

**PIKES PEAK COMMUNITY FOUNDATION  
AND AFFILIATE**

**Consolidated Financial Statements**

**For the Year Ended December 31, 2016**

**And**

**Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Pikes Peak Community Foundation  
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Pikes Peak Community Foundation and Affiliate, a non-profit organization, (collectively, the Foundation), which comprise the consolidated balance sheet as of December 31, 2016 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 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 auditors' 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 Pikes Peak Community Foundation and Affiliate as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Pikes Peak Community Foundation and Affiliate's 2015 consolidated financial statements, and our report dated July 12, 2016 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stockman Kast Ryan & Co., LLP*

June 5, 2017

# PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

## CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2016 (with comparative totals for 2015)

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|  | 2016                        | 2015                        |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |                             |                             |
| Cash and cash equivalents                              | \$ 3,706,425                | \$ 4,413,364                |
| Investments  | 39,535,311                  | 29,921,586                  |
| Property and equipment, net                            | 9,204,509                   | 9,944,386                   |
| Land held for investment                               | 4,323,000                   | 4,323,000                   |
| Land and water taps held for sale                      | 2,130,996                   | 6,462,000                   |
| Water rights   | 6,003,554                   | 6,003,554                   |
| Other assets   | <u>84,107</u>               | <u>47,213</u>               |
| <b>TOTAL</b>   | <b><u>\$ 64,987,902</u></b> | <b><u>\$ 61,115,103</u></b> |
| <br><b>LIABILITIES AND NET ASSETS</b>                  |                             |                             |
| <b>LIABILITIES</b>                                     |                             |                             |
| Accounts payable and accrued expenses                  | \$ 76,934                   | \$ 135,447                  |
| Deferred revenue                                       |                             | 2,838                       |
| Liability associated with a charitable remainder trust | 366,524                     | 365,870                     |
| Funds held as agency endowments                        | 487,363                     | 484,243                     |
| Funds held in trust for others                         | <u>3,817,010</u>            | <u>1,096,433</u>            |
| <b>Total</b>   | <b><u>4,747,831</u></b>     | <b><u>2,084,831</u></b>     |
| <br><b>NET ASSETS</b>                                  |                             |                             |
| Unrestricted   | 60,125,359                  | 58,925,909                  |
| Temporarily restricted                                 | <u>114,712</u>              | <u>104,363</u>              |
| <b>Total net assets</b>                                | <b><u>60,240,071</u></b>    | <b><u>59,030,272</u></b>    |
| <b>TOTAL</b>   | <b><u>\$ 64,987,902</u></b> | <b><u>\$ 61,115,103</u></b> |

See notes to financial statements.

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# PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)

|   | 2016                  |                     |                       |                           |                   | 2015<br>Total      |
|---|-----------------------|---------------------|-----------------------|---------------------------|-------------------|--------------------|
|   | Unrestricted          |                     |                       | Temporarily<br>Restricted | Total             |                    |
|   | Operating<br>Funds    | Community<br>Funds  | Total<br>Unrestricted |                           |                   |                    |
| <b>REVENUE</b>                                  |                       |                     |                       |                           |                   |                    |
| Contributions                                   | \$ 454,285            | \$ 12,554,049       | \$ 13,008,334         |                           | \$ 13,008,334     | \$ 5,558,465       |
| Investment income (loss)                        | 559,389               | 1,390,175           | 1,949,564             |                           | 1,949,564         | (102,603)          |
| Program income                                  | 166,530               | 253,837             | 420,367               |                           | 420,367           | 1,026,614          |
| Management fee,<br>charged to others            | 5,646                 |                     | 5,646                 |                           | 5,646             | 4,498              |
| Management fee,<br>internal                     | 367,303               | (367,303)           |                       |                           |                   |                    |
| Other revenue                                   | 191,673               |                     | 191,673               | \$ 10,349                 | 202,022           | 217,447            |
| <b>Total</b>                                    | <b>1,744,826</b>      | <b>13,830,758</b>   | <b>15,575,584</b>     | <b>10,349</b>             | <b>15,585,933</b> | <b>6,704,421</b>   |
| <b>EXPENSES</b>                                 |                       |                     |                       |                           |                   |                    |
| Program expenses:                               |                       |                     |                       |                           |                   |                    |
| Grants  | 1,733,839             | 2,364,285           | 4,098,124             |                           | 4,098,124         | 4,429,983          |
| Non-grant program<br>expenses                   | 296,882               | 1,040,750           | 1,337,632             |                           | 1,337,632         | 1,633,346          |
| <b>Total program expenses</b>                   | <b>2,030,721</b>      | <b>3,405,035</b>    | <b>5,435,756</b>      |                           | <b>5,435,756</b>  | <b>6,063,329</b>   |
| Payroll and related                             | 1,252,004             | 5,828               | 1,257,832             |                           | 1,257,832         | 1,216,159          |
| General and administrative                      | 262,573               |                     | 262,573               |                           | 262,573           | 228,003            |
| Investment fees                                 | 52,961                | 166,137             | 219,098               |                           | 219,098           | 216,555            |
| Depreciation                                    | 60,926                |                     | 60,926                |                           | 60,926            | 82,509             |
| Legal and professional                          | 52,600                |                     | 52,600                |                           | 52,600            | 45,836             |
| Rent and utilities                              | 53,261                |                     | 53,261                |                           | 53,261            | 50,854             |
| <b>Total expenses</b>                           | <b>3,765,046</b>      | <b>3,577,000</b>    | <b>7,342,046</b>      | <b>—</b>                  | <b>7,342,046</b>  | <b>7,903,245</b>   |
| Change in net assets before<br>infrequent items | (2,020,220)           | 10,253,758          | 8,233,538             | 10,349                    | 8,243,887         | (1,198,824)        |
| Transfer of net assets                          |                       | (2,703,084)         | (2,703,084)           |                           | (2,703,084)       |                    |
| Loss on impairment<br>of assets held for sale   | (4,331,004)           |                     | (4,331,004)           |                           | (4,331,004)       |                    |
| <b>Change in net assets</b>                     | <b>\$ (6,351,224)</b> | <b>\$ 7,550,674</b> | <b>1,199,450</b>      | <b>10,349</b>             | <b>1,209,799</b>  | <b>(1,198,824)</b> |
| <b>NET ASSETS,</b>                              |                       |                     |                       |                           |                   |                    |
| Beginning of year                               |                       |                     | 58,925,909            | 104,363                   | 59,030,272        | 60,229,096         |
| <b>NET ASSETS,</b>                              |                       |                     |                       |                           |                   |                    |
| End of year                                     |                       |                     | \$ 60,125,359         | \$ 114,712                | \$ 60,240,071     | \$ 59,030,272      |

See notes to financial statements.

# PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)

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|   | 2016                | 2015                |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES  |                     |                     |
| Change in net assets  | \$ 1,209,799        | \$ (1,198,824)      |
| Adjustments to reconcile change in net assets to<br>net cash provided by (used in) operating activities |                     |                     |
| Depreciation expense  | 60,926              | 82,509              |
| Loss on impairment of assets held for sale  | 4,331,004           |                     |
| Transfer of net assets  | 2,703,084           |                     |
| Realized and unrealized investment (gains) losses   | (926,853)           | 1,152,773           |
| Other   | 45,430              | (32,209)            |
| Changes in operating assets and liabilities:  |                     |                     |
| Other assets  | (36,894)            | (19,242)            |
| Accounts payable and accrued expenses   | (58,513)            | 30,950              |
| Deferred revenue  | <u>(2,838)</u>      | <u>(124,365)</u>    |
| Net cash provided by (used in) operating activities   | <u>7,325,145</u>    | <u>(108,408)</u>    |
| INVESTING ACTIVITIES  |                     |                     |
| Purchases of investments  | (25,301,271)        | (18,135,372)        |
| Sales of investments  | 16,599,745          | 18,277,846          |
| Proceeds from sale of property and equipment  | 678,616             |                     |
| Purchases of property and equipment   | <u>(9,174)</u>      | <u>(3,762)</u>      |
| Net cash provided by (used in) investing activities   | <u>(8,032,084)</u>  | <u>138,712</u>      |
| NET INCREASE (DECREASE) IN CASH<br>AND CASH EQUIVALENTS   | (706,939)           | 30,304              |
| CASH AND CASH EQUIVALENTS, Beginning of year  | <u>4,413,364</u>    | <u>4,383,060</u>    |
| CASH AND CASH EQUIVALENTS, End of year  | <u>\$ 3,706,425</u> | <u>\$ 4,413,364</u> |

See notes to financial statements.

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# PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pikes Peak Community Foundation (PPCF) is a Colorado nonprofit corporation. The mission of PPCF is to enhance the quality of life in the Pikes Peak region, both now and for future generations, by building a community endowment, helping donors address community needs, and providing philanthropic leadership.

**Principles of Consolidation** — The consolidated financial statements include the accounts of PPCF and Pikes Peak Real Estate Foundation (PPREF) (collectively, the Foundation). PPREF was organized to support PPCF and is consolidated since PPCF has both an economic interest in and control over the entity. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Basis of Presentation** — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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

Unrestricted net assets represent the expendable resources that are available for operations at management's discretion. Generally accepted accounting principles provide that when the governing body of an organization, such as a community foundation, has the unilateral power to redirect the use of donor's contributions to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Trustees of the Foundation has such power (variance power) to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgement is necessary to serve more effectively the charitable purposes of the Foundation. However, the Board of Trustees would only exercise this authority if the stated purpose of a contribution is no longer applicable and incapable of fulfillment. It is the expressed intention of the Foundation to honor the designations of the donors.

Temporarily restricted net assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently restricted net assets represent resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation presently has no permanently restricted net assets.

**Cash and Cash Equivalents** — For purposes of the statement of cash flows, the Foundation considers cash, amounts due from banks and highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

**Donated Services** — The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by persons possessing those skills and would typically need to be purchased if not provided by donation.

**Investments** — Investments are carried at fair value. Fair values for money market accounts, mutual funds, exchange traded funds, real estate investment trusts and common and preferred stocks are determined principally through quoted market prices. Fair values for government obligations and corporate bonds are determined principally through pricing services. Certificates of deposit are valued at cost which approximates fair value. Fair values for private equity securities are determined through the Foundation's proportionate share of the estimated value of the private company. Realized and unrealized gains and losses are reflected in the consolidated statement of activities. Earnings on restricted investments are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the earnings are recognized. All other earnings on donor restricted investments are recognized as an increase in temporarily restricted net assets according to the nature of the restrictions on the original gift. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Property and Equipment** — All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$50,000 are capitalized. Property and equipment, which consist of land, buildings and furniture and fixtures, are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of three to five years for furnishings and equipment and 40 years for buildings.

**Land and Water Taps Held for Sale** — Land and water taps held for sale are recorded fair market value.

**Water Rights** — Water rights are recorded at fair value on the date of donation and are assessed for impairment annually. No impairment loss was recognized during the years ended December 31, 2016 and 2015.

**Funds Held as Agency Endowments** — Certain transfers of assets to the Foundation that are for the benefit of the transferring entity, called agency endowments, are accounted for as a liability by the Foundation and appear in the accompanying consolidated balance sheet as funds held as agency endowments. At December 31, 2016, and 2015, respectively, the balance of those funds totaled \$487,363 and 484,243

**Funds Held in Trust for Others** — The Foundation receives certain transfers of assets that are revocable or are not assets held for the benefit of the Foundation. These transfers are accounted for as a liability by the Foundation and appear in the accompanying consolidated balances sheet as funds held in trust for others. At December 31, 2016 and 2015, respectively, the balance of those funds totaled \$3,817,010 and \$1,096,433

**Operating Funds** — Operating funds consist of Venetucci Farm, Aspen Valley Ranch, Pikes Peak Urban Gardens, PPCF discretionary grant making and other PPCF operations including the management fee charged to all community funds.

**Concentrations of Credit Risk** — Certain financial instruments potentially subject the Foundation to concentrations of credit risk. These financial instruments consist primarily of cash and investments.



**Use of Estimates** — Preparation of the Foundation's financial statements in conformity with 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 income and expenses during the reporting period. Actual results could differ from those estimates.

**Tax Status** — The Foundation is a nonprofit corporation which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the Charitable Contribution deduction. The Foundation believes that it does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination include 2013 through the current period.

**Subsequent Events** — The Foundation has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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. Inputs to the valuation methodology include:

- 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 asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of December 31:

|                                      | Fair Value           | Quoted<br>Prices in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------------|----------------------|--|---|--|
| <b>2016:</b>                         |                      |  |   |  |
| <b>ASSETS</b>                        |                      |  |   |  |
| Investments:                         |                      |  |   |  |
| Common stock:                        |                      |  |   |  |
| Domestic                             | \$ 10,413,772        | \$ 10,413,772  |   |  |
| International                        | 5,723,662            | 5,723,662  |   |  |
| Money market accounts                | 1,330,041            | 1,330,041  |   |  |
| Exchange traded funds:               |                      |  |   |  |
| Domestic fixed income                | 1,206,046            | 1,206,046  |   |  |
| Domestic equity                      | 954,127              | 954,127  |   |  |
| Real estate and alternative          | 376,027              | 376,027  |   |  |
| Government obligations               | 13,934               | 13,934   |   |  |
| International equity                 | 10,695               | 10,695   |   |  |
| International fixed income           | 9,306                | 9,306  |   |  |
| Mutual funds:                        |                      |  |   |  |
| Domestic fixed income                | 5,108,573            | 5,108,573  |   |  |
| Real estate and alternative          | 2,967,900            | 2,967,900  |   |  |
| Domestic equity                      | 1,628,481            | 1,628,481  |   |  |
| International equity                 | 811,432              | 811,432  |   |  |
| International fixed income           | 395,071              | 395,071  |   |  |
| Other                                | 297,798              | 297,798  |   |  |
| Real estate investment trusts        | 1,116,381            | 1,116,381  |   |  |
| Fixed income:                        |                      |  |   |  |
| Corporate bonds                      | 3,082,134            |  | \$ 3,082,134  |  |
| Government obligations               | 2,450,517            |  | 2,450,517   |  |
| Certificates of deposit              | 1,233,168            |  | 1,233,168   |  |
| International corporate bonds        | 62,615               |  | 62,615  |  |
| Private equity securities            | 343,631              |  |   | \$ 343,631   |
| Total investments                    | 39,535,311           | 32,363,246   | 6,828,434   | 343,631  |
| Land held for investment             | 4,323,000            |  |   | 4,323,000  |
| Land and water taps held<br>for sale | 2,130,996            |  |   | 2,130,996  |
| Total                                | <u>\$ 45,989,307</u> | <u>\$ 32,363,246</u>   | <u>\$ 6,828,434</u>                                       | <u>\$ 6,797,627</u>                                |
| <b>LIABILITIES</b>                   |                      |  |   |  |
| Charitable remainder trust           | <u>\$ 366,524</u>    | <u>\$ —</u>  | <u>\$ —</u>   | <u>\$ 366,524</u>                                  |

|                                      | Fair Value           | Quoted<br>Prices in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------------|----------------------|--|---|--|
| <b>2015:</b>                         |                      |  |   |  |
| <b>ASSETS</b>                        |                      |  |   |  |
| Investments:                         |                      |  |   |  |
| Common stock:                        |                      |  |   |  |
| Domestic                             | \$ 6,761,939         | \$ 6,761,939   |   |  |
| International                        | 3,089,106            | 3,089,106  |   |  |
| International preferred stock        | 2,433                | 2,433  |   |  |
| Money market accounts                | 1,706,441            | 1,706,441  |   |  |
| Exchange traded funds:               |                      |  |   |  |
| Domestic equity                      | 1,369,668            | 1,369,668  |   |  |
| International equity                 | 291,269              | 291,269  |   |  |
| Domestic fixed income                | 583,438              | 583,438  |   |  |
| International fixed income           | 9,584                | 9,584  |   |  |
| Real estate and alternative          | 32,551               | 32,551   |   |  |
| Mutual funds:                        |                      |  |   |  |
| Real estate and alternative          | 2,594,946            | 2,594,946  |   |  |
| Domestic equity                      | 2,196,939            | 2,196,939  |   |  |
| International equity                 | 1,403,285            | 1,403,285  |   |  |
| Domestic fixed income                | 3,619,994            | 3,619,994  |   |  |
| International fixed income           | 248,918              | 248,918  |   |  |
| Other                                | 25,408               | 25,408   |   |  |
| Real estate investment trusts        | 845,283              | 845,283  |   |  |
| Fixed income:                        |                      |  |   |  |
| Corporate bonds                      | 2,053,023            |  | \$ 2,053,023  |  |
| Government obligations               | 1,945,791            |  | 1,945,791   |  |
| Certificates of deposit              | 825,389              |  | 825,389   |  |
| Private equity securities            | <u>316,181</u>       |  |   | \$ 316,181   |
| Total investments                    | 29,921,586           | 24,781,202   | 4,824,203   | 316,181  |
| Land held for investment             | 4,323,000            |  |   | 4,323,000  |
| Land and water taps held<br>for sale | <u>6,462,000</u>     |  |   | <u>6,462,000</u>                                   |
| Total                                | <u>\$ 40,706,586</u> | <u>\$ 24,781,202</u>   | <u>\$ 4,824,203</u>                                       | <u>\$ 11,101,181</u>                               |
| <b>LIABILITIES</b>                   |                      |  |   |  |
| Charitable remainder trust           | <u>\$ 365,870</u>    | <u>\$ —</u>  | <u>\$ —</u>   | <u>\$ 365,870</u>                                  |

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs are as follows:

**Private Equity Securities:**

|                            |                   |
|----------------------------|-------------------|
| Balance, January 1, 2015   | \$ 254,558        |
| Purchases                  | 67,379            |
| Change in value            | <u>(5,756)</u>    |
| Balance, December 31, 2015 | 316,181           |
| Purchases                  | 32,131            |
| Change in value            | <u>(4,681)</u>    |
| Balance, December 31, 2016 | <u>\$ 343,631</u> |

|   |  |                     |
|---|--|---------------------|
| <b>Land Held for Investment:</b>          |  |                     |
| Balance, January 1, 2015                  |  | \$ 4,323,000        |
| Change in value                           |  | <u>—</u>            |
| Balance, December 31, 2015                |  | 4,323,000           |
| Change in value                           |  | <u>—</u>            |
| Balance, December 31, 2016                |  | <u>\$ 4,323,000</u> |
| <b>Land and Water Taps Held for Sale:</b> |  |                     |
| Balance, January 1, 2015                  |  | \$ 6,462,000        |
| Change in value                           |  | <u>—</u>            |
| Balance, December 31, 2015                |  | 6,462,000           |
| Adjustment to fair market value           |  | <u>(4,331,004)</u>  |
| Balance, December 31, 2016                |  | <u>\$ 2,130,996</u> |
| <b>Charitable Remainder Trust:</b>        |  |                     |
| Balance, January 1, 2015                  |  | \$ 413,887          |
| Change in value                           |  | (8,890)             |
| Distributions                             |  | <u>(39,127)</u>     |
| Balance, December 31, 2015                |  | 365,870             |
| Change in value                           |  | 33,309              |
| Distributions                             |  | <u>(32,655)</u>     |
| Balance, December 31, 2016                |  | <u>\$ 366,524</u>   |

The following table shows quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2016:

| <b>Investment</b>  | <b>Valuation Technique</b>         | <b>Unobservable Input</b>  | <b>Range</b> |
|--|------------------------------------|--|--------------|
| Liability associated with charitable remainder remainder trust | Discounted cash flows              | Expected life of lead beneficiaries  | 20 years     |
|  |                                    | Return on assets   | 8 %          |
|  |                                    | Discount rate  | 8 %          |
| Private equity limited partnerships                            | Value reported by the partnerships | Fair values of the underlying assets of the partnerships   |              |
| Land held for investment                                       | Appraisal                          | Third party appraiser judgments on economic conditions   |              |
| Land and water taps held for sale                              | Appraisal/ offer from buyer        | Third party appraiser judgments on economic conditions/ written offer on assets: Value adjusted to written offer as of January 2017. |              |

*Private Equity Limited Partnership* — At December 31, 2016 the Foundation has invested \$99,510 in PV Ventures II, L.P. (the Partnership) and has committed an additional investment of \$100,490. The Partnership has a term of ten years which commenced on December 31, 2014, with provisions for two additional one year period extensions at the sole discretion of the General Partner, and additional one year period extensions at the consent of the majority in interest of the Limited Partners. The partnership does not have a redemption feature but may be dissolved prior to the termination date subject to certain conditions. The Partnership’s primary investment focus is to pursue a venture capital strategy, generally through investments in seed and early stage technology companies.

Investment income (loss) consists of the following for the years ended December 31:

|  | <b>2016</b>         | <b>2015</b>         |
|--|---------------------|---------------------|
| Realized and unrealized gain (loss) on investments | \$ 926,853          | \$ (1,152,773)      |
| Interest and dividends                             | <u>1,022,711</u>    | <u>1,050,170</u>    |
| Total  | <u>\$ 1,949,564</u> | <u>\$ (102,603)</u> |

### **3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

|                               | <b>2016</b>         | <b>2015</b>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 7,207,000        | \$ 7,207,000        |
| Buildings                     | 2,392,370           | 3,292,370           |
| Furniture and equipment       | 442,705             | 444,419             |
| Art and sculptures            | 39,500              | 39,500              |
| Livestock                     | <u>7,500</u>        | <u>7,500</u>        |
| Total                         | 10,089,075          | 10,990,789          |
| Less accumulated depreciation | <u>884,566</u>      | <u>1,046,403</u>    |
| Property and equipment, net   | <u>\$ 9,204,509</u> | <u>\$ 9,944,386</u> |

### **4. LAND HELD FOR INVESTMENT**

During the year ended December 31, 2014, the Foundation received a donation of 131 acres of land which had an appraised value of \$4,323,000 at the time of the donation. The land is expected to be sold or donated to another non-profit organization. The Foundation has agreed to hold the land for a minimum of two years before selling it, unless the property can be sold at or above the appraised value. The land is recorded at fair market value in the accompanying consolidated balance sheet.

### **5. CHARITABLE TRUST SPLIT-INTEREST AGREEMENTS**

The Foundation serves as trustee of a charitable remainder trust. A charitable remainder trust provides for the payments of distributions to the grantor or other designated beneficiaries over the trust’s term (the designated beneficiary’s lifetime). At the end of the trust’s term, the remaining assets are available for the Foundation’s use. Assets held in the charitable remainder trust totaled \$481,236 and \$470,233 at December 31, 2016 and 2015, respectively, and are reported at fair value within investments in the accompanying financial statements. On an annual basis, the Foundation revalues the associated liability based on actuarial assumptions. The present value of the estimated future payments is \$366,524 and \$365,870 at December 31, 2016 and 2015, respectively.

The Foundation also serves as trustee for a charitable remainder trust whose beneficiary of the trust is a third-party organization. The trust assets, which total \$946,126 and \$934,798 at December 31, 2016 and 2015, respectively, are included within investments and funds held in trust for others in the accompanying consolidated financial statements.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the net assets of the split interest agreement under which the Foundation will receive the remaining assets at trust termination and are available for distribution in future periods.

**7. COMMITMENTS**

The Foundation entered into an operating lease in November 2016 for office space through 2021. As of December 31, 2016, future minimum lease payments under this lease are as follows:

|       |                   |
|-------|-------------------|
| 2017  | \$ 79,947         |
| 2018  | 81,428            |
| 2019  | 82,908            |
| 2020  | 84,389            |
| 2021  | <u>85,869</u>     |
| Total | <u>\$ 414,541</u> |

**8. RELATED PARTIES**

Certain board members are fund advisors of donor advised funds that are held with the Foundation. As of December 31, 2016 the value of these donor advised funds was approximately \$7,966,000.

**9. TRANSFER OF NET ASSETS**

During 2016, the Foundation determined that an investment custodian has been treating the assets held by a trust as a separate entity which the Foundation does not control and has a limited financial interest in. Accordingly, as of December 31, 2016, the Foundation has removed the assets from net assets reported on the accompanying consolidated balance sheet by recording the assets as funds held in trust for others. The removal of net assets has been reported as a transfer of net assets in the accompanying consolidated statement of activities.