

COMMUNITY FOUNDATION SERVING SOUTHWEST COLORADO

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

May 5, 2016

Board of Directors
Community Foundation Serving Southwest Colorado

We have audited the accompanying financial statements of Community Foundation Serving Southwest Colorado (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 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 Community Foundation Serving Southwest Colorado as of December 31, 2015 and 2014, 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.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of unrestricted revenues and expenses, the schedule of restricted and agency revenues and expenses, and the schedule of general fund administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Beckstead & Co., LLC

Community Foundation Serving Southwest Colorado
 STATEMENTS OF FINANCIAL POSITION
 December 31,

	2015	2014
Assets		
Cash and equivalents	\$ 776,807	\$ 454,129
Investments	3,150,751	3,303,671
Total Assets	\$ 3,927,558	\$ 3,757,800
Liabilities		
Agency funds	\$ 996,941	\$ 1,033,877
Grant disbursements payable	25,000	-
Total Liabilities	1,021,941	1,033,877
Net Assets		
Temporarily restricted	299,239	351,308
Unrestricted	2,606,378	2,372,615
Total Net Assets	2,905,617	2,723,923
Total Liabilities and Net Assets	\$ 3,927,558	\$ 3,757,800

The accompanying notes are an integral part of these financial statements.

Community Foundation Serving Southwest Colorado
STATEMENTS OF ACTIVITIES
Year ended December 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Gains and Losses						
Gifts, grants, and contributions	\$ 950,920	\$ 207,563	\$ 1,158,483	\$ 755,592	\$ 318,593	\$ 1,074,185
Events income, net of expenses of of \$25,003 (2015) and \$5,708 (2014)	11,001	-	11,001	26,219	-	26,219
Registration fees	-	-	-	-	41,376	41,376
Investment income (loss)						
Interest and dividends	115,405	5,220	120,625	63,463	1,777	65,240
Realized and unrealized gains (losses)	(199,599)	(12,641)	(212,240)	155,174	4,211	159,385
In-kind donations	7,747	-	7,747	4,605	-	4,605
Administration income	98,323	-	98,323	86,381	-	86,381
Other income	-	340	340	384	-	384
Net assets released from restrictions	252,551	(252,551)	-	450,160	(450,160)	-
Total Revenues and Gains and Losses	1,236,348	(52,069)	1,184,279	1,541,978	(84,203)	1,457,775
Expenses						
Grants	596,582	-	596,582	1,063,802	-	1,063,802
Program funding	207,006	-	207,006	353,518	-	353,518
Scholarships	4,000	-	4,000	3,578	-	3,578
Administrative	194,997	-	194,997	200,762	-	200,762
Total Expenses	1,002,585	-	1,002,585	1,621,660	-	1,621,660
Change in Net Assets	233,763	(52,069)	181,694	(79,682)	(84,203)	(163,885)
Net assets at beginning of year as previously reported	2,372,615	351,308	2,723,923	2,457,349	430,434	2,887,783
Prior period adjustment	-	-	-	(5,052)	5,077	25
Net assets at beginning of year, restated	2,372,615	351,308	2,723,923	2,452,297	435,511	2,887,808
Net assets at end of year	\$ 2,606,378	\$ 299,239	\$ 2,905,617	\$ 2,372,615	\$ 351,308	\$ 2,723,923

The accompanying notes are an integral part of these financial statements.

Community Foundation Serving Southwest Colorado
 STATEMENTS OF CASH FLOWS
 Year ended December 31,

	2015	2014
Cash Flows From Operating Activities		
Contributions received	\$ 1,158,483	1,074,185
Administrative fees received	98,323	86,381
Registration fees received	-	41,376
Events proceeds	11,001	26,219
Other receipts	340	384
Grants, program funding, and scholarships disbursed	(782,588)	(1,420,898)
Payments to suppliers and employees	(187,250)	(196,157)
Net Cash Provided (Used) by Operating Activities	298,309	(388,510)
Cash Flows From Investing Activities		
Purchase of investments	(251,528)	(359,014)
Redemption of investments	282,987	472,974
Agency contributions received net of agency program and administrative payment	(7,090)	162,424
Net Cash Provided (Used) by Investing Activities	24,369	276,384
Net Increase (Decrease) in Cash	322,678	(112,126)
Cash and equivalents at beginning of year	454,129	566,255
Cash and equivalents at end of year	\$ 776,807	\$ 454,129
Change in net assets	\$ 181,694	(163,885)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in market value of investments	212,240	(159,385)
Interest and dividends reinvested	(120,625)	(65,240)
Change in grant disbursements payable	25,000	-
Net Cash Provided by Operating Activities	\$ 298,309	\$ (388,510)
Noncash Investing Activities:		
Change in market value of investments	\$ (212,240)	\$ 159,385
Interest and dividends reinvested	120,625	65,240

The accompanying notes are an integral part of these financial statements.

Community Foundation Serving Southwest Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Community Foundation Serving Southwest Colorado (the Foundation) was founded in 1998 to promote philanthropy throughout southwestern 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.

Basis of Accounting

Financial statement presentation follows the guidance of the Financial Accounting Standards Board, ASC 958-205. 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 Foundation's unrestricted assets consist of general funds, donor advised funds, designated funds, and field of interest funds. The Foundation receives advice from individual donors regarding the timing and eventual recipients of donor advised funds; however, the Foundation retains final decision making authority over these funds. Unrestricted designated funds and field of interest funds are targeted for certain areas of philanthropic aid. The Foundation retains final decision making authority over these funds as well. Accordingly, these funds are recorded as unrestricted support when received.

The Foundation's temporarily restricted assets consist of designated funds, scholarship funds, and fiscal sponsorship funds that are limited as to use for certain causes, scholarships for individuals attending specific institutions, or fiscal sponsorship of certain organizations. Based on the nature of the underlying donor agreements, these donations are reported as temporarily restricted support when received. As the funds are spent for the intended purposes, the restrictions are released.

The Foundation also receives and holds funds for charitable organizations or programs to aid those organizations with investment management and or administrative support. Receipts and disbursements related to these funds are excluded from revenues and expenses of the Foundation. A liability is reported for these funds held for others and is included in the Statement of Position caption "Agency Funds."

Income Taxes

Community Foundation Serving Southwest Colorado is a not-for-profit, charitable organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization adopted newly effective accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Organization continues to qualify to be treated as a tax-

Community Foundation Serving Southwest Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. When the Organization has unrelated business taxable income, the federal Exempt Organization Business Income Tax Returns (Form 990T) would be subject to examination by the Internal Revenue Service for three years after they are filed. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Based on the results of management's evaluation, these requirements did not have a material effect on the Organization's financial statements. Consequently, no liability is recognized in the accompanying balance sheet for uncertain tax positions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from the estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity date of 3 months or less to be cash equivalents.

Investments

Investments are comprised of common stocks and mutual funds invested in debt and equity securities. They are carried at fair value as determined by quoted prices available in active markets for identical investments as of the reporting date.

Advertising Costs

Advertising costs are expensed as incurred.

Community Foundation Serving Southwest Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by providers with those skills, and would otherwise be purchased by the Foundation. The value of contributed services meeting these requirements is as follows:

	<u>2015</u>	<u>2014</u>
Accounting services	\$ 3,267	\$ 2,316
Professional development	539	1,300
Luncheon and events	<u>3,941</u>	<u>989</u>
	<u>\$ 7,747</u>	<u>\$ 4,605</u>

INVESTMENTS

Investments, stated at quoted market prices, are summarized as follows:

	<u>2015</u>	<u>2014</u>
Mutual Funds and Trusts		
Dodge and Cox Stock Fund	\$ 1,954,724	\$ 2,122,381
Dodge and Cox Balanced Fund	683,278	665,406
Dodge and Cox Income Fund	407,198	454,411
Dodge and Cox International Stock Fund	38,548	39,840
The Income Fund of America	26,328	21,633
Certificates of deposit	19,946	-
Corporate notes maturing in 2020	19,454	-
Other	<u>1,275</u>	<u>-</u>
	<u>\$ 3,150,751</u>	<u>\$ 3,303,671</u>

Community Foundation Serving Southwest Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized below:

	<u>2015</u>	<u>2014</u>
Fiscal Sponsorships		
CHAC	\$ 47,920	\$ 98,967
Women's Health Coalition	18,610	7,567
Bear Smart	11,674	18,068
Livestrong	1,405	837
Durango Friends of the Arts	-	6,622
Other fiscal sponsorships	2,013	5,382
Scholarship Funds		
La Plata Rotary	175,388	172,226
Other	3,790	3,940
Philanthropy Days	24,968	32,677
Holding Account	<u>13,471</u>	<u>5,022</u>
	<u>\$ 299,239</u>	<u>\$ 351,308</u>

DEPOSITS IN EXCESS OF INSURANCE LIMITS

At December 31, 2015 the Foundation's bank balances exceeded FDIC insurance limits by \$485,832.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 5, 2016, the date the financial statements were available to be issued.

PRIOR PERIOD ADJUSTMENTS

During the year, management determined that certain funds required reclassification at December 31, 2013. A reclassification in the amount of \$5,052 was made from unrestricted net assets to temporarily restricted net assets and \$25 was reclassified from organization agency funds to temporarily restricted net assets.

SUPPLEMENTAL INFORMATION

Community Foundation Serving Southwest Colorado
SUPPLEMENTAL SCHEDULE OF UNRESTRICTED REVENUES AND EXPENSES
Year ended December 31,

	2015				2014			
	Unrestricted				Unrestricted			
	General Fund	Donor Advised Funds	Designated Funds	Total Unrestricted	General Fund	Donor Advised Funds	Designated Funds	Total Unrestricted
Revenues and Gains and Losses								
Gifts, grants, and contributions	\$ 56,390	\$ 893,359	\$ 1,171	\$ 950,920	\$ 22,264	\$ 725,759	\$ 7,569	\$ 755,592
Events income	11,001	-	-	11,001	26,219	-	-	26,219
Investment income (loss)								
Interest and dividends	8,013	106,440	952	115,405	5,509	56,619	1,335	63,463
Realized and unrealized gains (losses)	(12,514)	(185,948)	(1,137)	(199,599)	7,365	147,452	357	155,174
In-kind donations	7,747	-	-	7,747	4,605	-	-	4,605
Administration income	98,323	-	-	98,323	86,381	-	-	86,381
Other income	-	-	-	-	384	-	-	384
	<u>168,960</u>	<u>813,851</u>	<u>986</u>	<u>983,797</u>	<u>152,727</u>	<u>929,830</u>	<u>9,261</u>	<u>1,091,818</u>
Expenses								
Grants	6,230	562,634	1,718	570,582	8,172	986,446	9,034	1,003,652
Administrative	139,171	39,402	879	179,452	124,080	42,883	885	167,848
	<u>145,401</u>	<u>602,036</u>	<u>2,597</u>	<u>750,034</u>	<u>132,252</u>	<u>1,029,329</u>	<u>9,919</u>	<u>1,171,500</u>
	<u>\$ 23,559</u>	<u>\$ 211,815</u>	<u>\$ (1,611)</u>	233,763	<u>\$ 20,475</u>	<u>\$ (99,499)</u>	<u>\$ (658)</u>	(79,682)
Net assets at beginning of year as previously reported				2,372,615				2,457,349
Prior period adjustment				-				(5,052)
Net assets at beginning of year, restated				<u>2,372,615</u>				<u>2,452,297</u>
Net assets at end of year				<u>\$ 2,606,378</u>				<u>\$ 2,372,615</u>

Community Foundation Serving Southwest Colorado
SUPPLEMENTAL SCHEDULE OF RESTRICTED AND AGENCY REVENUES AND EXPENSES
Year ended December 31,

	2015						Organization Agency Funds
	Temporarily Restricted						
	Designated Funds	Scholarship Funds	Fiscal Sponsorship Funds	Field of Interest Funds	Other Temporarily Restricted	Total Temporarily Restricted	
Revenues and Gains and Losses							
Gifts, grants, and contributions	\$ 18,309	\$ 4,050	\$ 146,571	\$ 14,440	\$ 24,193	\$ 207,563	58,928
Registration fees	-	-	-	-	-	-	-
Investment income (loss)							
Interest and dividends	5,210	-	10	-	-	5,220	49,209
Realized and unrealized gains (losses)	(12,641)	-	-	-	-	(12,641)	(79,055)
Other income	-	-	340	-	-	340	-
	<u>10,878</u>	<u>4,050</u>	<u>146,921</u>	<u>14,440</u>	<u>24,193</u>	<u>200,482</u>	<u>29,082</u>
Expenses							
Grants	13,000	-	-	13,000	-	26,000	-
Program funding	600	-	192,213	-	14,193	207,006	51,915
Scholarships	-	4,000	-	-	-	4,000	-
Administrative	1,825	200	11,093	872	1,555	15,545	14,103
	<u>15,425</u>	<u>4,200</u>	<u>203,306</u>	<u>13,872</u>	<u>15,748</u>	<u>252,551</u>	<u>66,018</u>
	<u>\$ (4,547)</u>	<u>\$ (150)</u>	<u>\$ (56,385)</u>	<u>\$ 568</u>	<u>\$ 8,445</u>	<u>(52,069)</u>	<u>(36,936)</u>
Net assets at beginning of year as previously reported						351,308	1,033,877
Prior period adjustment						-	-
Net assets at beginning of year, restated						<u>351,308</u>	<u>1,033,877</u>
Net assets at end of year						<u>\$ 299,239</u>	<u>\$ 996,941</u>

Community Foundation Serving Southwest Colorado
SUPPLEMENTAL SCHEDULE OF RESTRICTED AND AGENCY REVENUES AND EXPENSES
Year ended December 31,

	2014						Organization Agency Funds
	Temporarily Restricted						
	Designated Funds	Scholarship Funds	Fiscal Sponsorship Funds	Field of Interest Funds	Other Temporarily Restricted	Total Temporarily Restricted	
Revenues and Gains and Losses							
Gifts, grants, and contributions	\$ 58,082	\$ 2,268	\$ 238,657	\$ 11,100	\$ 8,486	\$ 318,593	196,047
Registration fees	41,376	-	-	-	-	41,376	-
Investment income (loss)							
Interest and dividends	1,647	2	128	-	-	1,777	30,506
Realized and unrealized gains (losses)	4,211	-	-	-	-	4,211	39,043
Other income	-	-	-	-	-	-	-
	<u>105,316</u>	<u>2,270</u>	<u>238,785</u>	<u>11,100</u>	<u>8,486</u>	<u>365,957</u>	<u>265,596</u>
Expenses							
Grants	31,650	-	-	28,500	-	60,150	-
Program funding	77,147	-	267,756	-	8,615	353,518	21,100
Scholarships	-	3,578	-	-	-	3,578	-
Administrative	16,021	250	15,245	1,398	-	32,914	12,652
	<u>124,818</u>	<u>3,828</u>	<u>283,001</u>	<u>29,898</u>	<u>8,615</u>	<u>450,160</u>	<u>33,752</u>
	<u>\$ (19,502)</u>	<u>\$ (1,558)</u>	<u>\$ (44,216)</u>	<u>\$ (18,798)</u>	<u>\$ (129)</u>	<u>(84,203)</u>	<u>231,844</u>
Net assets at beginning of year as previously reported						430,434	802,058
Prior period adjustment						5,077	(25)
Net assets at beginning of year, restated						<u>435,511</u>	<u>802,033</u>
Net assets at end of year						<u>\$ 351,308</u>	<u>\$ 1,033,877</u>

Community Foundation Serving Southwest Colorado
SCHEDULE OF GENERAL FUND CHANGE IN NET ASSETS
Year ended December 31,

	2015	2014
General Fund Revenues, Gains, and Losses		
Contributions	\$ 56,390	\$ 22,264
Investment income (loss)		
Interest and dividends	8,013	5,509
Realized and unrealized gains (losses)	(12,514)	7,365
In-kind donations	7,747	4,605
Administration income	98,323	86,381
Events income	11,001	26,219
Other income	-	384
Total General Fund Revenues, Gains, and Losses	168,960	152,727
General Fund Administrative Expenses		
Payroll and related expenses	94,138	79,978
Accounting and audit	10,200	10,000
Donated services	7,748	3,322
Rent	7,250	7,200
Other	5,297	12,249
Advertising	4,330	3,721
Supplies	2,604	1,838
Insurance	2,532	1,829
Telephone	2,157	1,678
Dues and subscriptions	1,640	854
Postage	1,275	1,411
Total General Fund Administrative Expenses	139,171	124,080
General Fund Grants Expenses	6,230	8,172
Total General Fund Expenses	145,401	132,252
General Fund Change in Net Assets	\$ 23,559	\$ 20,475