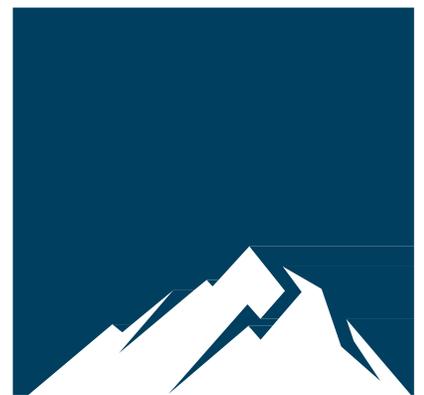


OUTCALT FOUNDATION

FINANCIAL STATEMENTS

December 31, 2019



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

OUTCALT FOUNDATION

FINANCIAL STATEMENTS

December 31, 2019

OUTCALT FOUNDATION
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December 31, 2019

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Trustees
Outcalt Foundation
Alamosa, Colorado

We have audited the accompanying financial statements of the Outcalt Foundation (a private nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Outcalt Foundation as of December 31, 2019, 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.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 03, 2020

Certified Public Accountants

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OUTCALT FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2019

	2019
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,453,251
Investments	27,986,912
Dividend Receivable	11,197
Prepaid Expense	9,080
Promissory Notes Receivable	129,138
Total Current Assets	29,589,578
Noncurrent Assets	
Investments - Other	175,000
Promissory Note Receivable	2,101,890
Total Noncurrent Assets	2,276,890
TOTAL ASSETS	\$ 31,866,468
LIABILITIES AND NET ASSETS	
LIABILITIES	\$ -
NET ASSETS	
Net Assets	
Without Donor Restrictions:	31,866,468
TOTAL NET ASSETS	31,866,468
TOTAL LIABILITIES AND NET ASSETS	\$ 31,866,468

The accompanying notes are an integral part of this financial statement.

OUTCALT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions
REVENUES, GAINS, AND OTHER SUPPORT	
Contributions	\$ 201,453
Investment Income (Loss)	
Net Interest and Dividends	887,107
Realized Gains (Losses)	(296,910)
Unrealized Gains (Losses)	4,307,565
Other Income	102,495
Total from Revenues, Gains, and Other Support	5,201,710
EXPENSES AND LOSSES	
Program Services	1,505,135
Supporting Services	
Management and General	203,798
Total Expenses and Losses	1,708,933
Change in Net Assets	3,492,777
NET ASSETS, BEGINNING OF YEAR	28,373,691
NET ASSETS, END OF YEAR	\$ 31,866,468

The accompanying notes are an integral part of this financial statement.

OUTCALT FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 3,492,777
Adjustments to reconcile change in net assets to Net cash provided (used) by operating activities:	
Realized/Unrealized (Gain) Loss on Investments	(4,307,565)
(Increase) decrease in:	
Dividend Receivable	(1,425)
Prepaid Expense	1,973
	(814,240)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Change in Promissory Notes	214,608
Redemption of Investments	1,201,833
Purchase of Investments	(513,014)
	903,427
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	-
Net Increase (Decrease) in Cash and Cash Equivalents	89,187
CASH, AT BEGINNING OF YEAR	1,364,064
CASH, AT END OF YEAR	\$ 1,453,251
NON-CASH INVESTING ACTIVITIES	
Interest and Dividends Reinvested	\$ 642,030

The accompanying notes are an integral part of this financial statement.

OUTCALT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	2019			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ -	\$ 173,400	\$ -	\$ 173,400
Professional Fees	1,000	2,750	-	3,750
Property Taxes	-	1,089	-	1,089
Federal Excise Taxes	-	9,065	-	9,065
Grants and Scholarships	1,504,135	-	-	1,504,135
Office Expense	-	1,478	-	1,478
Legal	-	2,000	-	2,000
Payroll Expense	-	13,265	-	13,265
Other	-	751	-	751
Total Expenses	\$ 1,505,135	\$ 203,798	\$ -	\$ 1,708,933

The accompanying notes are an integral part of this financial statement.

OUTCALT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Outcalt Foundation (the Foundation) was founded in 2007 to support the growth and prosperity of the San Luis Valley.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting as applicable for not-for-profit organizations.

Financial Statement Presentation

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

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give are recognized when the contributions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Income Taxes

The Foundation is a private non-profit organization under the Internal Revenue Code section 501(c)(3). The Code imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on investment income of private foundations.

The Foundation files federal income tax returns. The federal income tax returns prior to fiscal year 2016 are closed. The Foundation's policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions.

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, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

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

Investments

Under FASB ASC 958-320-25, 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.

Promissory Notes Receivable

Promissory notes receivable represent loans to local businesses. Loans are stated at unpaid principal balances. The loans are collateralized by property and securities. Past due status is determined based on contractual terms. If payments are not paid when due, or if any default occurs, the entire principal amount outstanding and accrued

OUTCALT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

interest thereon shall be at once become due and payable at the option of the Foundation and the indebtedness shall bear interest at the rate between 10% and 18% per annum from the date of default.

The loans currently bear interest at 4% per annum. Interest on the loans is recognized over the term of the loan.

Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of time dedicated to various categories.

NOTE 2 INVESTMENTS AND CONCENTRATIONS OF RISK

Investment managers provide investment management to the Foundation through separately managed portfolios and mutual funds.

All values are derived from quoted prices in active markets for identical assets.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to it. The Foundation had bank deposits that exceeded insurance coverage by a total of \$0 for the year ended December 31, 2019.

The fair value of the Foundation investments at December 31, 2019 is summarized as follows:

	2019		
	Cost Basis	Fair Market Value	% of Total
Marketable Securities			
Mutual Funds	\$ 7,411,134	\$ 7,785,748	27.65%
Stocks	14,002,417	20,155,222	71.57%
Alternative Investments	42,838	45,942	0.16%
Investment - Other	185,314	175,000	0.62%
TOTAL	\$ 21,641,703	\$ 28,161,912	100.00%

NOTE 3 INVESTMENT INCOME

Interest and dividend income of \$938,940 was recognized on marketable securities during. Investment fees of \$44,848 were incurred during 2019.

NOTE 4 PROMISSORY NOTES RECEIVABLE

The promissory notes receivable are recorded on the statement of financial position at the unpaid principal balance.

OUTCALT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

The table below presents total outstanding promissory notes receivable and an age analysis at December 31, 2019:

	Total Current or Less Than 60 Days Past Due	Total Outstanding
Promissory Notes Receivable	\$ 129,138	\$ 2,231,028
Total Promissory Notes Receivable	<u>\$ 129,138</u>	<u>\$ 2,231,028</u>

An allowance for loan loss is not considered necessary at December 31, 2019.

NOTE 5 FAIR VALUE MEASUREMENTS

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

- Cash and cash equivalents, other assets, agency funds, and other liabilities: The carrying amounts reported in the statement of financial position approximates fair values because of the short maturities of those instruments.
- Marketable securities: The fair values of investments are based on quoted market prices for those identical instruments.

The fair values of the Foundation's financial instruments at December 31, 2019 are as follows:

	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	\$ 1,453,251	\$ 1,453,251
Investments	27,986,912	27,986,912
Dividend Receivable	11,197	11,197
Prepaid Expense	9,080	9,080
Investment - Other	175,000	175,000
Promissory Notes Receivable	2,231,028	2,231,028

The Foundation is subject to the provisions of FASB ASC 820-10, which establishes a framework for measuring fair value of financial instruments. 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2: Prices determined using significant other observable inputs including the following:

- 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;

OUTCALT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth, by level within the fair value hierarchy, the Foundation's financial instrument assets at fair value on a recurring basis as of December 31, 2019:

December 31, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 7,785,748	\$ 7,785,748	\$ -	\$ -
Stocks	20,155,222	20,155,222	-	-
Alternative Investments	45,942	45,942	-	-
Investment - Other	175,000	-	-	175,000
	<u>\$ 28,161,912</u>	<u>\$ 27,986,912</u>	<u>\$ -</u>	<u>\$ 175,000</u>

NOTE 6 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 03, 2020, the date of the financial statements were available to be issued.

Contingencies, Risks, and Uncertainties

In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. The Foundation has a significant amount of assets held in investments which may experience significant losses during this pandemic. No adjustments have been made to these financial statements as the potential impact is unknown at this time.