Consolidated Financial Statements
December 31, 2018

Western Colorado Community Foundation

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Western Colorado Community Foundation (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (financial statements).

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Colorado Community Foundation as of December 31, 2018 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.

Adjustments to Prior Period Financial Statements
The consolidated financial statements of Western Colorado Community Foundation as of and for the year ended December 31, 2017, were audited by other auditors, whose report dated April 20, 2019, expressed an unmodified opinion on those statements. As discussed in Note 8 to the consolidated financial statements, certain errors resulting in understatement of amounts previously reported for the fair market value of mineral royalty interest as of December 31, 2017, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for beginning net assets as of December 31, 2017 have been restated to correct this error. Our opinion is not modified with respect to this matter.

Emphasis of Matter
As discussed in Note 1 to the financial statements, Western Colorado adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entitie*s. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Denver, Colorado
May 22, 2019

Assets	
Cash and cash equivalents	$ 2,514,021
Accounts receivable	217,554
Prepaid expenses and other assets	34,463
Investments	59,037,472
Mineral royalty interest	6,877,745
Beneficial interests in charitable trusts held by others	2,924,777
Funds held as agency endowments	2,905,169
Total assets	$ 74,511,201
Liabilities and Net Assets	
Accounts payable and accrued expenses	$ 156,628
Short term notes payable	500,000
Funds held as agency endowments	2,905,169
Total liabilities	3,561,797
Net Assets	
Without donor restrictions	
Donor advised	21,484,200
Donor designated	20,781,585
Field of interest	11,147,611
Geographic area	342,896
Scholarship	12,742,627
Discretionary	1,235,374
Administrative	190,991
	67,925,284
With donor restrictions	3,024,120
Total net assets	70,949,404
Total liabilities and net assets	$ 74,511,201

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	$ 3,883,698	$ 101,690	$ 3,985,388
Net investment loss	(5,324,253)	-	(5,324,253)
Interest and other income	24,420	-	24,420
Change in value of mineral rights	(408,697)	-	(408,697)
Change in value of split-interest agreements	-	(135,636)	(135,636)
Net assets released from restrictions	325,528	(325,528)	-
Total revenue, support, and gains	(1,499,304)	(359,474)	(1,858,778)
Expenses			
Grants and scholarship expenditures	3,825,914	-	3,825,914
Supporting services			
Management and general	410,734	-	410,734
Fundraising	15,573	-	15,573
Total supporting services	426,307	-	426,307
Total expenses	4,252,221	-	4,252,221
Change in Net Assets	(5,751,525)	(359,474)	(6,110,999)
Net Assets, Beginning of Year (Restated)	73,676,809	3,383,594	77,060,403
Net Assets, End of Year	$ 67,925,284	$ 3,024,120	$ 70,949,404

	Grants and Scholarship Program	Management and General	Fundraising	Total
Grants and other assistance	$ 3,390,981	$ -	$ -	$ 3,390,981
Salaries, wages, taxes, and benefits	310,102	248,081	5,638	563,821
Other	44,491	40,501	5,409	90,401
Information technology	21,360	18,484	1,232	41,076
Occupancy	21,289	18,428	1,228	40,945
Professional services	10,502	21,088	606	32,196
Interest	-	27,530	-	27,530
Meetings and travel	11,026	10,465	528	22,019
Office expenses	9,535	8,284	550	18,369
Advertising and promotion	6,628	5,736	382	12,746
Insurance	-	8,343	-	8,343
Depreciation	-	3,794	-	3,794
Total expenses by function	$ 3,825,914	$ 410,734	$ 15,573	$ 4,252,221

Cash Flows from Operating Activities	
Contributions received	$ 3,985,388
Interest and dividends received	2,161,094
Royalties received from interest in mineral rights	1,639,060
Distributions from beneficial interests in charitable trusts held by others	187,270
Other cash receipts	24,420
Grants and scholarships paid	(3,390,981)
Payments for salaries, benefits and payroll taxes	(563,821)
Payments to vendors	(290,635)
Interest paid	(27,530)
Net Cash from Operating Activities	3,724,265
Cash Flows from Investing Activities	
Purchases of investments	(4,597,124)
Proceeds from sale of investments	1,415,221
Net Cash used for Investing Activities	(3,181,903)
Cash Flows from Financing Activities	
Payments made on notes payable	(500,000)
Net Cash used for Financing Activities	(500,000)
Net Change in Cash and Cash Equivalents	42,362
Cash and Cash Equivalents, Beginning of Year	2,471,659
Cash and Cash Equivalents, End of Year	$ 2,514,021

Note 1 - Principal Activity and Significant Accounting Policies

Organization

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

Principles of Consolidation

The accompanying consolidated financial statements of Western Colorado Community Foundation include the accounts of Waldeck, LLC, and WCCF Asset Holding, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Foundation," "we," "us," and "our."

Adoption of FASB Accounting Standards Update 2016-14

As of January 1, 2018, we adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the accompanying consolidated financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by the ASU.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts Receivable

Accounts receivable arise from royalty payments due from our mineral royalty interest and distributions due from our beneficial interests in charitable trusts held by others. Such amounts are reported at the net amount we expect to collect, including any accrued interest. We determine the allowance for uncollectable notes receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2018, no allowance was recorded as we believe all receivables to be fully collectible.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. We are assisted by an investment advisor in the management of our investment assets and they operate within defined investment objectives and policies established by our Board of Directors.

Mineral Royalty Interest

During 2010, we received a gift of an LLC entity that holds a royalty interest in mineral rights in a gold and silver mine. The ownership interest was recorded as a contribution at the appraised value on the date of donation, without donor restrictions, in the consolidated statement of activities and the mineral royalty interest was recorded in the consolidated statement of financial position. We have elected to report the mineral royalty interest at fair value in the consolidated statement of financial position, with changes in fair value recognized in the consolidated statement of activities.

Beneficial Interests in Charitable Trusts Held by Others

We have been named as an irrevocable beneficiary of multiple charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we have neither possession nor control over the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statement of financial position, with changes in fair value recognized in the consolidated statement of activities. Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, net assets with donor restrictions are released to net assets without donor restrictions.

Funds Held as Agency Endowments

We follow accounting standards for transactions in which a community foundation accepts a contribution from a donor nonprofit organization and, in certain circumstances, allows the transfer of those assets, the return on investment of those assets, or both, back to the donor nonprofit organization as a reciprocal transfer between us and the donor organization. Accordingly, we must account for the contribution of such assets as a liability in the accompanying consolidated statement of financial position.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use for general purposes. Our governing documents and gift agreements give the Board of Directors variance power to modify donor instructions. As a result, most contributions are classified as without donor restrictions in the statement of activities.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2018, we had no net assets with donor-imposed restrictions of a perpetual nature.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. We initially record unconditional promises to give, and subsequently carry them, at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants and Grant Commitments

We recognize grants paid out as expenses at the time recipients are entitled to receive them. Generally, this occurs when the Board of Directors approves a specific grant or when management, pursuant to grant authorization policies established by the Board of Directors, determines that a grant payment should be made. Grants approved but not disbursed are recorded as grants payable in the consolidated statement of financial position. Grants payable at December 31, 2018 totaled $0. Grants approved but contingent upon fulfillment of certain specified conditions are not recorded until such time as the conditions are substantially met. A conditional grant of $25,000 was outstanding at December 31, 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, wages, benefits, taxes, professional services, office expenses, information technology, and other, which are allocated on the basis of time and effort.

Income Taxes

We are organized as a Colorado nonprofit corporation and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). We qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been determined not to be a private foundation under Section 509(a)(1). Our ownership in two LLC entities, treated as disregarded entities for tax purposes, is incorporated into our tax filings. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

Credit risk associated with accounts receivable is considered to be limited due to the high historical collection rate of royalty payments and distributions from beneficial interests in charitable trusts held by others.

We utilize the services of an investment manager whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that our investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

We have evaluated subsequent events through May 22, 2019, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets are considered to be available for general expenditure if there are no donor or other restrictions that would preclude expenditure outright, or in satisfaction of any purpose restrictions. At December 31, 2018, financial assets available for general expenditure within one year are comprised of the following:

Cash and cash equivalents	$ 2,514,021
Accounts receivable	217,554
Estimated distributions from beneficial interests in charitable trusts held by others	221,511
Estimated royalty payments from interest in mineral rights	1,060,000
Investments	58,938,129
	$ 62,951,215

As a community foundation, we hold variance power over the majority of funds received and invested in our portfolio. With variance power, these funds are available for expenditure at any time and thus are included in the table above. However, it is our expectation that the deployment of these funds will occur over a much longer period of time to meet the needs of our community and this expectation is present in the underlying investment horizon of our portfolio, which anticipates an annual spending rate of approximately 4.5% of a twenty-quarter rolling average.

Certain charitable trust arrangements have inherent time restrictions due to the nature and terms of the agreements, and expenditures from those trusts may be made only when distributions become available for our use.

Throughout the year, donor-recommended grants that have been approved in accordance with our review and approval policies are paid out bi-weekly from cash or other liquid sources. Non-grant expenditures include administrative, donor development, and fundraising expenses; these expenditures are funded by administrative fees assessed on invested account balances.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, certificates of deposit and money market funds.

Note 3 - Fair Value Measurements

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

Our investment portfolio assets, both operating and those held for agency endowments, are classified within Level 1 because they are comprised of equity securities and open-end mutual funds with readily determinable fair values based on daily closing market prices or redemption values.

We have elected to use the fair value option to value our mineral royalty interest, and the interest is valued utilizing the industry standard valuation technique of discounted cash flow modeling. The significant unobservable inputs used include anticipated production rates of the minerals, open market commodity pricing and an estimated discount rate. These are considered to be Level 3 measurements.

The fair value of beneficial interests in charitable trusts held by others is determined using present value techniques, the fair values of trust investments as reported by the trustees, and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets. The significant unobservable inputs used include cost of capital and industry risk premiums. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at December 31, 2018:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment portfolio				
Cash and money market funds	$ 1,935,064	$ -	$ -	$ -
Mutual funds				
Taxable bond funds	5,299,023	5,299,023	-	-
Treasury inflation protected securities	2,613,562	2,613,562	-	-
U.S. and international equities	30,727,042	30,727,042	-	-
Small company	8,962,257	8,962,257	-	-
Growth real estate	4,314,888	4,314,888	-	-
Aggressive international	3,627,247	3,627,247	-	-
Energy and natural resources	4,463,558	4,463,558	-	-
	61,942,641	$ 60,007,577	$ -	$ -
Funds held as agency endowments	2,905,169			
Operating investments	$ 59,037,472			
Mineral Royalty Interest	$ 6,877,745	$ -	$ -	$ 6,877,745
Beneficial interests in charitable trusts held by others	$ 2,924,777	$ -	$ -	$ 2,924,777

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2018:

	Fair Value Measurements at Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests in Charitable Trusts	Mineral Royalty Interest
Beginning Balance	$ 3,310,105	$ 8,918,618
Net realized and unrealized (loss)	(135,636)	(408,697)
Distributions	(249,692)	(1,632,176)
Ending Balance	$ 2,924,777	$ 6,877,745

Note 4 - Net Investment Loss

Net investment loss consisted of the following for the year ended December 31, 2018:

Interest and dividends	$ 2,577,266
Net realized and unrealized loss	(7,755,559)
Less investment management and custodial fees	(145,960)
	$ (5,324,253)

Note 5 - Note Payable

We have a promissory note, payable in annual installments of $500,000, with a maturity date of January 4, 2019. The note bears interest at a rate of 5.5% per annum and is due annually with each principal payment. At December 31, 2018, principal of $500,000 was outstanding on the note and, subsequent to year end, the principal balance was paid in full.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018:

Subject to expenditure for specified purpose:	
Hunger projects	$ 65,040
Scholarship projects	34,303
Subject to the passage of time:	
Beneficial interests in charitable trusts	2,924,777
	$ 3,024,120

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during the year ended December 31, 2018:

Satisfaction of purpose restrictions	
Hunger projects	$ 38,906
Scholarship projects	36,930
Expiration of time restrictions	
Beneficial interests in charitable trusts	249,692
	$ 325,528

Note 7 - Related Party Transactions

Our Conflict of Interest policy requires the Board of Directors to review, at least annually, all related party transactions and potential conflicts of interest.

During the year ended December 31, 2018 members of our Board of Directors contributed a total of $248,916 to our organization and grants disbursed to organizations for which our board members are affiliated totaled $462,981.

Note 8 - Correction of Error

During 2018, an error was discovered by management with respect to the fair value of mineral royalty interest reported as of December 31, 2017. The fair value as of December 31, 2017 should have been reported as $8,918,617 for an increase in value of $5,554,950. Accordingly, beginning net assets without donor restrictions have been restated in the accompanying 2018 consolidated financial statements.

As reported in the accompanying statement of activities, the effect on our net assets as of January 1, 2018 is as follows:

	As Previously Reported	Adjustment	As Restated
Net Assets, Beginning of Year :			
Without donor restriction	$ 68,121,859	$ 5,554,950	$ 73,676,809
With donor restriction	3,383,594	-	3,383,594
Totals	$ 71,505,453	$ 5,554,950	$ 77,060,403