

**THE SUMMIT FOUNDATION
BRECKENRIDGE, COLORADO
FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

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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, 2015 and 2014, 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.

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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 \$1,223,750 and \$1,486,114 as of September 30, 2015 and 2014, 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 \$1,456,000 and \$688,000 as of September 30, 2015 and 2014, 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, 2015 and 2014, 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 19 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.

Yanari Watson Mc Gaughey P.C.

YANARI WATSON MCGAUGHEY P.C.

Greenwood Village, Colorado
November 20, 2015

**THE SUMMIT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS

	2015	2014
CURRENT ASSETS		
Operating Fund:		
Cash and Money Market	\$ 659,819	\$ 798,941
Endowment Fund:		
Cash and Money Market	719,926	78,405
Investments in Marketable Securities	7,849,371	5,856,797
Total Endowment Fund	8,569,297	5,935,202
Cash Held in Escrow	112,701	112,669
Unconditional Promises to Give, net of Allowance for Doubtful Accounts	567,141	751,094
Prepaid Expenses	10,847	-
Fundraising Events Receivable	1,090	11,950
TOTAL CURRENT ASSETS	9,920,895	7,609,856
Property and Equipment, net	52,731	51,377
NONCURRENT ASSETS		
Unconditional Promises to Give, less Current Portion Above	602,000	631,250
Deposits	100	-
TOTAL NONCURRENT ASSETS	602,100	631,250
TOTAL ASSETS	\$ 10,575,726	\$ 8,292,483

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts Payable	\$ 14,527	\$ 10,725
Grants and Scholarships Payable	89,323	96,220
Escrow Payable	112,701	112,669
Deferred Revenue	1,223,750	1,486,114
TOTAL CURRENT LIABILITIES	\$ 1,440,301	\$ 1,705,728
NET ASSETS		
Unrestricted	9,135,425	6,586,755
TOTAL NET ASSETS	9,135,425	6,586,755
TOTAL LIABILITIES AND NET ASSETS	\$ 10,575,726	\$ 8,292,483

The accompanying notes are an integral part of these financial statements

**THE SUMMIT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
	Unrestricted	Unrestricted
UNRESTRICTED PUBLIC SUPPORT AND REVENUES		
Contributions	\$ 5,555,188	\$ 2,326,336
Fundraisers:		
Ski Pass Medallions	425,449	390,265
Rubber Duck Race	201,673	187,394
Golf Tournament	140,816	151,229
Miscellaneous Events and Other Donated Products and Services	151,213	261,375
Parade of Homes	65,992	45,976
Total Fundraisers	<u>985,143</u>	<u>1,036,239</u>
Investment Earnings, Net of Management Fees	(598,281)	264,429
Interest and Dividends	<u>165,853</u>	<u>132,627</u>
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES	6,107,903	3,759,631
EXPENSES		
Grants:		
Agencies and Scholarships	1,579,067	1,504,592
Donor Advised Agencies and Scholarships	629,220	665,036
Total Grants	<u>2,208,287</u>	<u>2,169,628</u>
Fundraising Expenses:		
Ski Pass Medallions	437,450	409,762
Rubber Duck Race	100,448	95,865
Golf Tournament	65,416	72,663
Miscellaneous Events and Other Donated Products and Services	23,409	50,972
Parade of Homes	13,700	17,817
Total Fundraising Expenses	<u>640,423</u>	<u>647,079</u>
Administrative Expenses:		
Salaries, Benefits and Related Taxes	449,525	401,576
Rent, Utilities and Telephone	28,352	40,258
Advertising, Printing and Graphics	66,868	71,820
Insurance	5,252	5,017
Board, Committee and Donors Reception Expenses	38,471	35,029
Professional Fees, Dues and Subscriptions	20,461	22,275
Office Supplies and Postage	14,728	12,107
Technology	13,892	9,285
Moving Expense	5,348	-
Travel and Entertainment	12,211	7,609
Total Administrative Expenses	<u>655,108</u>	<u>604,976</u>
Other Expenses:		
Depreciation	10,263	4,901
Loss on Disposal of Fixed Asset	40,858	3,000
Credit Card and Bank Fees	4,294	3,673
Total Other Expenses	<u>55,415</u>	<u>11,574</u>
TOTAL EXPENSES	<u>3,559,233</u>	<u>3,433,257</u>
Increase In Net Assets	2,548,670	326,374
NET ASSETS, BEGINNING OF YEAR	<u>6,586,755</u>	<u>6,260,381</u>
NET ASSETS, END OF YEAR	<u><u>9,135,425</u></u>	<u><u>6,586,755</u></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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,548,670	326,374
Adjustments To Reconcile Net Income To Net Cash Provided By (Used In)		
Operating Activities:		
Depreciation	10,262	4,901
Loss on Disposal of Property	40,858	3,000
Decrease in Receivables	224,062	74,076
Change in Escrow	-	(250)
Increase in Trading Securities	(1,992,574)	(498,510)
Decrease in Accounts Payable	3,802	2,013
Decrease in Other Assets	(10,947)	100
Decrease in Grants and Scholarships Payable	(6,897)	(32,229)
Increase in Deferred Revenue	(262,364)	(88,097)
Total Adjustments	<u>(1,993,799)</u>	<u>(534,996)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	554,871	(208,622)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the Purchase of Property	<u>(52,474)</u>	<u>(4,655)</u>
CASH USED FOR FINANCING ACTIVITIES	<u>(52,474)</u>	<u>(4,655)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	502,399	(213,277)
CASH AT BEGINNING OF YEAR	<u>877,346</u>	<u>1,090,623</u>
CASH AT END OF YEAR	<u>\$ 1,379,745</u>	<u>\$ 877,346</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, 2015 AND 2014

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 of 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 high school 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 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, 2015 and 2014 was \$112,701 and \$112,669, 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, 2015 AND 2014

Reclassifications - Certain reclassifications have been made to the September 30, 2014 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, 2015 and 2014 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 purposes 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.

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, 2015 AND 2014

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 \$719,926 and \$78,405 as of the years ended September 30, 2015 and 2014, respectively. The amounts as September 30, 2015 and 2014 are as follows:

Endowment Funds <u>As of September 30, 2015</u>			
	<u>Fair Value</u>	<u>Cost</u>	Unrealized appreciation/ (depreciation)
Fixed Income Funds	\$ 2,499,548	\$ 2,554,990	\$ (55,442)
Complimentary Strategies Funds	475,896	461,528	14,368
Equity Funds	4,325,526	3,698,258	627,268
Real Asset Funds (ETF)	<u>548,401</u>	<u>536,648</u>	<u>11,753</u>
Total Investments:	<u>\$ 7,849,371</u>	<u>\$ 7,251,424</u>	<u>\$ 597,947</u>

Endowment Funds <u>As of September 30, 2014</u>			
	<u>Fair Value</u>	<u>Cost</u>	Unrealized appreciation/ (depreciation)
Fixed Income Funds	\$ 1,773,210	\$ 1,730,754	\$ 42,456
Complimentary Strategies Funds	409,912	379,835	30,077
Equity Funds	<u>3,673,675</u>	<u>2,610,833</u>	<u>1,062,842</u>
	<u>\$ 5,856,797</u>	<u>\$ 4,721,422</u>	<u>\$ 1,135,375</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, 2015 AND 2014

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, 2015 and 2014.

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.

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.

Investments have been thoroughly reviewed by management and are all classified as level 1 investments as of September 30, 2015 and 2014. The following note describes the investments in further detail.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Assets at Fair Value as of September 30, 2015

	Level 1	Level 2	Level 3	Total
Registered Investment Companies	\$7,300,969	\$ -	\$ -	\$7,300,969
Exchange Traded Funds (ETF)	548,402			548,402
Total assets at fair value	<u>\$7,849,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,849,371</u>

Assets at Fair Value as of September 30, 2014

	Level 1	Level 2	Level 3	Total
Registered Investment Companies	\$5,856,797	\$ -	\$ -	\$5,856,797
Total assets at fair value	<u>\$5,856,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,856,797</u>

4. UNCONDITIONAL PROMISES TO GIVE

The Organization records pledges receivable from donors 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 and \$14,595 for the years ended September 30, 2015 and 2014, is appropriate.

	<u>2015</u>	<u>2014</u>
Contributions Receivable		
Premier Pass Program	\$1,158,789	\$1,379,841
25 th Anniversary	500	1,830
Endowment	500	9,268
Patron Pass Program	-	6,000
Events	23,957	11,950
Allowance for Doubtful Accounts	<u>(13,515)</u>	<u>(14,595)</u>
Total	<u>\$1,170,231</u>	<u>\$1,394,294</u>
Amounts due in:		
Less than one year	\$ 568,231	\$ 763,044
One to five years	<u>602,000</u>	<u>631,250</u>
Total	<u>\$1,170,230</u>	<u>\$1,394,294</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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.

Property as of September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Furniture and Fixtures	\$ 44,164	\$ 28,802
Leasehold Improvements	22,185	47,842
Computer Equipment and Software	<u>44,595</u>	<u>42,036</u>
Total Property, Plant and Equipment	\$110,944	\$118,680
Less accumulated depreciation	<u>(58,213)</u>	<u>(67,303)</u>
	<u>\$ 52,731</u>	<u>\$ 51,377</u>

Depreciation and amortization expense for the twelve months ended September 30, 2015 and 2014 was \$10,263 and \$4,901, respectively.

6. DONATED BENEFITS AND SERVICES

Various contribution levels are accorded 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>2015</u>	<u>2014</u>
General donor packages	\$425,449	\$390,265
Kentucky Derby	-	4,498
Rubber duck race	66,994	68,521
Golf	31,699	43,403
Parade of Homes	<u>12,431</u>	<u>14,726</u>
	536,573	521,413
Other donated product and services	<u>64,757</u>	<u>95,166</u>
TOTAL	<u>\$601,330</u>	<u>\$616,579</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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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 2015 and 2014, the Foundation received various donated services, such as graphic designs, 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.

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.

SPMIFA provides:

"Endowment fund "means an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use.

The Summit Foundation maintains endowment funds, managed together, in five categories: 1) General Fund, 2) Peaks Society Funds 3) Donor Advised Funds and 4) Non-Profit Agency Funds 5) Scholarship Funds.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Although it is not the intention of The Summit Foundation (see current spending policy) both the General Fund and all of the Donor Advised 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 three-fourths of the directors of the non-profit and three-fourths of 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 TSF's fiscal year end, currently September 30) to local nonprofit organizations.

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 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 5% while assuming a moderate level of investment risk. The Summit Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent 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.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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, 2015 and 2014, respectively.

Endowment Related Activities:

	2015	2015	
	Donor-Advised	Board-Designated	
	Funds	Endowment	Total
	Funds	Funds	
Investment Return:			
Investment Income	\$ 64,467	\$ 98,784	\$ 163,251
Net Unrealized and Realized Losses	(232,933)	(301,597)	(534,530)
Total Investment Return	(168,466)	(202,813)	(371,279)
Contributions to endowment	1,831,136	1,937,210	3,768,346
Amounts appropriated for expenditure:			
Grants	(629,220)	(70,000)	(699,220)
Asset management fees	(28,244)	(35,508)	(63,752)
Total change in endowment funds	<u>\$ 1,005,206</u>	<u>\$ 1,628,889</u>	<u>\$ 2,634,095</u>

	2014	2014	
	Donor-Advised	Board-Designated	
	Funds	Endowment	Total
	Funds	Funds	
Investment Return:			
Investment Income	\$ 57,288	\$ 71,922	\$ 129,210
Net Unrealized and Realized Gains	142,358	178,721	321,079
Total Investment Return	199,646	250,643	450,289
Contributions to endowment	540,338	121,114	661,452
Amounts appropriated for expenditure:			
Grants	(665,036)	(50,000)	(715,036)
Asset management fees	(25,116)	(31,533)	(56,649)
Total change in endowment funds	<u>\$ 49,832</u>	<u>\$ 290,224</u>	<u>\$ 340,056</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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

	2015	2014
Donor-advised funds	\$ 3,608,250	\$ 2,603,044
Board-designated endowment funds	<u>4,961,047</u>	<u>3,332,158</u>
Total Unrestricted Funds	<u>\$ 8,569,297</u>	<u>\$ 5,935,202</u>

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 types of qualifying tax-exempt organizations for the year ended September 31, 2015:

	<u>Foundation Funds</u>	<u>Donor Advised Funds</u>
Creating Thriving Adult Communities	\$ 38,000	\$ 5,000
Creating Bright Futures for Children and Youth	585,537	146,250
Encouraging Community Engagement and Enrichment	178,500	113,626
Promote Environmental Stewardship	81,500	21,000
Foster Healthy and Safe Communities	449,500	242,765
Scholarships	161,500	37,079
Special Initiatives (Endowment Funds)	70,000	-
Grant Related Workshops and other costs	14,530	-
The Summit Foundation	-	8,500
Out of Area Distributions	<u>-</u>	<u>55,000</u>
Total	<u>\$1,579,067</u>	<u>\$629,220</u>

The Foundation Board approved grants to the following type of qualified tax-exempt organizations for the year ended September 31, 2014:

	<u>Foundation Funds</u>	<u>Donor Advised Funds</u>
Art and culture	\$ 98,500	\$ 94,332
Education	370,572	110,500
Environment	52,500	18,000
Neighboring communities	118,759	7,940
Health and human service	475,558	312,680
Scholarships	156,500	60,988
Sports	104,160	12,000
Special Initiatives	128,043	-
The Summit Foundation	-	9,550
Donor advised fund out of area distributions	<u>-</u>	<u>39,046</u>
Total	<u>\$1,504,592</u>	<u>\$665,036</u>

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

9. LEASE AGREEMENT

The Foundation entered into a new office lease agreement with the Town of Breckenridge, a Colorado municipal corporation starting November 2014 through December 2015. The lease required monthly payments of \$1,710 from November 2014 through December 2015. 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 previous lease agreement for the Organization remains in effect until the Organization moves. Until such time, the current rent is on a month to month basis.

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 and \$1,440 for 2015 and 2014, respectively. Total rental payments for the year ending September 30, 2015 and 2014 were \$24,375 and \$32,824, respectively.

Future Commitments are as follows:

2016	6,317
2017	1,188
2018	1,188
2019	644

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, \$17,500 (2013). All contributions are immediately 100% vested. Both matching and non-elective contributions are discretionary until a highly compensated employee exists (HCE). At that time the matching formula is altered to meet the Safe-Harbor requirements. The non-elective contributions remain discretionary. Once a participant attains the income threshold for HCE status, the matching formula is modified to 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 SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

		1 st year contributions	Match Begins with Participation	Nonelective Contribution Yrs 3 and 4	Nonelective Contribution Yrs 5 and above
Tier 1	Executives (Date of Hire after 12/31/2012)	None	100% of first 3% of comp*	1.50%	3%
Tier 2	Manager	None	100% of first 3% of comp*	1.50%	3%
Tier 3	Administration	None	100% of first 3% of comp*	1.50%	3%
Tier 4	Current Executive	None	100% of first 3% of comp*	-	8%

*Capped at \$8,500 including matching.

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 2015 and 2014, matching contributions in the amount of \$15,081 and \$18,663 were made to the plan.

11. FUNCTIONAL ALLOCATION OF EXPENSES (UNAUDITED)

Approximately 46% and 44% of the Organization's staff expenses relate to program services, 32% and 34% to supporting services, and 22% and 22% to fundraising for 2015 and 2014, 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. The Organization is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before 2012.

THE SUMMIT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2015, the date the financial statements were available to be issued.

**THE SUMMIT FOUNDATION
SCHEDULE OF IN-KIND ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Actual</u>	<u>In-Kind Donated</u>	<u>2015 Total</u>
UNRESTRICTED PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 5,555,188	\$ -	\$ 5,555,188
Fundraisers:			
Ski Pass Medallions	-	425,449	425,449
Rubber Duck Race	134,680	66,992	201,672
Golf Tournament	109,118	31,699	140,817
Miscellaneous Events and Other Donated Products and Services	86,455	64,759	151,214
Parade of Homes	53,561	12,431	65,992
Total Fundraisers	<u>383,814</u>	<u>601,330</u>	<u>985,144</u>
Investment Earnings, Net of Management Fees	(598,281)	-	(598,281)
Interest and Dividends	165,853	-	165,853
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES	5,506,574	601,330	6,107,904
EXPENSES			
Grants:			
Agencies and Scholarships	1,579,067	-	1,579,067
Donor Advised Agencies and Scholarships	629,220	-	629,220
Total Grants	<u>2,208,287</u>	<u>-</u>	<u>2,208,287</u>
Fundraising Expenses:			
Ski Pass Medallions	12,001	425,449	437,450
Rubber Duck Race	33,456	66,992	100,448
Golf Tournament	33,717	31,699	65,416
Miscellaneous Events and Other Donated Products and Services	23,409	-	23,409
Parade of Homes	1,269	12,431	13,700
Total Fundraising Expenses	<u>103,852</u>	<u>536,571</u>	<u>640,423</u>
Administrative Expenses:			
Salaries, Benefits and Related Taxes	449,525	-	449,525
Rent, Utilities and Telephone	26,512	1,840	28,352
Advertising, Printing and Graphics	15,681	51,187	66,868
Insurance	5,252	-	5,252
Board, Committee and Donors Reception Expenses	26,739	11,732	38,471
Professional Fees, Dues and Subscriptions	20,461	-	20,461
Office Supplies and Postage	14,728	-	14,728
Technology	13,892	-	13,892
Moving Expenses	5,348	-	5,348
Travel and Entertainment	12,211	-	12,211
Total Administrative Expenses	<u>590,349</u>	<u>64,759</u>	<u>655,108</u>
Other Expenses:			
Depreciation	10,263	-	10,263
Loss of Disposal of Fixed Asset	40,858	-	40,858
Credit Card and Bank Fees	4,294	-	4,294
Total Other Expenses	<u>55,415</u>	<u>-</u>	<u>55,415</u>
TOTAL EXPENSES	2,957,903	601,330	3,559,233
Increase In Net Assets	\$ 2,548,671	\$ -	\$ 2,548,671

The accompanying notes are an integral part of these financial statements