FORT LEWIS COLLEGE FOUNDATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

June 30, 2018 and 2017
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*Fort Lewis College Foundation*

**June 30, 2018 and 2017**

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INDEPENDENT AUDITOR’S REPORT

The Board of Directors
Fort Lewis College Foundation
Durango, Colorado

We have audited the accompanying financial statements of Fort Lewis College Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, of functional expenses, and of 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe 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 Fort Lewis College Foundation as of June 30, 2018 and 2017, 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.

FredrickZink & Associates, PC
November 12, 2018
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 3)</td>
<td>$ 477,661</td>
<td>$ 732,888</td>
</tr>
<tr>
<td>Investments (Notes 3 and 9)</td>
<td>19,480,778</td>
<td>18,585,662</td>
</tr>
<tr>
<td>Pledges receivable (Note 7)</td>
<td>620,543</td>
<td>401,061</td>
</tr>
<tr>
<td>Beneficial interest in assets held by others (Note 5)</td>
<td>63,838</td>
<td>64,618</td>
</tr>
<tr>
<td>Tangible assets, net (Note 8)</td>
<td>7,692,324</td>
<td>7,610,793</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 28,335,144</td>
<td>$ 27,395,022</td>
</tr>
</tbody>
</table>

## LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 6,724</td>
<td>$ 1,631</td>
</tr>
<tr>
<td>Due to Fort Lewis College (Note 14)</td>
<td>285,098</td>
<td>200,660</td>
</tr>
<tr>
<td>Gift annuity obligation payable (Note 5)</td>
<td>3,136</td>
<td>3,696</td>
</tr>
<tr>
<td>Margin loan (Note 9)</td>
<td>732,357</td>
<td>932,294</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,027,315</td>
<td>1,138,281</td>
</tr>
</tbody>
</table>

### Net assets

#### Unrestricted
- General unrestricted: $2,060,344 (2017: 2,061,661)
- Board designated endowments (Notes 10 and 15): $1,499,289 (2017: 1,434,032)
- Other board designations (Note 10): $312,089 (2017: 268,258)
- Gifts-in-kind and other tangible assets (Note 8): $1,151,600 (2017: 1,118,750)
- Total unrestricted net assets: $5,023,322 (2017: 4,882,701)

#### Temporarily restricted
- Scholarships, awards and other: $4,903,823 (2017: 4,954,529)
- Endowment funds (Note 15): $1,857,415 (2017: 1,702,249)
- Gifts-in-kind and other tangible assets (Note 8): $3,746,179 (2017: 3,697,498)
- Total temporarily restricted net assets: $10,507,417 (2017: 10,354,276)

#### Permanently restricted (Note 12)
- Endowment funds (Note 15): $8,982,545 (2017: 8,225,219)
- Gifts-in-kind and other tangible assets (Note 8): $2,794,545 (2017: 2,794,545)
- Total permanently restricted net assets: $11,777,090 (2017: 11,019,764)

### Total net assets

### Total liabilities and net assets
- $28,335,144 (2017: 27,395,022)

The accompanying notes are an integral part of these financial statements.
### STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>PermanentlyRestricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets at beginning of year</td>
<td>$4,882,701</td>
<td>$10,354,276</td>
<td>$11,019,764</td>
<td>$26,256,741</td>
</tr>
<tr>
<td>Support, revenue and gains</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations - cash</td>
<td>127,674</td>
<td>2,120,076</td>
<td>744,810</td>
<td>2,992,560</td>
</tr>
<tr>
<td>Donations - marketable securities</td>
<td>-</td>
<td>167,484</td>
<td>-</td>
<td>167,484</td>
</tr>
<tr>
<td>Donations - gifts-in-kind and other non-cash</td>
<td>-</td>
<td>306,088</td>
<td>-</td>
<td>306,088</td>
</tr>
<tr>
<td>Other income</td>
<td>52,649</td>
<td>140,644</td>
<td>463</td>
<td>193,756</td>
</tr>
<tr>
<td>Subtotal of donations and other income</td>
<td>180,323</td>
<td>2,734,292</td>
<td>745,273</td>
<td>3,659,888</td>
</tr>
<tr>
<td>Investment income, net (Note 4)</td>
<td>405,340</td>
<td>192,535</td>
<td>-</td>
<td>597,875</td>
</tr>
<tr>
<td>Total before reclassifications</td>
<td>585,663</td>
<td>2,926,827</td>
<td>745,273</td>
<td>4,257,763</td>
</tr>
<tr>
<td>Reclassification of net assets released from restriction (Note 11)</td>
<td>2,996,283</td>
<td>(2,996,283)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total support, revenue and gains</td>
<td>3,581,946</td>
<td>(69,456)</td>
<td>745,273</td>
<td>4,257,763</td>
</tr>
<tr>
<td>Expenses and losses (See page 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>2,827,360</td>
<td>2,827,360</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>205,656</td>
<td>205,656</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td>173,659</td>
<td>173,659</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenses and losses</td>
<td>3,206,675</td>
<td></td>
<td></td>
<td>3,206,675</td>
</tr>
<tr>
<td>Changes in donor restrictions, net</td>
<td>(234,650)</td>
<td>222,597</td>
<td>12,053</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets for the year</td>
<td>140,621</td>
<td>153,141</td>
<td>757,326</td>
<td>1,051,088</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$5,023,322</td>
<td>$10,507,417</td>
<td>$11,777,090</td>
<td>$27,307,829</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### Statement of Activities
For the Year Ended June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>$4,398,904</td>
<td>$9,059,298</td>
<td>$10,762,315</td>
<td>$24,220,517</td>
</tr>
<tr>
<td><strong>Support, revenue and gains</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations - cash</td>
<td>175,660</td>
<td>2,254,577</td>
<td>160,727</td>
<td>2,590,964</td>
</tr>
<tr>
<td>Donations - marketable securities (Note 2)</td>
<td>24,955</td>
<td>4,650</td>
<td>1,247</td>
<td>30,852</td>
</tr>
<tr>
<td>Donations - gifts-in-kind</td>
<td>47,650</td>
<td>248,941</td>
<td>-</td>
<td>296,591</td>
</tr>
<tr>
<td>Other income</td>
<td>51,863</td>
<td>179,828</td>
<td>-</td>
<td>231,691</td>
</tr>
<tr>
<td><strong>Subtotal of donations and other income</strong></td>
<td>300,128</td>
<td>2,687,996</td>
<td>161,974</td>
<td>3,150,098</td>
</tr>
<tr>
<td>Investment income, net (Note 4)</td>
<td>400,999</td>
<td>1,235,079</td>
<td>-</td>
<td>1,636,078</td>
</tr>
<tr>
<td><strong>Total before reclassifications</strong></td>
<td>701,127</td>
<td>3,923,075</td>
<td>161,974</td>
<td>4,786,176</td>
</tr>
<tr>
<td><strong>Reclassification of net assets released from restriction (Note 11)</strong></td>
<td>2,502,802</td>
<td>(2,502,802)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support, revenue and gains</strong></td>
<td>3,203,929</td>
<td>1,420,273</td>
<td>161,974</td>
<td>4,786,176</td>
</tr>
<tr>
<td><strong>Expenses and losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>2,413,319</td>
<td></td>
<td></td>
<td>2,413,319</td>
</tr>
<tr>
<td>Management and general</td>
<td>186,750</td>
<td></td>
<td></td>
<td>186,750</td>
</tr>
<tr>
<td>Fundraising</td>
<td>149,883</td>
<td></td>
<td></td>
<td>149,883</td>
</tr>
<tr>
<td><strong>Total expenses and losses</strong></td>
<td>2,749,952</td>
<td></td>
<td></td>
<td>2,749,952</td>
</tr>
<tr>
<td><strong>Changes in donor restrictions, net</strong></td>
<td>29,820</td>
<td>(125,295)</td>
<td>95,475</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in net assets for the year</strong></td>
<td>483,797</td>
<td>1,294,978</td>
<td>257,449</td>
<td>2,036,224</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$4,882,701</td>
<td>$10,354,276</td>
<td>$11,019,764</td>
<td>$26,256,741</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Description</th>
<th>Management and General</th>
<th>Fund Raising</th>
<th>Total Supporting Services</th>
<th>Total 2018 Expenses</th>
<th>Total 2017 Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Lewis College support...........</td>
<td>$1,630,450</td>
<td>-</td>
<td>-</td>
<td>$1,630,450</td>
<td>$1,127,231</td>
</tr>
<tr>
<td>Scholarships.........................</td>
<td>$825,190</td>
<td>-</td>
<td>-</td>
<td>$825,190</td>
<td>$888,496</td>
</tr>
<tr>
<td>Fee for College services.............</td>
<td>$72,784</td>
<td>$144,960</td>
<td>$144,960</td>
<td>$289,920</td>
<td>$362,704</td>
</tr>
<tr>
<td>Professional fees....................</td>
<td>$177,436</td>
<td>$25,900</td>
<td>-</td>
<td>$203,336</td>
<td>$196,820</td>
</tr>
<tr>
<td>Other expense.........................</td>
<td>$61,403</td>
<td>$3,434</td>
<td>$7,700</td>
<td>$11,134</td>
<td>$72,537</td>
</tr>
<tr>
<td>Depreciation..........................</td>
<td>$35,787</td>
<td>-</td>
<td>-</td>
<td>$35,787</td>
<td>$35,787</td>
</tr>
<tr>
<td>Food and beverage........................</td>
<td>$24,310</td>
<td>-</td>
<td>$11,152</td>
<td>$35,462</td>
<td>$41,278</td>
</tr>
<tr>
<td>Bank and credit card fees............</td>
<td>-</td>
<td>$9,847</td>
<td>$9,847</td>
<td>$9,847</td>
<td>$9,361</td>
</tr>
<tr>
<td>Insurance................................</td>
<td>-</td>
<td>$7,809</td>
<td>-</td>
<td>$7,809</td>
<td>$7,314</td>
</tr>
<tr>
<td>Rental expense........................</td>
<td>-</td>
<td>$7,444</td>
<td>-</td>
<td>$7,444</td>
<td>$6,587</td>
</tr>
<tr>
<td>Repairs and maintenance..............</td>
<td>-</td>
<td>$7,225</td>
<td>-</td>
<td>$7,225</td>
<td>$6,251</td>
</tr>
<tr>
<td>Licenses, dues and fees...............</td>
<td>-</td>
<td>$5,200</td>
<td>-</td>
<td>$5,200</td>
<td>$5,000</td>
</tr>
<tr>
<td>Property taxes........................</td>
<td>-</td>
<td>$3,684</td>
<td>-</td>
<td>$3,684</td>
<td>$5,678</td>
</tr>
<tr>
<td>Interest (Note 9).....................</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$2,855</td>
</tr>
<tr>
<td>Travel..................................</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,132</td>
</tr>
<tr>
<td><strong>Total expenses</strong>....................</td>
<td><strong>$2,827,360</strong></td>
<td><strong>$205,656</strong></td>
<td><strong>$173,659</strong></td>
<td><strong>$379,315</strong></td>
<td><strong>$3,206,675</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### Increase (Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from donors and others</td>
<td>$2,359,637</td>
<td>$2,506,927</td>
</tr>
<tr>
<td>Investment income received</td>
<td>1,324,178</td>
<td>589,277</td>
</tr>
<tr>
<td>Scholarships and awards paid</td>
<td>(825,190)</td>
<td>(888,496)</td>
</tr>
<tr>
<td>Cash paid for program and other expenses</td>
<td>(2,100,038)</td>
<td>(1,628,466)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(24,197)</td>
<td>(22,174)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>734,390</td>
<td>557,068</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>21,496,729</td>
<td>25,716,552</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(22,855,122)</td>
<td>(25,895,436)</td>
</tr>
<tr>
<td>Payments on gift annuity obligation</td>
<td>(560)</td>
<td>(560)</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td>(1,358,953)</td>
<td>(179,444)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment donations received in cash</td>
<td>569,273</td>
<td>160,727</td>
</tr>
<tr>
<td>Payments on line of credit (Note 9)</td>
<td>-</td>
<td>(1,045,033)</td>
</tr>
<tr>
<td>Borrowing from margin loan</td>
<td>712,065</td>
<td>1,688,279</td>
</tr>
<tr>
<td>Payments on margin loan</td>
<td>(912,002)</td>
<td>(755,985)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>369,336</td>
<td>47,988</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td><strong>(255,227)</strong></td>
<td><strong>425,612</strong></td>
</tr>
</tbody>
</table>

| Cash and cash equivalents, beginning of year | 732,888 | 307,276 |
| Cash and cash equivalents, end of year      | $477,661 | $732,888 |
Reconciliation of change in net assets to net cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$1,051,088</td>
<td>$2,036,224</td>
</tr>
</tbody>
</table>

Adjustments to reconcile change in net assets to net cash used by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent endowment donations, cash and non-cash</td>
<td>(569,273)</td>
<td>(161,974)</td>
</tr>
<tr>
<td>Other non-cash donations received</td>
<td>(284,802)</td>
<td>(129,029)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>35,787</td>
<td>35,787</td>
</tr>
<tr>
<td>Net realized and unrealized (gains) losses on investments</td>
<td>631,541</td>
<td>(1,161,486)</td>
</tr>
<tr>
<td>Increase in pledges receivable</td>
<td>(219,482)</td>
<td>(115,161)</td>
</tr>
<tr>
<td>Net change in amount due to Fort Lewis College</td>
<td>85,596</td>
<td>66,729</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>3,935</td>
<td>(14,022)</td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td><strong>(316,698)</strong></td>
<td><strong>(1,479,156)</strong></td>
</tr>
</tbody>
</table>

Net cash provided by operating activities: $734,390 $557,068

The accompanying notes are an integral part of these financial statements.
NOTE 1 - MISSION AND ACTIVITIES OF THE FOUNDATION

Mission
Fort Lewis College Foundation (the Foundation) was organized in 1969 as a Colorado nonprofit corporation exempt from federal and state income taxes. Its purpose is to promote, develop and enhance the facilities and programs of Fort Lewis College (the College) and to provide broader educational opportunities for, and service to, students, faculty and alumni. Although legally separate, Fort Lewis College considers the Foundation a component unit under its governmental reporting requirements. Accordingly, the financial statements of Fort Lewis College include a discrete presentation of assets, liabilities, net assets and activities of the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles.

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

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed restrictions that may or will be met either with actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- **Permanently restricted net assets** – Permanently restricted net assets are endowment funds restricted in perpetuity by donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for specific or general purposes such as scholarships and awards.

Financial statement presentation
The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as described above.

For purposes of individual fund analysis and for allocation of earnings, losses and shared costs, supplemental information has been maintained on the fund accounting basis that has been applied historically. In that context, a “fund” represents the net accumulated resources identified by the original donor, by donor intent, or by specific activity. A fund is increased for additional donations, allocated investment earnings and other income and reduced by allocated losses, scholarships, awards, program expenses, direct fundraising expenses and allocated costs.

Donations
Donations, including any unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of a time or purpose restriction.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and cash equivalents
Cash funds are pooled to maximize amounts available for investment.

For purposes of the statement of cash flows, the Foundation considers all demand deposits and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments
Investments are carried at fair market value and are composed of fixed income securities, equities, and precious metals. Included in equities are individual stocks, exchange traded funds, and mutual funds. Investment income consists of interest, dividends, realized gains and losses, and unrealized gains and losses.

Disbursement policy and how investment objectives relate to disbursement policy
The disbursement policy is to distribute a portion of the net investment income as recommended by the Distribution Committee and approved by the Executive Board. Accordingly, over the long term, the Foundation expects its disbursement policy to allow endowed assets to maintain spendable value as well as to provide additional real growth through new gifts and investment return.

Use of estimates
The preparation of the financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Gifts-in-kind
Gifts-in-kind are non-cash gifts including real estate, collection items and other assets, recorded as contributions at estimated fair value as of the date received by the Foundation. Independent appraisals are obtained for significant contributions. Gifts in excess of $5,000 are capitalized, while smaller gifts are recognized along with program and other expenses. Gains and losses on the deaccession of collection items, if any, are classified on the statement of activities as unrestricted or restricted depending on donor restrictions, if any, placed on the item at the time of accession.

Tangible assets
Tangible assets are capitalized at cost if purchased or at the estimated fair value at the date received if donated. In accordance with the gift acceptance policy, acquisitions of tangible assets in excess of $5,000 and having a useful life of over one year, whether purchased or donated, are capitalized. Lesser amounts are expensed. Absent a specific time restriction on donated real estate, it is the Foundation’s policy to imply a time restriction on the use of donated real estate that expires over the assets’ useful lives. Buildings and building improvements are being depreciated over estimated useful lives of 40 years using the straight-line method.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Earnings and loss allocations
It is the Foundation’s policy that income earned on investments is presumed to be temporarily restricted for the same purpose as the original donations, and that this understanding is implicit in the donation transaction. The allocation of earnings or losses is determined by the Foundation’s Executive Board through a Distribution Committee every six months. Allocations are made each six month period ending December 31 and June 30. Charitable gift annuities and gifts-in-kind do not share in the allocation.

Fundraising and special event cost
To the extent that direct costs of a fundraising event or drive are associated with income received by a particular fund, income is deemed to be available to cover those direct costs. The excess of income over those expenses is treated as temporarily restricted support for the purpose of the associated fund.

Functional allocation of expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Where it is difficult or impractical to directly identify costs, the costs are pooled and then allocated to the programs and supporting services benefited based upon estimates by management.

Income taxes
The Foundation is exempt from federal income taxes on income substantially related to the Foundation’s exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado statutes, any organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

The Foundation files a federal income tax return annually. Federal income tax returns for the years prior to fiscal year 2014 are closed. The Foundation’s policy for evaluation of uncertain income tax positions is to take only income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the Foundation classifies interest and penalties as interest expense.

Pending accounting developments
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2016-14), Presentation of Financial Statements of Not-for-Profit Entities, which changes several of the existing requirements for financial statements and notes in Accounting Standards Codification Topic 958, Not-for-Profit Entities. The new ASU is effective for fiscal years beginning after December 15, 2017. Management continues to evaluate the effect of the change in accounting standards and anticipates timely adoption.

Subsequent events
Management has evaluated subsequent events through November 12, 2018, the date which the financial statements were available to be issued. Except as described in Note 3, no events were identified that required additional disclosure.
NOTE 3 - CASH AND INVESTMENTS

Investments are identified and allocated using the following investment classes: cash and cash equivalents, fixed income securities, equities and commodities. Asset allocation is reviewed at least quarterly by the Investment Committee, focusing on the maintenance of liquidity for cash flow and on long-term and opportunistic growth. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Fixed income securities include GNMA pools, and other government backed securities and are held individually, in exchange traded funds and in mutual funds. Equities are held individually, in exchange traded funds and stock mutual funds. All values are derived from quoted prices in active markets for identical assets.

During the fiscal year ended June 30, 2017, all investments were transferred directly from the Foundation’s previous investment manager, UBS Financial Services Inc., to Morgan Stanley. The transfer of securities took place over a number of months, at no cost to the Foundation. Historical cost information for each security was also transferred.

Concentrations of risk
Cash and cash equivalents include cash in brokerage and bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and considers the risk of loss to be minimal.

The Foundation maintains cash on deposit with a financial institution which is a member of the Federal Deposit Insurance Corporation (FDIC). The FDIC insures deposits up to $250,000 for each depositor at each institution. Based on bank account balances at June 30, 2018, the Foundation had $207,313 in excess of the insured limit at First National Bank of Durango. Subsequent to year end, the Foundation paid the recorded amounts due to Fort Lewis College, bringing the balances within insured limits.

The Foundation has significant investments in mutual funds and government backed securities and is therefore subject to concentrations of credit risk. Investment policy is set by the Executive Board and managed through its Investment Committee. Investments are made and held by the Foundation’s investment manager and monitored regularly by the Investment Committee.

The Investment Committee reviews adherence to the investment policy at least quarterly. Even though the market value of investments is subject to short-term fluctuation, management and the Executive Board believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Cash and investments
Cash and investments as of June 30, 2018 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 Cost basis</th>
<th>2018 Fair Value</th>
<th>% of Total</th>
<th>Unrealized Appreciation (Depreciation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$477,661</td>
<td>$477,661</td>
<td>2%</td>
<td>$0</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>9,923,924</td>
<td>9,743,050</td>
<td>49%</td>
<td>(180,874)</td>
</tr>
<tr>
<td>Equities</td>
<td>9,715,581</td>
<td>9,737,728</td>
<td>49%</td>
<td>22,147</td>
</tr>
<tr>
<td>Total investments</td>
<td>19,639,505</td>
<td>19,480,778</td>
<td>98%</td>
<td>(158,727)</td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>$20,117,166</td>
<td>$19,958,439</td>
<td>100%</td>
<td>$(158,727)</td>
</tr>
</tbody>
</table>
NOTE 3 - CASH AND INVESTMENTS - Continued

Cash and investments as of June 30, 2017 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th>% of</th>
<th>Unrealized</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost basis</td>
<td>Fair Value</td>
<td>Total</td>
<td>Appreciation</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$732,888</td>
<td>$732,888</td>
<td>4%</td>
<td>$-</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>9,030,374</td>
<td>9,210,124</td>
<td>48%</td>
<td>179,750</td>
</tr>
<tr>
<td>Equities</td>
<td>8,626,307</td>
<td>9,375,538</td>
<td>48%</td>
<td>749,231</td>
</tr>
<tr>
<td>Total investments</td>
<td>17,656,681</td>
<td>18,585,662</td>
<td>96%</td>
<td>928,981</td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>$18,389,569</td>
<td>$19,318,550</td>
<td>100%</td>
<td>$928,981</td>
</tr>
</tbody>
</table>

During the year ended June 30, 2018, net realized gains of $1,156,790 were recognized on investments, along with net unrealized losses of $1,069,199 and no amortization of premiums. During the year ended June 30, 2017, net realized gains of $1,440,032 were recognized on investments, along with net unrealized losses of $255,408 and amortization of premiums of $22,706.

NOTE 4 - RETURN ON INVESTMENTS

Return on investments is summarized as follows for the respective years ended June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th></th>
<th>2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$187,542</td>
<td>$188,291</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>441,701</td>
<td>387,505</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total interest and dividends</td>
<td>629,243</td>
<td>575,796</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized gain</td>
<td>1,156,790</td>
<td>1,440,032</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total realized investment income</td>
<td>1,786,033</td>
<td>2,015,828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of premiums</td>
<td>-</td>
<td>(22,706)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized losses</td>
<td>(1,069,199)</td>
<td>(253,605)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total return on investments before expenses</td>
<td>716,834</td>
<td>1,739,517</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brokerage and custodial fees</td>
<td>(94,762)</td>
<td>(84,121)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense (Note 9)</td>
<td>(24,197)</td>
<td>(19,318)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on investments, net of expenses</td>
<td>$597,875</td>
<td>$1,636,078</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Distribution Committee recommends what is considered a fair rate of return for allocating investment earnings to individual funds as well as recommending allocations made to accomplish specific goals. The allocation methodology is proposed semi-annually, for the six-month periods ending on December 31 and June 30, and requires approval of the Executive Board. For the years ended June 30, 2018 and 2017, the allocation methodology provided for $305,000 to be added to the general unrestricted fund annually to support operations, while other funds received investment income based on annualized rates varying with fund size as of the end of each six-month period.
**NOTE 4 - RETURN ON INVESTMENTS** - Continued

During the years ended June 30, 2018 and 2017, allocations were applied using the following rates, representing half of the approved annualized rate:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>2018 December</th>
<th>2018 June</th>
<th>2017 December</th>
<th>2017 June</th>
</tr>
</thead>
<tbody>
<tr>
<td>All funds with balances from $10,000 - $25,000</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Term and unrestricted funds with balances over $25,000</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.25%</td>
</tr>
<tr>
<td>Endowment funds with balances over $25,000</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Endowment funds with balances over $100,000</td>
<td>2.25%</td>
<td>2.25%</td>
<td>2.25%</td>
<td>2.25%</td>
</tr>
</tbody>
</table>

For the year ended June 30, 2018, amounts allocated were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>December</th>
<th>June</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General unrestricted fund</td>
<td>$152,500</td>
<td>$152,500</td>
<td>$305,000</td>
</tr>
<tr>
<td>Term funds and unrestricted funds</td>
<td>74,108</td>
<td>78,545</td>
<td>152,653</td>
</tr>
<tr>
<td>Endowment funds</td>
<td>245,342</td>
<td>249,738</td>
<td>495,080</td>
</tr>
<tr>
<td>Total allocations by formula</td>
<td>471,950</td>
<td>480,783</td>
<td>952,733</td>
</tr>
<tr>
<td>Special allocation</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$571,950</strong></td>
<td><strong>$480,783</strong></td>
<td><strong>$1,052,733</strong></td>
</tr>
</tbody>
</table>

Because of the strong investment performance for the six months ending December 31, 2017 and the level of unallocated, undistributed earnings, the Foundation approved a special allocation of $100,000 to the College for appropriate projects subject to approval by the Executive Board of the Foundation.

Unallocated, undistributed earnings are carried forward as a cushion against possible future market losses and amounted to $1,157,170 and $1,593,516 at June 30, 2018 and 2017, respectively. Those balances are included in temporarily restricted net assets in the accompanying statement of financial position under the caption Scholarships, awards and other.

For the year ended June 30, 2017, amounts allocated were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>December</th>
<th>June</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General unrestricted fund</td>
<td>$152,500</td>
<td>$152,500</td>
<td>$305,000</td>
</tr>
<tr>
<td>Term and unrestricted funds</td>
<td>65,003</td>
<td>66,222</td>
<td>131,225</td>
</tr>
<tr>
<td>Endowment funds</td>
<td>253,848</td>
<td>245,920</td>
<td>499,768</td>
</tr>
<tr>
<td><strong>Total allocations</strong></td>
<td><strong>$471,351</strong></td>
<td><strong>$464,642</strong></td>
<td><strong>$935,993</strong></td>
</tr>
</tbody>
</table>
NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS AND GIFT ANNUITY OBLIGATIONS

The Foundation has beneficial interest in assets held by others and reports them at fair market value. During the year ended June 30, 2018 and 2017 such assets were held and managed by Morgan Stanley. Trusts are established to fund long term annuity obligations. When annuity obligations have been satisfied, any remaining funds are distributed to the Foundation.

The gift annuities are managed by the Foundation. The balance of the gift annuity obligations payable was $3,136 and $3,696 at June 30, 2018 and 2017, respectively, representing two annuitants.

Beneficial interest in assets held by others as of June 30, 2018 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Unrealized Appreciation (Depreciation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost basis</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$472</td>
<td>$472</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>31,248</td>
<td>30,342</td>
</tr>
<tr>
<td>Equities</td>
<td>29,973</td>
<td>33,024</td>
</tr>
<tr>
<td>Total investments</td>
<td>61,221</td>
<td>63,366</td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>$61,693</td>
<td>$63,838</td>
</tr>
</tbody>
</table>

Beneficial interest in assets held by others as of June 30, 2017 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>Unrealized Appreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost basis</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,196</td>
<td>$2,196</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>28,359</td>
<td>28,721</td>
</tr>
<tr>
<td>Equities</td>
<td>32,889</td>
<td>33,701</td>
</tr>
<tr>
<td>Total investments</td>
<td>61,248</td>
<td>62,422</td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>$63,444</td>
<td>$64,618</td>
</tr>
</tbody>
</table>

During the year ended June 30, 2018, net realized gains of $608 were recognized on these investments, along with net unrealized gains of $960. During the year ended June 30, 2017, net realized gains of $1,975 were recognized on these investments, along with net unrealized gains of $1,803.

NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating its fair value measurements for financial instruments:

Cash and cash equivalents, accounts receivable, accrued interest receivable, short-term unconditional promises to give, accounts payable, and other current liabilities: the carrying amounts reported in the statement of financial position approximates fair values because of the short-term maturities of those instruments.
NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

Marketable securities: the fair values of investments are based on quoted market prices for those or similar instruments.

Tangible assets: The carrying amounts are represented by fair market value as of the date of donation and management believes the fair market value has not changed significantly. The valuation of major items received are supported by appraisal at the time of receipt.

The estimated fair values of the Foundation’s financial instruments at June 30, 2018 are as follows:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Carrying Amounts</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$477,661</td>
<td>$477,661</td>
</tr>
<tr>
<td>Unconditional promises to give (pledges)</td>
<td>620,543</td>
<td>620,543</td>
</tr>
<tr>
<td>Investment securities and commodities</td>
<td>19,480,778</td>
<td>19,480,778</td>
</tr>
<tr>
<td>Beneficial interest in assets held by others</td>
<td>63,838</td>
<td>63,838</td>
</tr>
<tr>
<td>Tangible assets, net</td>
<td>7,692,324</td>
<td>7,692,324</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>291,822</td>
<td>291,822</td>
</tr>
<tr>
<td>Gift annuity obligation payable</td>
<td>3,136</td>
<td>3,136</td>
</tr>
<tr>
<td>Line of credit payable</td>
<td>732,357</td>
<td>732,357</td>
</tr>
</tbody>
</table>

The Foundation is subject to the provisions of the Financial Accounting Standards Board that establish a framework for measuring fair value of financial instruments. That framework provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted price in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2: Prices determined using significant other observable inputs including the following:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for sustainability during the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

An investment’s fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.
NOTE 6 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - Continued

The following tables set forth, by level within the fair value hierarchy, the Foundation’s assets that are measured at fair value on a recurring basis, as of June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Quoted price in active markets for identical assets (Level1)</th>
<th>Significant other observable inputs (Level 2)</th>
<th>Significant unobservable inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 30, 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>$ 9,743,050</td>
<td>$ 9,743,050</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equities</td>
<td>9,737,727</td>
<td>9,737,727</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>620,543</td>
<td>-</td>
<td>620,543</td>
<td>-</td>
</tr>
<tr>
<td>Beneficial interest in assets held by others</td>
<td>63,838</td>
<td>63,838</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$20,165,158</td>
<td>$19,544,615</td>
<td>$620,543</td>
<td>$-</td>
</tr>
<tr>
<td><strong>June 30, 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>$ 9,210,124</td>
<td>$ 9,210,124</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equities</td>
<td>9,375,538</td>
<td>9,375,538</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>401,061</td>
<td>-</td>
<td>401,061</td>
<td>-</td>
</tr>
<tr>
<td>Beneficial interest in assets held by others</td>
<td>64,618</td>
<td>64,618</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19,051,341</td>
<td>$18,650,280</td>
<td>$401,061</td>
<td>$-</td>
</tr>
</tbody>
</table>

NOTE 7 - PLEDGES RECEIVABLE

At June 30, 2018, and 2017, the Foundation had multi-year pledges receivable from several donors. The balance due was $620,543 and $401,061, at June 30, 2018 and 2017, respectively. Due to the short duration (2 to 5 years) and low discount rates, the carrying value reasonably approximates fair value at those dates. Management considers all pledges receivable to be collectible as of June 30, 2018.

NOTE 8 - TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two condominiums, which the Foundation is depreciating over a period of forty years using the straight-line method. Depreciation expense for each of the years ended June 30, 2018 and 2017 was $35,787.

The Foundation’s collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously.
NOTE 8 - TANGIBLE ASSETS - Continued

At June 30, 2018, tangible assets are composed of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gifts-in-kind</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>$1,250,000</td>
<td>$12,000</td>
<td>-</td>
<td>$1,262,000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(150,000)</td>
<td></td>
<td></td>
<td>(150,000)</td>
</tr>
<tr>
<td>Collection items</td>
<td>51,600</td>
<td>2,811,177</td>
<td>2,641,550</td>
<td>5,504,327</td>
</tr>
<tr>
<td><strong>Total gifts-in-kind</strong></td>
<td>1,151,600</td>
<td>2,823,177</td>
<td>2,641,550</td>
<td>6,616,327</td>
</tr>
<tr>
<td><strong>Purchased assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>-</td>
<td>994,400</td>
<td>-</td>
<td>994,400</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(237,633)</td>
<td>-</td>
<td>(237,633)</td>
</tr>
<tr>
<td>Collection items</td>
<td>-</td>
<td>92,335</td>
<td>152,995</td>
<td>245,330</td>
</tr>
<tr>
<td>Concert piano</td>
<td>-</td>
<td>73,900</td>
<td>-</td>
<td>73,900</td>
</tr>
<tr>
<td><strong>Total purchased assets</strong></td>
<td>-</td>
<td>923,002</td>
<td>152,995</td>
<td>1,075,997</td>
</tr>
<tr>
<td><strong>Total tangible assets</strong></td>
<td>$1,151,600</td>
<td>$3,746,179</td>
<td>$2,794,545</td>
<td>$7,692,324</td>
</tr>
</tbody>
</table>

At June 30, 2017, tangible assets are composed of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gifts-in-kind</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>$1,250,000</td>
<td>$12,000</td>
<td>-</td>
<td>$1,262,000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(131,250)</td>
<td></td>
<td></td>
<td>(131,250)</td>
</tr>
<tr>
<td>Collection items</td>
<td>-</td>
<td>2,745,459</td>
<td>2,641,550</td>
<td>5,387,009</td>
</tr>
<tr>
<td><strong>Total gifts-in-kind</strong></td>
<td>1,118,750</td>
<td>2,757,459</td>
<td>2,641,550</td>
<td>6,517,759</td>
</tr>
<tr>
<td><strong>Purchased assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>-</td>
<td>994,400</td>
<td>-</td>
<td>994,400</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(220,596)</td>
<td>-</td>
<td>(220,596)</td>
</tr>
<tr>
<td>Collection items</td>
<td>-</td>
<td>92,335</td>
<td>152,995</td>
<td>245,330</td>
</tr>
<tr>
<td>Concert piano</td>
<td>-</td>
<td>73,900</td>
<td>-</td>
<td>73,900</td>
</tr>
<tr>
<td><strong>Total purchased assets</strong></td>
<td>-</td>
<td>940,039</td>
<td>152,995</td>
<td>1,093,034</td>
</tr>
<tr>
<td><strong>Total tangible assets</strong></td>
<td>$1,118,750</td>
<td>$3,697,498</td>
<td>$2,794,545</td>
<td>$7,610,793</td>
</tr>
</tbody>
</table>
NOTE 9 - LINE OF CREDIT AND MARGIN LOAN

In November 2016, in conjunction with the transfer of investment securities from UBS Financial Services, Inc. to Morgan Stanley (see Note 3), a margin loan was established with Morgan Stanley and the proceeds from that loan were used to retire the secured line of credit with UBS Bank USA. The Morgan Stanley margin loan balance ($732,357 and $932,294 at June 30, 2018 and 2017, respectively) is collateralized by investment securities to the full extent of the outstanding loan balance, and is subject to a variable interest rate that changes with LIBOR (2.09% at June 30, 2018 and 2.30% at June 30, 2017). The Foundation manages the margin loan balance by applying the return of principal and interest income from the GNMA portfolio (which reduces the loan balance) and by purchasing additional GNMA securities (which increases the margin loan balance). The Foundation Executive Board approves the management of the margin loan balance. In addition, when the line of credit with UBS Bank USA was retired, the portion of that debt related to the President’s residence was also retired, so that the entire Morgan Stanley margin loan balance is related to investments at June 30, 2017.

Interest expense was $24,197 and $19,318, for the years ended June 30, 2018 and 2017, respectively.

NOTE 10 - BOARD DESIGNATED FUNDS

Board designated endowments
In 2007, a total of $1,113,576 had been contributed to the Foundation by a decedent’s estate. While the gifts were made for the general purposes of the Foundation, the Board of Directors elected to treat them as endowments.

The activity in Board designated endowments during the years ended June 30, 2018 and 2017 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$1,434,032</td>
<td>$1,368,269</td>
</tr>
<tr>
<td>Investment allocation</td>
<td>65,257</td>
<td>65,763</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$1,499,289</td>
<td>$1,434,032</td>
</tr>
</tbody>
</table>

Other Board designations
At June 30, 2018 and 2017, the respective $312,089 and $268,258 balances of other Board designations represented unrestricted funds designated by the Board of Directors primarily for scholarships.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donor restrictions by either satisfying the purpose or time restriction. Net assets were released as follows:

<table>
<thead>
<tr>
<th>Purpose restriction accomplished</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>$808,690</td>
<td>$840,464</td>
</tr>
<tr>
<td>Other program expense</td>
<td>2,173,572</td>
<td>1,652,062</td>
</tr>
<tr>
<td>Fundraising expense</td>
<td>14,021</td>
<td>10,276</td>
</tr>
<tr>
<td>Total released from restriction</td>
<td>$2,996,283</td>
<td>$2,502,802</td>
</tr>
</tbody>
</table>
NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific scholarship programs</td>
<td>$8,455,923</td>
<td>$7,699,372</td>
</tr>
<tr>
<td>Artists in Residence</td>
<td>$249,907</td>
<td>$249,132</td>
</tr>
<tr>
<td>Durango Collection</td>
<td>$3,071,260</td>
<td>$3,071,260</td>
</tr>
<tr>
<td>Total permanently restricted net assets</td>
<td>$11,777,090</td>
<td>$11,019,764</td>
</tr>
</tbody>
</table>

NOTE 13 - FUNDS HELD IN TRUST

During the year ended June 30, 1988, a trust was established by the estate of Roy Dalpra for the benefit of Fort Lewis College students who are residents of La Plata County, Colorado. Citizens Bank of Farmington, New Mexico is the trustee of the funds. The Trustee determines the use of the funds and the amount to be transferred to the Foundation during the year.

The market value of the trust fund was $678,402 and $736,926 at June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, the trustee transferred $69,995 and $40,542, respectively, to the Foundation’s Dalpra fund for scholarships.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Foundation exists only to benefit Fort Lewis College students, programs and activities and, as such, is supported in several ways by the College, which is thus deemed to be a related party. The Foundation Board and the Board of Trustees of the College enter into an annual Memorandum of Understanding (MOU) which addresses payment for the use of facilities, personnel and services provided directly by the College, as well as other less tangible support. The College also provides coordination of fundraising initiatives and major gift solicitations. For each of the years ended June 30, 2018 and 2017, the Foundation recognized support and offsetting expenses of $324,304 under the terms of the respective MOUs.

At June 30, 2018 and 2017, respectively, the Foundation reflected $285,098 and $200,660 as the balance due to Fort Lewis College for reimbursements from individual department funds for amounts advanced by the College.

During the years ended June 30, 2018 and 2017, the College contributed $125,048 and $123,542, respectively, to the Foundation, restricted for payment of professional fees.

The College leases the residence of the College President from the Foundation at an estimated annual value of $38,400 which was recorded as rental income during each of the years ended June 30, 2018 and 2017.

NOTE 15 - ENDOWMENTS

Fort Lewis College Foundation endowment funds consist of cash, securities, or other assets to provide income to fulfill the purpose of the Foundation. The use of the assets may be permanently restricted, temporarily restricted, or unrestricted. The portion of the funds that must be maintained permanently, not used up, expended or otherwise exhausted, is classified as permanently restricted net assets. The portion of the funds that must be maintained for a specific term or for a specified purpose is classified as temporarily restricted net assets. The portion of the funds that may be expended at the discretion of the Board is classified as unrestricted net assets.
NOTE 15 - ENDOWMENTS - Continued

Interpretation of relevant law
The Fort Lewis College Foundation Board of Directors follows the Uniform Prudent Management of Institution Funds Act (UPMIFA) as stated in Colorado Revised Statues, as well as other applicable state and federal laws to comply with explicit donor stipulations on each gift in determining the classification of net assets as described above. Generally, all gifts to the Foundation include explicit donor stipulations regarding the use of the gifts. However, in the absence of explicit donor stipulations, the gifts are classified as temporarily restricted net assets until the amounts are appropriated for expenditure by the Executive Board in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or to accumulate funds.

1. The duration and preservation of the endowment fund;
2. The purpose of the Foundation and endowment fund;
3. General economic conditions;
4. The possible effects of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

Return objectives and risk parameters
The Foundation’s investment and spending policies for endowment assets are intended to address the needs of future generations and maintain spendable value of the investments which provide funding for student scholarships, finance ‘special projects’ needs of the College, and supplemental operating budget needs as necessary in periods of negative cash flow. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that equal or exceed the Dow Jones Global Moderately Aggressive Portfolio while assuming a moderate level of investment risk.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategic (non-tactical) investment approach in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.
NOTE 15 - ENDOWMENTS - Continued

Endowment net asset composition and changes

Endowment net asset composition by type of fund as of June 30, 2018 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Designated</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 1,857,415</td>
<td>$ 8,982,545</td>
<td>$ 10,839,960</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>1,499,289</td>
<td>-</td>
<td>-</td>
<td>1,499,289</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ 1,499,289</td>
<td>$ 1,857,415</td>
<td>$ 8,982,545</td>
<td>$ 12,339,249</td>
</tr>
</tbody>
</table>

Endowment net asset composition by type of fund as of June 30, 2017 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Designated</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 1,702,249</td>
<td>$ 8,225,219</td>
<td>$ 9,927,468</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>1,434,032</td>
<td>-</td>
<td>-</td>
<td>1,434,032</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ 1,434,032</td>
<td>$ 1,702,249</td>
<td>$ 8,225,219</td>
<td>$ 11,361,500</td>
</tr>
</tbody>
</table>

The change in endowment net assets for the two year period ended June 30, 2018 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Designated</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, July 1, 2016</td>
<td>$ 1,368,269</td>
<td>$ 1,410,542</td>
<td>$ 7,967,770</td>
<td>$ 10,746,581</td>
</tr>
<tr>
<td>Contributions and other income</td>
<td>-</td>
<td>64,443</td>
<td>161,974</td>
<td>226,417</td>
</tr>
<tr>
<td>Investment income and net appreciation</td>
<td>65,763</td>
<td>440,256</td>
<td>-</td>
<td>506,019</td>
</tr>
<tr>
<td>Program expenditures and scholarships</td>
<td>-</td>
<td>(257,240)</td>
<td>-</td>
<td>(257,240)</td>
</tr>
<tr>
<td>Changes in donor restrictions</td>
<td></td>
<td>44,248</td>
<td>95,475</td>
<td>139,723</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2017</td>
<td>1,434,032</td>
<td>1,702,249</td>
<td>8,225,219</td>
<td>11,361,500</td>
</tr>
<tr>
<td>Contributions and other income</td>
<td>-</td>
<td>58,744</td>
<td>745,273</td>
<td>804,017</td>
</tr>
<tr>
<td>Investment income and net appreciation</td>
<td>65,257</td>
<td>433,191</td>
<td>-</td>
<td>498,448</td>
</tr>
<tr>
<td>Program expenditures and scholarships</td>
<td>-</td>
<td>(295,848)</td>
<td>-</td>
<td>(295,848)</td>
</tr>
<tr>
<td>Changes in donor restrictions</td>
<td></td>
<td>(40,921)</td>
<td>12,053</td>
<td>(28,868)</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2018</td>
<td>$ 1,499,289</td>
<td>$ 1,857,415</td>
<td>$ 8,982,545</td>
<td>$ 12,339,249</td>
</tr>
</tbody>
</table>