

**WESTERN COLORADO UNIVERSITY FOUNDATION**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2023 AND 2022**

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*Tax/Consulting/Audit*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Western Colorado University Foundation  
Gunnison, Colorado

### **Opinion**

We have audited the accompanying financial statements of Western Colorado University Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Colorado University Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Colorado University Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Colorado University Foundation's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Western Colorado University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Colorado University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*McPherson, Goodrich, Paolucci & Micheliak, PC*

August 18, 2023

**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 267,697	\$ 1,182,064
Accounts receivable	122,826	14,348
Promises to give, net	2,956,511	1,923,102
Marketable securities	30,026,272	25,915,766
Derivative investments	3,862,425	2,322,675
Other assets	1,362,925	492,021
Property and equipment, net	<u>957,796</u>	<u>987,651</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 39,556,452</u></b>	<b><u>\$ 32,837,627</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 184,985	\$ 256,393
Accrued compensated absences and additional compensation	-	25,849
Liabilities under charitable gift annuities	<u>518,251</u>	<u>184,246</u>
<b>TOTAL LIABILITIES</b>	<u>703,236</u>	<u>466,488</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	<u>(199,275)</u>	<u>(1,093,557)</u>
With donor restrictions		
Perpetual in nature	8,835,417	9,445,021
Purpose restrictions	27,260,563	22,519,758
Time-restricted for future period	2,956,511	1,923,102
Underwater endowments - net	<u>-</u>	<u>(423,185)</u>
	39,052,491	33,464,696
<b>TOTAL NET ASSETS</b>	<u>38,853,216</u>	<u>32,371,139</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 39,556,452</u></b>	<b><u>\$ 32,837,627</u></b>

The accompanying notes are an integral part of these statements.

**WESTERN COLORADO UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contribution of cash and other financial assets	\$ 191,458	\$ 5,445,278	\$ 5,636,736
Fundraising revenue	29,068	132,894	161,962
Contribution of nonfinancial assets	513,010	891,449	1,404,459
Net investment return	697,250	3,539,473	4,236,723
Service agreement income - Western Colorado University	270,000	-	270,000
Royalties	-	45,152	45,152
Reclassification of net assets	(425,103)	425,103	-
Net assets released from restrictions	<u>4,891,554</u>	<u>(4,891,554)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>6,167,237</u>	<u>5,587,795</u>	<u>11,755,032</u>
<b>EXPENSES</b>			
Program expenses	4,235,033	-	4,235,033
Management and general	424,137	-	424,137
Fundraising	<u>613,785</u>	<u>-</u>	<u>613,785</u>
<b>TOTAL EXPENSES</b>	<u>5,272,955</u>	<u>-</u>	<u>5,272,955</u>
<b>CHANGES IN NET ASSETS</b>	894,282	5,587,795	6,482,077
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>(1,093,557)</u>	<u>33,464,696</u>	<u>32,371,139</u>
<b>NET ASSETS - ENDING OF YEAR</b>	<u>\$ (199,275)</u>	<u>\$39,052,491</u>	<u>\$ 38,853,216</u>

The accompanying notes are an integral part of these statements.

**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	Program Expenses	Management and General	Fundraising	Total
Personnel costs	\$ 869,072	\$ 283,501	\$ 209,291	\$ 1,361,864
Scholarships	1,256,561	-	-	1,256,561
In-kind expenses	891,449	14,000	-	905,449
Supplies and equipment	415,222	-	-	415,222
Travel	395,143	-	-	395,143
Direct cost of fundraising	-	-	175,164	175,164
Official functions	116,975	-	-	116,975
Dues, registrations, memberships	116,151	135	-	116,286
Capital equipment and software	44,221	33,858	25,542	103,621
Bad debt expense	-	-	77,839	77,839
Professional fees	43,692	19,451	-	63,143
Prizes	-	-	60,588	60,588
Other fundraising expenses	-	-	50,348	50,348
Annuity disbursements	47,743	-	-	47,743
Depreciation expense	-	27,797	-	27,797
Insurance	3,043	16,981	-	20,024
Advertising	16,900	-	-	16,900
Board of directors' expenses	-	14,958	-	14,958
Administrative fees	8,334	4,105	-	12,439
Publication costs	-	-	11,725	11,725
Miscellaneous	8,364	1,306	-	9,670
Office supplies	-	8,045	-	8,045
Director's expense	-	-	2,857	2,857
Property taxes	2,163	-	-	2,163
Capital campaign	-	-	431	431
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL</b>	<b><u>\$ 4,235,033</u></b>	<b><u>\$ 424,137</u></b>	<b><u>\$ 613,785</u></b>	<b><u>\$ 5,272,955</u></b>

The accompanying notes are an integral part of these statements.

**WESTERN COLORADO UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contribution of cash and other financial assets	\$ 250,043	\$ 4,345,444	\$ 4,595,487
Fundraising revenue	-	131,874	131,874
Contribution of nonfinancial assets	-	661,366	661,366
Net investment return	(64,117)	(1,989,618)	(2,053,735)
Service agreement income - Western Colorado University	270,000	-	270,000
Royalties	-	43,425	43,425
Gain on sale of donated assets	2,350	-	2,350
Reclassification of net assets	82,587	(82,587)	-
Net assets released from restrictions	<u>4,611,085</u>	<u>(4,611,085)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>5,151,948</u>	<u>(1,501,181)</u>	<u>3,650,767</u>
<b>EXPENSES</b>			
Program expenses	4,098,608	-	4,098,608
Management and general	376,721	-	376,721
Fundraising	<u>590,091</u>	<u>-</u>	<u>590,091</u>
<b>TOTAL EXPENSES</b>	<u>5,065,420</u>	<u>-</u>	<u>5,065,420</u>
<b>CHANGES IN NET ASSETS</b>	86,528	(1,501,181)	(1,414,653)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>(1,180,085)</u>	<u>34,965,877</u>	<u>33,785,792</u>
<b>NET ASSETS - ENDING OF YEAR</b>	<u><b>\$ (1,093,557)</b></u>	<u><b>\$33,464,696</b></u>	<u><b>\$ 32,371,139</b></u>

The accompanying notes are an integral part of these statements.



**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	Program Expenses	Management and General	Fundraising	Total
Personnel costs	\$ 961,210	\$ 268,410	\$ 327,731	\$ 1,557,351
Scholarships	1,176,909	-	-	1,176,909
In-kind expenses	661,366	-	-	661,366
Supplies and equipment	312,242	-	-	312,242
Travel	260,043	-	-	260,043
Coldharbour project	152,303	-	-	152,303
Dues, registrations, memberships, subscriptions	127,555	100	-	127,655
Biology research	123,996	-	-	123,996
Honorariums	111,228	-	-	111,228
Official functions	108,612	-	-	108,612
Direct cost of fundraising	-	-	89,092	89,092
Capital equipment and software	46,237	23,133	17,451	86,821
Bad debt expense	-	-	82,588	82,588
Other fundraising expenses	-	-	61,558	61,558
Depreciation expense	-	29,201	-	29,201
Professional fees	12,180	16,000	-	28,180
Annuity disbursements	27,865	-	-	27,865
Insurance	2,793	15,678	-	18,471
Administrative fees	10,790	5,320	-	16,110
Publication costs	-	-	8,394	8,394
Board of directors' expenses	-	7,187	-	7,187
Office supplies	-	6,689	-	6,689
Miscellaneous	1,217	2,596	-	3,813
Director's expense	-	-	2,920	2,920
Postage	-	2,407	-	2,407
Property taxes	1,611	-	-	1,611
Advertising	451	-	-	451
Capital campaign	-	-	357	357
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 4,098,608</u>	<u>\$ 376,721</u>	<u>\$ 590,091</u>	<u>\$ 5,065,420</u>

The accompanying notes are an integral part of these statements.

**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 6,482,077	\$ (1,414,653)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	27,797	29,201
Bad debt expense (recovery)	77,839	82,588
Collections of contributions restricted to endowments	(35,000)	(66,139)
Net realized and unrealized (gains) and losses on investments	(3,191,597)	2,067,292
Net realized and unrealized (gains) and losses on derivatives	(689,750)	333,125
Realized (gain) loss on sale/disposal of assets	2,058	(2,350)
(Increase) decrease in value of life insurance policy	(28,633)	76,461
Capitalized contribution of non-financial asset	(842,271)	-
Net change in split interest liabilities	334,005	864
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	(108,478)	15,103
(Increase) decrease in promises to give	(1,111,248)	(400,808)
(Decrease) increase in accounts payable	(71,408)	236,381
(Decrease) increase in accrued liabilities	(25,849)	(18,609)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>819,542</u>	<u>938,456</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of operating investments	(8,653,964)	(7,416,589)
Purchase of derivatives	(1,250,000)	-
Proceeds from sales and maturities of marketable investments	7,735,055	6,891,219
Proceeds from sale of derivatives	400,000	87,000
Proceeds from sale of donated assets	-	8,350
Purchase of buildings, improvements and equipment	-	(2,400)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<u>(1,768,909)</u>	<u>(432,420)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions restricted to endowments	35,000	66,139
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>35,000</u>	<u>66,139</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(914,367)</b>	<b>572,175</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,182,064</u>	<u>609,889</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 267,697</b></u>	<u><b>\$ 1,182,064</b></u>

The accompanying notes are an integral part of these statements.

**WESTERN COLORADO UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

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

Nature of Activities

The Western Colorado University Foundation (the Foundation) (formerly Western State Colorado University Foundation – name change formally adopted in June 2019), a nonprofit organization, was incorporated on August 22, 1975 under the laws of the State of Colorado. The Foundation was established to promote and account for contributions from the general public for the benefit of the Western Colorado University. 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 Colorado and from alumni of Western Colorado University.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and those differences could be material.

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.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program services and or fundraising activities that have occurred and donors have participated in, but payment has not been received by the date of the financial statements. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2023 and 2022 all amounts were deemed collectible.

Promises to Give

We record unconditional promises to give that are expected to be collected within one year at a net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded 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. In subsequent years, amortization of the discounts is included in contribution revenue in the Statements of Activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

Promises to give are written off when deemed uncollectible. At June 30, 2023 and 2022, the allowance was \$181,430 and \$108,091 respectively.

Property and Equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of the donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 45 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

Assets Held and Liabilities Under Split-Interest Agreements

Under charitable gift annuity contracts, we receive immediate title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of the receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using net present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of the contributed assets over the annuity liability is recorded as a contribution. It is recorded as restricted if directed by the donor. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount rates and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as revenue.

Investments/Marketable Securities/Derivatives

We record investment and derivative purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments and derivatives are reported at their fair values in the Statement of Financial Position. Net investment return/(loss) is reported in the Statement of Activities and consisted of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

Investment Income (Loss) Allocation

We pool investments and derivatives of the various net asset accounts. The income from such investments and derivatives, including gains and losses, are allocated to the participating net asset accounts.

The distributable income (loss) is allocated to all endowment and quasi-endowment funds on a quarterly basis in 2022 and a semi-annual basis in 2023.

Accrued Compensated Absences and Additional Compensation

The accrued compensated absences are calculated using the employee's current rate of pay times the number of hours of vacation available to be taken as of June 30 of each year. Effective July 1, 2023, the Foundation employees became Western Colorado University employees. Due to this change, a whole new set of employee benefits will be used by the Foundation employees. The accrued compensated absences were paid out on June 30, 2023. Therefore, no amounts were accrued for June 30, 2023.

Net Assets

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from assets without donor restrictions, net assets for subsequent year's expenses.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. 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.

Retirement Plan

The Foundation has a 403(b) plan (the Plan) covering all employees working at least 20 hours per week. Covered employees are fully vested after two years of service. The Foundation matches from 7% to 10% (based on years of experience) of each participant's compensation which they have elected to defer into the Plan each year. Total expense for the years ended June 30, 2023 and 2022 was \$34,229 and \$40,201, respectively. Due to the employees becoming University employees, this plan was frozen effective June 30, 2023. Those assets will be distributed to the respective employees during the next year by the Plan Administrator.

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

**WESTERN COLORADO UNIVERSITY FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

The salaries, payroll taxes and fringe benefits of the Foundation employees are allocated to the appropriate function based on what duties the employee performs.

Administrative Fee

The Foundation charges a 2% annual administrative fee to all endowment and quasi-endowment funds. The administrative fee is calculated quarterly 2022 and semi-annually in 2023 when the investment income is allocated. The administrative fee is used to allow the Foundation to carry out its operations.

Income Taxes

The Foundation is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(a) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Taxes (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have filed the appropriate forms which reported a loss, and therefore no tax was due. 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.

Change in Accounting Principle

On September 17, 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The update addresses the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. We have implemented ASU 2020-07 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. A key change required by ASU 2020-07 is the presentation of contributed non-financial assets recognized within the Statement of Activities disclosure about qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period, a description of any donor-imposed restrictions (if any), a description of the valuation techniques and inputs used to arrive at a fair value measure, and the principal market used to arrive at a fair value measure.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances at financial institutions in excess of federally insured limits. We maintain cash balances at financial institutions located in Western Colorado. Accounts are insured by the FDIC up to \$250,000. At June 30, 2023, \$12,417 was not insured nor was it collateralized in any other manner.

Reclassifications

Certain amounts from the fiscal year ending 2022 financial statements have been reclassified to meet the format of financial statements for the fiscal year ending 2023. There was no effect on net assets due to these reclassifications.

**WESTERN COLORADO UNIVERSITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

Evaluation of Subsequent Events

We have evaluated subsequent events through the date of the independent auditors' report, the date that the financial statements are available to be issued, and have considered any relevant matters in the preparation of the financial statements and footnotes.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 267,697
Accounts receivable	122,826
Unconditional promises to give	777,677
Investments/marketable securities/derivatives	<u>33,888,697</u>
Total financial assets	35,056,897
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Net assets with donor restrictions	<u>(34,520,000)</u>
Financial assets and liquidity resources available within one year	<u>\$ 536,897</u>

The Foundation's goal is to maintain financial assets to meet one year of general operating expenses. The Foundation has \$28,270,081 in net assets restricted for particular purposes. As requests for those expenses are made, the Foundation can liquidate investments/marketable securities as deemed necessary.

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and are not available for general expenditure.

For the year ended June 30, 2023, we received \$270,000 from Western Colorado University that was spent on operations. The University will continue to support the Foundation based on the mutually agreed upon budget and the Foundation can expect a similar amount of funding going forward.

The Foundation assesses a 2% management fee on all quasi-endowments and endowments.

As part of our liquidity management plan, we invest cash in excess of needed requirements in short-term investments.

**NOTE 3 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	2023	2022
Locke Accounting Scholarship	\$ 1,115,000	\$ -
School of Business Career Advancement	800,135	800,135
Mountaineer Bowl Events Center	703,109	550,000
Restricted for scholarships or other particular purposes	1,010,355	811,675
Less: Allowance for uncollectible unconditional promises to give	<u>(181,430)</u>	<u>(108,091)</u>
Gross unconditional promises to give	3,447,169	2,053,719
Less: unamortized discount	<u>(490,658)</u>	<u>(130,617)</u>
Net unconditional promises to give	<u>\$ 2,956,511</u>	<u>\$ 1,923,102</u>

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Amounts due in:

Less than one year	\$ 777,677	\$ 596,948
One to five years	1,576,085	1,060,075
More than five years	<u>602,749</u>	<u>266,079</u>
<b>TOTAL</b>	<b><u>\$ 2,956,511</u></b>	<b><u>\$ 1,923,102</u></b>

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 5% to the remaining amount at June 30, 2023 and 2022.

Unamortized discount was arrived at by discounting amounts to be received in the future by the weighted average rate of borrowing of 6.95% for 2023 pledges, 3.5% for 2022 pledges and 2% for the balance of the pledges.

**NOTE 4 – INVESTMENTS (INCLUDING DERIVATIVES) – NET INVESTMENT RETURN**

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

	<u>2023</u>		<u>2022</u>	
	Cost	Carrying Value	Cost	Carrying Value
Mutual funds, stocks, bonds, etc.	<u>\$ 25,882,382</u>	<u>\$ 33,888,697</u>	<u>\$ 23,791,790</u>	<u>\$ 28,238,441</u>

The following schedule summarizes the net investment return and its classification in the Statement of Activities for the years ended June 30, 2023 and 2022:

	<u>2023</u>			<u>2022</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and Interest income	\$ 77,622	\$ 394,030	\$ 471,652	\$ 14,571	\$ 452,145	\$ 466,716
Realized gains (losses)	52,940	268,743	321,683	37,231	1,155,314	1,192,545
Unrealized gains (losses)	585,824	2,973,840	3,559,664	(112,171)	(3,480,791)	(3,592,962)
Investment expenses	<u>(19,136)</u>	<u>(97,140)</u>	<u>(116,276)</u>	<u>(3,748)</u>	<u>(116,286)</u>	<u>(120,034)</u>
Total investment income (loss)	<u>\$ 697,250</u>	<u>\$ 3,539,473</u>	<u>\$ 4,236,723</u>	<u>\$ (64,117)</u>	<u>\$ (1,989,618)</u>	<u>\$ (2,053,735)</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 813,225	\$ 813,225
Aspinall-Wilson Center facility	1,108,583	1,108,583
Less accumulated depreciation	(967,000)	(939,950)
Equipment / furniture	106,713	109,113
Less accumulated depreciation	<u>(103,725)</u>	<u>(103,320)</u>
Net property and equipment	<u>\$ 957,796</u>	<u>\$ 987,651</u>



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**NOTE 6 - OTHER ASSETS**

At June 30, 2023 and 2022, other assets consist of the following:

	<b>2023</b>	<b>2022</b>
Residence and real estate, Hawaii	\$ 842,271	\$ -
Life insurance policy	369,278	340,645
Art	128,376	128,376
Property	20,000	20,000
Lithographs	<u>3,000</u>	<u>3,000</u>
<b>TOTAL</b>	<b><u>\$ 1,362,925</u></b>	<b><u>\$ 492,021</u></b>

**NOTE 7 - 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 their initial restriction. The Foundation will reclassify the amounts involved to the new classification. These reclassifications have no effect on the overall financial position.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

	<b>2023</b>	<b>2022</b>
Subject to expenditure for specified purpose or time:		
Academic support (counseling, student services, library, athletics, etc.)	\$ 7,305,309	\$ 4,646,758
Instructional support	4,075,905	3,814,076
Research	2,025,889	1,865,094
Scholarships	13,853,460	12,193,830
Promises to give, the proceeds from which have been restricted by donors for		
Academic support (counseling, student services, library, athletics, etc.)	<u>2,956,511</u>	<u>1,923,102</u>
	<u>30,217,074</u>	<u>24,442,860</u>
Endowments		
Subject to the Foundation endowment spending policy and appropriation		
Academic support	1,288,679	1,324,452
Instructional support	3,153,101	3,239,746
Scholarships	4,719,836	4,470,823
Split-interest agreements	268,926	410,000
Underwater endowments	<u>(595,125)</u>	<u>(423,185)</u>
<b>Total Endowments</b>	<b><u>8,835,417</u></b>	<b><u>9,021,836</u></b>
<b>Total</b>	<b><u>\$39,052,491</u></b>	<b><u>\$33,464,696</u></b>

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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 for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Satisfaction of purpose restrictions		
Academic support (counseling, student services, library, athletics, etc.)	\$ 2,500,937	\$ 2,083,125
Administrative fee expense	508,309	605,977
Fundraising	248,917	158,014
Instructional support	347,500	463,064
Research	93,786	123,996
Scholarships	<u>1,192,105</u>	<u>1,176,909</u>
Total net assets with restrictions released	<u>\$ 4,891,554</u>	<u>\$ 4,611,085</u>

**NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS DEFICIT**

The Board of Directors of the Foundation, working with the management and Board of Trustees of Western Colorado University, have made decisions over the last years to assist the University with projects. A deficit in net assets without donor restrictions exists because certain projects were completed without being fully funded. Part of the shortage in funding was due to unfulfilled pledges, payments for principal and interest on loans used to complete building construction, and campaigns that didn't meet the full project commitments. Some of those projects are: Borick Business building construction, University Center construction, and the ENV5 Center remodel. The Foundation does have promises to give and other conditional gifts to be received based on future events that will cover a portion of those shortfalls. The Board of directors are diligently working on various plans to reduce the deficit over the next few years. Those plans reduced the deficit by \$500,000 during the year ended June 30, 2023 and \$560,750 during the year ended June 30, 2022.

**NOTE 10 – CHARITABLE GIFT ANNUITIES PAYABLE**

The Foundation is a party to nine charitable gift annuity agreements. The payments on these agreements vary from \$165 per quarter to \$4,913 per month. The interest rate used for calculation purposes vary from 5.3% to 9%. The life expectancies of the parties involved range from 3.7 years to 18.0 years. Below is a summary of the amounts due under these agreements subsequent to June 30, 2023:

June 30, 2024	\$ 52,804
June 30, 2025	56,615
June 30, 2026	60,702
June 30, 2027	64,629
June 30, 2028	68,811
Thereafter	<u>214,690</u>
Total	<u>\$ 518,251</u>

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**NOTE 11 – CONDITIONAL PROMISES TO GIVE**

The Foundation has been named as the beneficiary of various trusts and life insurance policies. In accordance with accounting principles generally accepted in the United States, 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>2023</b>	<b>2022</b>
Will designation (estimated amounts), restricted for		
Western Colorado University Savage Library	\$ 1,000,000	\$ 1,000,000
Art Chair	1,000,000	1,000,000
History	1,000,000	1,000,000
Art Museum	1,000,000	1,000,000
Business	1,000,000	1,000,000
Scholarships	3,096,993	3,104,404
ENVS	2,400,000	2,400,000
Other	3,545,585	3,214,841

**NOTE 12 – ENDOWMENT**

At June 30, 2023, our endowment consists of approximately 90 individual funds established by donors to provide annual funding for a variety of purposes. During the year ended June 30, 2023, the Foundation implemented new software. At that time, all agreements were reviewed again for proper placement. Approximately 15 funds were moved from endowments to quasi-endowments at that time. During the year ended June 30, 2022, 1 donor agreed to move their fund from endowments to quasi-endowments, thereby eliminating the need to track the corpus of that fund. The quasi-endowment funds will fluctuate with actual earnings, additional contributions, and expenses. Those funds will not be included in the endowments. At June 30, 2023 and 2022 our endowment is made up of projects with donor restrictions.

Our Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gifts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of applicable gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors considers the following factors in making a decision to appropriate or accumulate donor-restricted endowment funds:

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

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The Foundation has established an accounting system whereby the original value of an endowment is recorded as book value and that value plus the earnings from the investment of the endowment less appropriations made in accordance with the spending policy of the Board is accounted for as market value. The accounting system allows easy identification of donor-restricted endowment projects that may have fair values less than the amount to be maintained as stipulated by donors or law (underwater endowments).

Funds with Deficiencies

Due to past stock market fluctuations and continued funding to the University, the fair value of assets associated with individual donor-restricted endowment funds has fallen below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The continued appropriations for certain programs that were deemed prudent by the Board of Directors and in accordance with UPMIFA, may cause deficiencies. At June 30, 2023, the net deficit in the endowments had been eliminated. However, there are 26 funds that are underwater with a deficit of \$595,125. At June 30, 2022, there were approximately 50 funds underwater with that deficit totaling \$959,287. The net deficit for the endowment funds was \$423,185 at June 30, 2022. The Board and management will continue to work with those funds to get them back in a positive position.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for the projects while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target rate of return is 6 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

According to the spending policy, the Foundation is not obligated to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distance programmatic priorities, the Board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

70% of the inflation rate (three-year trailing average), plus

30% of the endowment's investment returns (three-year trailing average).

This rate shall be applied to the market value of the endowed account (three-year trailing average) not including gifts made in the current fiscal year (to allow these gifts to accrue earning). The corridor (or parameters) of the distribution from year to year will be between 3.5% and 6.5%, with the caveat that the Foundation Board's distribution committee may, with all available information, have the discretion to adjust slightly the distribution rate for a given year depending on short/long term needs of the University and the anticipated near-term trends in anticipated inflation and investment returns consistent with the Foundation's Investment/Distribution Goal Statement. The only exception to this policy shall be for endowment distributions tied directly to a faculty member's salary, such as an endowed chair. In this case, every effort will be made to maintain these distributions at 5%. The spending allocation rate was 3.5% for funds above water and 3% for those underwater for the years ended June 30, 2023 and 2022, respectively, for endowed funds supporting scholarships and programs and 5% for endowed funds associated with salaries as mentioned above.

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The total endowment spending allocation distributed for the years ended June 30, 2023 and 2022 was \$558,333 and \$436,361 respectively.

The Foundation's return objective is to preserve and, if possible, enhance the purchasing power of its endowment, net of cost and board-approved withdrawals, over the long-term. The Foundation stands prepared to incur risks consistent with its pursuit of the return set forth above. The endowment investment pool should be deployed monthly in common stocks, exchange traded funds that invest in common stocks, and bonds. Investments in a single issuer, with the exception of the U.S. Government and its agencies (including GNMA, FNMA, and FHLMC), may not exceed 5% of the total market value of the endowment funds. No more than 5% of the total endowment assets may be rated below investment grade. Venture capital, private equity partnerships, or other illiquid investments are limited to 15% of total endowment assets.

Below is a summary of the activity in our endowment accounts:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets</b>			
Balance, June 30, 2021	\$ -	\$ 10,191,734	\$ 10,191,734
Investment income –			
Interest and dividend income	-	141,618	141,618
Realized and unrealized appreciation (depreciation)	-	(811,704)	(811,704)
Investment fees	-	(41,560)	(41,560)
Administrative fees	-	(189,555)	(189,555)
Contributions	-	66,139	66,139
Appropriation of endowment assets for expenditure	-	(246,806)	(246,806)
Change in designation by donor To quasi-endowment	-	(88,030)	(88,030)
Balance, June 30, 2022	-	9,021,836	9,021,836
Investment income –			
Interest and dividend income	-	142,568	142,568
Realized and unrealized appreciation (depreciation)	-	1,173,236	1,173,236
Investment fees	-	(35,151)	(35,151)
Administrative fees	-	(191,205)	(191,205)
Contributions	-	99,686	99,686
Appropriation of endowment assets for expenditure	-	(367,128)	(367,128)
Change in classification of project / transfer	-	(1,008,425)	(1,008,425)
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 8,835,417</u>	<u>\$ 8,835,417</u>

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 and derivatives at June 30, 2023 and 2022. The objective of the mutual fund investments is both appreciation and rates of returns (dividend income).

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**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Fair Value Measurements**

The Foundation reports certain assets at fair value in the 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 the current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumption 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 the reporting entity's 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 that we can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted process for similar assets in active markets, quoted process for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of the 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 entire measurement requires judgement, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of the investment assets are classified within Level 1 because they comprise open-end mutual funds and other investments with readily determinable fair values based on daily redemption values.

As a way to try to increase value and return, the Foundation has purchased derivatives. These investments are determined to be a level 2 asset as they are not sold in active markets. However, they use inputs from assets and or items that are associated with active markets so that the investment advisor does have access to values at the measurement date.

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, 2023 and 2022:

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<b>June 30, 2023</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash and cash equivalents	\$ 986,474	\$ 986,474	\$ -	\$ -
Marketable equity securities -				
Domestic emphasis	20,818,729	20,818,729	-	-
International emphasis	1,864,911	1,864,911	-	-
Fixed income -				
Bonds	4,062,245	-	4,062,245	-
Certificates of deposit	98,556	-	98,556	-
Derivatives	3,862,425	-	3,862,425	-
Real estate REITS	<u>2,195,357</u>	<u>2,195,357</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 33,888,697</u></b>	<b><u>\$ 25,865,471</u></b>	<b><u>\$ 8,023,226</u></b>	<b><u>\$ -</u></b>
<b>June 30, 2022</b>				
Cash and cash equivalents	\$ 1,116,222	\$ 1,116,222	\$ -	\$ -
Marketable equity securities -				
Domestic emphasis	19,114,374	19,114,374	-	-
International emphasis	2,018,911	2,018,911	-	-
Fixed income -				
Bonds	976,435	-	976,435	-
Certificates of deposit	1,780,377	-	1,780,377	-
Derivatives	2,322,675	-	2,322,675	-
Real estate REITS	<u>909,447</u>	<u>909,447</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 28,238,441</u></b>	<b><u>\$ 23,158,954</u></b>	<b><u>\$ 5,079,487</u></b>	<b><u>\$ -</u></b>

**NOTE 14 – MAJOR DONORS**

During the year ended June 30, 2022, the Foundation had one donor provide more than 10% of contributions and fundraising revenues.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

From time-to-time issues arise with the ongoing operations of any entity. At this time, we are unaware of any commitments or contingencies that would be deemed material to the financial statements.

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**NOTE 16 – CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	<b>2023</b>	<b>2022</b>
Geology Software – Halliburton Energy Advancement, Inc.	\$ 531,675	\$ 531,675
Residence in Hawaii	499,010	-
Salaries, medical equipment and supplies for athletics	189,126	-
Apparel, equipment, gear, books, etc.	58,883	25,852
Catering, food services, meals, beverages	45,555	39,280
Venue usage	21,500	6,000
Lodging and rooms	15,880	24,029
IT and maintenance services	14,000	-
Advertising	11,921	10,706
Tickets to events	8,704	7,896
Printing services	5,538	6,198
Office supplies and furniture	2,667	5,143
Music instruments	-	4,000
Auto and related services	-	587
	<u>\$ 1,404,459</u>	<u>\$ 661,366</u>

Western Colorado University Foundation recognized the above contributed nonfinancial assets within revenue in the Statement of Activities. Unless otherwise noted, all contributed nonfinancial assets did have donor-imposed restrictions for the particular program or purpose that it was used for.

The residence in Hawaii that was donated to the Foundation with the donor having a life estate and using it as collateral for a split-interest agreement. It is recorded at the net present value of the life estate less the value of the split-interest liability on the date of donation and the current year principal paid on the split interest agreement. At the right time, it will be sold and the proceeds are unrestricted.

The geology software is used by Western Colorado University in support of their geology program.

The salaries, medical equipment, supplies, apparel, equipment, gear, books, catering, food services, meals, beverages, venue usage, lodging and rooms, advertising, tickets to events, printing services, office supplies and furniture, and auto and related services were used by Western Colorado University in their athletic programs and their fundraising activities and by the Western Music Partners in their programs and fundraising activities. They were valued based on information provided by the entities providing the nonfinancial assets.

IT and maintenance services were used by the Foundation in their day-to-day activities.

The music instruments were used by Western Colorado University in their music program. It was valued based on an estimate by the donor.