

The Women's Foundation of Colorado, Inc.

Financial Statements

March 31, 2017

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

**Board of Trustees
The Women's Foundation of Colorado, Inc.**

We have audited the accompanying financial statements of The Women's Foundation of Colorado, Inc., which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and cash flows for the fifteen month period 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 audit. We conducted our audit 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Women's Foundation of Colorado, Inc. as of March 31, 2017, and the changes in its net assets and its cash flows for the fifteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Trustees
The Women's Foundation of Colorado, Inc.**

Emphasis of Matter

Effective January 1, 2017 the Foundation adopted a March 31st fiscal year end. The accompanying financial statements are for the fifteen month period beginning January 1, 2016 through March 31, 2017. See note (1)(a).

Kundinger, Cordor & Engle, P.C.

August 7, 2017

The Women's Foundation of Colorado, Inc.
Statement of Financial Position
March 31, 2017

Assets:

Cash and cash equivalents	\$ 144,270
Prepaid expenses and other assets	197,616
Contributions receivable, net (note 2)	762,471
Investments (note 3)	18,428,584
Investment in Chambers Center (note 8)	1,500,000
Property and equipment, net (note 4)	<u>25,847</u>
 Total assets	 <u><u>\$ 21,058,788</u></u>

Liabilities and Net Assets:

Accounts payable and accrued expenses	\$ 82,889
Accrued payroll costs	117,825
Grants payable (note 5)	10,000
Deferred revenue	<u>100,912</u>
 Total liabilities	 <u>311,626</u>

Net assets:

Unrestricted:

Board designated for endowment (note 7)	2,357,392
Undesignated	<u>4,280,933</u>
Total unrestricted	6,638,325
 Temporarily restricted (note 6)	 3,759,028
Permanently restricted (notes 6 and 7)	<u>10,349,809</u>
 Total net assets	 20,747,162

Commitments (notes 8, 10 and 11)

Total liabilities and net assets	<u><u>\$ 21,058,788</u></u>
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See the accompanying notes to the financial statements.

The Women's Foundation of Colorado, Inc.
Statement of Activities
Fifteen Month Period Ended March 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Support:				
Contributions	\$ 458,246	763,639	-	1,221,885
In-kind contributions	79,220	-	-	79,220
Special events	569,199	463,890	-	1,033,089
Less direct cost of special events (note 9)	(280,728)	-	-	(280,728)
Investment return, net of investment fees (note 3)	431,976	1,104,607	-	1,536,583
Net assets released from restrictions due to satisfaction of program and time restrictions	2,522,312	(2,506,478)	(15,834)	-
Total revenue, gains and support	3,780,225	(174,342)	(15,834)	3,590,049
Expenses:				
Program services:				
Grants (note 5)	970,107	-	-	970,107
Research, education and advocacy	1,007,826	-	-	1,007,826
Total program services	1,977,933	-	-	1,977,933
Supporting services:				
Management and general	599,712	-	-	599,712
Development and fundraising (note 9)	736,528	-	-	736,528
Total supporting services	1,336,240	-	-	1,336,240
Total expenses	3,314,173	-	-	3,314,173
Change in net assets	466,052	(174,342)	(15,834)	275,876
Net assets at beginning of period	6,172,273	3,933,370	10,365,643	20,471,286
Net assets, end of period	\$ 6,638,325	3,759,028	10,349,809	20,747,162

See the accompanying notes to the financial statements.

The Women's Foundation of Colorado, Inc.
Statement of Cash Flows
Fifteen Month Period Ended March 31, 2017

Reconciliation of change in net assets to net cash	
used in operating activities:	
Change in net assets	\$ 275,876
Adjustments to reconcile change in net assets to net cash	
used in operating activities:	
Depreciation	42,146
Amortization of discount on contributions receivable	(1,042)
Provision for uncollectible contributions receivable	50,345
Realized and unrealized gain on investments	(1,151,227)
(Increase) decrease in operating assets:	
Contributions receivable	172,637
Prepaid expenses and other assets	(165,255)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	20,684
Accrued payroll costs	(2,595)
Grants payable	(41,500)
Deferred Revenue	100,912
Net cash used in operating activities	<u>(699,019)</u>
Cash flows from investing activities:	
Proceeds from sale of investments, net of purchases	570,223
Purchases of property and equipment	<u>(11,879)</u>
Net cash provided by investing activities	<u>558,344</u>
Net decrease in cash and cash equivalents	(140,675)
Cash and cash equivalents at beginning of period	<u>284,945</u>
Cash and cash equivalents at end of period	\$ <u><u>144,270</u></u>

See the accompanying notes to the financial statements.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements

March 31, 2017

(1) Summary of Significant Accounting Policies

(a) General

The Women's Foundation of Colorado, Inc. (the "Foundation") was founded in 1986. The vision of the Foundation is a future where Colorado women and girls of every background and identity prosper.

Effective January 1, 2017, the Foundation adopted a March 31st fiscal year-end. The Foundation previously had a calendar year-end. Accordingly, the audited financial statements cover the fifteen month period from January 1, 2016 to March 31, 2017.

(b) Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

Information regarding the financial position and activities of the Foundation is reported according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

(d) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and /or nature of any donor restrictions.

All donor-restricted support, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional pledges are recognized as receivables and revenue when the conditions on which they depend are substantially met.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is calculated using the delinquent pledge policy adopted by the Foundation in 2010.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less and that are not part of an investment portfolio to be cash equivalents.

(f) Investments

Investments are reported at fair value. Fair value is determined as more fully described in note 1(g). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of the Foundation's distributive share of any interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(g) Fair Value Measurements

The Foundation uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value of investments into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). All of the Foundation's investments are considered to be Level 1 investments. Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based upon quoted prices in active markets.

(h) Concentrations of Credit Risk

The Foundation places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. Funds in excess of the federally insured limit set by the Federal Deposit Insurance Corporation (FDIC) are transferred into a sweep instrument on a daily basis. The Foundation has significant investments in equity and fixed income securities and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored by the management of the Foundation. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Concentrations of Credit Risk, Continued

Credit risk with respect to pledges receivable is considered low due to the large number of contributors comprising the Foundation's contributor base.

(i) Property and Equipment

Furniture and equipment is recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. The Foundation capitalizes all fixed asset purchases over \$1,000 with an estimated useful life of three years or more.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(k) Donated Goods and Services

Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation.

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with its education and outreach programs and fund-raising events. These services were not recognized in the financial statements because they did not meet the criteria for recognition.

Donated goods and services relate primarily to special events and totaled \$79,220 during the fifteen month period ended March 31, 2017.

(l) Functional Allocation of Expenses

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

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Income Tax Status

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. However, income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has not engaged in any activities that would result in unrelated business income.

Management is required to evaluate tax positions taken and recognize a tax liability (or asset) if a position has been taken that more than likely would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken by the Foundation that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The Foundation is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress. Management believes that the Foundation is no longer subject to income tax examinations for years prior to 2013.

(n) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Foundation's financial statements were available to be issued on August 7, 2017 and this is the date through which subsequent events were evaluated.

(2) Contributions Receivable

Contributions receivable are scheduled to be collected as follows:

Receivable in less than one year	\$ 570,108
Receivable in one to five years	242,221
Receivable in more than five years	<u>15,264</u>
Total contributions receivable	827,593
Less discount to net present value	(6,668)
Less allowance for uncollectible pledges	<u>(58,454)</u>
Contributions receivable, net	\$ <u>762,471</u>

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.03% to 2.31%.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(3) Investments

Investments are comprised of the following at March 31, 2017:

Publicly traded mutual funds invested in:

Global bond funds	\$ 3,922,430
Equity funds	12,689,318
Real estate fund	1,307,616
Invested cash equivalents	<u>509,220</u>
	\$ <u>18,428,584</u>

Investment return is summarized as follows for the fifteen month period ended March 31, 2017:

Interest and dividend income	\$ 416,606
Net realized and unrealized gains	1,151,227
Investment expenses	<u>(31,250)</u>
Investment return	\$ <u>1,536,583</u>

(4) Property and Equipment

Property and equipment consisted of the following at March 31, 2017:

Furniture and equipment	\$ 39,349
Software	<u>20,850</u>
	60,199
Less accumulated depreciation	<u>(34,352)</u>
	\$ <u>25,847</u>

(5) Grants

The Foundation awards grants to other not-for-profit organizations that support women and girls' programs. For the fifteen month period ended March 31, 2017, the Foundation awarded grants totaling \$970,107. Grant expense is recorded at the time the grants are approved by the Board of Trustees. Grants approved but not paid at March 31, 2017 totaled \$10,000 and are reported as grants payable in the accompanying Statement of Financial Position.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(6) Restricted Net Assets

Temporarily restricted net assets consisted of the following at March 31, 2017:

Contributions receivable	\$ 662,558
Contributions received, restricted for:	
Faith, Feminism and Philanthropy	286,596
Scholarships	60,000
Beyond Our Borders	56,535
Other Programs	59,938
Endowment fund earnings, not yet expended	<u>2,633,401</u>
	<u>\$ 3,759,028</u>

Permanently restricted net assets consisted of the following at March 31, 2017:

General Program Endowment	\$ 4,110,858
Operating Endowment Fund	855,912
Advised Funds	5,104,808
The Beyond Our Borders Fund	<u>278,231</u>
	<u>\$ 10,349,809</u>

The following is a summary of the individual funds:

General Program Endowment

Gifts to this fund support the grants and programs of the Foundation. The earnings are subject to the spending policies adopted by the Board of Trustees.

Operating Endowment Fund

Gifts to this fund support general operating expenses of the Foundation. The earnings are subject to the spending policies adopted by the Board of Trustees.

Permanently Restricted Advised Funds

Currently the Foundation has three permanently restricted advised funds. At the end of the life of the advised fund, the fund will become part of the general endowment. The donor may advise, recommend or request that the earnings on such funds be used for certain purposes, and the Foundation will distribute the funds accordingly, if consistent with the mission of the Foundation and sound grant-making practices and with the Foundation Board of Trustees' approval.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(6) Restricted Net Assets, Continued

The Beyond Our Borders Fund

The fund will be used for grants awarded to programs that benefit women and girls nationally and/or outside the United States. Under the fund agreement, the fund will be administered by an advisory committee. Contributions to the fund shall be directed by the donor as restricted for granting within the calendar year of the gift or by March 31st of the following year at 0%, 25%, 50%, 75%, or 100% of the gift, while the remaining percentage of funds will be either unrestricted or permanently restricted for endowment, as determined by the donor. Any funds not granted will be transferred to the permanently restricted portion of the fund. If the fair value of the fund is less than \$100,000 and either the advisory committee is dissolved or the advisory committee fails to make written recommendations within a 36 month period, the fund will become part of the Foundation's general endowment.

(7) Endowment Funds

The Foundation's endowments consist of both donor-restricted and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment assets and net assets consisted of the following as of March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated				
endowment investments	\$ 2,357,392	—	—	2,357,392
Donor restricted				
endowment investments	—	2,633,401	10,349,313	12,982,714
Contributions receivable for endowment	<u>—</u>	<u>—</u>	<u>496</u>	<u>496</u>
Total endowment assets	\$ <u>2,357,392</u>	<u>2,633,401</u>	<u>10,349,809</u>	<u>15,340,602</u>

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(7) Endowment Funds, Continued

The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Following are the changes in the endowment net assets for the fifteen month period ended March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 2,060,389	2,473,893	10,365,643	14,899,925
Investment return:				
Investment income	89,697	259,044	-	348,741
Net realized and unrealized gains	<u>141,333</u>	<u>818,555</u>	<u>-</u>	<u>959,888</u>
Total investment return	<u>231,030</u>	<u>1,077,599</u>	<u>-</u>	<u>1,308,629</u>
Contributions	139,468	-	-	139,468
Appropriated for expenditure	<u>(73,495)</u>	<u>(918,091)</u>	<u>(15,834)</u>	<u>(1,007,420)</u>
Endowment net assets, March 31, 2017	\$ <u>2,357,392</u>	<u>2,633,401</u>	<u>10,349,809</u>	<u>15,340,602</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation. In accordance with generally accepted accounting principles, any deficiencies would be reported in unrestricted net assets. At March 31, 2017, there were no funds with such deficiencies.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(7) Endowment Funds, Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of distribution that supports current needs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves, and fit within the Foundation's preference of acceptable principal and interest risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy 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.

Spending Policy and How the Investment Objectives Relate to Distribution Policy

The Foundation's spending policy allows for appropriating the investment earnings for distribution based upon a four-quarter trailing average of the fair market value of endowment investments. In establishing the distribution policy, the Foundation considered the long-term expected return on its endowment. In 2016 the Board of Trustees, at the recommendation of the Audit and Finance Committee and Investment Committee, voted to permanently change to a 12-quarter trailing average when the result of that calculation results in a lower average fair value. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow, net of spending, at the rate of inflation or greater over the investment horizon thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(8) Investment in Chambers Center

The Foundation entered into an agreement in 2000 with the University of Denver (the University) to raise funds to construct, furnish, and equip a building that houses the University's Women's College and the Foundation's operations. The building is known as the Merle Catherine Chambers Center for the Advancement of Women. The University owns the building, including the initial furniture and equipment, and also retains all liabilities with respect to its ownership. Total project costs, including fundraising costs, were approximately \$8.6 million.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(8) Investment in Chambers Center (Continued)

The University provided the site for the building and \$2.36 million of the project costs. The Foundation and the University collectively raised the remaining \$6.24 million needed to complete the project.

The Foundation and the University entered into an agreement that allows the Foundation to lease office space within the building for 99 years with an unlimited option to renew for successive 99-year periods. The lease rate is based upon actual operating and maintenance costs allocated to the Foundation's space plus 10% to fund a maintenance and capital reserve. The agreement allows the Foundation to withdraw from its lease and relinquish its economic interest in the building upon six months notice. If the Foundation makes this election, the University agrees to purchase the Foundation's interest in the use of the building at a price based upon fair market value for comparable space as calculated per the agreement. The Foundation has not made an election to withdraw from the lease as of March 31, 2017.

The value of the Foundation's economic interest in the building is estimated to be \$1,500,000, and this is the value reflected in the accompanying financial statements.

(9) Fundraising Activities

Total fundraising costs consist of the following for the fifteen month period ended March 31, 2017:

Special events, indirect expenses	\$ 110,892
Other development and fundraising	<u>625,636</u>
Total development and fund raising	736,528
Special events, direct expenses	<u>280,728</u>
Total fundraising costs	\$ <u>1,017,256</u>

(10) Employee Benefit Plan

As part of its agreement with the University of Denver, the University processes the Foundation's payroll and is reimbursed for actual payroll costs plus 15%. The additional 15% covers the Foundation's share of employer taxes and benefits, including a tax-sheltered retirement plan sponsored by the University. All full-time, permanent Foundation employees are eligible for participation in this plan, which includes a matching contribution of 8% of an employee's salary. This contribution is funded by the Foundation and is part of the 15% additional reimbursement described above.

The Women's Foundation of Colorado, Inc.

Notes to Financial Statements, Continued

(11) Office Lease

The Foundation is billed monthly by the University for its share of operating costs at the Merle Catherine Chambers Center. The current rate is \$3,430 per month and will be adjusted annually to reflect actual costs incurred. In addition, the Foundation is required to fund its share of an operating reserve account for the building on a monthly basis at a rate equal to 10% of its share of operating costs. The current rate is \$343 per month. Operating costs billed by the University totaled \$62,531 for 2017.