

THE WESTERN COLORADO COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

April 11, 2016

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, 2015, 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, 2015, 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, 2015

ASSETS	
Cash and cash equivalents	\$ 1,848,950
Contributions receivable	27,972
Interest receivable	685
Royalties receivable	175,662
Certificates of deposits	675,050
Investments at fair value, Note B	42,808,757
Prepaid expenses	9,441
Mineral rights, net of accumulated depletion, Note C	4,168,656
Note receivable	20,000
Land held for sale	10,776
Property and equipment, Note D	20,761
Total assets	<u>\$ 49,766,710</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 21,355
Note payable, Note E	2,000,000
Agency funds	1,036,303
Total liabilities	<u>3,057,658</u>
NET ASSETS	
Unrestricted net assets	
Donor advised	11,006,579
Donor designated	14,447,491
Field of interest	7,841,246
Geographic area	156,146
Scholarship	12,084,478
Discretionary	894,032
Administrative	188,563
	<u>46,618,535</u>
Temporarily restricted net assets	90,517
Total net assets	<u>46,709,052</u>
Total liabilities and net assets	<u>\$ 49,766,710</u>

The accompanying notes are an integral part of this statement.

The Western Colorado Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Support			
Total contributions	\$ 5,912,548	\$ 33,766	\$ 5,946,314
Less: amounts received for Agency Funds, Note A	(8,792)	-	(8,792)
Contributions	5,903,756	33,766	5,937,522
Investment income (net of investment fees of \$113,734)	(1,488,671)	-	(1,488,671)
Add: investment income for Agency Funds (net of investment fees of \$3,248), Note A	38,962	-	38,962
Investment income	(1,449,709)	-	(1,449,709)
Royalties, (\$1,086,086 net of depletion of \$610,162 taxes, \$53,275 and monitoring and appraisal \$15,492)	407,748	-	407,748
Other administrative fees and management contracts	3,500	-	3,500
Fair market value adjustment of mineral rights	901,914	-	901,914
Net assets released from restrictions due to satisfaction of time and expenditure requirements	-	-	-
Total revenue, gains and support	5,767,209	33,766	5,800,975
Expenses			
Grants and scholarships, Note G	2,079,900	-	2,079,900
Less: Agency Funds grants made, Note A	(54,522)	-	(54,522)
Grants expense	2,025,378	-	2,025,378
Program related expenses:			
Grant and scholarship administration expenses	255,570	-	255,570
	2,280,948	-	2,280,948
Supporting services:			
Management and general	302,076	-	302,076
Fundraising	8,607	-	8,607
	310,683	-	310,683
Total expenses	2,591,631	-	2,591,631
Change in net assets	3,175,578	33,766	3,209,344
Net assets at beginning of year	43,442,957	56,751	43,499,708
Net assets at end of year	\$ 46,618,535	\$ 90,517	\$ 46,709,052

The accompanying notes are an integral part of this statement.

The Western Colorado Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year ended December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 3,209,344
Adjustments to reconcile change in net assets to	
net cash provided (used) by operating activities:	
Depreciation of capital assets	12,838
Depletion of mineral rights	610,162
Net unrealized losses on investments	2,784,431
Increase in fair value of mineral interests	(901,914)
Increase in interest receivables	(685)
Increase in royalties receivable	(99,745)
Increase in contributions receivables	(20,672)
Increase in prepaid expenses	(63)
Increase in accounts payable and accrued expenses	3,633
Increase in land held for sale	(10,776)
Increase in note receivable	(20,000)
	<u>2,357,209</u>
Net cash provided (used) by operating activities	5,566,553
Cash flow from investing activities:	
Purchase of investments	(6,581,329)
Purchase of certificates of deposit	(675,050)
Decreases to agency funds	(84,287)
	<u>(7,340,666)</u>
Net cash provided (used) by investing activities	(7,340,666)
Cash flow from capital and related financing activities:	
Assumption of note payable	2,500,000
Payment on note payable	(500,000)
	<u>(500,000)</u>
Net cash provided (used) by capital and related financing activities	2,000,000
Net increase (decrease) in cash	225,887
Cash and cash equivalents at beginning of year, Note I	<u>1,623,063</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,848,950</u></u>
Noncash investing and financing activities	
Contributions of stock	\$ 492,752
Unrealized losses on investments	(2,784,432)
Increase fair value of mineral rights	901,914
Contributions of land	30,776

The accompanying notes are an integral part of this statement.

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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.

The Foundation created WCCF Asset Holding LLC (the LLC) at the end of 2013 as a separate entity to receive and hold donated property and property interests until they can be liquidated and the monies received transferred to the Foundation. The activity of the LLC is consolidated in with the Foundation in these financial statements.

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 therefrom. 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 Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, 2015 \$995,735 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 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 Foundation did not recognize contributed services or facilities for 2015.

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, 2015

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, 2015 are summarized as follows:

	<u>Fair Value</u>
Cash management funds	\$ 4,730,151
Taxable and international bond funds	5,449,562
Treasury inflation protected securities	1,580,493
U.S. and international equities	17,999,837
Small company	6,155,543
Growth real estate	2,795,067
Aggressive international	1,138,864
Energy and natural resources	1,459,145
Commodities	<u>1,500,095</u>
	<u>\$42,808,757</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, 2015:

	<u>Unrestricted</u>
Interest and dividends	\$ 1,427,947
Net realized losses	(14,578)
Change in unrealized losses	(2,784,432)
Less investment fees	<u>(117,608)</u>
Total investment loss	<u>\$ (1,488,671)</u>

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 interest was reappraised January 2015. The mineral interest is recorded at the estimated fair market value of the remaining mineral rights. The estimated mineral rights are being depleted based on the amount of ore extracted each year.

Mineral rights consists of the following:

Original donation 2010	\$ 8,667,096
Appraisal adjustment 2015	1,264,952
Fair market value adjustment	(501,549)
Less accumulated depletion	<u>(5,261,843)</u>
	<u>\$ 4,168,656</u>

The fair market value adjustment is based on the change in the price of gold each year. The Fair Value Measurement Level for this asset is Level 3.

NOTE D– EQUIPMENT

Equipment consists of the following:

Furniture and equipment	\$ 28,044
Leasehold improvements	24,455
Less accumulated depreciation	<u>(31,738)</u>
	<u>\$ 20,761</u>

NOTE E – NOTE PAYABLE

On December 21, 2015 the Foundation assumed a note payable of \$2,500,000 with 5.5% interest per annum on the unpaid balance in an effort to avoid having to receive a distribution of Sub S stock from an estate for which the Foundation was sole beneficiary, and which would result in significant income tax liabilities. The end result of a complex series of transactions proposed by the other shareholder in the property was that an apartment complex owned by the estate and the other shareholder was sold, the estate closed and the proceeds were distributed to the Foundation who then assumed a 5-year Note Payable in the amount of \$2,500,000 to the other shareholder, \$500,000 of which was paid on 12/31/15 and another \$500,000 was paid in January 2016. Annual principal payments on the note are \$500,000. This transaction was approved by the Executive Committee of the Foundation and ratified by the full Board.

The annual aggregate maturities for the years subsequent to December 31, 2015 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 500,000	\$	\$ 500,000
2017	500,000	82,500	582,500
2018	500,000	55,000	555,000
2019	<u>500,000</u>	<u>27,500</u>	<u>527,500</u>
	<u>\$ 2,000,000</u>	<u>\$ 165,000</u>	<u>\$ 2,165,000</u>

The Western Colorado Community Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F – WCCF ASSET HOLDING LLC

In 2015, donations to the LLC, comprised of a 25% interest in 2 properties, including royalty interests, in Las Animas County, Colorado, and a 5-year, \$20,000 Note Receivable, with a stated interest rate of 2% per year, were booked to this separate entity. The Note, with all interest due, was paid in full in January, 2016 to the LLC.

NOTE G – MAJOR DONORS

The Foundation received 53% of current year contributions from two donors/estates.

NOTE H – RENTAL EXPENSE

The Foundation recognized \$37,516 of rental expense in 2015.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include \$83,189 for the Child Hunger Initiative, \$6,889 for Outreach and \$443 for Training.

NOTE J – SUBSEQUENT EVENTS

The Foundation expects to receive a substantial estate gift mid-year in 2016. The final value of the gift cannot be determined at this time.

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