

THE WESTERN COLORADO COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

June 24, 2014

Board of Trustees
The Western Colorado Community Foundation
Grand Junction, Colorado

I have audited the accompanying statement of financial position of The Western Colorado Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects the financial position of The Western Colorado Community Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Western Colorado Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

Cash and cash equivalents	\$ 1,503,252
Contributions receivable	4,497,929
Interest receivable	10,032
Royalties receivable	123,343
Investments at fair value, Note B	32,787,141
Prepaid expenses	1,522
Mineral rights, net of accumulated depletion, Note C	4,597,724
Property and equipment, Note D	44,131
Total assets	<u>\$ 43,565,074</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 84,980
Agency funds	1,804,085
Total liabilities	<u>1,889,065</u>

NET ASSETS

Unrestricted net assets	
Donor advised	10,415,597
Donor designated	13,226,580
Field of interest	4,975,112
Geographic area	169,977
Scholarship	11,863,934
Discretionary	809,231
Administrative	207,644
	<u>41,668,075</u>

Temporarily restricted net assets	7,934
Total net assets	<u>41,676,009</u>

Total liabilities and net assets \$ 43,565,074

The accompanying notes are an integral part of this statement.

The Western Colorado Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Support			
Total contributions	\$ 7,223,750	\$ -	\$ 7,223,750
Less: amounts received for Agency Funds, Note A	(104,149)	-	(104,149)
Contributions	7,119,601	-	7,119,601
Investment income (net of investment fees of \$159,813)	3,337,211	-	3,337,211
Add: investment income for Agency Funds (net of investment fees of \$10,385), Note A	(200,886)	-	(200,886)
Investment income	3,136,325	-	3,136,325
Royalties, (\$2,002,638 net of depletion of \$1,025,811 taxes, \$95,962 and monitoring \$5,720)	875,145	-	875,145
Other administrative fees and management contracts	3,500	-	3,500
Fair market value adjustment of mineral rights	(1,298,117)	-	(1,298,117)
Loss on write-off of promise to give	(55,557)	-	(55,557)
Net assets released from restrictions due to satisfaction of time and expenditure requirements	71,849	(71,849)	-
Total revenue, gains and support	9,852,746	(71,849)	9,780,897
Expenses			
Grants and scholarships, Note G	1,916,868	-	1,916,868
Less: Agency Funds grants made, Note A	(177,964)	-	(177,964)
Grants expense	1,738,904	-	1,738,904
Program related expenses:			
Grant and scholarship administration expenses	151,282	-	151,282
	1,890,186	-	1,890,186
Supporting services:			
Management and general	279,619	-	279,619
Fundraising	7,520	-	7,520
	287,139	-	287,139
Total expenses	2,177,325	-	2,177,325
Change in net assets	7,675,421	(71,849)	7,603,572
Net assets at beginning of year	33,992,654	79,783	34,072,437
Net assets at end of year	\$ 41,668,075	\$ 7,934	\$ 41,676,009

The accompanying notes are an integral part of this statement.

The Western Colorado Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year ended December 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ 7,548,015
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation of capital assets	5,522
Depletion of mineral rights	1,025,811
Net unrealized losses on investments	1,238,803
Decrease in fair value of mineral interests	1,298,117
Decrease in unconditional promises to give	71,600
Write -off on promise to give	55,557
Decrease in royalties receivable	107,601
Increase in interest and other receivables	(4,378,965)
Increase in prepaid expenses	(1,522)
Decrease in accounts payable and accrued expenses	69,120
	<u>(508,356)</u>
Net cash provided (used) by operating activities	7,039,659
Cash flow from investing activities:	
Net purchase of investments	(7,745,615)
Increases to agency funds	127,071
	<u>127,071</u>
Net cash provided (used) by investing activities	(7,618,544)
Cash flow from capital and related financing activities:	
Purchase of property and equipmen	(47,501)
	<u>(47,501)</u>
Net cash provided (used) by capital and related financing activities	(47,501)
Net increase (decrease) in cash	(626,386)
Cash and cash equivalents at beginning of year, Note I	<u>2,129,638</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,503,252</u></u>
Noncash investing and financing activities	
Contributions of stock	\$ 218,000
Unrealized losses on investments	(1,238,803)
Derease fair value of mineral rights	(1,298,117)
Contributions of space and services	24,521

The accompanying notes are an integral part of this statement.

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

The Western Colorado Community Foundation (the Foundation) was founded in 1996 to promote philanthropy throughout western Colorado. The Foundation's support comes primarily from individual donor contributions and grants.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

2. Basis Accounting and Presentation

Financial statement presentation follows the guidance of The Financial Accounting Standards Board(FASB). Under these standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as unrestricted net assets. The Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings there from. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Foundation's board of trustees, such restrictions or conditions become unnecessary, undesirable, impractical, or inconsistent with the charitable needs of the community. As a result, the financial statements classify all net assets, except unconditional promises to give, as unrestricted. Unconditional promises to give are classified as temporarily restricted net assets as the funds have not yet been received and therefore cannot be used.

Revenues other than those increasing unconditional promises to give are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or by law. Contributions, including unconditional promises to give are recognized as revenues in the period received.

3. Contributions Receivable

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from the Foundation's board of trustees and major donors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. On December 31, 2013 \$301,705 of funds held in bank accounts was not covered by FDIC Insurance.

6. Investments

Investments are composed of equity securities, taxable bonds, and mutual funds invested in debt and equity securities and are carried at fair value or Input Level 1 according to FASB standards.

7. Property and Equipment

It is the Foundation's policy to capitalize property and equipment over \$2,000. Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

8. Donated Services and Facilities

Donated services and facilities are recognized as contributions if the services (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. The value of contributed services and facilities meeting the above requirements for recognition in the financial statements was \$24,521 and \$4,180 respectively, for the year ended December 31, 2013. Contributed services were comprised of legal services and contributed facilities were comprised of the Foundation's office space.

9. Agency Funds

The Foundation follows United States Financial Accounting Standards which specifically require that if a not-for-profit organization established a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds. The Foundation also manages a handful of donor designated funds that, per this definition, are accounted for as agency funds in these financial statements. For financial reporting purposes contributions to agency funds are not reported in the net contributions of the Foundation.

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Other Funds

Unrestricted funds are comprised of the following:

Donor advised funds allow donors to make recommendations on organizations to receive grants each year. Donor designated funds are established by donors who wish to support a favorite specific charitable organization.

Field of interest funds are for a broad area of interests such as children and youth or arts and culture. The Foundation will make grants to organizations making a difference in that area.

Geographic area funds benefit a particular geographic area or community designated by the donor.

Scholarship funds are established to provide funds for students' education.

Discretionary funds enable the Foundation to respond to changing community needs.

Administrative fund provides operating support for the Foundation's general administration.

NOTE B – INVESTMENTS

Investments as of December 31, 2013 are summarized as follows:

	<u>Fair Value</u>
Cash management funds	\$ 398,756
Treasury inflation protected securities	1,299,013
International and taxable bond funds	4,477,124
U.S. and international equities	15,437,279
Small company	5,314,325
Growth real estate	2,275,255
Aggressive international	984,821
Energy and natural resources	1,311,140
Commodities	1,289,428
	<u>\$32,787,141</u>

Investments at year end are value at market prices or Level 1 Inputs.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013:

	<u>Unrestricted</u>
Interest and dividends	\$ 1,103,151
Net realized gains	3,644,213
Change in unrealized losses	(1,238,803)
Less investment fees	<u>(171,123)</u>
Total investment income	<u>\$ 3,337,438</u>

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE C – MINERAL RIGHTS

The Foundation received the gift of an LLC solely holding royalty interest in mineral rights in a gold and silver mine. The gift was recorded at the appraised value on the date of the donation of \$8,667,096. The value of the mineral rights are being depleted based on the amount of ore extracted during the year.

Mineral rights consists of the following:

Original donation	\$ 8,667,096
Fair market value adjustment	(61,468)
Less accumulated depletion	<u>(4,007,904)</u>
	<u>\$ 4,597,724</u>

The fair market value adjustment is based on the increase on the price of gold from 12/31/11 to 12/31/12.

NOTE D– EQUIPMENT

Equipment consists of the following:

Furniture and equipment	\$ 32,062
Leasehold improvements	24,455
Less accumulated depreciation	<u>12,386</u>
	<u>\$ 44,131</u>

NOTE E – MAJOR DONORS

The Foundation received 54% of current year contributions from one donor.

NOTE F – RENTAL EXPENSE

The Foundation recognized \$30,834 of rental expense in 2013.

NOTE G – SUBSEQUENT EVENTS

The Foundation expects to receive substantial gifts from two estates. The final values of the gifts cannot be determined at this time.

Management has evaluated subsequent events thru the date of the audit report.