CSM Alumni Foundation, Inc.

Financial Report

June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Directors
CSM Alumni Foundation, Inc.

We have audited the accompanying financial statements of CSM Alumni Foundation, Inc., a non-profit corporation (the "Association"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 CSM Alumni Foundation, Inc. as of June 30, 2019 and the change in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Association adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of June 30, 2019 and applied retrospectively, expect for the liquidity and availability disclosures, as allowed by the standard. Our opinion is not modified with respect to this matter.

To the Board of Directors
CSM Alumni Foundation, Inc.

Report on Prior Year Financial Statements and Restatement

The financial statements of CSM Alumni Foundation, Inc. as of June 30, 2018 were audited by EKS&H LLLP, whose report dated December 7, 2018 expressed an unmodified opinion on those statements.

Plante & Moran, PLLC

October 18, 2019

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 179,797	$ 285,043
Investments	2,052,466	2,015,700
Receivables - Net of allowances:		
Contributions receivable	500	-
Related party receivable	-	4,030
Total receivables - Net of allowances	500	4,030
Total assets	**$ 2,232,763**	**$ 2,304,773**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 348	$ 681
Net Assets		
Net assets without donor restrictions:		
Undesignated	251,949	224,405
Board designated	427,327	536,567
Total net assets without donor restrictions	679,276	760,972
Net assets with donor restrictions	1,553,139	1,543,120
Total net assets	2,232,415	2,304,092
Total liabilities and net assets	**$ 2,232,763**	**$ 2,304,773**

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	$ 2,683	$ 3,500	$ 6,183	$ 2,333	$ 1,000	$ 3,333
Alumni events - Gross revenue	-	142,578	142,578	-	126,021	126,021
Investment income - Net of fees	35,412	78,776	114,188	104,238	114,954	219,192
Other revenue	39,238	5,000	44,238	37,206	-	37,206
Total revenue, gains, and other support	77,333	229,854	307,187	143,777	241,975	385,752
Net Assets Released from Restrictions	219,835	(219,835)	-	156,860	(156,860)	-
Expenses						
Program expenses	252,358	-	252,358	162,971	-	162,971
Support services	126,506	-	126,506	144,323	-	144,323
Total expenses	378,864	-	378,864	307,294	-	307,294
(Decrease) Increase in Net Assets	(81,696)	10,019	(71,677)	(6,657)	85,115	78,458
Net Assets - Beginning of year	760,972	1,543,120	2,304,092	767,629	1,458,005	2,225,634
Net Assets - End of year	**$ 679,276**	**$ 1,553,139**	**$ 2,232,415**	**$ 760,972**	**$ 1,543,120**	**$ 2,304,092**

Statement of Functional Expenses

Years Ended June 30, 2019 and 2018

	2019			2018		
	Program	Support	Total	Program	Support	Total
Project expense	$ 252,358	$ -	$ 252,358	$ 162,971	$ -	$ 162,971
Contract and professional fees	-	81,900	81,900	-	84,100	84,100
Program materials	-	24,628	24,628	-	24,072	24,072
Insurance	-	14,301	14,301	-	13,716	13,716
Miscellaneous	-	4,880	4,880	-	19,457	19,457
Repairs and maintenance	-	561	561	-	2,806	2,806
Supplies	-	236	236	-	172	172
Total functional expenses	**$ 252,358**	**$ 126,506**	**$ 378,864**	**$ 162,971**	**$ 144,323**	**$ 307,294**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (71,677)	$ 78,458
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Net realized and unrealized gains on investments	(84,613)	(147,402)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(500)	-
Accounts receivable - Related party	4,030	(3,030)
Accounts payable	(333)	532
Net cash and cash equivalents used in operating activities	(153,093)	(71,442)
Cash Flows from Investing Activities		
Purchases of investments	(29,575)	(71,790)
Proceeds from sales and maturities of investments	77,422	188,412
Net cash and cash equivalents provided by investing activities	47,847	116,622
Net (Decrease) Increase in Cash and Cash Equivalents	(105,246)	45,180
Cash and Cash Equivalents - Beginning of year	285,043	239,863
Cash and Cash Equivalents - End of year	**$ 179,797**	**$ 285,043**

See notes to financial statements.

Note 1 - Nature of Business

CSM Alumni Foundation, Inc., doing business as the Colorado School of Mines Alumni Association (the "Association"), commenced activities in 1895. The Association was incorporated in the state of Colorado in 1936.

The Association assists alumni job seekers and potential employers; helps students through the Student Financial Assistance Fund; and sponsors class reunions, campus events, and alumni luncheons. The Association is dedicated to serving Colorado School of Mines (CSM) and its alumni by promoting continued excellence in education at CSM and the personal and professional development of CSM alumni. Beginning in fiscal year 2017, the alumni sections were rebranded as M Clubs and managed by the Colorado School of Mines Foundation (the "Foundation").

As of January 1, 2016, the Association no longer accepted any membership dues. As of February 1, 2016, the Association entered into a services agreement with the Foundation and CSM; the Association's operational employees became employees of the Foundation; and certain budget and operational functions, including alumni programs, became the responsibility of the Foundation. The Association will remain a separate legal entity and will continue to exercise fiduciary responsibility over the business and affairs of the Association, including managing the assets owned by the Association and overseeing the special initiatives approved by the Association's board of directors (the "Board"). The Board will have advisory responsibility over the alumni programs managed by the Foundation.

The Association publishes Mines Magazine® in conjunction with CSM to maintain a liaison between alumni, friends, and CSM. Effective February 1, 2016, CSM became responsible for all operating costs associated with the publication and distribution of the magazine. An editorial board oversees the magazine pursuant to a separate agreement between the Association and CSM. The editorial board includes representation from the Board and CSM.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Association have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Association.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of June 30, 2019, the Association adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities*, and applied retrospectively, except for the liquidity and availability disclosures, as allowed by the standard. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Association, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30. 2018 has been restated, as follows: net assets of $1,206,069 previously reported as temporarily restricted net assets and net assets of $337,051 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions.

Cash Equivalents

The Association considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

The Association reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included on the statement of activities and changes in net assets.

Contributions

Unconditional promises to give cash and other assets to the Association are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Beginning in January 2016, the majority of contributions are recognized by the Foundation and are no longer reflected in the Association's financial statements.

Revenue and Cost Recognition

Reunions and alumni events, publication, merchandise sales and commissions, and other revenue are recognized as revenue on the statement of activities and changes in net assets in the year in which the service or product is provided. Payments received in advance are deferred and reported as revenue when earned. Alumni events revenue represents registration fees and is recognized at the time the event occurs.

Note 2 - Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, and accounts receivable. The Association places its cash and cash equivalents with creditworthy, high-quality financial institutions. Accounts at each institution are insured by the FDIC up to $250,000. The Association has significant investments in marketable securities and is, therefore, subject to concentrations of credit risk. Investments are monitored by a committee of the Board. Though market values of investments are subject to fluctuation on a year-to-year basis, management believes the investments are prudent for the long-term welfare of the Association.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Use of Estimates

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Income from activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2019 and 2018, the Association did not incur taxes for unrelated trade or business income.

Upcoming Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Association’s year ending June 30, 2020 and will be applied on a modified prospective basis. The Association does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 18, 2019, which is the date the financial statements were available to be issued.

Note 3 - Investments

Investments are stated at their fair values and consist of the following at June 30:

	2019	2018
Investments		
Mutual funds - Equity securities	$ 89,548	$ 149,557
Mutual funds - Debt securities	184,930	112,599
Equity securities	1,159,515	1,390,387
Bonds	618,473	363,157
Total	$ 2,052,466	$ 2,015,700

During 2019 and 2018, investment income is summarized as follows:

	2019	2018
Interest and dividend income, net of investment fees of $10,585 (2019) and $10,578 (2018)	$ 29,575	$ 71,790
Net realized and unrealized gain	84,613	147,402
Total	$ 114,188	$ 219,192

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Association's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Association to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2019
Equity securities	$ 1,159,515	$ -	$ 1,159,515
Mutual funds - Equity securities	89,548	-	89,548
Mutual funds - Debt securities	184,930	-	184,930
Total	1,433,993	-	1,433,993
U.S. Treasury securities	-	313,220	313,220
State and local government securities	-	5,016	5,016
Corporate bonds	-	300,237	300,237
Total	-	618,473	618,473
Total assets	$ 1,433,993	$ 618,473	$ 2,052,466

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2018
Equity securities	$ 1,390,387	$ -	$ 1,390,387
Mutual funds - Equity securities	149,557	-	149,557
Mutual funds - Debt securities	112,599	-	112,599
Total	1,652,543	-	1,652,543
U.S. Treasury securities	-	117,731	117,731
State and local government securities	-	5,013	5,013
Corporate bonds	-	240,413	240,413
Total	-	363,157	363,157
Total assets	$ 1,652,543	$ 363,157	$ 2,015,700

Note 5 - Donor-restricted and Board-designated Endowments

The Association's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Association is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Association had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 427,327	$ -	$ 427,327
Donor-restricted endowment funds:			
Accumulated purpose restricted earnings	-	301,996	301,996
Amount required to be maintained in perpetuity	-	337,051	337,051
Total	$ 427,327	$ 639,047	$ 1,066,374

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 536,567	$ 608,607	$ 1,145,174
Investment return:			
Investment income	6,116	(23,436)	(17,320)
Net appreciation (realized and unrealized)	17,168	53,876	71,044
Total investment return	23,284	30,440	53,724
Appropriation of endowment assets for expenditure	(132,524)	-	(132,524)
Endowment net assets - End of year	$ 427,327	$ 639,047	$ 1,066,374

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 536,567	$ -	$ 536,567
Donor-restricted endowment funds:			
Accumulated purpose restricted earnings	-	271,556	271,556
Amount required to be maintained in perpetuity	-	337,051	337,051
Total	$ 536,567	$ 608,607	$ 1,145,174

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 589,034	$ 554,693	$ 1,143,727
Investment return:			
Investment income	17,843	17,358	35,201
Net appreciation (realized and unrealized)	36,801	36,556	73,357
Total investment return	54,644	53,914	108,558
Appropriation of endowment assets for expenditure	(107,111)	-	(107,111)
Endowment net assets - End of year	$ 536,567	$ 608,607	$ 1,145,174

Funds with Deficiencies

As of June 30, 2019 and 2018, there were no funds with deficiencies.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has adopted spending and investment 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 finance and investment committee of the Association is responsible for selecting the asset mix and managers for the endowments of the Association. The target asset allocation is as follows: (a) 10 percent minimum and 20 percent maximum in money markets, (b) 35 percent minimum and 50 percent maximum in fixed income, and (c) 30 percent minimum and 65 percent maximum in equities.

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

The Association has a policy of appropriating distributions based on the earnings of the investments held by the endowment fund and targets annual spending of 5 percent of asset balances. Expenditures from the donor-restricted endowment funds are controlled by the Board in concert with the donors' intent. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity.

Note 6 - Net Assets

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2019	2018
Grants and scholarships	$ 865,123	$ 847,455
Endowment held in perpetuity	337,051	337,051
Unexpended endowment earnings	301,996	271,556
Specific alumni chapters	41,347	84,434
Other	7,622	2,624
Total	$ 1,553,139	$ 1,543,120

Note 7 - Liquidity and Availability of Resources

The Association has approximately $180,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of $180,000 at June 30, 2018. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year.

The Association has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $63,000 at June 30, 2019. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Association invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term Treasury instruments.