PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

Consolidated Financial Statements

For the Year Ended December 31, 2019

And

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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, 2019 and the related consolidated statements of activities, functional expenses, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019 the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Pikes Peak Community Foundation and Affiliate's 2018 consolidated financial statements, and our report dated May 14, 2019 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, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 4,469,817	$ 3,501,637
Investments	50,937,468	44,358,105
Property and equipment, net	8,135,458	8,178,323
Land held for investment	1,700,000	4,323,000
Land and water taps held for sale	—	2,130,996
Building held for sale	—	489,416
Water rights	6,003,554	6,003,554
Other assets	351,914	294,809
TOTAL	$ 71,598,211	$ 69,279,840
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 171,287	$ 163,939
Deposit on sale of land	—	55,000
Liability associated with a charitable remainder trust	—	337,866
Funds held as agency endowments	1,639,710	840,965
Funds held in trust for others	3,928,975	3,780,165
Total	5,739,972	5,177,935
NET ASSETS		
Without donor restrictions:		
Designated for endowment	14,425,891	9,058,692
Undesignated	51,432,348	54,926,944
Total	65,858,239	63,985,636
With donor restrictions	—	116,269
Total net assets	65,858,239	64,101,905
TOTAL	$ 71,598,211	$ 69,279,840

See notes to financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019						
	Without Donor Restrictions						
	Operating Funds	Community Funds	Real Estate Funds	Total	With Donor Restrictions	Total	2018 Total
REVENUE							
Investment (loss) income, net	$ 861,547	$ 6,183,226	$ 357,504	$ 7,402,277	$ —	$ 7,402,277	$ (1,988,858)
Contributions	128,879	4,333,825	50	4,462,754	—	4,462,754	5,765,519
Program income	35,833	25,218	4,977	66,028	—	66,028	76,255
Management fee, charged to others	15,071	—	—	15,071	—	15,071	36,801
Management fee, internal	557,992	(514,999)	(42,993)	—	—	—	—
Gain (loss) on sale of property and equipment	—	—	(49,177)	(49,177)	—	(49,177)	1,715,878
Other revenue (loss)	10,746	1,749	5,726	18,221	$ (116,269)	(98,048)	39,789
Total	1,610,068	10,029,019	276,087	11,915,174	(116,269)	11,798,905	5,645,384
EXPENSES AND LOSSES							
Grants	—	5,924,044	—	5,924,044	—	5,924,044	3,738,231
Payroll and related	792,057	—	96,596	888,653	—	888,653	768,750
General and administrative	226,309	18,517	61,666	306,492	—	306,492	231,652
Non-grant program expenses	32,212	70,487	4,000	106,699	—	106,699	68,309
Rent and utilities	90,098	7,198	9,239	106,535	—	106,535	101,952
Depreciation	11,175	21,441	13,509	46,125	—	46,125	64,060
Legal and professional	20,553	9,438	11,032	41,023	—	41,023	44,549
Total expenses	1,172,404	6,051,125	196,042	7,419,571	—	7,419,571	5,017,503
Impairment of land held for investment	—	2,623,000	—	2,623,000	—	2,623,000	
Total expenses and losses	1,172,404	8,674,125	196,042	10,042,571	—	10,042,571	
Change in net assets	$ 437,664	$ 1,354,894	$ 80,045	1,872,603	(116,269)	1,756,334	627,881
NET ASSETS, Beginning of year				63,985,636	116,269	64,101,905	63,474,024
NET ASSETS, End of year				$ 65,858,239	$ —	$ 65,858,239	$ 64,101,905

See notes to financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019								
	Program Services				Supporting Services				
	Philanthropic Services	Community Impact	Community Programs	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	2018 Total
Grants	$ 5,657,033	$ 267,011	$ —	$ 5,924,044	$ —	$ —	$ —	$ 5,924,044	$ 3,738,231
Payroll and related	213,833	134,562	147,245	495,640	20,115	372,898	393,013	888,653	768,750
General and administrative	66,613	37,107	42,165	145,885	1,867	158,740	160,607	306,492	231,652
Non-grant program expenses	34,103	22,997	49,599	106,699	—	—	—	106,699	68,309
Rent and utilities	25,545	16,075	17,590	59,210	2,403	44,922	47,325	106,535	101,952
Depreciation	—	—	46,125	46,125	—	—	—	46,125	64,060
Legal and professional	5,562	3,500	21,657	30,719	523	9,781	10,304	41,023	44,549
Total - 2019	$ 6,002,689	$ 481,252	$ 324,381	$ 6,808,322	$ 24,908	$ 586,341	$ 611,249	$ 7,419,571	
PERCENTAGE - 2019	81%	7%	4%	92%	0%	8%	8%	100%	
TOTAL - 2018	$ 3,814,904	$ 257,615	$ 502,719	$ 4,575,238	$ 20,938	$ 421,327	$ 442,265		$ 5,017,503
PERCENTAGE - 2018	77%	5%	10%	92%	0%	8%	8%		100%

See notes to financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 1,756,334	$ 627,881
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	46,125	64,060
Impairment of land held for investment	2,623,000	—
Realized and unrealized investment losses (gains)	(5,899,502)	3,019,238
Donation of property and equipment	—	(283,000)
Loss (gain) on sale of property and equipment	49,177	(1,715,878)
Other	368,116	(16,412)
Changes in operating assets and liabilities:		
Other assets	(57,105)	(214,288)
Accounts payable and accrued expenses	7,348	(9,754)
Net cash provided by (used in) operating activities	(1,106,507)	1,471,847
INVESTING ACTIVITIES		
Purchases of investments	(24,474,114)	(30,904,247)
Sales of investments	24,035,826	27,215,663
Proceeds on sale of building, land and water taps held for sale	2,512,975	—
Proceeds on sale of property and equipment	—	2,448,047
Net cash provided by (used in) investing activities	2,074,687	(1,240,537)
NET INCREASE IN CASH AND CASH EQUIVALENTS	968,180	231,310
CASH AND CASH EQUIVALENTS, Beginning of year	3,501,637	3,270,327
CASH AND CASH EQUIVALENTS, End of year	$ 4,469,817	$ 3,501,637
NONCASH INVESTING ACTIVITIES		
Donation of property and equipment	$ —	$ 283,000

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pikes Peak Community Foundation (PPCF) is a Colorado nonprofit corporation. The mission of PPCF is to inspire generosity, serve donors and mobilize resources to effectively address concerns facing the Pikes Peak Region. The Foundation is dedicated to empowering the community through grant making, partnerships and research; together with donors, the Foundation mobilizes and aligns resources to support immediate and long-term needs for the health of citizens.

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, 2018, from which the summarized information was derived.

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Asset Classification — Net assets without donor restrictions represent the expendable resources that are available for operations at management's discretion. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Most funds of the Foundation are classified as net assets without donor restriction because the governing instruments of the Foundation and donor agreements provide the Foundation with variance power. The Board of Trustees of the Foundation has 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.

Net assets with donor restrictions represent resources restricted by donors as to purpose or by the passage of time and 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.

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 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. 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.

Investment in a privately-held company is reported at historical cost, less any impairment, and plus or minus changes resulting from observable price changes. Realized and unrealized gains and losses are reported in change in net assets.

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.

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, 2019 and 2018. See Note 6 for further information.

Funds Held as Agency Endowments — The Foundation has adopted accounting standards for transactions in which a community foundation accepts a contribution from a nonprofit organization and agrees to transfer those assets, the return on investment of those assets, or both, back to the nonprofit organization. The standards specifically require that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds. As of December 31, 2019 and 2018 the Foundation held twelve and four agency funds with the balance of those funds totaling $1,639,710 and $840,965, respectively. The Foundation maintains variance power and legal ownership of agency endowment funds and they appear in the accompanying consolidated balance sheet as funds held as agency endowments.

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 balance sheets as funds held in trust for others. At December 31, 2019 and 2018, respectively, the balance of those funds totaled $3,928,975 and $3,780,165.

Operating Funds — Operating funds consist of PPCF operations, including the management fee charged to all community funds, PPCF discretionary grants, Venetucci Farm and Aspen Valley Ranch.

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.

Change in Accounting Principles — In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The update allows equity instruments that do not have readily determinable fair values to be remeasured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. During the year ended December 31, 2019, management adopted ASU 2016-01 prospectively. The impact of adopting ASU 2016-01 had no impact on change in net assets during 2019 or on total net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The update clarifies the guidance in ASC 958 on how entities determine whether to account for a transfer of assets as an exchange transaction under other guidance or a contribution. During the year ended December 31, 2019, management adopted ASU 2018-08 prospectively. The impact of adopting ASU 2018-08 had no net impact on change in net assets during 2019 or on total net assets.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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 as a public charity for purposes of Charitable Contribution deduction. The Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

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. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation’s financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 4,469,817	$ 3,501,637
Investments	50,937,468	44,358,105
Total financial assets	55,407,285	47,859,742
Less amounts unavailable for general expenditures within one year, due to:		
Funds designated by board as endowment	14,425,891	9,058,692
Funds held as agency endowments	1,639,710	840,965
Funds held in trust for others	3,928,975	3,780,165
Illiquid investments	517,811	511,306
Restricted by donor with time restriction	—	112,269
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 34,894,898	$ 33,556,345

Contributions received by the Foundation are separated as Donor Advised Funds, Designated Funds, Field of Interest Funds or Undesignated Funds at the request of the donor. Donor Advised Funds are available for grant disbursement generally based on donor recommendation. Designated Funds are generally used for a specific charitable organization as recommended by the donor. Field of Interest Funds are available for grant disbursement within a charitable field of interest as recommended by the Foundation's Board of Trustees. The Foundation has the unilateral right to redirect the use of donor contributions to another beneficiary, however the Foundation's intent is to honor the wishes of donors as long as those wishes are capable of fulfillment.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's typical operating procedures to manage an emergency cash flow need is to liquidate investments. The Foundation manages its cash flow through regular (monthly) analysis of cash flows and budgeted expenses.

3. 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:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019:				
Assets measured at fair value on a recurring basis:				
Investments:				
Common stock:				
Domestic	$ 10,884,166	$ 10,884,166	$ —	$ —
International	8,358,120	8,358,120	—	—
Money market accounts	3,443,786	3,443,786	—	—
Exchange traded funds:				
Real estate and alternative	2,845,168	2,845,168	—	—
Domestic equity	2,021,538	2,021,538	—	—
Domestic fixed income	1,102,953	1,102,953	—	—
International equity	682,774	682,774	—	—
Closed end	30,544	30,544	—	—
International fixed income	29,024	29,024	—	—
Mutual funds:				
Domestic fixed income	5,944,603	5,944,603	—	—
Domestic equity	2,540,583	2,540,583	—	—
Real estate and alternative	2,305,724	2,305,724	—	—
International equity	1,879,619	1,879,619	—	—
International fixed income	1,061,443	1,061,443	—	—
Other	142,208	142,208	—	—
Real estate investment trusts	1,578,748	1,578,748	—	—
Fixed income:				
Corporate bonds	2,799,651	—	2,799,651	—
Government obligations	2,769,005	—	2,769,005	—
Private equity security	263,253	—	—	263,253
Total investments measured using the fair value hierarchy	50,682,910	$ 44,851,001	$ 5,568,656	$ 263,253
Investment in privately-held company	254,558			
Total investments	$ 50,937,468			
Asset measured at fair value on a non-recurring basis:				
Land held for investment	$ 1,700,000	$ —	$ —	$ 1,700,000

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2018:				
Assets measured at fair value on a recurring basis:				
Investments:				
Common stock:				
Domestic	$ 8,794,502	$ 8,794,502	$ —	$ —
International	8,665,222	8,665,222	—	—
Money market accounts	2,533,176	2,533,176	—	—
Exchange traded funds:				
Real estate and alternative	1,846,045	1,846,045	—	—
Domestic equity	1,692,397	1,692,397	—	—
Domestic fixed income	1,188,095	1,188,095	—	—
International equity	502,753	502,753	—	—
Closed end	31,074	31,074	—	—
International fixed income	9,567	9,567	—	—
Mutual funds:				
Domestic fixed income	6,129,250	6,129,250	—	—
Domestic equity	2,497,091	2,497,091	—	—
Real estate and alternative	1,879,920	1,879,920	—	—
International equity	1,184,348	1,184,348	—	—
International fixed income	688,740	688,740	—	—
Other	153,754	153,754	—	—
Real estate investment trusts	648,034	648,034	—	—
Fixed income:				
Corporate bonds	2,670,775	—	$ 2,670,775	—
Government obligations	2,732,056	—	2,732,056	—
Private equity security	256,748	—	—	$ 256,748
Total investments	44,103,547	$ 38,443,968	$ 5,402,831	$ 256,748
Investment in privately-held company	254,558			
Total investments measured using the fair value hierarchy	$ 44,358,105			
Assets measured at fair value on a non-recurring basis:				
Land held for investment	$ 4,323,000	$ —	$ —	$ 4,323,000
Land and water taps held for sale	2,130,996	—	—	2,130,996
Building held for sale	489,416	—	—	489,416
Total	$ 6,943,412	$ —	$ —	$ 6,943,412

Measured at fair value on a recurring basis:				
LIABILITIES				
Charitable remainder trust	$ 337,866	$ —	$ —	$ 337,866

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

Private Equity Securities:	
Balance, January 1, 2018	$ 171,753
Purchases	40,000
Change in value	44,995
Balance, December 31, 2018	256,748
Purchases	19,490
Sales	(9,606)
Change in value	(3,379)
Balance, December 31, 2019	$ 263,253
Land Held for Investment:	
Balance, January 1, 2018	$ 4,323,000
Change in value	—
Balance, December 31, 2018	4,323,000
Change in value	(2,623,000)
Balance, December 31, 2019	$ 1,700,000
Land and Water Taps Held for Sale:	
Balance, January 1, 2018	$ 2,130,996
Change in value	—
Balance, December 31, 2018	2,130,996
Change in value	(249,277)
Disposal	(1,881,719)
Balance, December 31, 2019	$ —
Buildings Held for Sale:	
Balance, January 1, 2018	$ 937,500
Disposal	(448,084)
Balance, December 31, 2018	489,416
Change in value	161,112
Disposal	(650,528)
Balance, December 31, 2019	$ —

Charitable Remainder Trust:

Balance, January 1, 2018	$ 394,002
Change in value	(19,355)
Distributions	(36,781)
Balance, December 31, 2018	337,866
Change in value	65,331
Distributions	(25,551)
Transfer to another organization at donor request	(377,646)
Balance, December 31, 2019	$ —

The following table shows quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2019:

Investment	Valuation Technique	Unobservable Input
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

Private Equity Limited Partnership — At December 31, 2019 the Foundation has invested $200,000 in PV Ventures II, L.P. (the Partnership) and has no further commitments for additional investments. 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.

Investments in non-marketable equity securities consist of an investment in the stock of a private company for which there is no readily determinable market value and generally no observable equity transactions. During 2019 and 2018, no upward or downward adjustments have been applied to the cost of the investment related to impairment or observable price changes.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2019	2018
Land	$ 7,207,000	$ 7,207,000
Buildings	1,142,370	1,142,370
Furniture and equipment	60,445	82,367
Art and sculptures	39,500	39,500
Total	8,449,315	8,471,237
Less accumulated depreciation	313,857	292,914
Property and equipment, net	$ 8,135,458	$ 8,178,323

5. 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. At December 31, 2019, the land had an appraised value of $1,700,000 so an impairment loss of $2,623,000 was recognized. The land is recorded at estimated fair market value in the accompanying consolidated balance sheet.

6. WATER RIGHTS AND LEASES OF WATER RIGHTS

Management has been notified that the water available under water rights has been contaminated by Perfluorinated Compounds. These water rights are leased to the Security Water District, the City of Fountain and the Widefield Water and Sanitation District (the Water Districts). The water lease contains provisions for a reduction of the lease payments if the water does not meet drinking water standards. On January 1, 2018, the Foundation entered into an abeyance agreement with the Water Districts which suspends the lease payments. Currently, the Foundation and the Water Districts are pursuing a claim against the United States Air Force for damages sustained as a result of the water contamination.

As of December 31, 2019, the timeline and prospect of treatment is undetermined. No impairment of the water rights has been recorded because impairment has not been determined to be probable and cannot be estimated.

7. 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). Assets held in the charitable remainder trust totaled $454,135 at December 31, 2018, 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

$337,866 at December 31, 2018. The assets and related obligation were transferred to another organization at the donor's request during 2019.

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 $1,039,665 and $911,673 at December 31, 2019 and 2018, respectively, are included within investments and funds held in trust for others in the accompanying consolidated financial statements.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 consist of the net assets of the split interest agreement described in Note 7.

9. ENDOWMENT FUNDS

The Foundation has no donor restricted endowments due to its variance power. The Foundation's endowment consists of 28 individual funds established for a variety of purposes. These funds include funds established by donors for specified charitable purposes or not-for-profit organizations. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted 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. The Foundation classifies as board designated net assets (a) the original value of gifts designated by the board as endowment, (b) the original value of subsequent gifts to the board designated endowment and (c) accumulations of investment earnings and/or losses to the board-designated endowment in accordance to board designations. The Foundation considers all earnings and/or losses on board designated endowments to accumulate in the board designated endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions restricted for a specified purpose or the passage of time 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 purposes 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 resources of the Foundation
7) The investment policies of the Foundation

Changes in Endowment Net Assets without donor restrictions for the years ended December 31, 2019 and 2018 is as follows:

Endowment net assets, January 1, 2018	$ 9,380,252
Investment return, net	(418,953)
Contributions	518,213
Distributions	(420,820)
Endowment net assets, December 31, 2018	9,058,692
Reclassifications	3,087,864
Investment return, net	2,523,832
Contributions	491,355
Distributions	(735,852)
Endowment net assets, December 31, 2019	$ 14,425,891

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending policy considers market returns for the previous twelve quarters along with inflation and investment fees and typically spends within 3% to 6% of the balance of the endowed funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a rate of return sufficient to keep pace with the rate of inflation. Actual returns in any given year may vary from this amount.

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 great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

10. COMMITMENTS

The Foundation entered into an operating lease with a related party in November 2016 for office space through 2021. As of December 31, 2019, future minimum lease payments under this lease are as follows:

2020	$ 84,389
2021	85,869
Total	$ 170,258

11. RELATED PARTIES

Certain board members are fund advisors of donor advised funds that are held with the Foundation. As of December 31, 2019 and 2018, the value of these donor advised funds was $8,170,005 and $8,179,733, respectively.

The Foundation leases office space from an entity owned by a board member. Rent expense under the lease was $83,994 and $82,488 during the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2019 the Foundation received a pledge for $1,000,000 from an organization for which a board member serves as a program officer. As of December 31, 2019, $220,870 of the pledge is outstanding.

12. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated fully to the related programs include grants, non-grant program expenses and depreciation. The expenses that are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services include payroll and related taxes, rent and utilities, general and administrative, legal and professional.

13. SUBSEQUENT EVENTS

In August 2020, the Foundation purchased an interest in a LLC for $700,000. The Foundation’s board chair is the executive director of the majority investor. A Foundation board member is the president of another investor.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The COVID-19 outbreak has led to volatility in financial markets, and may continue to affect the fair value of the Foundation’s investments. The potential economic impact brought by, and the duration of, the COVID-19 outbreak is difficult to assess or predict and will depend on future developments that are highly uncertain and cannot be predicted.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

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Mr. Gary Butterworth, Executive Director
Pikes Peak Community Foundation
102 S. Tejon Street, Suite 530
Colorado Springs, CO 80903

Dear Mr. Butterworth:

Enclosed are 10 copies of each of the following for the Pikes Peak Community Foundation:

- Financial Statements for the Year Ended December 31, 2019 and Independent Auditors' Report.
- Letter of Audit Communications.

Should you have any questions, please call.

Sincerely,

STOCKMAN KAST RYAN + CO, LLP

Ellen S. Fisher
Partner

Enclosures