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**WESTERN STATE  
COLLEGE FOUNDATION**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**June 30, 2011 and 2010**

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**Independent Auditors' Report**

Board of Directors  
Western State College Foundation

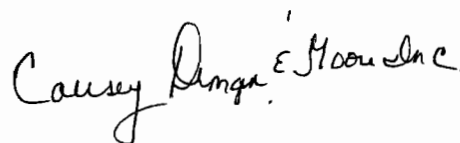
We have audited the accompanying statements of financial position of the Western State College Foundation (the Foundation), a not-for-profit organization, as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denver, Colorado  
October 20, 2011



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**WESTERN STATE COLLEGE FOUNDATION**

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
<b>Assets</b>		
Cash and cash equivalents .....	\$ 299,630	\$ 429,497
Investments .....	15,976,067	14,303,317
Contributions receivable, net of \$95,000 (2011) and \$60,000 (2010) allowance	2,561,105	2,387,291
Other assets .....	202,946	91,748
Debt issuance costs .....	192,794	228,678
Property and equipment, net of accumulated depreciation .....	12,800,936	13,162,022
<b>Total Assets</b>	<b>\$ 32,033,478</b>	<b>\$ 30,602,553</b>
<b>Liabilities</b>		
Accounts payable .....	\$ 56,592	\$ 36,888
Bonds payable, including premium \$120,000 .....	8,392,094	9,347,231
Accrued interest .....	205,150	222,196
<b>Total Liabilities</b>	<b>8,653,836</b>	<b>9,606,315</b>
<b>Net Assets</b>		
Unrestricted .....	616,791	(1,998,367)
Temporarily restricted .....	8,080,193	8,708,061
Permanently restricted .....	14,682,658	14,286,544
<b>Total Net Assets</b>	<b>23,379,642</b>	<b>20,996,238</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,033,478</b>	<b>\$ 30,602,553</b>

The accompanying notes are an integral part of these statements.

# WESTERN STATE COLLEGE FOUNDATION

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2011 and 2010

	2011	2010
<b>Changes in Unrestricted Net Assets</b>		
Revenues, gains and other support:		
Contributions.....	\$ 190,706	\$ 148,295
Investment income .....	2,673,677	1,467,297
Rental Income .....	<u>14,482</u>	<u>14,482</u>
	2,878,865	1,630,074
Net assets released from restrictions:		
Satisfaction of program restrictions .....	<u>4,275,892</u>	<u>2,968,846</u>
	7,154,757	4,598,920
Expenses:		
Programs.....	3,214,914	1,810,959
Management and general.....	1,072,878	1,007,475
Fund-raising .....	<u>249,311</u>	<u>290,771</u>
	<u>4,537,103</u>	<u>3,109,205</u>
Transfers.....	<u>(2,496)</u>	<u>(44,500)</u>
<b>Increase in Unrestricted Net Assets</b>	<u>2,615,158</u>	<u>1,445,215</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Revenues and gains:		
Contributions.....	3,239,095	2,000,524
Investment income .....	350,458	187,381
Royalties.....	<u>72,537</u>	<u>72,556</u>
	3,662,090	2,260,461
Net assets released from restrictions:		
Satisfaction of program restrictions .....	(4,275,892)	(2,968,846)
Transfers.....	<u>(14,066)</u>	<u>43,750</u>
<b>Decrease in Temporarily Restricted Net Assets</b>	<u>(627,868)</u>	<u>(664,635)</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Revenues and gains:		
Contributions.....	379,552	225,530
Transfers.....	<u>16,562</u>	<u>750</u>
<b>Increase in Permanently Restricted Net Assets</b>	<u>396,114</u>	<u>226,280</u>
<b>Increase in Net Assets</b>	2,383,404	1,006,860
Net Assets - July 1 .....	<u>20,996,238</u>	<u>19,989,378</u>
Net Assets - June 30 .....	<u>\$ 23,379,642</u>	<u>\$ 20,996,238</u>

The accompanying notes are an integral part of these statements.

**WESTERN STATE COLLEGE FOUNDATION**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Contributions.....	\$ 1,534,983	\$ 1,624,964
Investment income .....	1,328,797	843,152
Royalties.....	72,537	72,556
Rent .....	14,482	14,482
	2,950,799	2,555,154
Cash paid for:		
Programs.....	1,585,404	1,666,567
Management and general, including interest of \$501,501 (2011) and \$307,647 (2010).....	692,954	481,515
Fund-raising .....	249,311	290,771
	2,527,669	2,438,853
<b>Net Cash Provided by Operating Activities</b>	423,130	116,301
<b>Cash Flows from Financing Activities</b>		
Proceeds from bond issuance.....	--	6,000,000
Debt issuance costs .....	--	(77,220)
Contributions to permanently restricted net assets.....	379,552	225,530
Bond principal payments.....	(955,137)	(833,440)
<b>Net Cash Provided by (Used in) Financing Activities</b>	(575,585)	5,314,870
<b>Cash Flows from Investing Activities</b>		
Payment for purchase of investments.....	(6,243,276)	(9,399,176)
Proceeds from sale of investments .....	6,265,864	10,149,567
Proceeds from certificate of deposit.....	--	34,635
Payment for purchase of property and equipment.....	--	(6,007,543)
<b>Net Cash Provided by (Used in) Investing Activities.....</b>	22,588	(5,222,517)
<b>Net Increase (Decrease) in Cash .....</b>	(129,867)	208,654
<b>Cash - July 1.....</b>	429,497	220,843
<b>Cash - June 30.....</b>	\$ 299,630	\$ 429,497

Continued on following page.

The accompanying notes are an integral part of these statements.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

Continued from previous page.

**Reconciliation of Change in Net Assets to**

**Net Cash Provided by Operating Activities**

Increase in net assets .....	\$ 2,383,404	\$ 1,006,860
Adjustments:		
Unrealized gain on investments .....	(1,695,338)	(811,526)
Contributions to permanently restricted assets .....	(379,552)	(225,530)
In-Kind contributions .....	1,609,807	136,100
Non cash satisfaction of program restrictions .....	(1,609,807)	(136,100)
Amortization of debt issue costs .....	35,884	35,885
Depreciation .....	361,086	336,403
Increase in contributions receivable and other assets .....	(285,012)	(387,755)
Increase in accounts payable and accrued liabilities .....	<u>2,658</u>	<u>161,964</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 423,130</u></b>	<b><u>\$ 116,301</u></b>

The accompanying notes are an integral part of these statements.

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# WESTERN STATE COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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### Note 1 - Summary of Significant Accounting Policies

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#### A. Organization and Nature of Activities

Western State College Foundation (the Foundation) was incorporated on August 22, 1975 under the laws of the State of Colorado. The purpose of the Foundation is to aid, directly or indirectly, Western State College (the College) in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions.

#### B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

#### C. Contributions

Contributions and unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give. An allowance of \$95,000 and \$60,000 as of June 30, 2011 and 2010, respectively, has been provided. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**D. Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**E. Investment Securities**

Under Financial Accounting Standards Board Accounting Standards Codification Topic 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Fair values are determined by quoted markets. Unrealized gains and losses are included in the change in net assets.

**F. Property and Equipment**

The Foundation’s capitalization policy requires individual assets to be capitalized if the original cost or fair value at date of donation exceeds \$1,000 and has a useful life greater than one year. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Depreciation is calculated using the straight-line method as follows:

<u>Asset</u>	<u>Useful life</u>
Buildings.....	40-45 years
Furniture & equipment.....	5-10 years

**G. Debt Issue Costs**

The Foundation capitalizes all costs related to its issuance of debt. Capitalized debt issue costs are amortized using the straight-line method over the terms of the related borrowings.

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

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**H. Income Taxes**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (“IRS”) as other than a private foundation. Accounting principles generally accepted in the United States of America require Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management of the Foundation has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2011, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation management believes it is no longer subject to income tax examinations for the years prior to 2007.

**I. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Allocation of Expenses**

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

**K. Satisfaction of Program Restrictions**

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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**Note 2 - Concentration of Credit Risk**

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Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances at financial institutions in excess of federally insured limits. The Foundation maintains cash balances at a financial institution located in Western Colorado. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in 2011 and 2010. At June 30, 2011 and 2010, the Foundation had no uninsured deposits. The Foundation periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

### Note 3 - Contributions Receivable

The Foundation has unconditional promises to give (contributions receivable) of \$2,561,105 and \$2,387,291 as of June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010 the undiscounted unconditional promises of \$2,368,526 and \$2,552,704, respectively relate to the College Center project.

Estimated annual collections on contributions receivable are as follows:

Less than one year	\$ 1,185,466
One to five years	1,499,300
More than five years	<u>41,000</u>
	<u>\$ 2,725,766</u>

Contributions receivable are net of unamortized discount of \$164,661 and \$239,999 at June 30, 2011 and 2010, respectively. This discount is calculated using a risk-free interest rate of approximately 3.5% for pledges made in the fiscal year ended June 30, 2011 and 3.3% during the fiscal year ended June 30, 2010. In addition, as of June 30, 2011 and 2010 the Foundation has reserved \$95,000 and 60,000, respectively for possible non-payment of unconditional promises.

### Note 4 - Investments

Short-term investments are recorded at fair market value and are comprised of the following:

	<u>June 30, 2011</u>		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gains</u>
Investment securities.....	<u>\$ 14,193,303</u>	<u>\$15,976,067</u>	<u>\$ 1,782,764</u>
	<u>June 30, 2010</u>		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gains</u>
Investment securities.....	<u>\$ 14,215,891</u>	<u>\$ 14,303,317</u>	<u>\$ 87,426</u>

Investment securities of the individual net asset classes, consisting of money market funds, equity securities, bonds and investments in limited partnerships, are combined to form a pool of investments. Income earned on investments is allocated, based on cost, to the individual net asset classes with earnings of the endowment investments being included as an increase of temporarily restricted net assets or unrestricted net assets.

Investments are as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents.....	\$ 1,098,813	\$ 1,498,155
Fixed income.....	2,107,879	2,559,497
Equities .....	11,556,812	9,198,924
Other .....	<u>1,212,563</u>	<u>1,046,741</u>
Investments .....	<u>\$ 15,976,067</u>	<u>\$ 14,303,317</u>

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**4 – Investments (Continued)**

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Investment returns are as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest income.....	\$ 396,651	\$ 308,967
Net realized gains .....	1,039,248	645,176
Net unrealized gains .....	1,695,338	811,526
Fees .....	<u>(107,102)</u>	<u>(110,991)</u>
Investment earnings .....	<u>\$ 3,024,135</u>	<u>\$ 1,654,678</u>

Investment earnings are reported as follows in  
the Statements of Activities:

Unrestricted .....	\$ 2,673,677	\$ 1,467,297
Temporarily restricted .....	<u>350,458</u>	<u>187,381</u>
	<u>\$ 3,024,135</u>	<u>\$ 1,654,678</u>

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**Note 5 - Property and Equipment**

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Property and equipment consist of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Land.....	\$ 38,225	\$ 38,225
Buildings and improvements.....	14,382,888	14,382,888
Furniture and equipment .....	<u>104,672</u>	<u>104,672</u>
	14,525,785	14,525,785
Less accumulated depreciation.....	<u>(1,724,849)</u>	<u>(1,363,763)</u>
	<u>\$ 12,800,936</u>	<u>\$ 13,162,022</u>

The total depreciation expense for the years ended June 30, 2011 and 2010 was \$361,086 and \$336,403, respectively.

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**Note 6 - Other Assets**

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Other assets consist of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Art .....	\$ 47,520	\$ 5,560
Lithographs .....	3,000	3,000
Life insurance policy.....	119,426	77,188
Deposits.....	27,000	--
Property.....	<u>6,000</u>	<u>6,000</u>
	<u>\$ 202,946</u>	<u>\$ 91,748</u>

Other assets are recorded at their estimated value on the date of contribution where market value is not available.

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**Note 7 - Restrictions on Net Assets**

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Temporarily restricted net assets are to be used for various programs and departments of the College.

Permanently restricted net assets are endowment funds restricted in perpetuity to continue the tradition of the Foundation. Income generated by these assets is generally used for scholarships and awards.

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**Note 8 - Western State College**

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The Foundation rents part of its facilities to the College. The lease was extended and now expires June 30, 2015 with annual rentals of \$14,482. The rental income for the years ended June 30, 2011 and 2010 was \$14,482 per year. Effective August 1, 2007, the Foundation is renting the Borick Business Building to the College for 10 years for \$10. The building was built on College property which is subject to a 50 year ground lease to the Foundation.

The Foundation's Executive Director and the Director of Annual and Special Gifts are employed by the College. A portion of their compensation is paid by the Foundation.

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**Note 9 - Conditional Promises to Give**

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Conditional promises to give consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Will designation (estimated amounts), restricted for		
Western State College Savage Library .....	\$ 1,000,000	\$ 1,000,000
Art Chair .....	1,000,000	1,000,000
History.....	1,000,000	1,000,000
Business .....	1,000,000	1,000,000
Other .....	\$ 2,017,231	\$ 2,017,231

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**Note 10 - Pension Plan**

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The Foundation has a 403(b) plan (the Plan) covering all employees working at least 20 hours per week. Covered employees are fully vested after two years of service. The Foundation matches from 3% up to 10% (based on years of experience) of each participant's compensation which they have elected to defer into the Plan each year. Total expense for the years ended June 30, 2011 and 2010 was \$9,992 and \$9,454, respectively.

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**Note 11 - In-Kind Donations**

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The Foundation received non-cash contributions of services and materials totaling \$1,609,807 and \$136,100 for the years ended June 30, 2011 and 2010, respectively. In-kind donations at June 30, 2011, included \$1,487,156 of software from two donors for the use by the College's Natural and Environmental Sciences Department and for the Professional Land and Resource Management Program. The non-cash contributions are included in total contributions and program expenses in the Statements of Activities.

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**Note 12 – Bonds Payable**

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On August 30, 2006, the City of Gunnison issued its Revenue Bond (Western State College Foundation Project) Series 2006 to finance the construction of the Borick Business Building to be owned and operated by the Foundation and utilized by Western State College. The proceeds of the bond were loaned by the city to the Foundation. Under the terms of the agreement with the city, the Foundation is obligated to repay the loan by paying to the registered owner of the bond, on behalf of the city, moneys sufficient to pay the principal and interest on the bond. The bond was issued in the aggregate principal amount of \$6,000,000 at a 4.50% annual interest rate, and is collateralized by the building. The agreement contains certain provisions including maintenance of donative revenues at a level of 125% of the annual debt service on the Revenue Bond.

On October 15, 2009 Western State College issued a Revenue Bond of \$19,535,000 to finance the construction of a new College Center (Note 13) The Foundation was included in this issue for a \$6,000,000 bond issue (relating to its share of the project) at a 6.1% annual interest rate, that is due July 15, 2019.

The future maturities of the bonds are as follows:

	Borick Building	College Center	Total
June 30, 2012	\$ 911,019	\$ 175,284	\$ 1,086,303
2013	952,475	186,139	1,138,614
2014	492,371	197,666	690,037
2015	--	209,906	209,906
2016	--	222,905	222,905
2016	--	4,924,329	4,924,329
Total	<u>\$ 2,355,865</u>	<u>\$ 5,916,229</u>	<u>\$ 8,272,094</u>

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**Note 13 – College Center**

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In September 2008 the Board of Directors of the Foundation voted to participate in the funding of a new dining hall, student union and theater for the campus. The Foundation's share of the project is a commitment of \$6,000,000 and a future potential commitment up to an additional \$13,900,000. The entire project is funded by a \$19,535,000 bond issue and the balance of the \$28,034,130 project will be funded by the College. The Foundation closed on a \$6,000,000 bond issue on October 15, 2009 (relating to its share of the project) which is due July 15, 2019. The project was completed in November 2009. The Foundation entered into a Memorandum of Agreement that allows the Foundation to purchase approximately 18,000 sq feet of the center under the terms of a condo agreement that was executed on October 15, 2009. Under the terms of the Memorandum of Agreement, the Foundation has the right to purchase additional condo space up to the \$13,900,000 or approximately 40,000 sq feet. The Foundation has until October 15, 2014 to complete its additional commitment. If the Foundation fails to pay its debt service on the bonds, the condo units will not be deeded to the Foundation in relation to the amount not paid.

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## Note 14 – Fair Value Measurements

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Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides 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 under ASC Topic 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: 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 market
- 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: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’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. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

*Investments in registered investment companies (mutual funds):* Valued at quoted market prices which represent the net asset value (“NAV”) of shares held by the Plan at year end.

*Common stocks, corporate bonds and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Note 14 – Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011:

	Assets at fair value as of June 30, 2011			Total
	Level 1	Level 2	Level 3	
Cash & Cash Equivalents	\$ 1,098,813	\$ --	\$ --	\$ 1,098,813
<i>Fixed Income:</i>				
Bonds	1,036,942	--	--	1,036,942
Private Debt Funds	--	--	185,447	185,447
U.S. Treasuries	885,490	--	--	885,490
<i>Total Fixed Income</i>	<u>1,922,432</u>	<u>--</u>	<u>185,447</u>	<u>2,107,879</u>
<i>Equities:</i>				
U.S. Large Cap	4,851,656	--	--	4,851,656
U.S. Small Cap	701,745	--	--	701,745
U.S. SMID	2,042,637	--	--	2,042,637
International Developed	2,599,452	--	--	2,599,452
Emerging Market	531,679	--	--	531,679
Convertible Securities	829,643	--	--	829,643
<i>Total Equities</i>	<u>11,556,812</u>	<u>--</u>	<u>--</u>	<u>11,556,812</u>
<i>Other</i>				
Commodities	670,337	--	--	670,337
REITS	542,226	--	--	542,226
<i>Total Other</i>	<u>1,212,563</u>	<u>--</u>	<u>--</u>	<u>1,212,563</u>
<b>Total</b>	<u>\$ 15,790,620</u>	<u>\$ --</u>	<u>\$ 185,447</u>	<u>\$ 15,976,067</u>

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2011:

	Level 3 Private Debt Funds
Balance, June 30, 2010	\$ 208,358
Realized gain on sale	10,824
Unrealized gain related to instruments still held at June 30, 2011	11,103
Purchases, sales, issuances, and settlements (net)	<u>(44,838)</u>
Balance, June 30, 2011	<u>\$ 185,447</u>

## Note 14 – Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2010:

	Assets at fair value as of June 30, 2010			Total
	Level 1	Level 2	Level 3	
Cash & Cash Equivalents	\$ 1,498,155	\$ --	\$ --	\$ 1,498,155
<i>Fixed Income:</i>				
Bonds	1,446,231	--	--	1,446,231
Private Debt Funds	--	--	208,358	208,358
U.S. Treasuries	904,908	--	--	904,908
<i>Total Fixed Income</i>	<u>2,351,139</u>	<u>--</u>	<u>208,358</u>	<u>2,559,497</u>
<i>Equities:</i>				
U.S. Large Cap	3,445,849	--	--	3,445,849
U.S. SMID	2,159,746	--	--	2,159,746
International Developed	2,084,053	--	--	2,084,053
Emerging Market	808,035	--	--	808,035
Convertible Securities	701,241	--	--	701,241
<i>Total Equities</i>	<u>9,198,924</u>	<u>--</u>	<u>--</u>	<u>9,198,924</u>
<i>Other</i>				
Commodities	598,396	--	--	598,396
REITS	448,345	--	--	448,345
<i>Total Other</i>	<u>1,046,741</u>	<u>--</u>	<u>--</u>	<u>1,046,741</u>
<b>Total</b>	<u>\$ 14,094,959</u>	<u>\$ --</u>	<u>\$ 208,358</u>	<u>\$ 14,303,317</u>

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2010:

	Level 3 Private Debt Funds
Balance, June 30, 2009	\$ 626,324
Realized gain on sale	274,235
Unrealized gain related to instruments still held at June 30, 2010	4,432
Purchases, sales, issuances, and settlements (net)	<u>(696,633)</u>
Balance, June 30, 2010	<u>\$ 208,358</u>

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**Note 15 – Endowments**

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The Foundation's endowment consists of approximately 163 individual funds established for a variety of purposes for donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law:**

The Board of Trustees of the Foundation has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of 2008 as requiring the assets of an endowment fund be donor restricted until allocated for spending, unless otherwise specifically stated in the gift instrument.

The Board believes this interpretation is consistent with long established Board approved investment and spending policy which is specifically referenced in the Foundation's endowed gift instrument. In accordance with the investment policy and UPMIFA, with the exception of certain restricted assets that are separately invested, all restricted endowment assets are invested in the investment pool on a pooled basis until allocated for spending.

As a result of this interpretation, the Foundation classifies permanently restricted net assets as assets that, under the terms of the gift instrument, are permanent endowments not wholly expendable by the Foundation on a current basis until a portion is allocated for spending. Permanently restricted assets are invested in perpetuity in the investment pool subject to periodic spending allocations where a portion of the donor-restricted endowment fund in permanently restricted net assets is allocated and classified as temporarily restricted net assets available for spending.

The investment pool also includes donor-restricted funds and board designated funds classified as temporarily restricted net assets, not specifically designated as permanently restricted endowment funds but they are restricted and designated for a particular purpose of Western State College. The Foundation classifies these funds as temporarily restricted net assets and the related investment return as unrestricted assets. There are certain unrestricted net assets invested in the investment pool also.

Based on the interpretation of the investment policy and UPMIFA, the total return of the endowment investment pool including appreciation, depreciation, income, expenses and fees shall be included as part of the temporarily restricted net asset classification.

**Endowment Spending Policy:**

In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the 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

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**Note 15 – Endowments (Continued)**

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According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distance programmatic priorities, the board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

- 70% of the inflation rate (three year trailing average), plus,
- 30% of the endowment's investment returns (three year trailing average).

This rate shall be applied to the market value of the endowed account (three year trailing average) not including gifts made in the current fiscal year (to allow those new gifts to accrue interest). The corridor (or parameters) of the distribution from year to year will be between 3.5% and 6.5%, with the caveat that the Foundation Board's distribution committee may, with all available information, have the discretion to adjust slightly the distribution rate for a given year depending on short/long term needs of the College and the anticipated near-term trends in anticipated inflation and investment returns, consistent with the Foundation's Investment/Distribution Goal Statement. The only exception to this policy shall be for endowment distributions tied directly to a faculty member's salary, such as an endowed chair. In this case, every effort will be made to hold these distributions at 5% annually. The spending allocation rate was 3.78% and 3.77% for the years ended June 30, 2011 and 2010, respectively.

The total endowment spending allocation distributed for the years ended June 30, 2011 and 2010 was \$392,687 and \$390,984 respectively.

**Return Objectives and Risk Parameters:**

The Foundation's return objective is to preserve and if possible enhance the purchasing power of its endowment, net of cost and board-approved withdrawal, over the long-term. The goal is the pursuit of a time-weighted net return on endowment assets that equals, and if possible exceeds, 6% over the long-term.

The Foundation stands prepared to incur risks consistent with its pursuit of the return objective set forth above. Its endowment investment pool should be deployed monthly in common stocks, exchange traded funds that invest in common stocks, and bonds. Investments in a single issuer, with the exception of the U.S. Government and its agencies (including GNMA, ENMA, and FHLMC), may not exceed 5% of the total market value of the endowment funds. No more than 5% of the total endowment assets may be rated below investment grade. Venture capital, private equity partnerships or other illiquid investments are limited to 5% total endowment fund assets.

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**Note 15 – Endowments (Continued)**

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The following table is the changes in endowed net assets for the fiscal year ended June 30, 2011:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Endowment net assets, June 30, 2010	\$ (1,834,934)	\$ (1,638,341)	\$ 14,286,542
Investment return	1,481,557	--	--
Contributions	--	--	379,552
Transfers	--	--	16,562
Appropriation of endowment assets for expenditure	--	(622,677)	--
Endowment net assets, June 30, 2011	<u>\$ (353,377)</u>	<u>\$ (2,261,018)</u>	<u>\$ 14,682,656</u>

The following table is the changes in endowed net assets for the fiscal year ended June 30, 2010:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Endowment net assets, June 30, 2009	\$ (2,647,633)	\$ (1,031,311)	\$ 14,060,264
Investment return	812,699	--	--
Contributions	--	--	225,530
Transfers	--	--	750
Appropriation of endowment assets for expenditure	--	(607,030)	--
Endowment net assets, June 30, 2010	<u>\$ (1,834,934)</u>	<u>\$ (1,638,341)</u>	<u>\$ 14,286,544</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$353,377 as of June 30, 2011 and \$1,834,934 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. The continued appropriations for certain programs that were deemed prudent by the Board of Trustees and in accordance with UPMIFA, caused deficiencies in temporarily restricted assets of \$ 2,261,018 and \$1,638,341 as of June 30, 2011 and 2010, respectively.

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**Note 16 – Subsequent Events**

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Subsequent events have been evaluated to October 20, 2011 the date the financial statements were available for issuance. There were no Subsequent Events.

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**Supplemental Information**

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**WESTERN STATE COLLEGE FOUNDATION**  
**COMBINING STATEMENT OF FINANCIAL POSITION**

**June 30, 2011**

	General Fund	Restricted Fund	Thornton Fund	Aspinall- Wilson Center Fund	Combined Total
<b>Assets</b>					
Cash and cash equivalents .....	\$ 50	\$ 161,308	\$ 34,160	\$ 104,112	\$ 299,630
Investments .....	47,115	14,157,364	1,769,082	2,506	15,976,067
Contributions receivable, net .....	--	2,561,105	--	--	2,561,105
Other assets .....	5,520	194,426	--	3,000	202,946
Debt issuance costs .....	--	192,794	--	--	192,794
Property and equipment (net) ....	--	12,358,705	--	442,231	12,800,936
<b>Total Assets</b>	<b>\$ 52,685</b>	<b>\$ 29,625,702</b>	<b>\$ 1,803,242</b>	<b>\$ 551,849</b>	<b>\$ 32,033,478</b>
<b>Liabilities and Net Assets</b>					
Accounts payable.....	\$ 27,167	\$ 29,425	\$ --	\$ --	\$ 56,592
Bonds payable.....	--	8,392,094	--	--	8,392,094
Accrued interest .....	--	205,150	--	--	205,150
	<u>27,167</u>	<u>8,626,669</u>	<u>--</u>	<u>--</u>	<u>8,653,836</u>
<b>Net Assets:</b>					
Unrestricted .....	25,518	39,424	--	551,849	616,791
Temporarily restricted .....	--	6,276,951	1,803,242	--	8,080,193
Permanently restricted .....	--	14,682,658	--	--	14,682,658
	<u>25,518</u>	<u>20,999,033</u>	<u>1,803,242</u>	<u>551,849</u>	<u>23,379,642</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 52,685</b>	<b>\$ 29,625,702</b>	<b>\$ 1,803,242</b>	<b>\$ 551,849</b>	<b>\$ 32,033,478</b>

The accompanying notes are an integral part of these statements.

**WESTERN STATE COLLEGE FOUNDATION**

**COMBINING STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2011**

	General Fund	Restricted Fund	Thornton Fund
<b>Revenues, Gains and Other Support</b>			
Contributions .....	\$ --	\$ 3,809,355	\$ --
Realized and unrealized gains on investments .....	8,164	2,418,246	305,441
Investment income.....	1,186	349,509	45,056
Royalties.....	--	--	72,537
Administrative charges.....	407,631	--	--
Rental income.....	--	--	--
<b>Total Revenues, Gains and Other Support</b>	<b>416,981</b>	<b>6,577,110</b>	<b>423,034</b>
<b>Expenses</b>			
Administrative .....	202,670	470,662	50,287
Interest Expense.....	--	484,455	--
Center operations.....	--	--	--
Fund-raising.....	214,311	35,000	--
Approved projects .....	--	3,094,915	120,000
Depreciation .....	--	333,410	--
<b>Total Expenses</b>	<b>416,981</b>	<b>4,418,442</b>	<b>170,287</b>
<b>Change in Net Assets before Transfers</b>	--	2,158,668	252,747
<b>Transfers</b> .....	--	--	--
<b>Change in Net Assets</b>	--	2,158,668	252,747
<b>Net Assets - July 1</b> .....	<b>25,518</b>	<b>18,840,365</b>	<b>1,550,495</b>
<b>Net Assets - June 30</b> .....	<b>\$ 25,518</b>	<b>\$ 20,999,033</b>	<b>\$ 1,803,242</b>

The accompanying notes are an integral part of these statements.

<u>Aspinall- Wilson Center Fund</u>	<u>Eliminations</u>	<u>Combined Total</u>
\$ --	\$ --	\$ 3,809,355
2,735	--	2,734,586
900	--	396,651
--	--	72,537
--	(407,631)	--
<u>14,482</u>	<u>--</u>	<u>14,482</u>
<u>18,117</u>	<u>(407,631)</u>	<u>7,027,611</u>
16,372	(407,631)	332,360
--	--	484,455
2,080	--	2,080
--	--	249,311
--	--	3,214,915
<u>27,676</u>	<u>--</u>	<u>361,086</u>
<u>46,128</u>	<u>(407,631)</u>	<u>4,644,207</u>
(28,011)	--	2,383,404
<u>--</u>	<u>--</u>	<u>--</u>
(28,011)	--	2,383,404
<u>579,860</u>	<u>--</u>	<u>20,996,238</u>
<u>\$ 551,849</u>	<u>\$ --</u>	<u>\$ 23,379,642</u>

**WESTERN STATE COLLEGE FOUNDATION**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fund- raising</u>	
Approved projects.....	\$ 3,214,914	\$ --	\$ --	\$ 3,214,914
Personnel costs.....	--	150,746	159,745	310,491
Interest expense.....	--	484,455	--	484,455
Depreciation expense.....	--	361,086	--	361,086
Office supplies.....	--	8,258	--	8,258
Insurance.....	--	7,745	--	7,745
Professional fees.....	--	18,943	--	18,943
Investment expenses.....	--	5,695	--	5,695
Board of Directors expenses.....	--	5,812	--	5,812
Property taxes.....	--	7,086	--	7,086
Miscellaneous.....	--	18,318	--	18,318
Telephone.....	--	2,080	--	2,080
Dues and subscriptions.....	--	2,375	--	2,375
Postage.....	--	279	--	279
Bad Debt.....	--	--	35,000	35,000
Publication costs.....	--	--	12,984	12,984
Fund-raising and travel.....	--	--	23,811	23,811
Capital campaign.....	--	--	15,656	15,656
Directors expense.....	--	--	2,115	2,115
<b>Total Functional Expenses</b>	<b>\$ 3,214,914</b>	<b>\$ 1,072,878</b>	<b>\$ 249,311</b>	<b>\$ 4,537,103</b>

The accompanying notes are an integral part of these statements.