

JOHNSON KIGHTLINGER & COMPANY

**THE COMMUNITY FOUNDATION
SERVING BOULDER COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of
The Community Foundation Serving Boulder County
Boulder, Colorado

We have audited the accompanying consolidated financial statements of The Community Foundation Serving Boulder County (a Colorado nonprofit corporation) and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation Serving Boulder County and subsidiaries as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson Kightlinger & Company

JOHNSON KIGHTLINGER & COMPANY
August 29, 2017

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 467,478	\$ 9,008,290
Beneficial interest in assets held by Greater Horizons (Note 1):		
Cash and cash equivalents	7,765,971	-
Investments (Note 4)	43,369,085	-
Contributions receivable (Note 2)	816,274	578,411
Loans receivable (Note 3)	52,275	52,034
Investments (Note 4)	-	42,127,219
Investments - charitable remainder trusts (Note 4)	304,980	302,278
Property and equipment, net (Note 5)	5,053,700	7,255
Prepaid expenses and other	42,569	23,721
Total assets	<u>\$ 57,872,332</u>	<u>\$ 52,099,208</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 115,794	\$ 113,555
Grants payable	654,015	107,500
Liability under split-interest agreements (Note 6)	132,977	160,516
Notes payable (Note 8)	3,100,000	-
Assets held for others (Note 9)	2,245,945	2,167,221
Total liabilities	<u>6,248,731</u>	<u>2,548,792</u>
COMMITMENT (Note 7)		
NET ASSETS		
Unrestricted	50,418,994	48,775,447
Temporarily restricted (Note 10)	1,204,607	774,969
Total net assets	<u>51,623,601</u>	<u>49,550,416</u>
Total liabilities and net assets	<u>\$ 57,872,332</u>	<u>\$ 52,099,208</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE AND SUPPORT			
Contributions	\$ 9,375,473	\$ 789,467	\$ 10,164,940
Investment income - dividends and interest	968,822	-	968,822
In-kind donations (Note 11)	151,656	-	151,656
Program revenue	71,222	-	71,222
Investment management fees	24,552	-	24,552
Rental Income	9,203	-	9,203
Change in value of split interest agreements	-	29,658	29,658
Net investment gains (Note 4)	1,362,799	-	1,362,799
Net assets released from restrictions	389,487	(389,487)	-
Total revenue and support	<u>12,353,214</u>	<u>429,638</u>	<u>12,782,852</u>
EXPENSES AND LOSSES			
Program services - grants	8,400,486	-	8,400,486
Program services - other	609,318	-	609,318
Supporting services	1,699,863	-	1,699,863
Total expenses	<u>10,709,667</u>	<u>-</u>	<u>10,709,667</u>
CHANGE IN NET ASSETS	<u>1,643,547</u>	<u>429,638</u>	<u>2,073,185</u>
NET ASSETS - BEGINNING OF YEAR	<u>48,775,447</u>	<u>774,969</u>	<u>49,550,416</u>
NET ASSETS - END OF YEAR	<u>\$ 50,418,994</u>	<u>\$ 1,204,607</u>	<u>\$ 51,623,601</u>

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE AND SUPPORT			
Contributions	\$ 14,311,481	\$ 249,982	\$ 14,561,463
Investment income - dividends and interest	797,966	-	797,966
In-kind donations (Note 11)	327,960	-	327,960
Program revenue	77,450	-	77,450
Investment management fees	25,955	-	25,955
Change in value of split interest agreement	-	(4,696)	(4,696)
Net assets released from restrictions	248,108	(248,108)	-
Total revenue and support	<u>15,788,920</u>	<u>(2,822)</u>	<u>15,786,098</u>
EXPENSES			
Program services - grants	6,597,404	-	6,597,404
Program services - other	623,256	-	623,256
Supporting services	<u>1,677,508</u>	<u>-</u>	<u>1,677,508</u>
Total expenses	8,898,168	-	8,898,168
Net investment losses (Note 4)	969,113	-	969,113
Total expenses and losses	<u>9,867,281</u>	<u>-</u>	<u>9,867,281</u>
CHANGE IN NET ASSETS	<u>5,921,639</u>	<u>(2,822)</u>	<u>5,918,817</u>
NET ASSETS - BEGINNING OF YEAR	<u>42,853,808</u>	<u>777,791</u>	<u>43,631,599</u>
NET ASSETS - END OF YEAR	<u>\$ 48,775,447</u>	<u>\$ 774,969</u>	<u>\$ 49,550,416</u>

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	PROGRAM SERVICES			SUPPORTING SERVICES			GRAND TOTAL
	EDUCATION			MANAGE-			
	GRANT- MAKING	AND OUTREACH	TOTAL	MENT & GENERAL	FUND RAISING	TOTAL	
Grants (Note 9)	\$ 8,195,103	\$ -	\$ 8,195,103	\$ -	\$ -	\$ -	\$ 8,195,103
Salaries, payroll taxes, and benefits	162,172	266,798	428,970	400,068	432,051	832,119	1,261,089
Office expenses	11,842	19,483	31,325	29,214	31,550	60,764	92,089
Meetings and events	7,175	39,994	47,169	-	133,977	133,977	181,146
Consultant and contract employees	-	198,966	198,966	39,747	155,744	195,491	394,457
Advertising and marketing	-	54,435	54,435	-	149,744	149,744	204,179
Printing and publications	-	5,255	5,255	10,509	5,255	15,764	21,019
Rent	12,431	20,450	32,881	30,666	33,117	63,783	96,664
Professional fees	13	22	35	105,617	105,620	211,237	211,272
Interest expense	-	-	-	5,750	-	5,750	5,750
Conference and travel	9,372	-	9,372	9,656	9,371	19,027	28,399
Other	327	539	866	807	872	1,679	2,545
Depreciation	2,051	3,376	5,427	5,062	5,466	10,528	15,955
TOTAL EXPENSES	\$ 8,400,486	\$ 609,318	\$ 9,009,804	\$ 637,096	\$ 1,062,767	\$ 1,699,863	\$ 10,709,667

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>			
	<u>EDUCATION</u>			<u>MANAGE-</u>		<u>FUND</u>	<u>GRAND</u>
	<u>GRANT-</u>	<u>AND</u>	<u>TOTAL</u>	<u>MENT &</u>	<u>RAISING</u>		
	<u>MAKING</u>	<u>OUTREACH</u>		<u>GENERAL</u>			
Grants (Note 9)	\$ 6,353,897	\$ -	\$ 6,353,897	\$ -	\$ -	\$ -	\$ 6,353,897
Salaries, payroll taxes, and benefits	153,492	245,676	399,168	377,479	338,187	715,666	1,114,834
Office expenses	10,890	17,431	28,321	26,783	23,994	50,777	79,098
Meetings and events	37,972	12,615	50,587	39,123	67,407	106,530	157,117
Consultant and contract employees	-	232,187	232,187	138,565	129,576	268,141	500,328
Advertising and marketing	-	65,386	65,386	-	234,453	234,453	299,839
Printing and publications	-	6,382	6,382	12,764	6,382	19,146	25,528
Rent	11,817	18,915	30,732	29,063	26,037	55,100	85,832
Professional fees	14,392	23,035	37,427	99,179	95,495	194,674	232,101
Conference and travel	13,926	-	13,926	14,349	13,926	28,275	42,201
Other	251	402	653	618	554	1,172	1,825
Depreciation	767	1,227	1,994	1,885	1,689	3,574	5,568
TOTAL EXPENSES	<u>\$ 6,597,404</u>	<u>\$ 623,256</u>	<u>\$ 7,220,660</u>	<u>\$ 739,808</u>	<u>\$ 937,700</u>	<u>\$ 1,677,508</u>	<u>\$ 8,898,168</u>

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,073,185	\$ 5,918,817
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(1,362,799)	969,113
Donated investments	(3,314,334)	(3,195,719)
Depreciation	15,955	5,568
Change in split interest assets & liabilities	(30,241)	(24,666)
Changes in operating assets and liabilities:		
Contributions receivable	(237,863)	(28,101)
Loans receivable	(241)	27,966
Other assets	(18,849)	4,976
Accounts payable and accrued liabilities	2,241	42,859
Grants payable	546,514	27,750
Assets held for other not-for-profit organizations	78,724	23,097
Net cash from operating activities	<u>(2,247,708)</u>	<u>3,771,660</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments, net	3,435,267	(1,942,979)
Purchases of property, plant and equipment	<u>(1,962,400)</u>	<u>(1,214)</u>
Net cash from investing activities	1,472,867	(1,944,193)
 CHANGE IN CASH AND CASH EQUIVALENTS	<u>(774,841)</u>	<u>1,827,467</u>
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,008,290</u>	<u>7,180,823</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 8,233,449</u>	<u>\$ 9,008,290</u>
 NONCASH TRANSACTIONS		
Donated materials and services	<u>\$ 151,656</u>	<u>\$ 327,960</u>
Note payable applied to building purchase	<u>\$ 3,100,000</u>	<u>\$ -</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

The Community Foundation Serving Boulder County (the Foundation) was established in 1991 as a Colorado not-for-profit corporation. The Foundation receives, administers and disburses funds for public, charitable, educational, scientific, literary, environmental, health and human services, and other benevolent purposes. The Foundation finances its operations largely through donations and investment earnings. The Foundation exists to encourage and strengthen philanthropy, enhance the structure and capacity of local not-for-profit agencies, provide opportunities to improve the quality of life in Boulder County communities, and to benefit future generations.

Program services provided by the Foundation include the following:

Grant Making

The Foundation is enabled through donors to make contributions to various charitable organizations. This process includes soliciting funding requests, evaluating the requests, and awarding the grants.

Education and Outreach

The Foundation offers a variety of specific programs including technical assistance and training developed to strengthen the internal capacity of not-for-profit agencies. The assistance and training focuses on structural and administrative responsibilities of not-for-profit organizations including board member responsibilities, financial management, human resources, and fundraising.

Additionally, the Foundation is committed to promoting a culture of giving in Boulder County through education and information. The Foundation conducts seminars and meetings for contributors to educate them about emerging needs, developing values about giving, and helping family members discuss philanthropy. The Foundation also provides training for donor advisors on discussing philanthropic tax issues and charitable giving with their clients.

Greater Horizons

The Foundation partners with Greater Horizons (“GH”), a wholly owned nonprofit subsidiary of the Greater Kansas City Community Foundation, which provides the Foundation with back office administration, accounting, and access to institutional quality pooled investment funds. GH provides these services to community foundations throughout the country. To provide its customers with assurance regarding its accounting and internal control systems, GH completes an annual internal control audit (SOC 1) and a financial statement audit.

Effective January 1, 2016, the Foundation transferred cash and investments totaling \$50,864,402 to Greater Horizons (“GH”). The Foundation retains a beneficial interest in those assets, and can withdraw all or a portion of the assets (including appreciation) upon approval of the Foundation’s governing board. The assets held by GH will be reported on the 2016 statement of financial position as “beneficial interest in assets held by Greater Horizons” and are included in unrestricted net assets.

The Foundation granted variance power to GH, allowing GH to make final decisions regarding distributions from the Foundation’s assets. However, if GH intends to exercise its variance power, it must notify the Foundation in advance and allow the Foundation to terminate the arrangement and withdraw its assets.

Basis of Accounting and Presentation

The Foundation reports information regarding its financial position and activities into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2016, the Foundation had no permanently restricted net assets.

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries described below. Interorganizational balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

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

Organizational Structure

For liability protection and management of certain gifts, the Foundation formed the following subsidiaries:

- **1123 Spruce Street LLC**, a Colorado limited liability company which owns the office building where the Foundation conducts its operations.
- **TCFSO**, a Colorado nonprofit corporation that is wholly owned by the Foundation; a supporting organization that wholly owns the following LLC's:
 - **Pledge 1% Colorado LLC** (Pledge 1%), a Colorado limited liability company which holds donated stock warrants and other securities of privately held companies.
 - **Willard, LLC**, a Colorado limited liability company which holds real estate remainder interests.

Cash and Cash Equivalents

The Foundation's cash equivalent balances include money market funds and certificates of deposit.

Contributions Receivable

Contributions receivable consist of unconditional multi-year promises to give, and are recorded at net realizable value for promises expected to be collected within one year, and at fair value for those due beyond one year. The relationship with the donor, the donor's history of making timely payments, and the donor's overall creditworthiness are incorporated into a fair value measurement computed using present value techniques.

Loans Receivable

Loans receivable are carried at their estimated collectible amounts. Interest income on loans receivable is recognized using the effective interest method. Interest income on impaired loans is recognized as cash is collected or on a cost-recovery basis. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic conditions. The Foundation generally requires collateral for significant loans.

Loans receivable are placed on non-accrual status when they become past due. Upon suspension of the accrual of interest, interest income is subsequently recognized to the extent cash payments are received. Accrual of interest is resumed when loans are removed from non-accrual status. Loans receivable are charged against their allowance accounts when such receivables are deemed to be uncollectible.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation's investment portfolio consists primarily of mutual fund investments in equity and debt securities with readily determinable market values. All investments are carried at fair value, with gains and losses reported in the statement of activities.

Occasionally, the Foundation receives noncash donations, such as real estate or equity securities of privately held companies, which do not have readily determinable market values. Donations of such investments are reported at fair value, estimated based upon evaluation of individual assets and sales of comparable assets.

It is the Foundation's policy to sell contributed publicly traded securities upon receipt. In cases where the security contains restrictions, the security is liquidated as soon as possible.

Split-Interest Agreements (Charitable Remainder Trusts)

The Foundation occasionally receives gifts from donors who establish charitable remainder trusts naming the Foundation as trustee. Such trusts require the Foundation to make lifetime distributions to designated beneficiaries. The payments are made from the income or principal of the assets donated pursuant to the trust agreement. Upon the death of the beneficiary, assets remaining in such trusts will be transferred to the Foundation or another designated entity.

The Foundation records assets held in such trusts at fair value and records liability at the estimated present value of the amounts due to the beneficiaries. The excess of the gift's fair value over the corresponding liability is recognized as support in the year of the gift. In subsequent years, gains or losses from changes in actuarial assumptions, accretions of the discount, and investment gains or losses are recorded as increases or decreases in the value of split-interest agreements in the statement of activities.

Property and Equipment

Property and equipment is stated at cost if purchased and estimated fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as noted below. The Foundation capitalizes property and equipment additions of \$1,000 or more.

<u>Asset</u>	<u>Years</u>
Building	40
Computers & office equipment	3-5
Computers & website	3-5
Furniture & equipment	7
Signage	10

Management assesses the carrying value of long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. If impairment has occurred, the loss is measured based on the amount by which the carrying value exceeds its fair market value. Management believes that no impairment has occurred as of December 31, 2016.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition – Contributions

Contributions are reported as unrestricted or temporarily restricted, depending upon the existence and nature of any donor restrictions. The Foundation's bylaws and all donor agreements grant variance power to the Foundation's Board. Variance power allows the Board to modify or vary donor restrictions if they become incapable of fulfillment or are inconsistent with the charitable needs of the community. The Foundation strives to honor donors' charitable intent and accepts grant recommendations from donors. However, by virtue of its variance power the Foundation generally reports contributions as unrestricted.

Contributions to be received over multiple years or at a specified date in the future are subject to time restrictions and are reported as temporarily restricted. Multi-year promises to give are recognized in the year the written promise is received from the donor. When the funds are collected in subsequent years, the time restriction is lifted and the Foundation recognizes an offsetting increase in unrestricted net assets and reduction of temporarily restricted net assets. The change is reported in the statement of activities as net assets released from restrictions.

The Foundation records donor-restricted contributions as unrestricted if the restrictions are met in the same reporting period. The Board has designated certain funds specifically for grant making and other purposes. Such funds are considered unrestricted by the Foundation's Board.

Grants

Grants are expensed when approved for payment.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$204,179 and \$299,839 in 2016 and 2015 respectively, of which \$30,853 and \$27,841 respectively was contributed as in-kind donations.

Donated Services and Materials

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they require specialized skills and are provided by individuals possessing those skills. Donated materials, if significant, are reported as contributions at fair market value.

Concentrations and Credit Risk

Most of the Foundation's donors are located in the Boulder-Denver metropolitan area of Colorado. In 2016 two donors accounted for 20% of contribution revenue and in 2015 one donor accounted for 10% of contribution revenue.

Financial instruments which represent concentrations of credit risk consist of cash, contributions receivable (Note 2) and loans receivable (Note 3). Cash balances are insured, in part, by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. Although certain cash balances exceed insured limits, the Foundation maintains its cash balances at high-quality financial institutions and does not expect any losses from this exposure. Contributions receivable are due from a fairly broad donor base. Loans receivable are generally secured by collateral.

Fair Value Measurements

Fair value measurements of assets and liabilities may be carried out using:

- Quoted prices in active markets for identical assets (Level 1),
- Significant other observable inputs (Level 2), or
- Significant unobservable inputs (Level 3).

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis consisted of the following December 31, including assets held by Greater Horizons:

<u>Investment Type</u>	<u>Level 1</u>		<u>Level 2</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Money market funds	\$ 954,339	\$ 1,042,417	\$ -	\$ -
Publicly traded securities	43,674,065	42,429,497	-	-
Certificates of deposit	-	-	6,174,615	4,381,235
	<u>\$ 44,628,404</u>	<u>\$ 43,471,914</u>	<u>\$ 6,174,615</u>	<u>\$ 4,381,235</u>

The Foundation holds warrants for stock and other ownership interests in privately held companies. No value is included for such interest in the accompanying financial statements because the Foundation considers that they have no current market value.

Income Taxes

The Foundation is a not-for-profit organization and is generally exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. The Foundation's wholly owned subsidiary TCFSO has been designated a Type 2 supporting organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to income tax for unrelated business income received from ownership interests in taxable entities; however, the Foundation had no taxable income to report for 2016 or 2015.

The Foundation has taken no tax positions it believes are unlikely to be upheld, or that might jeopardize its tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information.

Should its tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS. The Foundation's federal information and tax returns (Forms 990 and 990-T) for 2013 through 2016 are subject to examination by the IRS, generally for three years after they were filed. The Foundation's state income tax return for 2014 is subject to examination by Colorado tax authorities, generally for four years after filing.

Subsequent Events Evaluation

Management has evaluated subsequent events through the date of the accompanying independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Face value	\$ 816,274	\$ 619,340
Unamortized discount	-	(40,929)
	<u>\$ 816,274</u>	<u>\$ 578,411</u>

At December 31, 2016, 71% of contributions receivable were due from three donors, and at December 31, 2015, 82% was due from two donors. No allowance for uncollectible contributions was provided, as management believes the amounts are fully collectible.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable includes the current balance of an \$800,000 note received in 2004 that was discounted at a rate of 3.51%. The note was refinanced in 2016 and there is no longer a discount. Future payments of contributions receivable consisted of the following at December 31, 2016:

<u>Amounts due in</u>	
One year or less	\$ 383,675
Two to five years	373,500
More than five years	<u>59,099</u>
	<u>\$ 816,274</u>

NOTE 3 – LOANS RECEIVABLE

Loans receivable consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Face value	\$ 320,644	\$ 374,526
Allowance for uncollectible	<u>(268,369)</u>	<u>(322,492)</u>
	<u>\$ 52,275</u>	<u>\$ 52,034</u>

Future payments on loans receivable are due in one year or less.

NOTE 4 – INVESTMENTS

The Foundation's investments, including those held by Greater Horizons as mentioned in Note 1, consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
<u>Financial statement categories:</u>		
Charitable remainder trusts	\$ 304,980	\$ 302,278
Other	<u>43,369,085</u>	<u>42,127,219</u>
	<u>\$ 43,674,065</u>	<u>\$ 42,429,497</u>
<u>Types of investments:</u>		
<u>Publicly traded securities:</u>		
Equity	\$ 27,532,174	\$ 26,032,845
Debt	15,977,089	16,235,288
Other	<u>164,802</u>	<u>161,364</u>
	<u>\$ 43,674,065</u>	<u>\$ 42,429,497</u>

The Foundation's investment gains and losses, including those earned from investments held by Greater Horizons, consisted of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Realized gains	\$ 782,552	\$ 1,171,072
Unrealized gains (losses)	802,953	(1,922,640)
Fees	<u>(222,706)</u>	<u>(217,545)</u>
	<u>\$ 1,362,799</u>	<u>\$ (969,113)</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 – PROPERTY AND EQUIPMENT

The Foundation's property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,000,000	\$ -
Building	4,000,000	-
Office equipment	41,405	38,645
Furniture	17,250	14,908
Signage	10,032	10,032
Software & website	97,458	47,820
Loan costs	<u>7,660</u>	<u>-</u>
	5,173,805	111,405
Accumulated depreciation	<u>(120,105)</u>	<u>(104,150)</u>
Property and equipment, net	<u>\$ 5,053,700</u>	<u>\$ 7,255</u>

NOTE 6 – SPLIT-INTEREST AGREEMENT LIABILITIES

The Foundation has obligations under a charitable remainder unitrust agreement. The Foundation must pay the trust's beneficiary the lesser of annual trust income or 5% of trust assets on the first day of each fiscal year. Trust liabilities are recorded using current interest rates and actuarial assumptions, and are adjusted annually for the beneficiary's estimated life expectancy. Estimated liabilities under this agreement totaled \$885 and \$25,843 at December 31, 2016 and 2015. The remainder interest recorded as of December 31, 2016 was \$171,420. The trust was terminated in 2017 following the death of the donor and the Foundation received the remainder interest.

The Foundation also serves as trustee for a charitable remainder unitrust whose assets will be transferred to the Foundation's Open Door Fund upon the beneficiary's death. Because the donor has the right to change the beneficiary, no remainder interest has been recorded by the Foundation. The accompanying statement of financial position includes offsetting assets and liabilities of \$132,675 at December 31, 2016 for this trust.

NOTE 7 – OPERATING LEASES

In 2015 and part of 2016, the Foundation leased office spaces under an operating lease requiring monthly payments totaling \$3,705 plus operating expense through December 2016, and also rents off-site storage space. Rent expense totaled \$96,664 and \$85,832 in 2016 and 2015, respectively. In December 2016, the Foundation acquired the building in which it formerly leased space – see Note 8.

NOTE 8 – NOTES PAYABLE

In 2016 the Foundation formed 1123 Spruce Street LLC (a special purpose LLC) to acquire an office building in Boulder Colorado. The Foundation conducts its operations in this building. The \$5 million purchase price was financed in part with a bank loan of \$2.1 million and a seller loan of \$1 million.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – NOTES PAYABLE (Continued)

The \$2.1 million bank loan is payable over ten years and requires principal and interest payments of \$11,128 for one hundred nineteen (119) months and one payment of \$1,511,693 due on December 9, 2026. The loan bears interest at a fixed rate of 3.98% for the first 60 months. Thereafter, at the bank’s option, the interest rate may be adjusted to the five-year LIBOR swap rate plus 2.15%. The loan is secured by a deed of trust on the property, an assignment of rents, and a blanket lien on Foundation assets. During the term of the loan the Foundation must maintain a debt service coverage ratio of 1.0 to 1.0 and unrestricted liquid assets of \$1 million at all times. As of December 31, 2016, the Foundation was in compliance with such covenants.

The \$1 million seller loan requires a single principal payment of \$1 million on December 9, 2021. Interest accrues at 1.33% and is payable on each anniversary date of the note. The loan is secured by a deed of trust on the property and is subordinated to the bank loan.

Future maturities under these notes is as follows as of December 31, 2016:

2017	\$ 49,712
2018	51,756
2019	53,883
2020	55,878
2021	1,058,395
Thereafter	<u>1,830,376</u>
	<u>\$ 3,100,000</u>

NOTE 9 – ASSETS HELD FOR OTHERS

The Foundation has arrangements with certain not-for-profit organizations (NPO’s) whereby an NPO transfers assets to the Foundation and specifies itself as beneficiary. In such cases, the Foundation does not report the receipt of these assets as contributions. Even though the NPO has granted the Foundation variance power and the Foundation has legal title to the assets, under U.S. generally accepted accounting principles, such transfers are reported by the Foundation as increases in liabilities. Likewise, grant expense and investment income and expense (including unrealized gains or losses) relating to these funds are reported as changes to the liability. The liability totaled \$2,245,945 and \$2,167,221 at December 31, 2016 and 2015, respectively.

The table below shows the effects of agency endowments on the Foundation’s contribution revenue and grant expense:

	<u>2016</u>	<u>2015</u>
Total amounts raised	\$ 10,214,347	\$ 14,686,458
Less: amounts received as agency endowments	<u>(49,407)</u>	<u>(124,995)</u>
Contributions revenue	<u>\$ 10,164,940</u>	<u>\$ 14,561,463</u>
Total grants made	\$ 8,263,921	\$ 6,442,270
Less: grants made from agency endowments	<u>(68,818)</u>	<u>(88,373)</u>
Grants expense	<u>\$ 8,195,103</u>	<u>\$ 6,353,897</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 816,274	\$ 578,411
Remainder interest from split interest agreement	171,420	141,762
Restricted for specific purpose	<u>216,913</u>	<u>54,796</u>
	<u>\$ 1,204,607</u>	<u>\$ 774,969</u>

Net assets released from restrictions consisted of the following:

	<u>2016</u>	<u>2015</u>
Net cash received against promises to give	\$ 300,442	\$ 166,892
Satisfaction of program restrictions	88,295	40,016
Uncollectible promises to give	<u>750</u>	<u>41,200</u>
	<u>\$ 389,487</u>	<u>\$ 248,108</u>

NOTE 11 – IN-KIND CONTRIBUTIONS

Donated services totaling \$151,656 and \$327,960 are included in the 2016 and 2015 financial statements, respectively. Such services were recorded at their estimated fair market value, and included donated marketing and other services, and were used in fundraising and other activities. Additionally, volunteers have donated significant amounts of time to the Foundation in various capacities. However, these services have not been reflected in the financial statements, because they neither require specialized skills nor would they have typically been purchased had they not been donated. The value of these services is not readily determinable.

NOTE 12 – EMPLOYEE BENEFIT PLAN

The Foundation sponsors a 401(k) retirement plan (“the Plan”), which covers all employees with six consecutive months of service. Employees may elect to defer a portion of their compensation, subject to certain limits. The Plan also provides for discretionary contributions by the Foundation. The Foundation contributed \$67,140 and \$55,070 in 2016 and 2015, respectively.