

**THE SUMMIT FOUNDATION
BRECKENRIDGE, COLORADO
FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Summit Foundation
Breckenridge, Colorado

We have audited the accompanying financial statements of The Summit Foundation (a nonprofit organization), which comprises the Statements of Financial Position as of September 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.

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.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, The Summit Foundation does not record the full amount of multi-year pledges at the time the commitment is made by the donor. Instead, the Organization only recognizes the amounts that are due within twelve months after the fiscal year end. In our opinion, accounting principles generally accepted in the United States of America require that the full amount of multi-year pledges be recognized as revenue at the time a commitment is made by a donor. If such revenue was recorded, net assets would increase by \$1,759,750 and \$1,796,000 as of September 30, 2017 and 2016, respectively.

Additionally, the Organization's pledges are considered effective on October 1st of the year they are made. The Organization does not record these pledges until they are considered effective, regardless of when the pledge is made. In our opinion, accounting principles generally accepted in the United States of America require that the full amount of multi-year pledges be recognized as a receivable and revenue at the time a commitment is made by a donor. If such receivables were recorded, net assets would increase by \$1,060,000 and \$992,000 as of September 30, 2017 and 2016, respectively.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Summit Foundation as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Operating Fund Schedule of In-Kind Activities on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Watson Coon & Associates P.C.
WATSON COON & ASSOCIATES P.C.

Greenwood Village, Colorado
January 30, 2018

**THE SUMMIT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Operating Fund:		
Cash and Money Market	\$ 720,324	\$ 614,331
Endowment Fund:		
Cash and Money Market	154,451	343,001
Land Held for Sale	-	151,384
Investments at fair value	11,231,360	9,730,706
Total Endowment Fund	11,385,811	10,225,091
Cash Held in Escrow	308,975	105,110
Unconditional Promises to Give, net of Allowance for Doubtful Accounts	797,722	779,879
Prepaid Expenses	10,846	12,431
Fundraising Events Receivable	39,243	23,377
TOTAL CURRENT ASSETS	13,262,921	11,760,219
Property and Equipment, net	41,963	48,909
NONCURRENT ASSETS		
Unconditional Promises to Give, less Current Portion Above	876,000	1,004,000
Deposits	100	100
TOTAL NONCURRENT ASSETS	876,100	1,004,100
TOTAL ASSETS	\$ 14,180,984	\$ 12,813,228

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts Payable	\$ 40,348	\$ 14,944
Grants and Scholarships Payable	60,000	54,425
Escrow Payable	308,975	105,110
Deferred Revenue	1,845,261	1,910,947
TOTAL CURRENT LIABILITIES	\$ 2,254,584	\$ 2,085,426
NET ASSETS		
Unrestricted	11,926,400	10,727,802
TOTAL NET ASSETS	11,926,400	10,727,802
TOTAL LIABILITIES AND NET ASSETS	\$ 14,180,984	\$ 12,813,228

The accompanying notes are an integral part of these financial statements

THE SUMMIT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
	Unrestricted	Unrestricted
UNRESTRICTED PUBLIC SUPPORT AND REVENUES		
Contributions	\$ 2,504,379	\$ 2,708,898
Ski Pass Medallion Contributions	1,073,000	1,051,500
Fundraisers:		
Ski Pass Medallions	460,989	443,930
Rubber Duck Race	218,049	212,731
Golf Tournament	212,072	228,383
Miscellaneous Programs and Other Donated Products and Services	403,926	253,053
Parade of Homes	54,243	51,969
Total Fundraisers	<u>1,349,279</u>	<u>1,190,066</u>
Investment Earnings (Losses), Net of Management Fees	868,044	565,728
Interest and Dividends	<u>207,631</u>	<u>226,156</u>
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES	6,002,333	5,742,348
EXPENSES		
Grants:		
Agencies and Scholarships	2,238,124	1,857,030
Donor Advised Agencies and Scholarships	1,078,153	808,766
Total Grants	<u>3,316,277</u>	<u>2,665,796</u>
Fundraising Expenses:		
Ski Pass Medallions	494,941	465,233
Rubber Duck Race	103,842	99,153
Golf Tournament	71,467	95,815
Miscellaneous Programs and Other Donated Products and Services	21,503	19,152
Parade of Homes	12,955	16,900
Total Fundraising Expenses	<u>704,708</u>	<u>696,253</u>
Administrative Expenses:		
Salaries, Benefits and Related Taxes	522,596	502,080
Rent, Utilities and Telephone	27,195	26,409
Advertising, Printing and Graphics	75,413	110,692
Insurance	5,374	5,275
Board, Committee and Donors Reception Expenses	44,745	40,862
Professional Fees, Dues and Subscriptions	19,869	18,285
Office Supplies and Postage	14,530	15,132
Technology	29,238	27,386
Travel and Entertainment	22,256	21,433
Total Administrative Expenses	<u>761,216</u>	<u>767,554</u>
Other Expenses:		
Depreciation	14,305	13,235
Credit Card and Bank Fees	7,229	7,133
Total Other Expenses	<u>21,534</u>	<u>20,368</u>
TOTAL EXPENSES	4,803,735	4,149,971
Increase In Net Assets	1,198,598	1,592,377
NET ASSETS, BEGINNING OF YEAR	<u>10,727,802</u>	<u>9,135,425</u>
NET ASSETS, END OF YEAR	<u>\$ 11,926,400</u>	<u>\$ 10,727,802</u>

The accompanying notes are an integral part of these financial statements

**THE SUMMIT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,198,598	1,592,377
Adjustments To Reconcile Net Income To Net Cash Provided By (Used In) Operating Activities:		
Depreciation	14,305	13,235
Unrealized Gain/Loss on Investments	(932,667)	(621,527)
Increase in Receivables	94,291	(637,024)
Increase in Accounts Payable	25,404	417
(Increase)/Decrease in Other Assets	1,584	(1,584)
Increase/(Decrease) in Grants and Scholarships Payable	5,575	(34,898)
Increase/(Decrease) in Deferred Revenue	(65,686)	687,197
Total Adjustments	<u>(857,194)</u>	<u>(594,184)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	341,404	998,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition (Purchases) of Marketable Securities	<u>(416,603)</u>	<u>(1,411,194)</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(416,603)</u>	<u>(1,411,194)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the Purchase of Property	<u>(7,359)</u>	<u>(9,413)</u>
CASH USED FOR FINANCING ACTIVITIES	<u>(7,359)</u>	<u>(9,413)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(82,558)	(422,414)
CASH AT BEGINNING OF YEAR	<u>957,332</u>	<u>1,379,745</u>
CASH AT END OF YEAR	<u>\$ 874,774</u>	<u>\$ 957,332</u>

The accompanying notes are an integral part of these financial statements

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Summit Foundation (The Foundation) is a public, community foundation dedicated to improving the quality of life for residents and guests of Summit County and Neighboring Communities. The Summit Foundation is a 501 (c) (3) nonprofit corporation that accepts charitable contributions and serves as a philanthropic vehicle to accept scholarship funds, donor advised funds, agency endowments and other such gifts. The Foundation funds nonprofit organizations that provide programs and services to create thriving adult communities, create bright futures for children and youth, encourage community engagement and enrichment, promote environmental stewardship and foster healthy and safe communities. Additionally, scholarship programs have been established to support graduating seniors at Summit High School and high schools in Leadville, Fairplay, and Kremmling. A college sophomore year scholarship program is available to previous scholarship recipients. The Foundation was originally called The Breckenridge Development Foundation incorporated under the nonprofit statutes of the State of Colorado on May 23, 1984. The articles were amended to change the name to The Summit Foundation on September 26, 1991.

Basis Of Accounting - The financial statements of The Organization have been prepared on the accrual basis and accordingly reflects all significant receivables, payables and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification Topic 958, subtopic 205 related to Not-for-Profit Entities and the Presentation of Financial Statements, except for the revenue recognition departure. Under this guidance, the Organization is required to report 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. The Organization does not have any temporarily or permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statements of cash flow, The Foundation considers all short-term debt securities purchased with a maturity of less than three months to be cash equivalents.

Cash held in escrow accounts represents funds held for community organizations. The Foundation has limited responsibility as to amounts deposited or withdrawn from these accounts. The amounts of escrow accounts held on behalf of other community organizations as of September 30, 2017 and 2016 was \$308,975 and \$105,110, respectively.

Concentration of Credit Risks - The Foundation places its cash and equivalents in high quality financial institutions and, from time to time, cash balances may be in excess of the FDIC & SIPC insurance limits. Management believes that credit risk related to cash balances and investments are minimal. The Foundation has accepted the risks associated with having balances at financial institutions that exceed FDIC & SIPC limits.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Reclassifications - Certain reclassifications have been made to the September 30, 2016 financial statement presentation to correspond to the current year's format. Total net assets and net income are unchanged due to these reclassifications.

Fair Value of Financial Instruments - The Foundation's financial instruments include cash and cash equivalents, pledges receivable, and pledges payable. The Foundation estimates that the fair value of all financial instruments at September 30, 2017 and 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The carrying amount of these financial instruments approximates fair value because of the short maturity dates of these instruments.

Revenue recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor restricted contributions are reported 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 the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the years ended September 30, 2017 and 2016 there were no contributions restricted by donors.

Generally accepted accounting principles require the recognition of a multi-year commitment as contributed income in the year in which the commitment is made. The Summit Foundation, however, records all multiyear contributions related to ski passes as a receivable and deferred revenue. Income subsequently is recognized annually as the receivables are repaid and the ski medallions are released.

Grants payable - Grants payable represent amounts approved by the Trustees and are due to recipients as of the end of the year. All grant applications are subject to Foundation guidelines and Trustees' approval.

Scholarships payable - Scholarships payable represent amounts approved by the Trustees for requested and unrequested scholarship funds that have been granted, but have not yet been paid.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

2. INVESTMENTS

Investments are stated at fair value and consist of primarily mutual funds and ETF's. Cash held in money market funds has been treated as cash for financial statement presentation purposes. Money held in these cash equivalent funds totaled \$154,451 and \$343,001 as of the years ended September 30, 2017 and 2016, respectively. The amounts as of September 30, 2017 and 2016 are as follows:

Endowment Funds <u>As of September 30, 2017</u>			
	<u>Fair Value</u>	<u>Cost</u>	Unrealized appreciation/ (depreciation)
Fixed Income Funds	\$ 3,328,080	\$3,302,339	\$ 25,741
Complimentary Strategies Funds	546,731	542,375	4,356
Equity Funds	6,806,908	6,352,889	454,019
Real Asset Funds (ETF)	<u>549,641</u>	<u>540,351</u>	<u>9,290</u>
Total Investments:	<u>\$11,231,360</u>	<u>\$10,737,954</u>	<u>\$ 493,406</u>

Endowment Funds <u>As of September 30, 2016</u>			
	<u>Fair Value</u>	<u>Cost</u>	Unrealized appreciation/ (depreciation)
Fixed Income Funds	\$ 2,953,532	\$ 2,942,210	\$ 11,322
Complimentary Strategies Funds	334,264	328,148	6,116
Equity Funds	5,593,215	4,456,311	1,136,904
Real Asset Funds (ETF)	<u>849,695</u>	<u>670,830</u>	<u>178,865</u>
Total Investments:	<u>\$9,730,706</u>	<u>\$ 8,397,499</u>	<u>\$ 1,333,207</u>

These funds represent board designated amounts set aside in prior years for the purpose of providing an income stream for grant awards.

3. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement *Accounting Standards Codifications* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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 SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

The three levels of the fair value hierarchy under FASB ASC 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 Organization 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 markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 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 September 30, 2017 and 2016.

Registered investment companies: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange traded funds (ETF): Valued at the closing price reported on the active market on which the individual securities are traded.

Land held for sale: Valued at its appraised value less cost to sell.

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.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Investments have been thoroughly reviewed by management and are all classified as level 1 investments as of September 30, 2017 and 2016. The following note describes the investments in further detail.

Assets at Fair Value as of September 30, 2017

	Level 1	Level 2	Level 3	Total
Registered Investment Companies	\$10,681,719	\$ -	\$ -	\$10,681,719
Exchange Traded Funds (ETF)	549,641	-	-	549,641
Total assets at fair value	<u>\$11,231,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,231,360</u>

Assets at Fair Value as of September 30, 2016

	Level 1	Level 2	Level 3	Total
Registered Investment Companies	\$8,881,011	\$ -	\$ -	\$8,881,011
Exchange Traded Funds (ETF)	849,695	-	-	849,695
Land held for sale	-	-	151,384	151,384
Total assets at fair value	<u>\$9,730,706</u>	<u>\$ -</u>	<u>\$ 151,384</u>	<u>\$9,882,090</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended September 30, 2017.

Level 3 Assets
Year Ended September 30, 2017

Balance, beginning of year	\$	151,384
Realized gains/ (losses)		(11,384)
Unrealized gains/ (losses) relating to instruments still held at the reporting date		-
Purchases		-
Sales		(140,000)
Balance, end of year	<u>\$</u>	<u>-</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. UNCONDITIONAL PROMISES TO GIVE

The Organization records pledges receivable from donors with residence or businesses primarily in the Summit County region. Based on the historical collection experience of The Summit Foundation, management feels that an allowance for doubtful accounts of \$13,515 for the years ended September 30, 2017 and 2016, is appropriate.

	<u>2017</u>	<u>2016</u>
Contributions Receivable		
Premier Patron Pass Program	\$1,687,237	\$1,797,394
Events	39,243	23,377
Allowance for Doubtful Accounts	<u>(13,515)</u>	<u>(13,515)</u>
Total	<u>\$1,712,965</u>	<u>\$1,807,256</u>
Amounts due in:		
Less than one year	\$ 836,965	\$ 803,256
One to five years	<u>876,000</u>	<u>1,004,000</u>
Total	<u>\$1,712,965</u>	<u>\$1,807,256</u>

5. PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. Purchased property and equipment is capitalized at cost. Depreciation is computed using the straight line and accelerated methods over a period of five to seven years; leasehold improvements are depreciated over the life of the current lease.

During 2016, the Foundation was donated land to be used to set up the Snyder Family Scholarship Fund. It was recorded at fair value as contribution revenue in the year received, and as land held for sale for approximately \$151,000. The land was sold in 2017 for \$140,000, resulting in a loss of approximately \$11,000.

Property as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Furniture and Fixtures	\$ 54,289	\$ 49,650
Leasehold Improvements	22,185	22,185
Computer Equipment and Software	<u>51,242</u>	<u>48,522</u>
Total Property, Plant and Equipment	\$127,716	\$120,357
Less accumulated depreciation	<u>(85,753)</u>	<u>(71,448)</u>
	<u>\$ 41,963</u>	<u>\$ 48,909</u>

Depreciation and amortization expense for the twelve months ended September 30, 2017 and 2016 was \$14,305 and \$13,235, respectively.

THE SUMMIT FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

6. DONATED BENEFITS AND SERVICES

Various contribution levels have the right to benefit packages. Contributions of \$5,000 and \$6,000 or more, receive a 4-mountain or 6-mountain (respectively) transferable season ski pass, complimentary golf at Breckenridge, Copper, and Keystone golf courses as well as a variety of other benefits. A four-year patron program, requiring a \$17,000 contribution, is recognized with a 6-mountain transferable season ski pass and other benefits as noted above.

These benefits are donated to the Foundation by the Arapahoe Basin Ski Area, Beaver Creek Resort, Breckenridge Ski Resort, Copper Mountain Resort, Keystone Resort, Vail Mountain and other sponsor organizations and businesses.

In-kind and donated services (support) and expenses are reported at fair market value in the financial statements of The Foundation as follows:

Fundraisers:

	<u>2017</u>	<u>2016</u>
Ski Pass Medallions	\$460,989	\$443,930
Rubber duck race	65,099	73,735
Golf Tournament	24,364	42,647
Parade of Homes	<u>9,560</u>	<u>14,628</u>
	560,012	574,940
Other donated product and services	<u>62,460</u>	<u>85,484</u>
TOTAL	<u>\$622,472</u>	<u>\$ 660,424</u>

Certain contributed products and services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. A portion of the Organization's functions are conducted by unpaid volunteers. No amounts have been recognized in the accompanying financial statements, since the volunteers' time does not meet the criteria for recognition under ASC Topic 958, subtopic 605. Under ASC Topic 958, subtopic 605, contributed services are recorded if they create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During 2017 and 2016, The Foundation received various donated services, such as graphic design, printing, legal and marketing services, office supplies, etc. These donations were used during the course of the year to promote and support The Foundation and its objectives.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

7. ENDOWMENT FUND AND SPENDING POLICY

The Summit Foundation's endowment fund consists of individual securities spread over various asset classes established for a variety of purposes. Its endowment includes both donor-advised endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In May 2008 The Board of Trustees adopted a revised Endowment Policy. The new policy establishes a contingency reserve fund, a new spending policy of up to 3.5% for proactive/legacy (special initiative) grants, a target rate for fund growth, risk tolerance and a policy related to social enterprise investments.

Interpretation of Relevant Law- The Board of Trustees of The Summit Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) in the following manner:

While The Summit Foundation maintains what it calls an "Endowment Fund," that fund does not meet the definition of Endowment Fund under the SPMIFA definition. Accordingly, The Summit Foundation does not consider itself constrained by SPMIFA in the manner in which funds may be appropriated.

The Summit Foundation maintains endowment funds, managed together, in seven categories: 1. General Fund, 2. Peaks Society Fund, 3. Donor Advised Funds, 4. Non-Profit Agency Funds, 5. Scholarship Funds, 6. Field of Interest Funds and 7. Designated Funds.

Although it is not the intention of The Summit Foundation (see current spending policy) both the General Endowment Fund and all of the Donor Advised Funds and many of the agency funds are in fact wholly expendable on a current basis and/or are designated by The Summit Foundation for its own use. While it may be a preference for the Agency Funds to be preserved in perpetuity, by agreement the principal of those funds may be appropriated upon a vote of the directors of the non-profit and the Trustees of The Foundation.

The Peaks Society Fund - In an effort to use planned gifts to both provide immediate community benefit as well as support the long-term financial health of the organization, The Peaks Society Fund has been established as a board-designated endowment fund within The Summit Foundation Endowment Fund. This fund will allow The Summit Foundation to augment support of local nonprofit organizations. The Peaks Society Fund may make annual distributions of up to 5.0% of the value of the Fund (determined by the Fund value at The Foundation's fiscal year end, currently September 30) to local nonprofit organizations.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Summit Foundation has a policy of appropriating for distribution to spend on grants an annual amount equal to 3.5% of the principal value of the endowment fund. This amount is based upon a four year moving average. Such spending need not occur at the same level in every year. Instead, it will be a priority to aggregate funding to provide for larger, high impact, "legacy", special-initiative type grants. In establishing this policy, the organization considered the long-term expected return on its endowment. Accordingly, over the long term, the organization expects the current spending policy to allow its endowment to grow at an average of at least 3.5% above annual inflation rates. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Return Objectives and Risk Parameters - The Summit Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceeds the rate of annual inflation by 3.5% while assuming a moderately aggressive level of investment risk. The Summit Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, The Summit Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long term return objectives within prudent risk constraints.

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 requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2017 and 2016, respectively.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Endowment Related Activities:

	2017	2017	
	Donor-Advised	Board-Designated	
	Funds	Endowment	Total
		Funds	
Investment Return:			
Investment Income	\$ 109,178	\$ 96,845	\$ 206,023
Net Unrealized and Realized Gains	400,388	502,369	902,757
Total Investment Return	510,764	598,015	1,108,779
Contributions to endowment	1,339,712	135,066	1,474,778
Amounts appropriated for expenditure:			
Grants	(1,078,153)	(289,935)	(1,368,088)
Asset management fees	(22,599)	(32,150)	(54,749)
Total change in endowment funds	<u>\$ 748,525</u>	<u>\$ 412,195</u>	<u>\$ 1,160,720</u>

	2016	2016	
	Donor-Advised	Board-Designated	
	Funds	Endowment	Total
		Funds	
Investment Return:			
Investment Income	\$ 101,401	\$ 144,753	\$ 246,154
Net Unrealized and Realized Losses	251,296	370,183	621,479
Total Investment Return	352,697	514,936	867,633
Contributions to endowment	1,449,347	394,873	1,844,220
Amounts appropriated for expenditure:			
Grants	(808,766)	(170,000)	(978,766)
Asset management fees	(31,524)	(45,769)	(77,293)
Total change in endowment funds	<u>\$ 961,754</u>	<u>\$ 694,040</u>	<u>\$ 1,655,794</u>

Endowment Net Asset Composition by Type of Fund as of September 30,

	2017	2016
Donor-advised funds	\$ 5,093,943	\$ 4,345,418
Board-designated endowment funds	<u>6,291,868</u>	<u>5,879,673</u>
Total Unrestricted Funds	<u>\$ 11,385,811</u>	<u>\$ 10,225,091</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

8. APPROVED GRANTS (UNAUDITED)

In 2015, The Summit Foundation Board of Trustees changed the previous funding categories to newly defined areas of impact in order to better reflect the impact and outcomes of The Summit Foundation and its grantees.

The Foundation Board approved grants to the following type of qualified tax-exempt organizations for the year ended September 30, 2017:

	<u>Foundation Funds</u>	<u>Donor Advised Funds</u>
Bright Futures	\$ 706,765	\$ 224,007
Arts & Culture	247,800	133,353
Environmental Stewardship	92,725	31,398
Healthy & Safe Communities	470,000	372,052
Mental Health Initiatives	-	77,500
Directed Grants	217,102	-
Scholarships	201,849	65,500
Special Initiatives (Endowment Funds)	180,000	-
Field of Interest Grants	-	46,943
Out of Area Distributions	-	119,000
Special Initiatives	109,935	8,400
Grant Related Workshops & Other	<u>11,948</u>	<u>-</u>
Total	<u>\$ 2,238,124</u>	<u>\$ 1,078,153</u>

The Foundation Board approved grants to the following types of qualifying tax-exempt organizations for the year ended September 30, 2016:

	<u>Foundation Funds</u>	<u>Donor Advised Funds</u>
Bright Futures	\$ 671,215	\$ 238,717
Arts & Culture	182,000	90,600
Environmental Stewardship	60,000	8,500
Healthy & Safe Communities	572,125	242,750
Mental Health Initiatives	5,221	-
Directed Grants	26,283	-
Scholarships	158,750	37,500
Special Initiatives (Endowment Funds)	70,000	-
Field of Interest Grants	-	18,200
Out of Area Distributions	-	95,000
Special Initiatives	100,000	77,499
Grant Related Workshops & Other	<u>11,436</u>	<u>-</u>
Total	<u>\$ 1,857,030</u>	<u>\$ 808,766</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

9. LEASE AGREEMENTS

The Foundation entered into a new office lease agreement with the Town of Breckenridge, a Colorado municipal corporation starting in November 2014. The lease requires monthly base payments of \$1,733 from February 2016 through January 2017. The Foundation has the right to extend the lease each January 1 through 2024. Upon each annual extension the monthly rent for the leased premises will be increased based on the Consumer Price Index for All Urban consumers in the Denver-Boulder area. The lease was extended in January 2017, with monthly base payments of \$1,785 through January 2018.

The Foundation entered into a new lease agreement with High Country Copiers Inc, to lease a copier starting April 14, 2014 through March 14, 2019. The lease requires monthly payment of \$99 from April 2014 through March 2019.

The Foundation also leases a storage unit from All Valley storage at a rate of \$120 per month, on a month-to-month basis, and paid a total of \$1,440 for 2017 and 2016. Total rental payments for the year ending September 30, 2017 and 2016 were \$22,761 and \$22,745, respectively.

Future commitments are as follows:

2018	22,452
2019	5,999

10. EMPLOYEE BENEFIT PLAN

The organization has adopted a 403(b) Retirement Plan effective September 9, 1999 and revised on December 15, 2010 and April 24, 2013. The plan covers all employees who have met certain service/eligibility requirements. After one year of employment, staff members that are at least 18 years of age and have worked a minimum of 1,000 hours in a consecutive 12 month period become eligible to participate in the Foundation's 403 (B) retirement plan. The plan is an Employee Contribution Tax Deferred Annuity Plan and qualifies as a 403 (B) plan. Employees may enroll in the plan on the first day of the month following the eligibility period. Employees are allowed to personally contribute (elective deferrals) to the retirement up to the IRS annual limit, \$18,000 (2016). All contributions are immediately 100% vested. Both matching and non-elective contributions were discretionary until the determination of a highly compensated employee (HCE) was established. During 2016 the HCE threshold was met and the matching formula was altered to meet the Safe Harbor requirements, which provide for 100% of deferrals up to the first 3% of compensation plus 50% of deferrals that exceed 3% but do not exceed 5% of the participant's \$414 compensation.

The Board votes annually to approve matching payments. There is also a requirement of annual education of employees and that would be conducted by the Plan Trustees. During the year ended September 2017 and 2016, matching contributions in the amount of \$14,407 and \$10,509 were made to the plan.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

11. FUNCTIONAL ALLOCATION OF EXPENSES (UNAUDITED)

Approximately 47% and 46% of the Organization's staff expenses relate to program services, 30% and 31% to supporting services, and 23% and 24% to fundraising for 2017 and 2016, respectively.

12. INCOME TAXES

The Summit Foundation is exempt from income taxes under the provisions of Internal Revenue Code Section 509(a)(1).

13. ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Organization adopted ASC 740-10-25, Income Taxes- Overall-Recognition, on July 1, 2009, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Organization must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Organization did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-25.

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2017, the date the financial statements were available to be issued.

**THE SUMMIT FOUNDATION
SCHEDULE OF IN-KIND ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>In-Kind Donated</u>	<u>2017 Total</u>
UNRESTRICTED PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 2,504,379	\$ -	\$ 2,504,379
Ski Pass Medallion Contributions	1,073,000	-	1,073,000
Fundraisers:			
Ski Pass Medallions	-	460,989	460,989
Rubber Duck Race	152,950	65,099	218,049
Golf Tournament	187,708	24,364	212,072
Miscellaneous Programs and Other Donated Products and Services	341,466	62,460	403,926
Parade of Homes	44,683	9,560	54,243
Total Fundraisers	<u>726,807</u>	<u>622,472</u>	<u>1,349,279</u>
Investment Earnings, Net of Management Fees	868,044	-	868,044
Interest and Dividends	207,631	-	207,631
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES	<u>5,379,861</u>	<u>622,472</u>	<u>6,002,333</u>
EXPENSES			
Grants:			
Agencies and Scholarships	2,238,124	-	2,238,124
Donor Advised Agencies and Scholarships	1,078,153	-	1,078,153
Total Grants	<u>3,316,277</u>	<u>-</u>	<u>3,316,277</u>
Fundraising Expenses:			
Ski Pass Medallions	33,952	460,989	494,941
Rubber Duck Race	38,743	65,099	103,842
Golf Tournament	47,103	24,364	71,467
Miscellaneous Programs and Other Donated Products and Services	21,503	-	21,503
Parade of Homes	3,395	9,560	12,955
Total Fundraising Expenses	<u>144,696</u>	<u>560,012</u>	<u>704,708</u>
Administrative Expenses:			
Salaries, Benefits and Related Taxes	522,596	-	522,596
Rent, Utilities and Telephone	27,195	-	27,195
Advertising, Printing and Graphics	40,060	35,353	75,413
Insurance	5,374	-	5,374
Board, Committee and Donors Reception Expenses	17,638	27,107	44,745
Professional Fees, Dues and Subscriptions	19,869	-	19,869
Office Supplies and Postage	14,530	-	14,530
Technology	29,238	-	29,238
Travel and Entertainment	22,256	-	22,256
Total Administrative Expenses	<u>698,756</u>	<u>62,460</u>	<u>761,216</u>
Other Expenses:			
Depreciation	14,305	-	14,305
Credit Card and Bank Fees	7,229	-	7,229
Total Other Expenses	<u>21,534</u>	<u>-</u>	<u>21,534</u>
TOTAL EXPENSES	<u>4,181,263</u>	<u>622,472</u>	<u>4,803,735</u>
Increase In Net Assets	<u>\$ 1,198,598</u>	<u>\$ -</u>	<u>\$ 1,198,598</u>

The accompanying notes are an integral part of these financial statements