

**CSM ALUMNI FOUNDATION, INC.**

**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2017 and 2016**

**EKS&H**

**CSM ALUMNI FOUNDATION, INC.**

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
CSM Alumni Foundation, Inc.  
Golden, Colorado

We have audited the accompanying financial statements of CSM Alumni Foundation, Inc., which are comprised of the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 auditors consider 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.

To the Board of Directors  
CSM Alumni Foundation, Inc.  
Page Two

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*EKS+H LLLP*  
EKS&H LLLP

October 2, 2017  
Denver, Colorado

**CSM ALUMNI FOUNDATION, INC.**

**Statements of Financial Position**

	June 30,	
	2017	2016
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 228,017	\$ 293,312
Accounts receivable	-	6,525
Accounts receivable - related party	1,000	45,841
Investments	1,984,920	1,779,457
Restricted cash	11,846	1,968
Total assets	\$ 2,225,783	\$ 2,127,103
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 149	\$ 7,618
Accounts payable - related party	-	46,179
Accrued expenses	-	2,447
Total liabilities	149	56,244
Commitments		
Net assets		
Unrestricted		
Undesignated	186,989	144,947
Board-designated for endowment	520,144	617,046
Total unrestricted	707,133	761,993
Temporarily restricted	1,181,450	971,885
Permanently restricted	337,051	336,981
Total net assets	2,225,634	2,070,859
Total liabilities and net assets	\$ 2,225,783	\$ 2,127,103

See notes to financial statements.

**CSM ALUMNI FOUNDATION, INC.**

**Statements of Activities**

	For the Years Ended							
	June 30, 2017				June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and support								
Membership	\$ -	\$ -	\$ -	\$ -	\$ 45,163	\$ -	\$ -	\$ 45,163
Contributions and support	2,510	3,955	70	6,535	21,597	6,777	1,158	29,532
Investment income (loss)	60,157	157,392	-	217,549	(11,817)	(11,654)	-	(23,471)
Reunions and special programs	-	118,408	-	118,408	47,820	72,874	-	120,694
Other revenue	37,437	-	-	37,437	404,475	-	-	404,475
Publication	-	-	-	-	117,396	-	-	117,396
	<u>100,104</u>	<u>279,755</u>	<u>70</u>	<u>379,929</u>	<u>624,634</u>	<u>67,997</u>	<u>1,158</u>	<u>693,789</u>
Net assets released from restrictions	<u>70,190</u>	<u>(70,190)</u>	<u>-</u>	<u>-</u>	<u>103,006</u>	<u>(103,006)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and support	<u>170,294</u>	<u>209,565</u>	<u>70</u>	<u>379,929</u>	<u>727,640</u>	<u>(35,009)</u>	<u>1,158</u>	<u>693,789</u>
Expenses								
Program services								
Publication	-	-	-	-	193,543	-	-	193,543
Membership services	-	-	-	-	57,127	-	-	57,127
Sections	-	-	-	-	141,367	-	-	141,367
Reunions and special programs	106,119	-	-	106,119	353,619	-	-	353,619
Student financial assistance	14,550	-	-	14,550	34,356	-	-	34,356
Total program services	<u>120,669</u>	<u>-</u>	<u>-</u>	<u>120,669</u>	<u>780,012</u>	<u>-</u>	<u>-</u>	<u>780,012</u>
Supporting services								
Administration	104,485	-	-	104,485	137,256	-	-	137,256
Membership development	-	-	-	-	20,980	-	-	20,980
Total supporting services	<u>104,485</u>	<u>-</u>	<u>-</u>	<u>104,485</u>	<u>158,236</u>	<u>-</u>	<u>-</u>	<u>158,236</u>
Total expenses	<u>225,154</u>	<u>-</u>	<u>-</u>	<u>225,154</u>	<u>938,248</u>	<u>-</u>	<u>-</u>	<u>938,248</u>
Change in net assets	(54,860)	209,565	70	154,775	(210,608)	(35,009)	1,158	(244,459)
Net assets at beginning of year	<u>761,993</u>	<u>971,885</u>	<u>336,981</u>	<u>2,070,859</u>	<u>972,601</u>	<u>1,006,894</u>	<u>335,823</u>	<u>2,315,318</u>
Net assets at end of year	<u>\$ 707,133</u>	<u>\$ 1,181,450</u>	<u>\$ 337,051</u>	<u>\$ 2,225,634</u>	<u>\$ 761,993</u>	<u>\$ 971,885</u>	<u>\$ 336,981</u>	<u>\$ 2,070,859</u>

See notes to financial statements.

**CSM ALUMNI FOUNDATION, INC.**

**Statements of Cash Flows**

	For the Years Ended June 30,	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 154,775	\$ (244,459)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	-	851
Permanently restricted contributions	(70)	(1,158)
Net realized and unrealized (gains) losses on investments	(187,746)	53,877
Changes in assets and liabilities		
Accounts receivable	51,366	(47,951)
Accounts payable and accrued expenses	(56,095)	44,309
Deferred revenues	-	(10,608)
	(192,545)	39,320
Net cash used in operating activities	(37,770)	(205,139)
Cash flows from investing activities		
Net purchase and sales of investments	(17,717)	22,819
Net cash (used in) provided by investing activities	(17,717)	22,819
Cash flows from financing activities		
Contributions permanently restricted for endowment	70	1,158
Net cash provided by financing activities	70	1,158
Net decrease in cash and cash equivalents	(55,417)	(181,162)
Cash and cash equivalents at beginning of year	295,280	476,442
Cash and cash equivalents at end of year	\$ 239,863	\$ 295,280
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 228,017	\$ 293,312
Restricted cash	11,846	1,968
	\$ 239,863	\$ 295,280

See notes to financial statements.

# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies**

#### Organization

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 sponsors local alumni sections; assists alumni job seekers and potential employers; helps students through the Student Financial Assistance Fund and a mentoring program; and sponsors class reunions, campus events, and graduation and alumni banquets. 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 will be 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; 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*<sup>®</sup> 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.

#### Basis of Presentation

The Association 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 amounts are assets currently available at the discretion of the Board for use in the Association's operations and other resources.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Association as required by the donor, but the Association is permitted to use or expend part or all of any income derived from those assets.



# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, unless held as part of the Association's investment portfolio. At various times throughout the year, the Association maintained balances in excess of federally insured limits.

#### 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 statements of activities.

#### Fair Value of Financial Instruments

The Association reports fair value measurements for financial assets and liabilities and any other assets and liabilities carried at fair value. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

#### Furniture and Equipment

Furniture and equipment are recorded at cost or, if donated, at fair value at the date of donation. Depreciation of furniture and equipment is calculated on the straight-line method over the estimated useful lives of the assets, ranging from five to ten years, and consists generally of furniture, equipment, and computers. Assets with an initial purchase price under \$1,500 are expensed in the year purchased.

#### Restricted Cash

Restricted cash represents donations restricted by donors to fund student financial aid only and is required to be maintained in separate accounts.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. Donor-restricted support is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

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

# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Revenue Recognition

Reunions and special programs, publication, merchandise sales and commissions, and other revenue are recognized as revenue on the statements of activities in the year in which the service or product is provided. Payments received in advance are deferred and reported as revenue when earned. Membership income is in substance a contribution and is recognized when received.

Beginning in January 2016, the Association changed its membership model and members are no longer charged dues.

#### 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 Expenses

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

#### Use of Estimates

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

#### Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") 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, 2017 and 2016, the Association did not incur taxes for unrelated trade or business income.

# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Income Taxes (continued)

The Association applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, including the determination of the Association's tax-exempt status, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2017 and 2016. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as administration expenses. No interest or penalties have been assessed as of June 30, 2017 and 2016.

#### Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017, with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendment applies to all entities that have restricted cash or restricted cash equivalents. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, which applies to all periods presented. Early adoption is permitted. The Association has elected to adopt this amendment during the year ended June 30, 2017.

#### Subsequent Events

The Association has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued, and has determined that there are no events requiring disclosure.

# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### Note 2 - Investments

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

	June 30,	
	2017	2016
Mutual funds - equity securities	\$ 158,296	\$ 762,977
Mutual funds - debt securities	185,814	173,503
Debt securities	-	108,261
Equity securities	1,252,437	534,168
Bonds	<u>388,373</u>	<u>200,548</u>
Total investments	<u>\$ 1,984,920</u>	<u>\$ 1,779,457</u>

Investment income is summarized as follows:

	For the Years Ended June 30,	
	2017	2016
Interest and dividend income, net of investment fees of \$10,180 (2017) and \$10,196 (2016)	\$ 29,803	\$ 30,406
Net realized and unrealized gain (loss)	<u>187,746</u>	<u>(53,877)</u>
Net income (loss) from investments	<u>\$ 217,549</u>	<u>\$ (23,471)</u>

### Note 3 - Net Assets

The Board designates lifetime memberships to be held in perpetuity in a Board-designated endowment. Each year, the Board appropriates an amount to support the general operations of the Association out of the endowment.

The temporarily restricted net assets consist of the following:

	As of June 30,	
	2017	2016
Grants and scholarships	\$ 814,220	\$ 766,816
Unexpended endowment earnings	278,265	178,895
Specific alumni chapters	86,341	23,550
Other	<u>2,624</u>	<u>2,624</u>
	<u>\$ 1,181,450</u>	<u>\$ 971,885</u>

## CSM ALUMNI FOUNDATION, INC.

### Notes to Financial Statements

#### **Note 3 - Net Assets (continued)**

In the year ended June 30, 2003, the Association received a gift of \$50,000 to be held in perpetuity. The income from this fund is to be used for grants to CSM students to assist in the purchase of their textbooks. Other permanently restricted net assets totaling \$287,051 and \$286,981 at June 30, 2017 and 2016, respectively, consist of gifts that have been designated by the donor for the endowment fund of the Association. There are no restrictions on the use of the income from this endowment.

#### **Note 4 - Related Party Transactions**

##### Colorado School of Mines Foundation

In January 2016, the Association transitioned all of its operations to the Foundation. All Association-related costs are now invoiced to the Association by the Foundation. As of June 30, 2016, the Association had amounts due to the Foundation of \$38,218, which primarily represented payroll costs and other miscellaneous items. As of June 30, 2017, no amount is due.

##### Colorado School of Mines

During 2016, the Association moved offices when it began transitioning operations and now shares office space with the Foundation and CSM Admissions. Annual rent at the new location is \$1.00. In-kind revenue and expenses are not recorded for the new space since the fair value of the donated rent is immaterial.

During the year ended June 30, 2016, CSM provided \$64,149 in support for *Mines Magazine*<sup>®</sup>, which is included on the accompanying statements of activities as publication revenue. No funds were received during the year ended June 30, 2017.

During the year ended June 30, 2016, CSM provided support of \$252,000 for Association programs, which is included on the accompanying statements of activities as other revenue. No funds were received during the year ended June 30, 2017.

As of June 30, 2016, the Association had \$43,841 of receivables due to CSM related to CSM's support and other miscellaneous items. This amount is included on the accompanying statements of financial position as accounts receivable - related party. As of June 30, 2017, no amount is receivable.

As of June 30, 2016, the Association has \$7,961 of payables related to miscellaneous items. This amount is included on the accompanying statements of financial position as accounts payable - related party. As of June 30, 2017, no amount is due.

The CSM Board of Trustees and the Foundation each appoint one of its members to act as liaisons on the Association's Board.

# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### **Note 4 - Related Party Transactions (continued)**

#### Other

As of June 30, 2017 and 2016, the Association has \$1,000 and \$2,000, respectively, of receivables related to various golf tournaments held by alumni sections. These amounts are included on the accompanying statements of financial position as accounts receivable - related party.

### **Note 5 - Pension Plan**

The Association maintains a tax-deferred annuity plan qualified under Section 403(b) of the IRC covering substantially all full-time employees. After completing six months of service, employees may contribute up to 15% of their salaries. The Association will match 100% of employee contributions up to 5% of their salaries. All contributions are immediately vested. During the year ended June 30, 2016, pension expense totaled \$7,505. No contributions were made during the year ended June 30, 2017, as the Association's operational employees became employees of the Foundation during the year ended June 30, 2016. The plan was terminated effective April 7, 2017.

### **Note 6 - Investment in Endowments**

The Association's endowment consists of two donor-restricted funds and one Board-designated fund established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### Note 6 - Investment in Endowments (continued)

The Board has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor-gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association 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 Association 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 Association.
7. The investment policies of the Association.

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% minimum and 20% maximum in money markets, (b) 35% minimum and 50% maximum in fixed income, and (c) 30% minimum and 65% maximum in equities.

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% 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.

### Invested Endowment Asset Composition by Type of Fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 278,265	\$ 337,051	\$ 615,316
Board-designated endowment funds	<u>520,144</u>	<u>-</u>	<u>-</u>	<u>520,144</u>
Total funds	<u>\$ 520,144</u>	<u>\$ 278,265</u>	<u>\$ 337,051</u>	<u>\$ 1,135,460</u>

**CSM ALUMNI FOUNDATION, INC.**

**Notes to Financial Statements**

**Note 6 - Investment in Endowments (continued)**

**Changes in Invested Endowment Assets for the Fiscal Year Ended June 30, 2017:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 617,046	\$ 178,895	\$ 336,981	\$ 1,132,922
Investment return				
Investment income	1,111	13,406	-	14,517
Net appreciation	<u>7,256</u>	<u>85,964</u>	<u>-</u>	<u>93,220</u>
Total investment return	<u>8,367</u>	<u>99,370</u>	<u>-</u>	<u>107,737</u>
Additions	<u>-</u>	<u>-</u>	<u>70</u>	<u>70</u>
Appropriation of endowment assets for expenditure	<u>(105,269)</u>	<u>-</u>	<u>-</u>	<u>(105,269)</u>
Endowment assets, end of year	<u>\$ 520,144</u>	<u>\$ 278,265</u>	<u>\$ 337,051</u>	<u>\$ 1,135,460</u>

**Invested Endowment Assets Composition by Type of Fund as of June 30, 2016:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 178,895	\$ 336,981	\$ 515,876
Board-designated endowment funds	<u>617,046</u>	<u>-</u>	<u>-</u>	<u>617,046</u>
Total funds	<u>\$ 617,046</u>	<u>\$ 178,895</u>	<u>\$ 336,981</u>	<u>\$ 1,132,922</u>

**Changes in Invested Endowment Assets for the Fiscal Year Ended June 30, 2016:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 768,737	\$ 184,392	\$ 335,823	\$ 1,288,952
Investment return				
Investment income	3,613	-	-	3,613
Net appreciation	<u>(15,583)</u>	<u>(5,497)</u>	<u>-</u>	<u>(21,080)</u>
Total investment return	<u>(11,970)</u>	<u>(5,497)</u>	<u>-</u>	<u>(17,467)</u>
Additions	<u>30,279</u>	<u>-</u>	<u>1,158</u>	<u>31,437</u>
Appropriation of endowment assets for expenditure	<u>(170,000)</u>	<u>-</u>	<u>-</u>	<u>(170,000)</u>
Endowment assets, end of year	<u>\$ 617,046</u>	<u>\$ 178,895</u>	<u>\$ 336,981</u>	<u>\$ 1,132,922</u>



# CSM ALUMNI FOUNDATION, INC.

## Notes to Financial Statements

### Note 7 - Fair Value of Financial Instruments

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy prioritizes observable and unobservable inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Equities and mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Bonds:* Valued based on the par value and yield to maturity percentage.

*Debt securities:* Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

There were no changes to valuation techniques during the years ended June 30, 2017 and 2016.

Financial assets carried at fair value as of June 30, 2017 are classified in the table below in one of the three categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - equity securities	\$ 158,296	\$ -	\$ -	\$ 158,296
Mutual funds - debt securities	185,814	-	-	185,814
Equity securities	1,252,437	-	-	1,252,437
Bonds	<u>-</u>	<u>388,373</u>	<u>-</u>	<u>388,373</u>
Total	<u>\$ 1,596,547</u>	<u>\$ 388,373</u>	<u>\$ -</u>	<u>\$ 1,984,920</u>

CSM ALUMNI FOUNDATION, INC.

Notes to Financial Statements

**Note 7 - Fair Value of Financial Instruments (continued)**

Financial assets carried at fair value as of June 30, 2016 are classified in the table below in one of the three categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - equity securities	\$ 762,977	\$ -	\$ -	\$ 762,977
Mutual funds - debt securities	173,503	-	-	173,503
Debt securities	-	108,261	-	108,261
Equity securities	534,168	-	-	534,168
Bonds	<u>-</u>	<u>200,548</u>	<u>-</u>	<u>200,548</u>
Total	<u>\$ 1,470,648</u>	<u>\$ 308,809</u>	<u>\$ -</u>	<u>\$ 1,779,457</u>