,091                   |
| <b>NET ASSETS - BEGINNING OF YEAR</b>             | <u>2,438,696</u>           | <u>16,386,724</u>           | <u>17,971,012</u>           | <u>36,796,432</u>           |
| <b>NET ASSETS - ENDING OF YEAR</b>                | <u><b>\$ 2,932,733</b></u> | <u><b>\$ 16,741,498</b></u> | <u><b>\$ 18,178,292</b></u> | <u><b>\$ 37,852,523</b></u> |

The accompanying notes are an integral part of these statements.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

|   | <b>Program<br/>Expenses</b> | <b>Management<br/>and General</b> | <b>Fundraising</b>        | <b>Total</b>              |
|---|-----------------------------|-----------------------------------|---------------------------|---------------------------|
| Scholarships                                | \$ 2,149,238                | \$ -                              | \$ -                      | \$ 2,149,238              |
| Salaries and fringe benefits                | 686,345                     | 247,342                           | 241,863                   | 1,175,550                 |
| Construction projects / University expenses | 522,764                     | -                                 | 20,093                    | 542,857                   |
| Equipment and software                      | 173,865                     | 1,069                             | -                         | 174,934                   |
| Direct costs of fundraising events          | -                           | -                                 | 123,082                   | 123,082                   |
| Official functions, conferences             | 61,363                      | -                                 | 53,292                    | 114,655                   |
| Supplies                                    | 67,800                      | 9,059                             | 20,235                    | 97,094                    |
| Travel                                      | 75,593                      | 14,809                            | 3,169                     | 93,571                    |
| Investment management fees                  | -                           | 92,623                            | -                         | 92,623                    |
| Professional fees                           | -                           | 63,032                            | -                         | 63,032                    |
| Repairs and facilities costs                | 10,027                      | 32,653                            | 5,339                     | 48,019                    |
| Prizes and awards                           | 44,449                      | -                                 | 2,048                     | 46,497                    |
| Advertising                                 | 22,075                      | -                                 | 2,920                     | 24,995                    |
| In-kind office rent                         | -                           | 20,000                            | -                         | 20,000                    |
| Printing, reproduction, publications        | 13,431                      | 1,121                             | 2,954                     | 17,506                    |
| In-kind program expenses                    | 16,326                      | 220                               | -                         | 16,546                    |
| Dues, registrations, memberships            | 11,572                      | 4,134                             | -                         | 15,706                    |
| Training and conferences                    | -                           | 10,794                            | -                         | 10,794                    |
| Insurance                                   | 644                         | 9,427                             | -                         | 10,071                    |
| Miscellaneous                               | -                           | 5,730                             | 2,179                     | 7,909                     |
| Telephone                                   | 918                         | 6,107                             | -                         | 7,025                     |
| Postage                                     | 929                         | 3,182                             | 307                       | 4,418                     |
| Depreciation                                | -                           | 4,252                             | -                         | 4,252                     |
|   | <u>                  </u>   | <u>                  </u>         | <u>                  </u> | <u>                  </u> |
| TOTAL                                       | <u>\$ 3,857,339</u>         | <u>\$ 525,554</u>                 | <u>\$ 477,481</u>         | <u>\$ 4,860,374</u>       |

The accompanying notes are an integral part of these statements.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

|   | <b>Unrestricted</b>        | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>                |
|---|----------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| <b>REVENUE AND SUPPORT</b>                        |                            |                                   |                                   |                             |
| Contributions                                     | \$ 55,756                  | \$ 3,816,620                      | \$ 277,538                        | \$ 4,149,914                |
| In-kind contributions                             | 49,120                     | 76,896                            | -                                 | 126,016                     |
| Fundraising revenue                               | 1,420                      | 258,119                           | -                                 | 259,539                     |
| Dividends   | 233,077                    | 980,340                           | -                                 | 1,213,417                   |
| Interest  | 419                        | 1,761                             | -                                 | 2,180                       |
| Realized gain on sale of marketable securities    | 24,048                     | 101,148                           | -                                 | 125,196                     |
| Unrealized gain on marketable securities          | 510,404                    | 2,146,797                         | -                                 | 2,657,201                   |
| Miscellaneous revenue                             | 5                          | 49,351                            | -                                 | 49,356                      |
| Changes in the value of split-interest agreements | -                          | 16,060                            | -                                 | 16,060                      |
| Reclassification of net assets                    | 76,827                     | (140,408)                         | 63,581                            | -                           |
| Net assets released from restrictions             | <u>6,331,600</u>           | <u>(6,331,600)</u>                | <u>-</u>                          | <u>-</u>                    |
| <b>TOTAL REVENUE AND SUPPORT</b>                  | <u>7,282,676</u>           | <u>975,084</u>                    | <u>341,119</u>                    | <u>8,598,879</u>            |
| <b>EXPENSES</b>                                   |                            |                                   |                                   |                             |
| Program expenses                                  | 5,367,377                  | -                                 | -                                 | 5,367,377                   |
| Management and general                            | 520,738                    | -                                 | -                                 | 520,738                     |
| Fundraising                                       | <u>559,885</u>             | <u>-</u>                          | <u>-</u>                          | <u>559,885</u>              |
| <b>TOTAL EXPENSES</b>                             | <u>6,448,000</u>           | <u>-</u>                          | <u>-</u>                          | <u>6,448,000</u>            |
| <b>CHANGES IN NET ASSETS</b>                      | 834,676                    | 975,084                           | 341,119                           | 2,150,879                   |
| <b>NET ASSETS - BEGINNING OF YEAR</b>             | <u>1,604,020</u>           | <u>15,411,640</u>                 | <u>17,629,893</u>                 | <u>34,645,553</u>           |
| <b>NET ASSETS - ENDING OF YEAR</b>                | <u><b>\$ 2,438,696</b></u> | <u><b>\$ 16,386,724</b></u>       | <u><b>\$ 17,971,012</b></u>       | <u><b>\$ 36,796,432</b></u> |

The accompanying notes are an integral part of these statements.



**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

|   | <b>Program<br/>Expenses</b> | <b>Management<br/>and General</b> | <b>Fundraising</b>          | <b>Total</b>                |
|---|-----------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Scholarships                                | \$ 2,143,368                | \$ -                              | \$ -                        | \$ 2,143,368                |
| Construction projects / University expenses | 2,005,880                   | -                                 | 9,675                       | 2,015,555                   |
| Salaries and fringe benefits                | 626,014                     | 234,807                           | 260,251                     | 1,121,072                   |
| Direct costs of fundraising events          | -                           | -                                 | 184,942                     | 184,942                     |
| Repairs and facilities costs                | 91,338                      | 31,037                            | 960                         | 123,335                     |
| Official functions                          | 62,273                      | -                                 | 49,901                      | 112,174                     |
| In-kind program expenses                    | 100,016                     | -                                 | -                           | 100,016                     |
| Supplies                                    | 78,241                      | 15,010                            | 3,326                       | 96,577                      |
| Equipment and software                      | 91,676                      | 2,194                             | -                           | 93,870                      |
| Travel                                      | 69,129                      | 18,407                            | 1,270                       | 88,806                      |
| Investment management fees                  | -                           | 86,045                            | -                           | 86,045                      |
| Professional fees                           | -                           | 62,082                            | -                           | 62,082                      |
| Marketing expenses                          | 41,042                      | -                                 | 12,416                      | 53,458                      |
| Dues, registrations, memberships            | 23,254                      | 3,421                             | -                           | 26,675                      |
| In-kind office rent                         | -                           | 26,000                            | -                           | 26,000                      |
| Printing, reproduction, publications        | 19,865                      | 943                               | 1,186                       | 21,994                      |
| Bad debts                                   | -                           | -                                 | 18,678                      | 18,678                      |
| Training and conferences                    | -                           | 12,944                            | -                           | 12,944                      |
| Insurance                                   | 644                         | 9,406                             | -                           | 10,050                      |
| Prizes and awards                           | 9,490                       | -                                 | 400                         | 9,890                       |
| Postage                                     | 4,543                       | 3,426                             | 120                         | 8,089                       |
| Telephone                                   | 604                         | 6,617                             | -                           | 7,221                       |
| Depreciation                                | -                           | 5,565                             | -                           | 5,565                       |
| Miscellaneous                               | -                           | 2,834                             | 16,760                      | 19,594                      |
|   | <u>                    </u> | <u>                    </u>       | <u>                    </u> | <u>                    </u> |
| TOTAL                                       | <u>\$ 5,367,377</u>         | <u>\$ 520,738</u>                 | <u>\$ 559,885</u>           | <u>\$ 6,448,000</u>         |

The accompanying notes are an integral part of these statements.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

|  | <b>2018</b>                | <b>2017</b>              |
|--|----------------------------|--------------------------|
| <b>CASH FLOWS PROVIDED (USED) BY OPERATIONS</b>  |                            |                          |
| Change in net assets   | \$ 1,056,091               | \$ 2,150,879             |
| Adjustments to reconcile change in net assets to net cash provided (used) by operations: |                            |                          |
| Depreciation   | 4,252                      | 5,565                    |
| Unrealized (gain) loss on sale of marketable securities                                  | (1,486,886)                | (2,657,201)              |
| Realized (gain) loss on sale of marketable securities                                    | (42,862)                   | (125,196)                |
| Bad debt expense   | -                          | 18,678                   |
| Change in beneficial interest in trusts  | 1,876                      | (16,060)                 |
| Changes in operating assets -  |                            |                          |
| Accounts receivable  | 47,874                     | (46,230)                 |
| Unconditional promises to give   | 420,434                    | (563,033)                |
| Prepaid expenses   | (32,349)                   | -                        |
| Accounts payable   | (618,987)                  | 2,985,438                |
| Other liabilities  | 16,660                     | (12,048)                 |
| <b>NET CASH PROVIDED BY OPERATIONS</b>   | <u>(633,897)</u>           | <u>1,740,792</u>         |
| <br><b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>                            |                            |                          |
| Maturities and sales of marketable securities  | 1,770,000                  | 4,971,025                |
| Distribution from limited partnership  | -                          | 47,552                   |
| Purchase of marketable securities  | (1,787,553)                | (5,839,766)              |
| Purchase of and improvements to commercial real estate projects                          | (224,747)                  | (1,899,193)              |
| Purchase of leasehold improvements and equipment   | (1,321)                    | -                        |
| <b>NET CASH (USED) BY INVESTING ACTIVITIES</b>   | <u>(243,621)</u>           | <u>(2,720,382)</u>       |
| <br><b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>                            |                            |                          |
| Proceeds from mortgage payable   | 2,400,000                  | -                        |
| Proceeds from line of credit advances  | 200,963                    | 221,544                  |
| Payments on mortgage payable   | (4,662)                    | -                        |
| Payments on line of credit   | (422,507)                  | -                        |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>   | <u>2,173,794</u>           | <u>221,544</u>           |
| <br><b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                          | <b>1,296,276</b>           | <b>(758,046)</b>         |
| <br><b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                                 | <u>416,406</u>             | <u>1,174,452</u>         |
| <br><b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                       | <u><b>\$ 1,712,682</b></u> | <u><b>\$ 416,406</b></u> |
| <br>Supplemental information   |                            |                          |
| Income taxes paid  | \$ 16,800                  | \$ 22,019                |
| Interest paid  | 68,250                     | -                        |

The accompanying notes are an integral part of these statements.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities - The Colorado State University-Pueblo Foundation, a nonprofit organization, was established to promote and account for contributions from the general public for the benefit of the Colorado State University-Pueblo. The Foundation collects contributions and distributes them in accordance with the donor's restrictions, if any. Contributions are primarily from businesses and individuals located in Southeastern Colorado and from alumni of the Colorado State University-Pueblo.

Consolidated Financial Statements – The financial statements reflect all assets, liabilities, revenues and expenses of Colorado State University-Pueblo Foundation and its wholly-owned subsidiaries, Land Holdings Management, Inc. (dissolved effective June 30, 2017) and its wholly owned subsidiary Thunder Village I, LLC (effective July 1, 2017 a subsidiary of the Foundation), Land Holdings Management and Development, LLC, Dillon Healy, LLC and Paul Harvey Healy, LLC (collectively referred to as the Foundation). All inter-company transactions have been eliminated.

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and other assets along with payables and other liabilities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from estimated amounts.

Financial Statement Presentation – The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributed Services and Other In-kind Contributions – Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A number of volunteers have contributed significant amounts of their time in the Foundation's program services and its fundraising campaigns, but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria.

Contributed Use of Facilities - During the years ended June 30, 2018 and 2017, the value of the facilities used by the Foundation on the campus of the Colorado State University-Pueblo totaled \$20,000 each year. In addition, during the year ended June 30, 2017, a donor donated office space for the Foundation to use also, which was valued at \$6,000. These amounts are recorded in the statement of activities and statement of functional expenses under the captions "In-kind contributions" and "In-kind office rent".

Contributed Assets – Contributed marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

Promises To Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease in liabilities or expenses depending on the form of benefits received. Donor-restricted promises to give are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires or has been met, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment - Purchased property and equipment with a value of \$500 or more are recorded at cost and capitalized. Donated property and equipment with a value of \$500 or more are recorded as support at their estimated fair value and capitalized. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of office equipment is 3-5 years. The estimated useful life of leasehold improvements is 10 years. For the years ended June 30, 2018 and 2017 depreciation expense of \$4,252 and \$5,565, respectively was charged to operations.

Cash and Cash Equivalents – For the purpose of the statements of financial position and the statements of cash flows, the Foundation considers all deposits with financial institutions and brokerage firms with an initial maturity of three months or less when acquired to be cash equivalents.

Retirement Plan – Effective January 1, 2013, the Foundation started leasing employees through an employee leasing agency and the employees participate in a 401(k) plan. The Foundation contributes up to 4.9% for years ended June 30, 2018 and 2017 of covered salaries to the plan. Covered salaries totaled \$410,354 and \$407,682 for the years ended June 30, 2018 and 2017, respectively. Foundation contributions to the plan totaled \$20,028 and \$19,785, respectively.

Income Tax Status - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation is subject to income taxes on unrelated business income from the sale of corporate sponsorships and advertising. The Foundation believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's information and income tax returns for the years ended June 30, 2015, 2016, 2017 and 2018 remain subject to examination by taxing authorities.

Investments – The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**COLORADO STATE UNIVERSITY-PUEBLO FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

Investment Income (Loss) Allocation - The Foundation pools investments of the various net asset accounts. The income from such investments, including gains and losses, are allocated to the participating net asset accounts.

The distributable income (loss) is allocated to all income producing accounts for which the Executive Committee of the Foundation specifies allocation. Individual accounts cannot be allocated investment income that is more than 90% of the Foundation's gross yield on its investments. Any excess investment income due to this limitation is credited to the Unspecified Capital Campaign account. See note 4 for calculation of net investment income.

In an effort to enhance the timeliness and reporting to the persons in charge of the accounts described above, the Foundation is allocating investment income each June 30 and December 31.

Administrative Fee – The Foundation charges a 3% annual administrative fee to all income producing accounts. The administrative fee is calculated each time the investment income is allocated. The administrative fee is used to allow the Foundation to carry out its operations and assist where they can.

Reclassifications – Certain amounts from prior year financial statements have been reclassified to meet the format of current year financial statements. There is no effect on net assets due to these reclassifications.

Program Expenses – Program expenses as detailed in the consolidated statement of functional expenses are primarily reimbursements paid directly to Colorado State University-Pueblo or directly to vendors who have provided a service to or goods directly to Colorado State University-Pueblo. Most of these payments are made in accordance with donor's restrictions at the time the contributions were made.

**NOTE 2 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

|  | <b>2018</b>       | <b>2017</b>       |
|--|-------------------|-------------------|
| Restricted for scholarships or other particular purposes         | \$ 382,778        | \$ 830,729        |
| Less: Allowance for uncollectible unconditional promises to give | <u>(14,600)</u>   | <u>(30,000)</u>   |
| Gross unconditional promises to give                             | 368,178           | 800,729           |
| Less: unamortized discount                                       | <u>(1,184)</u>    | <u>(13,301)</u>   |
| Net unconditional promises to give                               | <u>\$ 366,994</u> | <u>\$ 787,428</u> |
| Amounts due in:  |                   |                   |
| Less than one year   | \$ 337,678        | \$ 461,229        |
| One to five years  | <u>29,316</u>     | <u>326,199</u>    |
| TOTAL  | <u>\$ 366,994</u> | <u>\$ 787,428</u> |

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The allowance for uncollectible unconditional promises to give was arrived at by identifying specific donors that have failed to keep their promises and by applying a historical percentage of 2% to the remaining amount at June 30, 2018 and 1.5% at June 30, 2017.

Unamortized discount was arrived at by discounting amounts to be received in the future by the average market rate earned on investments of 2%.

**NOTE 3 - INVESTMENTS - MARKETABLE SECURITIES**

Marketable debt and equity securities are presented in the financial statements at fair market value:

|                           | 2018                 |                      | 2017                 |                      |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
|                           | Cost                 | Carrying Value       | Cost                 | Carrying Value       |
| Registered Investment Co. | <u>\$ 34,183,025</u> | <u>\$ 38,186,925</u> | <u>\$ 33,825,598</u> | <u>\$ 36,639,624</u> |

The following schedule summarizes the net investment return and its classification in the statement of activities for the years ended June 30, 2018 and 2017:

|                                    | 2018              |                        |                     | 2017              |                        |                     |
|------------------------------------|-------------------|------------------------|---------------------|-------------------|------------------------|---------------------|
|                                    | Unrestricted      | Temporarily Restricted | Total               | Unrestricted      | Temporarily Restricted | Total               |
| Dividend income                    | \$ 229,939        | \$ 1,701,900           | \$ 1,931,839        | \$ 233,077        | \$ 980,340             | \$ 1,213,417        |
| Interest income                    | 500               | 3,703                  | 4,203               | 419               | 1,761                  | 2,180               |
| Realized gains (losses) securities | 5,102             | 37,760                 | 42,862              | 24,048            | 101,148                | 125,196             |
| Unrealized gains (losses)          | <u>176,978</u>    | <u>1,309,908</u>       | <u>1,486,886</u>    | <u>510,404</u>    | <u>2,146,797</u>       | <u>2,657,201</u>    |
| Total investment income (loss)     | <u>\$ 412,519</u> | <u>\$ 3,053,271</u>    | <u>\$ 3,465,790</u> | <u>\$ 767,948</u> | <u>\$ 3,230,046</u>    | <u>\$ 3,997,994</u> |

**NOTE 4 - NET INVESTMENT INCOME CALCULATION**

As mentioned in Note 1, investment income is being allocated to specific projects on a semi-annual basis. The following is a summary of allocations for the years ended June 30, 2018 and 2017:

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| Investment income (loss) –                                  |                     |                     |
| Dividend income   | \$ 1,931,839        | \$ 1,213,417        |
| Interest income   | 4,203               | 2,180               |
| Realized gains (losses) on sales of securities              | 42,862              | 125,196             |
| Unrealized gains (losses) on investments                    | <u>1,486,886</u>    | <u>2,657,201</u>    |
| Total investment income (loss)                              | 3,465,790           | 3,997,994           |
| Investment fees   | (92,623)            | (86,045)            |
| Administrative fees   | <u>(1,012,569)</u>  | <u>(969,302)</u>    |
| Net investment income (loss) allocated to specific projects | <u>\$ 2,360,598</u> | <u>\$ 2,942,647</u> |

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**NOTE 5 – SPLIT-INTEREST AGREEMENTS**

The Foundation has been named as a remainder beneficiary of a split-interest agreements. A summary follows:

Helen Jones Charitable Trust (Jones Trust) – The trust was established on December 27, 1999. The Foundation is named as one of 10 remainder beneficiaries. Each February 1, the trustee is required to make certain established payments to eight individuals and all 10 remainder beneficiaries. The balance of the prior year’s income, if any, is then remitted to the 10 remainder beneficiaries according to predetermined percentages in the trust. If any of the remainder beneficiaries cease, their percentage of income is allocated to the remaining beneficiaries. As of June 30, 2018, one of the beneficiaries has ceased operations. The trust is to stay intact until six of the eight individuals pass away. As of June 30, 2018, three of the eight have passed away. The Foundation has made the assumption that the income generated is equal to the required payments each year and therefore the balance of the trust will be intact to distribute when the day arrives. The assets of the trust consist of marketable securities with readily determinable values. The recorded value on the books of the Foundation is equal to the fair market value of the trust assets at June 30 multiplied by the percentage (currently 32.25%) the Foundation is to receive upon termination of the trust.

A summary of the values at June 30 and the change from the previous year are as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Foundation’s share of the value of assets   | \$ 246,406  | \$ 248,282  |
| Change in value of split-interest agreement | (1,876)     | 16,060      |

**NOTE 6 – COMMERCIAL REAL ESTATE / OTHER ASSETS OF LLC’S**

On July 1, 2002, the Foundation transferred assets and related items to Land Holdings Management and Development, LLC. In addition, the Foundation created Land Holdings Management, Inc. to manage its real estate activities; this entity was dissolved effective June 30, 2017 and its wholly owned subsidiary, Thunder Village I, LLC, became a wholly owned subsidiary of the Foundation. During the year ended June 30, 2011, the Foundation acquired assets from an estate for the benefit of the Healy Business Institute and placed them into three separate LLC’s. During the years ended June 30, 2018 and 2017, the Foundation thru Thunder Village I, LLC completed construction of commercial real estate which is being treated as an investment once fully occupied. The assets, liabilities, revenues and expenses of all of these LLC’s are included in the consolidated financial statements of the Foundation. The following is a summary of the assets and liabilities in the LLC’s at June 30:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Cash in checking and savings                                  | \$ 288,188  | \$ 56,992   |
| Other current assets  | -           | 34,876      |
| Line of credit payable, accounts payable and accrued expenses | 21,143      | 338,623     |
| Unsecured note payable  | 2,395,338   | -           |

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Investments in real estate and the limited partnership  
carried at the lower of cost or fair value –

|   |           |           |
|---|-----------|-----------|
| Dillon Drive, Pueblo, CO real estate      | \$ 95,000 | \$ 95,000 |
| Paul Harvey Blvd., Pueblo, CO real estate | 50,000    | 50,000    |
| Thunder Village I                         | 2,183,940 | 1,959,193 |
| Investment in limited partnership         | 249,848   | 249,848   |

Dillon Drive, Pueblo, CO - The Foundation holds a 3/16<sup>th</sup>'s interest in real estate located at the southwest intersection of Eagleridge Boulevard and Dillon Drive in Pueblo, CO. The site consists of two vacant lots, namely lots 1 and 2, Block 2, North Pueblo Commercial Park #1. The investment is carried at the lower of current fair value or fair value as of the date of receipt of the property.

Paul Harvey Boulevard, Pueblo, CO – The Foundation owns 40.34 acres of land at the corner of E. Highway 96 and Paul Harvey Boulevard. The land is unimproved and minimal income is received. The investment is carried at the lower of current fair value or the fair value as of the date of receipt of property.

Thunder Village – The Foundation is completing construction on a commercial facility close to the football and soccer/lacrosse complexes on the campus of the University. The Foundation has committed up to \$2,400,000 for the construction. Costs incurred through June 30, 2018 total \$2,183,940.

Investment in limited partnership – The Foundation owns 425 units (approximately 6%) in W.L. Enterprises, Ltd. a New Mexico partnership. The assets of W.L. Enterprises, Ltd. consist of commercial and residential real estate parcels in the City and County of Pueblo. The investment is carried at the fair value on date of receipt less cash distributions received.

**NOTE 7 – RENTAL INCOME TO BE RECEIVED**

The Foundation, through Paul Harley Healy, LLC, entered into a non-cancelable operating lease with an entity for commercial real estate located in Pueblo. The Pueblo lease expired in August 2016 and the entity is continuing to use facilities on a month-to-month basis. The entity has approached the Foundation about purchasing the real estate.

The Foundation, through Thunder Village I, LLC, has entered into non-cancelable operating leases with two entities for commercial real estate located in Pueblo. The leases require monthly rental payments from \$2,390 to \$6,210 per month plus the entity's per-centage of common area maintenance costs. The following is a summary of the future rents to be received under these leases:

| Year Ending June 30, | <u>Amount</u>     |
|----------------------|-------------------|
| 2019                 | \$ 66,872         |
| 2020                 | 97,554            |
| 2021                 | 100,481           |
| 2022                 | 103,495           |
| 2023                 | 81,016            |
| Thereafter           | <u>32,280</u>     |
| Total                | <u>\$ 481,698</u> |



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**NOTE 8 - DESIGNATED NET ASSETS**

At June 30, 2018 and 2017, the Foundation had designated unrestricted net assets for the following purposes:

|  | <b>2018</b>                | <b>2017</b>                |
|--|----------------------------|----------------------------|
| Operating reserve for subsequent years' expense                      | \$ 1,746,758               | \$ 1,584,195               |
| Special projects awarded to University groups for next year expenses | 35,000                     | 15,000                     |
| University personnel discretionary funds                             | <u>73,510</u>              | <u>61,130</u>              |
| <b>TOTAL</b>   | <b><u>\$ 1,855,268</u></b> | <b><u>\$ 1,660,325</u></b> |

**NOTE 9 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are either time restricted (\$613,400 and \$1,035,710 at June 30, 2018 and 2017, respectively), or restricted for other specific purposes for the benefit of the University (\$16,128,098 and \$15,351,014 at June 30, 2018 and 2017, respectively) as specified by the donor, i.e., athletics, scholarships, repairs of facilities, etc. Permanently restricted net assets are endowments that are to be held in perpetuity.

**NOTE 10 - RECLASSIFICATION OF NET ASSETS**

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 his initial restriction. The Foundation will reclassify the amounts involved to the new classification. In addition, there are some donor restrictions requiring that a portion of the net investment income earned to be added to their endowments. The reclassification includes these amounts. The reclassification of net assets also includes amounts of temporarily restricted and permanently restricted contributions that have been determined to be uncollectible.

**NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the years ended June 30, 2018 and 2017.

|  | <b>2018</b>                | <b>2017</b>                |
|--|----------------------------|----------------------------|
| Purpose restrictions accomplished:               |                            |                            |
| Scholarships awarded                             | \$ 2,149,238               | \$ 2,143,368               |
| Other donor intended purposes                    | 2,705,824                  | 4,161,735                  |
| Fundraising including associated office expenses | <u>102,901</u>             | <u>96,014</u>              |
| <b>TOTAL</b>                                     | <b><u>\$ 4,957,963</u></b> | <b><u>\$ 6,401,117</u></b> |

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**NOTE 12 – MAJOR NET ASSET PROJECTS/MAJOR DONORS**

The following is a listing of significant Net Asset Projects (net assets projects with balances exceeding 10% of the total net assets of the Foundation):

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
| Capozzolo Center for Creative and Performing Arts | \$ 4,330,734 | \$ 4,240,238 |
| Art H. Gonzales Baseball Fund                     | 4,128,918    | 3,998,556    |
| Lois W. and Roland Mathis Educational Funds       | 5,239,223    | 4,989,747    |

During the year ended June 30, 2018 the Foundation had two donors provide a total of \$760,498 and for the year ended June 30, 2017, the Foundation had one donor provide \$1,129,435 in contributions.

**NOTE 13 - RISKS AND UNCERTAINTIES**

Concentration of Credit Risk - In the normal course of business, the Foundation has cash balances with financial institutions and money market funds with the brokerage house of Stifel Nicolaus. The financial institutions' balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, all amounts are insured.

The money market funds with Stifel Nicolaus are insured by Securities Investor Protection Corp. (SIPC) for amounts up to \$500,000 per account and by Travelers Casualty and Surety Company of America for the full equity of their account and unlimited cash coverage. At June 30, 2018, all amounts are insured.

**NOTE 14 – CONDITIONAL PROMISES TO GIVE**

The Foundation has been named as the beneficiary of various trusts and life insurance policies. In accordance with GAAP, as events occur that make these unconditional and amounts to be received are known, they are recorded in the financial records of the Foundation. Known conditional promises to give consist of the following at June 30:

|   | <b>2018</b>                | <b>2017</b>                |
|---|----------------------------|----------------------------|
| Will designation (estimated amounts), restricted for<br>As directed by the Foundation's Board | \$ 7,500,000               | \$ 7,500,000               |
| Life insurance designations, restricted for<br>As directed by the Foundation's Board          | <u>50,000</u>              | <u>50,000</u>              |
| <b>TOTAL</b>  | <b><u>\$ 7,550,000</u></b> | <b><u>\$ 7,550,000</u></b> |

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**NOTE 15 –LINE OF CREDIT**

In November 2013 the Foundation obtained a \$2,500,000 unsecured line of credit with Legacy Bank. Interest due at 4.75% is due monthly and the line originally matured on May 13, 2015, was extended to May 13, 2018 and has been subsequently extended to November 13, 2019. Amounts outstanding on this line for the year ended June 30, 2017 was \$221,544. That amount was subsequently repaid during the year ended June 30, 2018.

**NOTE 16 – UNSECURED NOTE PAYABLE**

On July 31, 2017, the Foundation obtained an unsecured 130-month note payable from Legacy Bank. The Foundation used the proceeds to repay the line of credit that was outstanding at June 30, 2017 and replenish the cash that had been spent on the Thunder Village I project. The note payable carries interest at a rate of 3.75% required interest only payments through May 2018 and then principal and interest payments of \$12,411.88 starting June 10, 2018 through May 10, 2028. The following is a summary of the principal payments due on this note payable subsequent to June 30, 2018:

| Year Ended June 30, | <u>Amount</u>       |
|---------------------|---------------------|
| 2019                | \$ 58,885           |
| 2020                | 60,921              |
| 2021                | 63,520              |
| 2022                | 65,977              |
| 2023                | 68,530              |
| Thereafter          | <u>2,077,505</u>    |
|                     | <u>\$ 2,395,338</u> |

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**NOTE 17 – ENDOWMENTS**

The Foundation's endowments consist of approximately 100 individual projects established for a variety of purposes. Its endowment consists only of donor-related endowment funds. As required by generally accepted accounting principles in the United States of America (GAAP), net assets associated with the endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Endowment Net Assets</b>                            |                     |                                   |                                   |                      |
| Balance, June 30, 2016                                 | \$ -                | \$ 1,871,272                      | \$ 17,629,893                     | \$ 19,501,165        |
| Net asset reclassification                             | -                   | (187,081)                         | 63,581                            | (123,500)            |
| Investment income –                                    |                     |                                   |                                   |                      |
| Interest and dividend income                           | -                   | 702,926                           | -                                 | 702,926              |
| Realized and unrealized<br>appreciation (depreciation) | -                   | 1,608,936                         | -                                 | 1,608,936            |
| Investment fees  | -                   | (49,756)                          | -                                 | (49,756)             |
| Administrative fees                                    | -                   | (606,800)                         | -                                 | (606,800)            |
| Contributions  | -                   | 24,185                            | 277,538                           | 301,723              |
| Appropriation of endowment assets<br>for expenditure   | <u>-</u>            | <u>(382,398)</u>                  | <u>-</u>                          | <u>(382,398)</u>     |
| Balance, June 30, 2017                                 | \$ -                | \$ 2,981,284                      | \$ 17,971,012                     | \$ 20,952,296        |
| Net asset reclassification                             | -                   | (139,864)                         | 41,139                            | (98,725)             |
| Investment income –                                    |                     |                                   |                                   |                      |
| Interest and dividend income                           | -                   | 1,224,415                         | -                                 | 1,224,415            |
| Realized and unrealized<br>appreciation (depreciation) | -                   | 967,462                           | -                                 | 967,462              |
| Investment fees  | -                   | (58,578)                          | -                                 | (58,578)             |
| Administrative fees                                    | -                   | (708,050)                         | -                                 | (708,050)            |
| Contributions  | -                   | 17,091                            | 166,141                           | 183,232              |
| Appropriation of endowment assets<br>for expenditure   | <u>-</u>            | <u>(487,546)</u>                  | <u>-</u>                          | <u>(487,546)</u>     |
| Balance, June 30, 2018                                 | <u>\$ -</u>         | <u>\$ 3,796,214</u>               | <u>\$ 18,178,292</u>              | <u>\$ 21,974,506</u> |

During calendar year 2008, the State of Colorado enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation

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considers the following factors in deciding 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

The Foundation has established an accounting system whereby the original value of an endowment is recorded in one project and the earnings from the investment of the endowment is recorded in another project. If the terms of the endowment require a portion of the earnings to be reinvested in the corpus, that amount is transferred from the income project to the endowment project on the day income is allocated. The accounting system allows easy identification of endowments that may be underwater, that is distributions and allocations of investment losses may cause the total value to be less than the endowment amount. If this situation occurs, the Foundation will allow no further distributions until the balance in the income account becomes positive. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2018 and 2017.

The Foundation's investment committee, in addition to a professional investment advisor, has addressed the various types of investments to be used for the endowments. The Foundation's investments consist of mutual funds at June 30, 2018 and 2017. The objective of the mutual fund investments is both appreciation and rates of returns (dividend income).

## **NOTE 18 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

### **Fair Value Measurements**

The Foundation is subject to the provisions of FASB ASC 820-10, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 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. Inputs to the valuation methodology include:

- 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 asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3: Prices determined using significant unobservable inputs.

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

The following table presents the Foundation's fair value hierarchy for financial assets measured at fair value on a recurring basis as of June 30, 2018 and 2017:

| <b>June 30, 2018</b>                       | <b>Fair Value</b>           | <b>Quoted<br/>Prices in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|--|-----------------------------|---|--|--|
| Marketable equity securities -             |                             |   |  |  |
| Domestic emphasis                          | \$ 19,883,198               | \$ 19,883,198   | \$ -   | \$ -   |
| International emphasis                     | 5,183,568                   | 5,183,568   | -  | -  |
| Marketable debt securities –               |                             |   |  |  |
| Domestic emphasis                          | 12,767,523                  | 12,767,523  | -  | -  |
| Master limited partnership                 | 352,636                     | 352,636   | -  | -  |
| Beneficial interest in<br>remainder trusts | <u>246,406</u>              | <u>-</u>  | <u>-</u>   | <u>246,406</u>   |
| <b>TOTAL</b>                               | <b><u>\$ 38,433,331</u></b> | <b><u>\$ 38,186,925</u></b>   | <b><u>\$ -</u></b>   | <b><u>\$ 246,406</u></b>                                     |
| <br>                                       |                             |   |  |  |
| <b>June 30, 2017</b>                       |                             |   |  |  |
| Marketable equity securities -             |                             |   |  |  |
| Domestic emphasis                          | \$ 18,380,011               | \$ 18,380,011   | \$ -   | \$ -   |
| International emphasis                     | 4,805,968                   | 4,805,968   | -  | -  |
| Marketable debt securities –               |                             |   |  |  |
| Domestic emphasis                          | 13,030,715                  | 13,030,715  | -  | -  |
| Master limited partnership                 | 422,930                     | 422,930   | -  | -  |
| Beneficial interest in<br>remainder trusts | <u>248,282</u>              | <u>-</u>  | <u>-</u>   | <u>248,282</u>   |
| <b>TOTAL</b>                               | <b><u>\$ 36,887,906</u></b> | <b><u>\$ 36,639,624</u></b>   | <b><u>\$ -</u></b>   | <b><u>\$ 248,282</u></b>                                     |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Beneficial interest in remainder trusts-

|  |                   |
|--|-------------------|
| Balance, June 30, 2016                       | \$ 232,222        |
| Change in value of split-interest agreements | 16,060            |
| Transfers in and/or out of Level 3           | <u>-</u>          |
| Balance, June 30, 2017                       | \$ 248,282        |
| Change in value of split-interest agreements | (1,876)           |
| Transfers in and/or out of Level 3           | <u>-</u>          |
| Balance, June 30, 2018                       | <u>\$ 246,406</u> |

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The changes in value of the split-interest agreements is attributable to the revaluation of the beneficial interest in remainder trusts based on applicable mortality tables and current market conditions.

**NOTE 19 – RELATED PARTIES**

One of the Board of Trustees of the Foundation is the President of Legacy Bank. Many of the Foundation's operating bank accounts are located at Legacy Bank. In addition, the line of credit as described in Note 15 is with Legacy Bank (balance at June 30, 2018 is \$0) and the unsecured note payable as described in Note 16 is with Legacy Bank (balance at June 30, 2018 is \$2,395,338). Interest and fees paid to Legacy Bank during the year ended June 30, 2018 totaled \$73,240.

**NOTE 20 – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through the date of the Independent Auditors' Report, the date that the financial statements are available to be issued.