

COMMUNITY FOUNDATION SERVING SOUTHWEST COLORADO

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

May 2, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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 change in net assets 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,

	2017	2016
Assets		
Cash and equivalents	\$ 731,939	\$ 607,448
Investments	4,357,873	3,798,163
Credit card deposit	713	-
	Total Assets	\$ 4,405,611
	\$ 5,090,525	\$ 4,405,611
Liabilities		
Agency funds	\$ 1,363,147	\$ 1,238,919
	Total Liabilities	1,238,919
	1,363,147	1,238,919
Net Assets		
Temporarily restricted	617,195	363,832
Unrestricted		
Donor advised	2,747,032	2,469,769
Designated	36,714	31,462
Discretionary	326,437	301,629
	Total Unrestricted Net Assets	2,802,860
	3,110,183	2,802,860
	Total Net Assets	3,166,692
	3,727,378	3,166,692
	Total Liabilities and Net Assets	\$ 4,405,611
	\$ 5,090,525	\$ 4,405,611

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

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

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Gains and Losses						
Gifts, grants, and contributions	\$ 1,082,070	\$ 509,447	\$ 1,591,517	\$ 1,053,324	\$ 246,959	\$ 1,300,283
Events income, net of expenses of of \$45,035 (2017) and \$24,567 (2016)	53,127	-	53,127	28,529	8,220	36,749
Investment income (loss)						
Interest and dividends	176,965	10,245	187,210	144,281	7,749	152,030
Realized and unrealized gains (losses)	212,387	15,989	228,376	253,466	11,872	265,338
In-kind donations	7,425	-	7,425	5,736	-	5,736
Administration income	130,349	-	130,349	104,943	-	104,943
Other income	-	-	-	-	590	590
Net assets released from restrictions	282,318	(282,318)	-	201,337	(201,337)	-
Total Revenues and Gains and Losses	1,944,641	253,363	2,198,004	1,791,616	74,053	1,865,669
Expenses						
Grants	1,102,584	-	1,102,584	1,195,576	-	1,195,576
Program funding	233,372	-	233,372	153,563	-	153,563
Scholarships	2,000	-	2,000	2,000	-	2,000
Administrative	299,362	-	299,362	253,455	-	253,455
Total Expenses	1,637,318	-	1,637,318	1,604,594	-	1,604,594
Change in Net Assets	307,323	253,363	560,686	187,022	74,053	261,075
Net assets at beginning of year	2,802,860	363,832	3,166,692	2,606,378	299,239	2,905,617
Prior period adjustment	-	-	-	9,460	(9,460)	-
Net assets at beginning of year, restated	2,802,860	363,832	3,166,692	2,615,838	289,779	2,905,617
Net assets at end of year	\$ 3,110,183	\$ 617,195	\$ 3,727,378	\$ 2,802,860	\$ 363,832	\$ 3,166,692

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

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

	2017	2016
Cash Flows From Operating Activities		
Contributions received	\$ 1,591,517	1,300,283
Administrative fees received	130,349	104,943
Events proceeds	53,127	36,749
Other receipts	-	590
Grants, program funding, and scholarships disbursed	(1,338,669)	(1,376,139)
Payments to suppliers and employees	(291,937)	(247,719)
Net Cash Provided (Used) by Operating Activities	144,387	(181,293)
Cash Flows From Investing Activities		
Purchase of investments	(220,098)	(154,158)
Redemption of investments	236,509	93,816
Agency contributions received net of agency program and administrative payments	(36,307)	72,276
Net Cash Provided (Used) by Investing Activities	(19,896)	11,934
Net Increase (Decrease) in Cash	124,491	(169,359)
Cash and equivalents at beginning of year	607,448	776,807
Cash and equivalents at end of year	\$ 731,939	\$ 607,448
Change in net assets	\$ 560,686	261,075
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in market value of investments	(228,376)	(265,338)
Interest and dividends reinvested	(187,210)	(152,030)
Change in credit card deposit	(713)	-
Change in grant disbursements payable	-	(25,000)
Net Cash Provided by Operating Activities	\$ 144,387	\$ (181,293)
Noncash Investing Activities:		
Change in market value of investments	\$ 228,376	\$ 265,338
Interest and dividends reinvested	187,210	152,030

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

Community Foundation Serving Southwest Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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>2017</u>	<u>2016</u>
Luncheon and events	\$ 4,000	\$ 4,000
Food and beverage	2,500	-
Accounting services	580	1,391
Advertising	345	345
	<u>\$ 7,425</u>	<u>\$ 5,736</u>

INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Dodge and Cox Stock Fund	\$ 2,553,126	\$ 2,313,893
Dodge and Cox Balanced Fund	1,199,501	956,564
Dodge and Cox Income Fund	413,630	415,757
Dodge and Cox International Stock Fund	76,712	41,644
The Income Fund of America	31,906	28,609
Certificates of deposit	19,008	20,050
Corporate notes maturing in 2020 and 2021	61,267	19,586
Other	2,723	2,060
	<u>\$ 4,357,873</u>	<u>\$ 3,798,163</u>

Community Foundation Serving Southwest Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized below:

	<u>2017</u>	<u>2016</u>
Fiscal Sponsorships		
CHAC	\$ 85,030	\$ 83,164
Health Coalition of SW Colorado	69,772	13,963
Café au Play	69,375	-
Pine River Shares	50,949	-
Bear Smart	43,070	8,352
Philanthropy Days	20,362	21,722
New Face Productions	15,300	-
Daybreak Solar	13,589	10,284
A Mile in My Shoes	2,964	3,469
Other fiscal sponsorships	773	967
Scholarship Funds		
La Plata Rotary	237,770	215,671
Durango Area Realtors	8,241	6,240
	<u>\$ 617,195</u>	<u>\$ 363,832</u>

DEPOSITS IN EXCESS OF INSURANCE LIMITS

At December 31, 2017 the Foundation's bank balances exceeded FDIC insurance limits by \$322,674.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 2, 2018, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

	2017				2016			
	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	\$ 106,289	\$ 969,781	\$ 6,000	\$ 1,082,070	\$ 85,602	\$ 963,222	\$ 4,500	\$ 1,053,324
Events income	53,127	-	-	53,127	28,529	-	-	28,529
Investment income (loss)								
Interest and dividends	16,024	159,996	945	176,965	10,408	132,880	993	144,281
Realized and unrealized gains (losses)	6,413	205,564	410	212,387	14,906	237,845	715	253,466
In-kind donations	7,425	-	-	7,425	5,736	-	-	5,736
Administration income	130,349	-	-	130,349	104,943	-	-	104,943
Other income	-	-	-	-	-	-	-	-
	<u>319,627</u>	<u>1,335,341</u>	<u>7,355</u>	<u>1,662,323</u>	<u>250,124</u>	<u>1,333,947</u>	<u>6,208</u>	<u>1,590,279</u>
Expenses								
Grants	73,210	1,018,960	1,414	1,093,584	45,500	1,130,069	4,682	1,180,251
Administrative	211,222	49,505	689	261,416	176,005	46,357	644	223,006
	<u>284,432</u>	<u>1,068,465</u>	<u>2,103</u>	<u>1,355,000</u>	<u>221,505</u>	<u>1,176,426</u>	<u>5,326</u>	<u>1,403,257</u>
	35,195	266,876	5,252	307,323	28,619	157,521	882	187,022
Transfers	(10,387)	10,387	-	-	-	-	-	-
Net assets at beginning of year	301,629	2,469,769	31,462	2,802,860	263,550	2,312,248	30,580	2,606,378
Prior period adjustment	-	-	-	-	9,460	-	-	9,460
Net assets at beginning of year, restated	<u>301,629</u>	<u>2,469,769</u>	<u>31,462</u>	<u>2,802,860</u>	<u>273,010</u>	<u>2,312,248</u>	<u>30,580</u>	<u>2,615,838</u>
Net assets at end of year	<u>\$ 326,437</u>	<u>\$ 2,747,032</u>	<u>\$ 36,714</u>	<u>\$ 3,110,183</u>	<u>\$ 301,629</u>	<u>\$ 2,469,769</u>	<u>\$ 31,462</u>	<u>\$ 2,802,860</u>

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

	2017						Organization Agency Funds
	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	\$ 7,420	\$ 4,200	\$ 497,827	\$ -	\$ -	\$ 509,447	58,530
Events income	-	-	-	-	-	-	-
Investment income (loss)							
Interest and dividends	10,225	1	19	-	-	10,245	94,109
Realized and unrealized gains (losses)	15,989	-	-	-	-	15,989	66,426
Other income	-	-	-	-	-	-	-
	<u>33,634</u>	<u>4,201</u>	<u>497,846</u>	<u>-</u>	<u>-</u>	<u>535,681</u>	<u>219,065</u>
Expenses							
Grants	9,000	-	-	-	-	9,000	-
Program funding	-	-	233,372	-	-	233,372	79,051
Scholarships	-	2,000	-	-	-	2,000	-
Administrative	2,534	200	35,212	-	-	37,946	15,786
	<u>11,534</u>	<u>2,200</u>	<u>268,584</u>	<u>-</u>	<u>-</u>	<u>282,318</u>	<u>94,837</u>
	<u>\$ 22,100</u>	<u>\$ 2,001</u>	<u>\$ 229,262</u>	<u>\$ -</u>	<u>\$ -</u>	253,363	124,228
Net assets at beginning of year						<u>363,832</u>	<u>1,238,919</u>
Net assets at end of year						<u>\$ 617,195</u>	<u>\$ 1,363,147</u>

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

	2016						Organization Agency Funds
	Designated Funds	Scholarship Funds	Temporarily Restricted			Total Temporarily Restricted	
			Fiscal Sponsorship Funds	Field of Interest Funds	Other Temporarily Restricted		
Revenues and Gains and Losses							
Gifts, grants, and contributions	\$ 22,894	\$ 4,650	\$ 196,119	\$ 14,924	\$ 8,372	\$ 246,959	88,002
Events income	4,038	-	-	4,182	-	8,220	-
Investment income (loss)							
Interest and dividends	7,742	-	7	-	-	7,749	66,575
Realized and unrealized gains (losses)	11,872	-	-	-	-	11,872	103,127
Other income	-	-	590	-	-	590	-
	<u>46,546</u>	<u>4,650</u>	<u>196,716</u>	<u>19,106</u>	<u>8,372</u>	<u>275,390</u>	<u>257,704</u>
Expenses							
Grants	-	-	-	15,325	-	15,325	-
Program funding	5,780	-	141,411	-	6,372	153,563	1,811
Scholarships	-	2,000	-	-	-	2,000	-
Administrative	3,730	200	12,332	3,715	10,472	30,449	13,915
	<u>9,510</u>	<u>2,200</u>	<u>153,743</u>	<u>19,040</u>	<u>16,844</u>	<u>201,337</u>	<u>15,726</u>
	<u>\$ 37,036</u>	<u>\$ 2,450</u>	<u>\$ 42,973</u>	<u>\$ 66</u>	<u>\$ (8,472)</u>	74,053	241,978
Net assets at beginning of year						299,239	996,941
Prior period adjustment						(9,460)	-
Net assets at beginning of year, restated						<u>289,779</u>	<u>996,941</u>
Net assets at end of year						<u>\$ 363,832</u>	<u>\$ 1,238,919</u>

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

	2017	2016
General Fund Revenues, Gains, and Losses		
Contributions	\$ 106,289	\$ 85,602
Investment income (loss)		
Interest and dividends	16,024	10,408
Realized and unrealized gains (losses)	6,413	14,906
In-kind donations	7,425	5,736
Administration income	130,349	104,943
Events income	53,127	28,529
Other income	-	-
Total General Fund Revenues, Gains, and Losses	319,627	250,124
 General Fund Administrative Expenses		
Payroll and related expenses	132,652	116,468
Advertising	14,937	10,879
Other	12,808	4,803
Accounting and audit	10,500	10,500
Rent	7,800	7,800
Donated services	7,425	5,736
Insurance	4,543	2,935
Contract services	4,500	3,000
Grants management	3,653	2,500
Fundraising	2,530	2,333
Supplies	2,491	1,697
Telephone	2,041	2,194
Website expenses	1,994	2,122
Postage	1,748	1,533
Dues and subscriptions	1,600	1,505
Total General Fund Administrative Expenses	211,222	176,005
 General Fund Grants Expenses		
	73,210	45,500
Total General Fund Expenses	284,432	221,505
Transfers	(10,387)	-
General Fund Change in Net Assets	\$ 24,808	\$ 28,619