

ONWARD! A LEGACY FOUNDATION

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2012

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Schedule of Functional Expenses	13

November 5, 2013

INDEPENDENT AUDITORS' REPORT

Board of Directors
Onward! A Legacy Foundation
Cortez, Colorado

We have audited the accompanying statement of financial position of **Onward! A Legacy Foundation** (a Colorado nonprofit corporation) as of December 31, 2012, and the related statements of activities 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 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 of 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 Onward! A Legacy Foundation as of December 31, 2012, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ONWARD! A LEGACY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	Amount			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 97,476	\$ 8,668	\$ -	\$ 106,144
Accounts receivable	2,478	-	-	2,478
Prepaid expenses	331	735	-	1,066
Investments (Note 3)	104,072	1,347,991	208,341	1,660,404
Total assets	<u>\$ 204,357</u>	<u>\$ 1,357,394</u>	<u>\$ 208,341</u>	<u>\$ 1,770,092</u>
<u>Liabilities and net assets</u>				
<u>Liabilities</u>				
Accounts payable	\$ 8,726	\$ -	\$ -	\$ 8,726
Payroll-related accruals	1,101	-	-	1,101
Agency funds payable (Note 4)	168,076	-	-	168,076
Total liabilities	<u>177,903</u>	<u>-</u>	<u>-</u>	<u>177,903</u>
<u>Net assets</u>				
Unrestricted				
Operating	19,330	-	-	19,330
Board-designated endowment (Note 5)	7,124	-	-	7,124
Temporarily restricted (Note 6)	-	1,357,394	-	1,357,394
Permanently restricted (Note 7)	-	-	208,341	208,341
Total net assets	<u>26,454</u>	<u>1,357,394</u>	<u>208,341</u>	<u>1,592,189</u>
Total liabilities and net assets	<u>\$ 204,357</u>	<u>\$ 1,357,394</u>	<u>\$ 208,341</u>	<u>\$ 1,770,092</u>

The accompanying notes are an integral part of these financial statements

ONWARD! A LEGACY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Amount			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue and other support</u>				
Contributions	\$ 4,778	\$ 952,783	\$ 103,335	\$ 1,060,896
Investment income	9,459	110,170	-	119,629
Grants	-	28,570	-	28,570
Special events	-	18,201	-	18,201
Less: Direct cost of special events	-	(9,893)	-	(9,893)
Program fees	7,097	-	-	7,097
In-kind contributions (Note 8)	28,995	-	-	28,995
Net assets released from restrictions (Note 9)	277,897	(277,897)	-	-
Total revenue and other support	328,226	821,934	103,335	1,253,495
<u>Expense</u>				
Program services				
Scholarship funds	98,366	-	-	98,366
Program services	88,641	-	-	88,641
Donor advised funds	86,800	-	-	86,800
Endowment funds	3,855	-	-	3,855
Total program expense	277,662	-	-	277,662
Supporting services				
General and administrative	42,858	-	-	42,858
Fund-raising	7,249	-	-	7,249
Total expense	327,769	-	-	327,769
Change in net assets	456	821,934	103,336	925,726
Net assets, beginning of year	19,452	535,460	111,551	666,463
Reclassification (Note 10)	6,546	-	(6,546)	-
Net assets, beginning of year, restated	25,998	535,460	105,005	666,463
Net assets, end of year	\$ 26,454	\$ 1,357,394	\$ 208,341	\$ 1,592,189

The accompanying notes are an integral part of these financial statements

ONWARD! A LEGACY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 925,726
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Donated securities	(2,348)
Net unrealized (gains)losses on securities	(82,653)
 <u>Changes in operating assets and liabilities</u>	
(Increase)decrease in prepaid expenses	(1,066)
(Increase)decrease in accounts receivable	(2,478)
Increase(decrease) in accounts payable	6,473
Increase(decrease) in payroll accruals	(1,132)
Increase(decrease) in agency funds payable	(22,011)
Net cash provided(used) by operating activities	<u>820,511</u>
 <u>Cash flows from investing activities</u>	
(Reinvestment) of earnings	(53,219)
(Purchase) of investments	(810,116)
Proceeds from investments	<u>21,923</u>
Net cash provided(used) by investing activities	<u>(841,412)</u>
Net increase(decrease) in cash and cash equivalents	(20,901)
 Cash and cash equivalents, beginning of year	<u>127,045</u>
Cash and cash equivalents, end of year	<u><u>\$ 106,144</u></u>

The accompanying notes are an integral part of these financial statements

ONWARD! A LEGACY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1 - NATURE OF ACTIVITIES

Onward! A Legacy Foundation (the Organization) is a not-for profit organization located in Cortez, Colorado. The mission of the Organization is to provide opportunities to develop and maintain a sustainable resource base that will enhance the quality of life for residents in the Four Corners' communities. The Organization focuses its efforts on scholarships, civic beautification, social services, art and culture, and organization development. To achieve this mission, the Organization invests donor funds responsibly to preserve capital, provide growth, and earn income for grant making.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes on net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

5. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

5. Donations (concluded)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

6. Grants

Grants are not recorded as expense until distributed since the Organization reserves the right to rescind any unpaid grants.

7. 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.

8. Income Taxes and Private Foundation Status

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

9. Functional Reporting of Expenses

For the year ended December 31, 2012, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

11. Subsequent Events

Management has evaluated subsequent events through November 5, 2013, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments are carried at market value and consist of the following:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equities	\$ 813,877	\$ 856,548	\$ 42,671
Corporate bonds	510,909	526,809	15,900
Preferred stock	226,609	227,509	900
Government bonds	41,299	43,820	2,521
Certificates of deposit	5,718	5,718	-
Total	<u>\$ 1,598,412</u>	<u>\$ 1,660,404</u>	<u>\$ 61,992</u>

Investment return is summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 51,087
Realized gains(losses)	2,132
Unrealized gains(losses)	82,653
Subtotal	135,872
Less: Allocations to agency funds	(16,243)
Total	<u>\$ 119,629</u>

The following table summarizes the levels in the fair value hierarchy into which the Organization's investments fall as of December 31, 2012:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 856,548	\$ 856,548	\$ -	\$ -
Corporate bonds	526,809	526,809	-	-
Preferred stock	227,509	227,509	-	-
Government bonds	43,820	42,264	1,556	-
Certificates of deposit	5,718	5,718	-	-
Total	<u>\$ 1,660,404</u>	<u>\$ 1,658,848</u>	<u>\$ 1,556</u>	<u>\$ -</u>

The Organization follows the Fair Value Measurements and Disclosures Topic of FASB ASC which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

NOTE 3 - INVESTMENTS (concluded)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The Organization has investments in equities, mutual funds, corporate fixed income bonds, government securities and certificates of deposit in this category.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. The Organization has investments in certain government securities in this category.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Organization does not have any investments in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NOTE 4 - AGENCY FUNDS PAYABLE

When the Organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to an entity specified by the donor, professional standards require that a liability be recorded, rather than a contribution. The Organization refers to such funds as agency funds.

NOTE 5 - BOARD-DESIGNATED ENDOWMENT

The principal invested in the board-designated endowment is intended to be held in perpetuity, with the income used exclusively for grant-making and other charitable works. Because the board has control, the board-designated endowment is designated as unrestricted net assets.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Donor advised funds	\$ 805,849
Scholarship funds	404,849
Fiscal funds and other sponsored direct programs	122,517
Endowment funds	24,179
Total	<u>\$ 1,357,394</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

At year-end, permanently restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
General Fund Endowment	\$ 104,850
Searle Community Endowment Fund	64,327
Cortez Public Library Endowment Fund	39,164
Total	<u>\$ 208,341</u>

NOTE 8 - IN-KIND CONTRIBUTIONS AND RELATED PARTIES

The Organization's Executive Director owns an accounting firm, Forth & Associates, located in Cortez, Colorado, which is where the Organization's office is located. Forth & Associates provides the office space, office equipment, and general office support for the Organization. The Organization pays the Executive Director \$300 a month, and Forth and Associates is also paid \$200 a month for general bookkeeping and office support. The difference between these payments and the value of the time spent working on activities of the Organization is recorded as an in-kind contribution of professional services. During the year ended December 31, 2012, the in-kind contribution recorded was \$28,995.

Certain members of the Board of Directors are distribution advisors to certain funds held by the Organization.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Scholarship funds	\$ 107,439
Donor advised funds	86,800
Fiscal funds and other sponsored direct programs	79,803
Endowment funds	3,855
Total	<u>\$ 277,897</u>

NOTE 10 - RECLASSIFICATION

Ten percent of the Foundation's monthly net income is transferred to the General Fund Endowment, per direction from the Board of Directors. A reclassification of \$6,546 was recorded during 2012 to reclassify these contributions from permanently restricted net assets to board-designated, unrestricted net assets.

NOTE 11 - ENDOWMENT FUNDS

The Organization's endowments consist of three individual funds established for a variety of purposes and, as required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors ensures that in all aspects of institutional funds management, the Organization acts in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as stated in Colorado Revised Statutes 15-1-1101 through 1110, as well as all other applicable state and federal laws. The "prudent investor rule" states that in managing its institutional funds, the Organization and its agents shall act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In the preservation of the endowment fund, primary consideration is given to donor intent as expressed in a gift instrument and as expressly enumerated in prudence factors in UPMIFA.

The Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. In accordance with the Foundation's interpretation of UPMIFA, any remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets or temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor's intent as stated in the gift instrument. In making a determination to appropriate or accumulate donor-restricted endowment funds, the Organization shall act in good faith and if relevant, considers the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the institution and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institution; and (7) the investment policy of the institution.

Endowment Investment Objective. The Organization's primary objectives in managing endowments are to create a steady stream of revenue to support its mission, to preserve the purchasing power of the endowment in perpetuity, and to achieve the highest total return with a reasonable level of risk.

Endowment Spending Policy. The Organization has adopted investment and spending policies, approved by the Board of Directors, 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 these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization 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 an emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Originally contributed endowment principal is maintained in permanently restricted net assets; accumulated net earnings and appreciation and depreciation on related investments are recorded in unrestricted or temporarily restricted net assets as specified by the donor.

Endowment asset composition as of December 31, 2012 consisted of donor restricted and board-designated funds. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2012. Endowment assets are included with investments on the statement of financial position.

NOTE 11 - ENDOWMENT FUNDS (concluded)

Changes in endowment assets as of December 31, 2012 are as follows:

<u>Description</u>	<u>Unrestricted Board- designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ -	\$ 9,060	\$ 111,551	\$ 120,611
Reclassification	6,546	-	(6,546)	-
Endowment assets, beginning of year, restated	6,546	9,060	105,005	120,611
Contributions	578	-	103,336	103,914
Investment income	-	18,974	-	18,974
Appropriation of endowment assets for expenditure	-	(3,855)	-	(3,855)
Total	<u>\$ 7,124</u>	<u>\$ 24,179</u>	<u>\$ 208,341</u>	<u>\$ 239,644</u>

NOTE 12 - CONCENTRATION OF RISK

The Organization holds investments in three separate brokerage accounts that are subject to market value fluctuation.

NOTE 13 - CONCENTRATION OF FUNDING

During 2012, the Organization received a donation of \$806,000 from one contributor. This contribution represented 64% of 2012 revenue.

SUPPLEMENTARY INFORMATION

ONWARD! A LEGACY FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Amount							
	Program Services					Supporting Services		
	Scholarship Funds	Program Services	Donor Advised Funds	Endowment Funds	Total	General and Admin	Fundraising	Total
Salaries	\$ -	\$ 38,520	\$ -	\$ -	\$ 38,520	\$ 4,900	\$ -	\$ 43,420
Payroll taxes and benefits	-	4,087	-	-	4,087	541	-	4,628
Grants and scholarships	97,359	3,325	86,800	3,855	191,339	2,256	-	193,595
Professional services	-	933	-	-	933	21,746	7,249	29,928
Program supplies	-	21,901	-	-	21,901	-	-	21,901
Accounting services	-	-	-	-	-	8,766	-	8,766
Facility/site rental	-	6,500	-	-	6,500	-	-	6,500
Office expense	149	3,422	-	-	3,571	435	-	4,006
Marketing and advertising	-	2,546	-	-	2,546	119	-	2,665
Staff development and training	-	2,272	-	-	2,272	335	-	2,607
Printing	280	779	-	-	1,059	1,414	-	2,473
Insurance	-	838	-	-	838	947	-	1,785
Occupancy	-	1,402	-	-	1,402	-	-	1,402
Meals	-	1,296	-	-	1,296	-	-	1,296
Postage	438	301	-	-	739	382	-	1,121
Dues and subscriptions	100	100	-	-	200	904	-	1,104
All other	40	419	-	-	459	113	-	572
Total	<u>\$ 98,366</u>	<u>\$ 88,641</u>	<u>\$ 86,800</u>	<u>\$ 3,855</u>	<u>\$ 277,662</u>	<u>\$ 42,858</u>	<u>\$ 7,249</u>	<u>\$ 327,769</u>

See independent auditors' report