

**FORT LEWIS COLLEGE**  
FINANCIAL AND COMPLIANCE AUDIT  
Fiscal Years Ended June 30, 2020 and 2019



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*CPAs and Business Advisors*

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FORT LEWIS COLLEGE

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**FORT LEWIS COLLEGE**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**REPORT SUMMARY**

As of and for the Years Ended June 30, 2020 and 2019

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**Authority, Purpose and Scope**

The Office of the State Auditor of the State of Colorado engaged Dalby, Wendland, & Co., P.C. (DWC) to conduct a financial and compliance audit of Fort Lewis College (the College) for the year ended June 30, 2020. DWC performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We conducted our fieldwork from June through October 2020.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the College as of and for the years ended June 30, 2020 and 2019. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Perform a financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers, and Reversions of the College's State-Funded Student Financial Assistance Programs, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate the progress in implementing prior audit findings and recommendations, if any.

The College's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the Fiscal Year 2020 Statewide Single Audit Report issued under separate cover.

**Audit Opinion and Reports Summary**

We expressed an unmodified opinion on the College's financial statements as of and for the year ended June 30, 2020.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

In addition to issuing a report on the College's compliance and internal control over financial reporting, we also performed procedures in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the College's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. We noted no instances of noncompliance and no internal control deficiencies during these procedures.

### **Summary of Findings and Recommendations**

There were no reported findings or recommendations resulting from the audit of the College for the year ended June 30, 2020.

### **Summary of Progress in Implementing Prior Audit Findings**

The College's audit report for the year ended June 30, 2019 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2020.

# FORT LEWIS COLLEGE

## HISTORY, MISSION, ENROLLMENT, AND STAFFING

For the Years Ended June 30, 2020 and 2019

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### History

Fort Lewis College is named for Fort Lewis, a U.S. Army Post established in 1878 at Pagosa Springs, Colorado. Two years later, the military post moved to Hesperus, Colorado, a location more central to Native American settlements and pioneer communities. The U.S. government abandoned the site as a military post in 1891, and in its stead, established Fort Lewis as a school offering free education to Native American students. By 1911, Congress had deeded the Hesperus site to the State of Colorado, which then established a high school of agriculture under the supervision of the State Board of Agriculture. The school began to offer some college-level courses in 1925, and in 1933, Fort Lewis began to offer college courses exclusively. In 1948, Fort Lewis was officially designated a junior college with its own president. Fort Lewis moved to the Durango campus in 1956. The first baccalaureate degrees were granted in 1964. In 1986, Fort Lewis joined the Colorado State University System under the governance of the State Board of Agriculture. Colorado State University in Fort Collins and the University of Southern Colorado in Pueblo were sister institutions in the system. In 2002, the Board of Trustees for Fort Lewis College began governance of the College separate from the State Board of Agriculture. Fort Lewis continues to honor its historic commitment to Native Americans by offering full tuition scholarships to all qualified Native Americans who meet admission requirements. It is the only college in Colorado to do so, as it has for more than 100 years. Fort Lewis College's statutory authority is in the Colorado Revised Statutes (CRS) Section 23-52-101.

### Mission and Core Values

The following have been adopted by the Board of Trustees for Fort Lewis College:

#### Mission

Students are at the center of Fort Lewis College, where we create inclusive, experiential learning environments that foster innovation, growth, and community engagement.

#### Core Value Statements

##### Academic Excellence

- Honor our liberal arts roots by promoting, supporting, and inspiring students to action through interdisciplinary studies and experiential learning
- Respond to disparities in health, wellness, education, and economic outcomes by addressing moral, historical, and ethical aspects of these issues
- Provide a personalized education through work with high-quality faculty and staff
- Foster students' abilities to confront scientific, social, and environmental challenges through transferable skills in critical thinking, communication, and technical knowledge

##### Student-Centered Approach

- Value a diversity of cultures and perspectives as a source of intellectual strength and strive to create an inclusive, equitable environment in which students flourish and become resilient
- Challenge each other to think critically, communicate effectively, and solve complex problems
- Create an engaging, supportive, and inclusive environment through a culture of caring and personalization
- Provide accessible higher education to students from a wide variety of backgrounds

Community Engagement

- Honor our historic commitment to Native American and Alaska Native education and work towards reconciling our complicated past
- Connect faculty, staff, and student expertise to a range of community priorities and interests
- Build programs that respond to and serve regional and global needs
- Collaborate across settings to support economic and workforce development
- Learn from and engage in our diverse natural and cultural environments

**Staffing**

Staffing data for the past three years are presented below as employee full-time equivalents (FTE). Each faculty FTE is equal to 24 credit hours taught during the fiscal year. Each staff FTE is equal to working 2,080 hours each fiscal year.

	2018	2019	2020
Faculty FTEs	210	191	195
Staff FTEs	336	316	330
Total Staff and Faculty FTEs	546	507	525

**Enrollment**

Enrollment data for the past three years are presented below as undergraduate student full-time equivalents (FTE). Each FTE is equal to 30 credit hours during the fiscal year.

	2018	2019	2020
Resident FTE	1,479	1,361	1,292
Non-resident FTE	1,459	1,518	1,559
Total FTE Students	2,938	2,879	2,851



## INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:  
Denver, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Fort Lewis College (the College), an institution of higher education, State of Colorado, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### 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 did not audit the financial statements of the Fort Lewis College Foundation (the Foundation), a discretely presented component unit, discussed in Note 1 to the basic financial statements, which represents 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2020 and 2019, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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.



## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, an institution of higher education, State of Colorado, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the College, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the discretely presented component unit of the State that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2020, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Report on Prior Year Financial Statements*

The financial statements of the business-type activities and discretely presented component unit of the College as of and for the year ended June 30, 2019 were audited by a predecessor auditor, who expressed an unmodified opinion on the business-type activities of the College. The predecessor auditor's report was dated December 2, 2019.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 21 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that the Schedules of the College's Proportionate Share of the Net Pension Liability and the Schedules of College Contributions to the PERA Pension Plan on pages 74 through 75 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires that the Schedules of the College's Proportionate Share of the Net Other Post-Employment Benefit (OPEB) Liability and the Schedules of College Contributions to the PERA Healthcare Trust Fund on pages 77 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

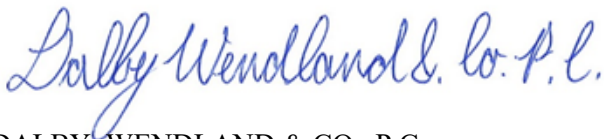
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 Revenue Bonds for the year ended June 30, 2020 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the College.

The Schedule of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 Revenue Bonds for the year ended June 30, 2020 is the responsibility of the College's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole. The Schedule of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 Revenue Bonds for the year ended June 30, 2019 was subjected to the auditing procedures applied in the audit of the basic financial statements as of and for the year ended June 30, 2019 by the predecessor auditor, whose report on such information stated that the Schedule of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 Revenue Bonds for the year ended June 30, 2019 was fairly stated in all material respects in relation to the June 30, 2019 basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



DALBY, WENDLAND & CO., P.C.

Grand Junction, Colorado

February 1, 2021

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

This section of Fort Lewis College's (the College) financial report presents management's discussion and analysis for the College's financial position and results of operations as of and for the years ended June 30, 2020 and 2019, with comparative information presented for the year ended June 30, 2018. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

The presented information relates to the financial activities of the College, a public institution dedicated to the liberal arts and professional education and focuses on the financial condition and results of operations. The financial statements for the Fort Lewis College Foundation (the Foundation), a legally separate organization whose operations benefit the College – are discretely presented within the College's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the College.

The College was established under an agreement with the federal government whereby all qualified Native American students would be admitted tuition free and on terms of equality with other students. The Native American Tuition Funding, included in State and local Grants and Contracts on the financial statements, represents reimbursement for tuition waived in the previous fiscal year. Tuition from Native American students accounts for approximately 38% of the education and general budget.

### **Understanding the Financial Statements**

Financial highlights are presented in this discussion and analysis to help with the reader's assessment of the College's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five parts.

- ***Report of Independent Auditors*** presents an unmodified opinion prepared by the College's auditors (an independent certified public accounting firm, Dalby, Wendland & Co., P.C.) indicating that the College's financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
- ***Statements of Net Position*** present the assets, liabilities, and net position of the College as of June 30, 2020 and 2019. Its purpose is to present a financial snapshot of the College. The statements aid readers in determining the assets available to continue the College's operations; evaluating how much the College owes to vendors and lending institutions; and understanding the College's net position and the availability of assets for expenditure by the College.
- ***Statements of Revenues, Expenses, and Changes in Net Position*** present the total revenues earned and expenses incurred by the College for operating, non-operating, and other related activities for the years ended June 30, 2020 and 2019. The statements purpose is to assess the College's operating results.
- ***Statements of Cash Flows*** present the College's cash receipts and payments for the years ended June 30, 2020 and 2019. The statements' purpose is to assess the College's ability to generate net cash flows and meet its payment obligations as they come due.

**FORT LEWIS COLLEGE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

• *Notes to the Financial Statements* present additional information to support the financial statements and are commonly referred to as Note(s). The purpose of the Notes is to clarify and expand on the information in the financial statements.

- *Required Supplementary Information (RSI)* presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management’s discussion and analysis as well as certain RSI required by Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75) including the:
  - Schedules of the College’s Proportionate Share of the Net Pension Liability
  - Schedules of Contributions Colorado PERA Pension Plan
  - Schedules of the College’s Proportionate Share of the Net Other Post-employment Benefit Liability
  - Schedules of Contributions Colorado PERA Healthcare Trust Fund

The financial statements of the College include all of the integral parts of the College’s operations. The College applied required criteria to determine whether any organization should be included in the College’s reporting entity. Management of the College has considered the criteria described in GASB Statement No. 61, The Financial Reporting Entity: Omnibus and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, paragraph 47, and management of the College has determined that the Foundation meets the criteria to be included in the College’s financial statements as a discretely presented component unit.

**FINANCIAL HIGHLIGHTS**

**Year Ended June 30, 2020:**

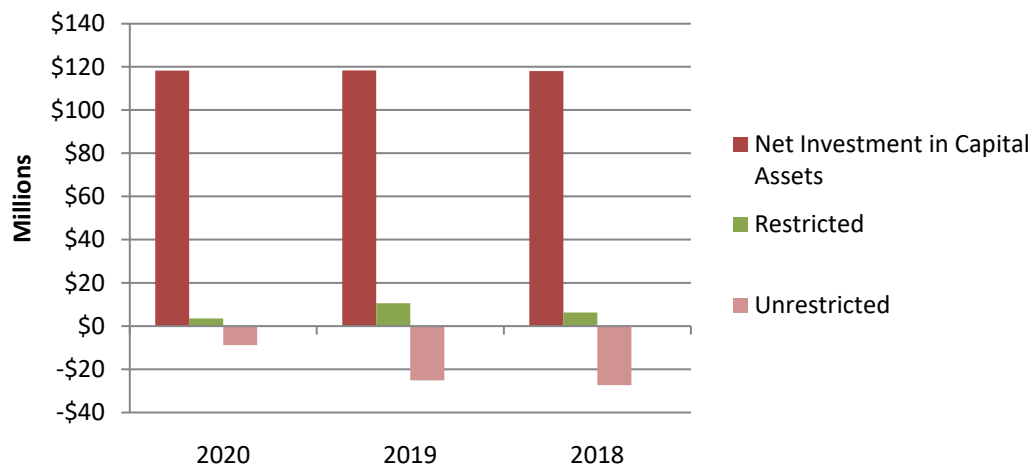
- **Net Position** – The College’s Net Position increased during the year ended June 30, 2020 by \$9.1 million or 9%. This was due to a reduction of the impact of the GASB 68 and GASB 75 by \$8.5 million. The unrestricted net position at June 30, 2020 was negative \$8.9 million. The negative net position was due to the impact of GASB 68 and GASB 75 in the amount of \$35.1 million at June 30, 2020. The effects on Net Position of these GASB statements are reflected in the tables below:

	Fiscal Year 2020	Fiscal Year 2019
Net Position (GAAP Basis)	\$ 112,866,931	\$ 103,795,343
Effects of GASB 68 - Pension	33,871,628	42,356,495
Effects of GASB 75 - OPEB	1,261,006	1,322,671
Net Position Excluding Pension and OPEB	\$ 147,999,565	\$ 147,474,509

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

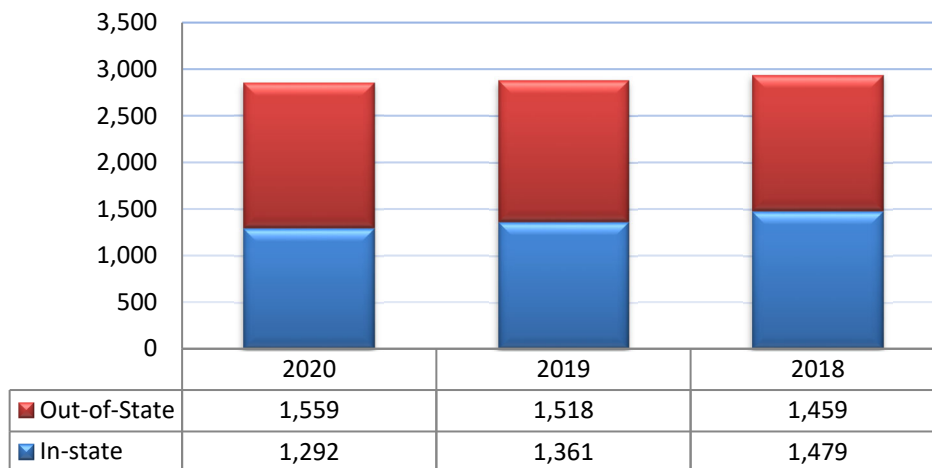
	Fiscal Year 2020	Fiscal Year 2019
Unrestricted Net Position (GAAP Basis)	\$ (8,881,708)	\$ (25,128,528)
Effects of GASB 68 - Pension	33,871,628	42,356,495
Effects of GASB 75 - OPEB	1,261,006	1,322,671
Unrestricted Net Position Excluding Pension and OPEB Expense	<u>\$ 26,250,926</u>	<u>\$ 18,550,638</u>

**Net Position at Year End**



- **Enrollment** – In fiscal year 2020, undergraduate full-time equivalent (FTE) enrollment decreased by 1.0% (28 students); in-state enrollment declined by 5.0% while out-of-state enrollment increased approximately 2.7%.

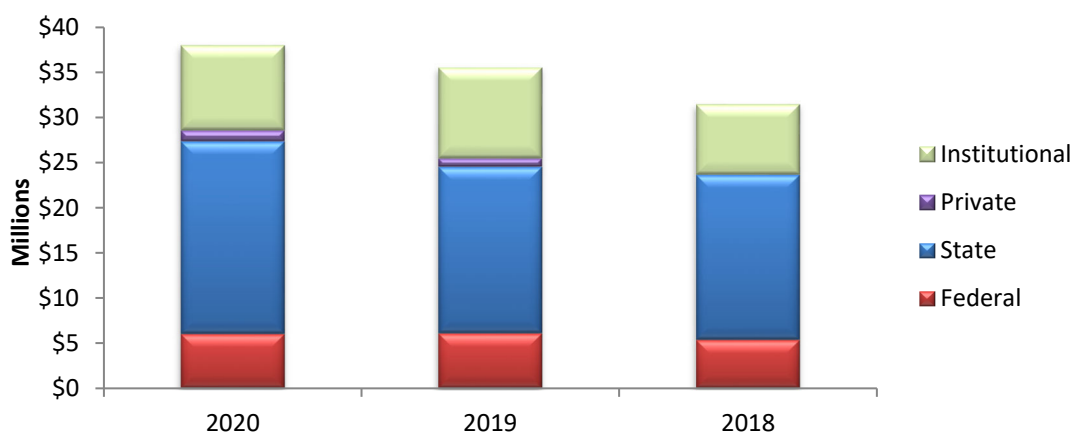
**Undergraduate FTE Enrollment**



**FORT LEWIS COLLEGE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

- **Scholarships** – The discount rate for fiscal year 2020 (adjusted for the effect of the Native American Tuition Waiver) was 42.1%. Scholarship awards have been strategically awarded with the goal of increasing enrollment and retention. State-funded financial aid increased by \$2.8 million or 15% with most of the increase coming from the Native American Tuition Waiver, which went from \$17 million in fiscal year 2019 to \$19.6 million in fiscal year 2020. This will be discussed in more detail below in the State Funding section. Financial aid awards over the past three fiscal years are depicted below.

**Financial Aid**



- **State Funding** – Funding for Higher Education in the State of Colorado is allocated in two ways: College Opportunity Fund (COF) stipends and Fee for Service (FFS) contracts. The following table provides the combined COF and FFS received by the College between fiscal year 2018 and fiscal year 2020.

	2020	2019	2018
Total State Funding	\$14,136,437	\$13,053,096	\$11,784,939
Change from Previous Year	8.3%	10.8%	

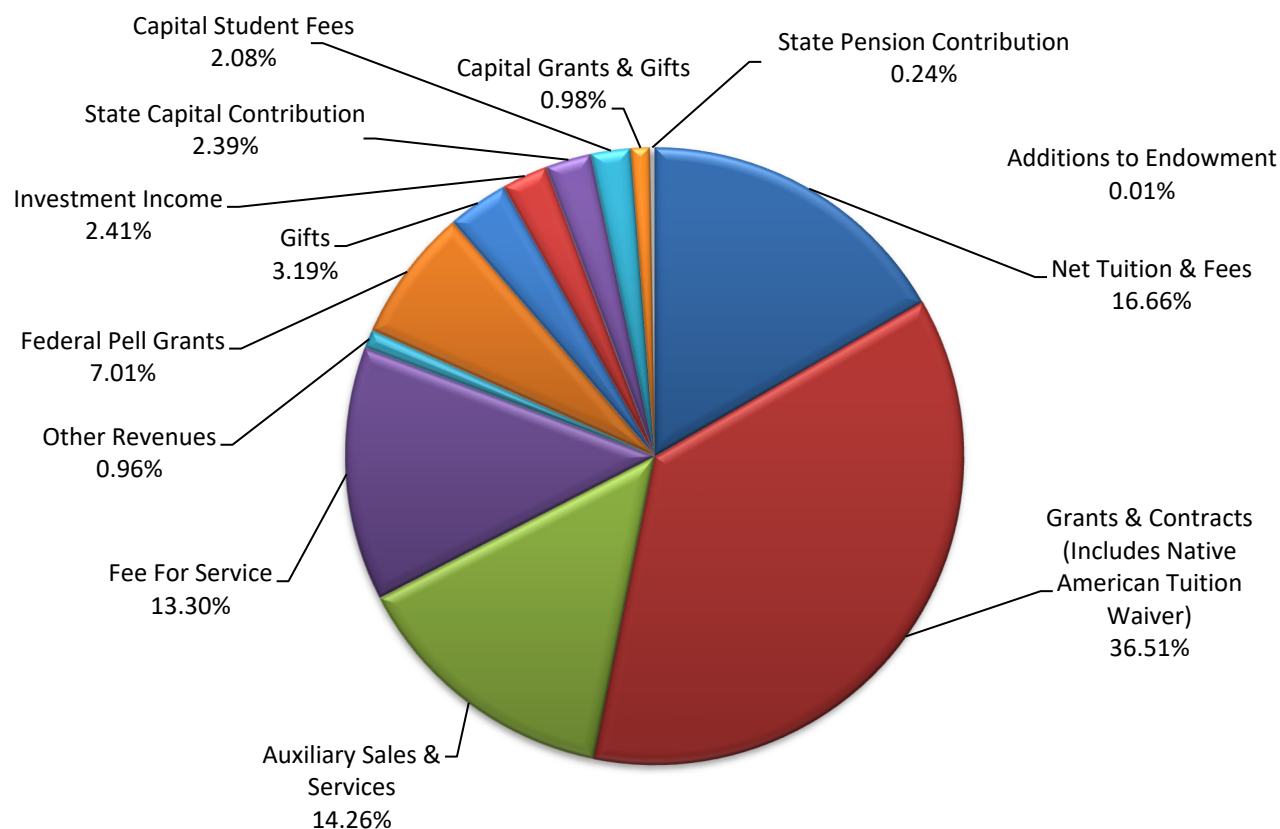
In addition to regular State funding, the College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding received for Native American Tuition waivers is considered financial aid, as the waiver directly benefits the students. The College has pursued legislation that would require the Federal government to reimburse a portion of this tuition, without success to date. The following table represents the Native American tuition reimbursement received from fiscal year 2018 to fiscal year 2020.

	2020	2019	2018
Native American Tuition Reimbursement	\$19,626,040	\$17,024,859	\$16,948,194
Change from Previous Year	15.3%	0.5%	

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

- **Total revenues** received in fiscal year 2020 and 2019 were \$80,772,567 and \$77,664,593, respectively. The \$3.1 million increase relates to the Direct CARES Act Higher Education Emergency Relief funding the College received in fiscal year 2020. This is discussed in more detail below in the Other Highlights-COVID-19 section. Total fiscal year 2020 revenues are depicted below without distinction as to whether they are classified as Operating or Nonoperating on the Statements of Revenues, Expenses and Changes in Net Position.

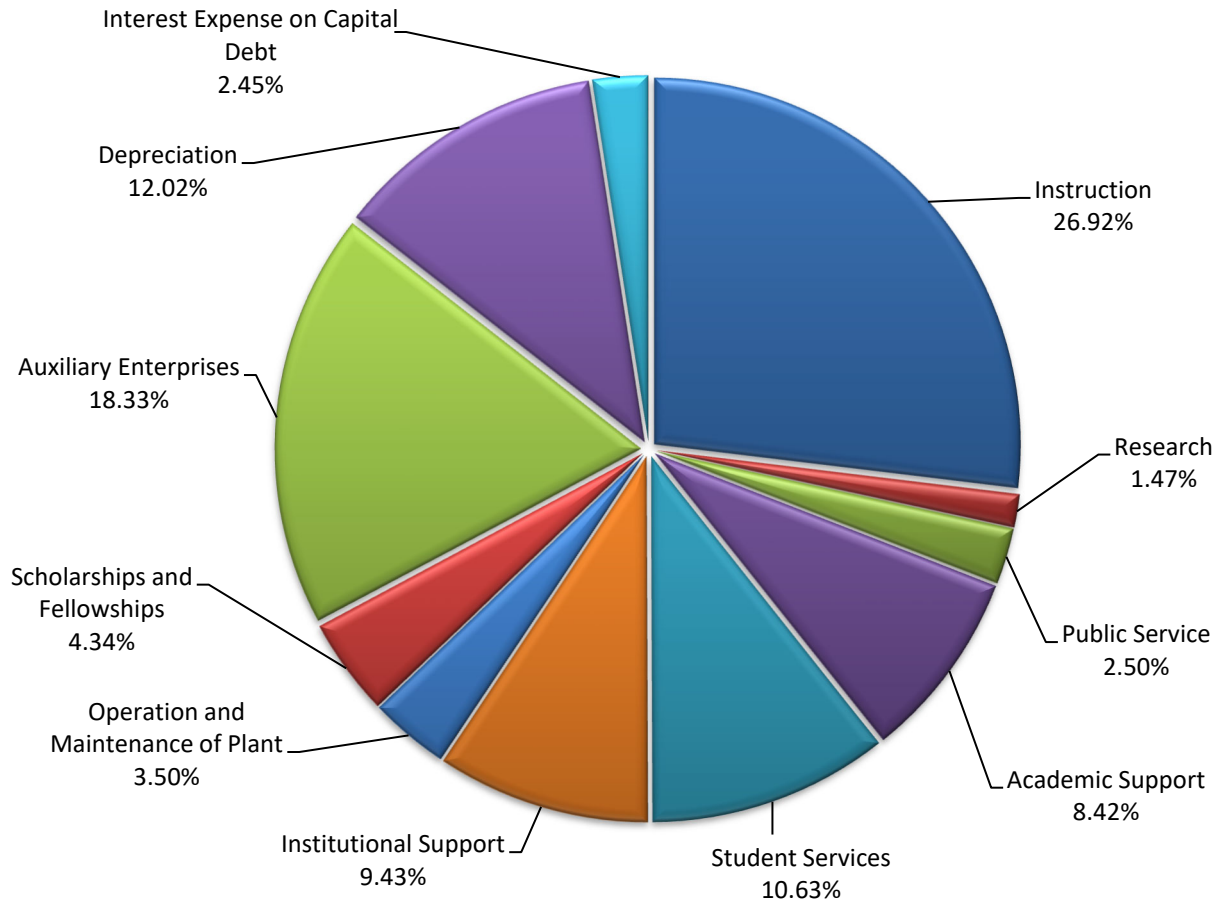
**2020 Sources of Revenue**



- **Total expenses** for fiscal year 2020 and 2019 were \$71,700,979 and \$70,794,931, respectively. Total fiscal year 2020 expenses increased by approximately \$900 thousand. Expenses did not increase proportionality with revenue due to a \$3 million decrease in the pension and other postemployment benefit expenses from fiscal year 2019 to fiscal year 2020. Total fiscal year 2020 expenses are illustrated in the chart below without distinction as to whether they are classified as Operating or Nonoperating on the Statements of Revenues, Expenses and Changes in Net Position.

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

**2020 Expenses**



**Year Ended June 30, 2019:**

- Net Position** – The College’s financial position increased during the year ended June 30, 2019 by \$6.9 million or 7%. This was due to a reduction in the impact of GASB 68 and 75 on the ending net position as well as an increase in the net position restricted for expendable purposes of \$4.5 million. Endowments were decreased by \$116,649 due to Colorado House Bill 18-1048 which allowed the College to spend from the Hesperus account, which comprises the proceeds of or income from the property formerly known as the “Fort Lewis School”. The unrestricted net position at June 30, 2019 was negative \$25 million but did increase by \$2.2 million. The negative net position due to GASB 68 and GASB 75 was (\$43,479,166) at June 30, 2019.
- Enrollment** – Undergraduate full-time equivalent (FTE) enrollment decreased by 2.0% (59 students) in fiscal year 2019; in-state enrollment declined by 8.0% while out-of-state enrollment increased approximately 4.1%. Fall 2018 headcount, based on final fall census reports was 0.8% lower than the prior year, with resident headcount down by 6.3% and nonresident headcount up by approximately 4.8%. Native American Tuition

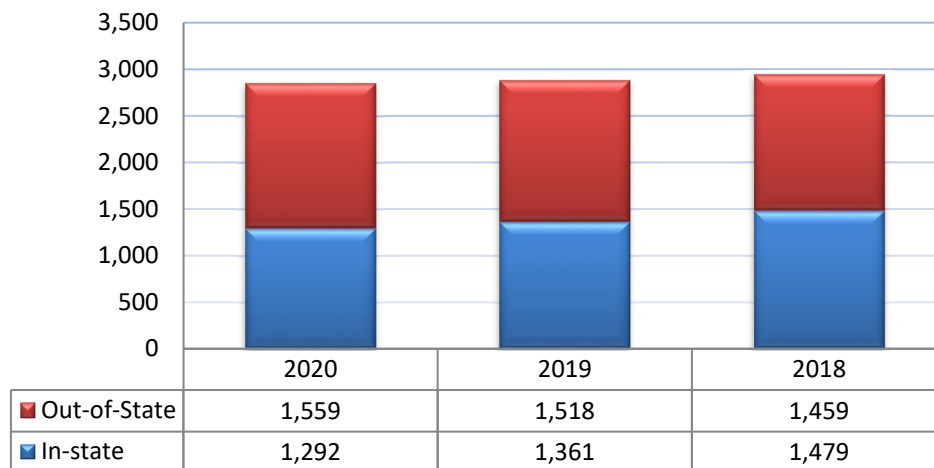


**FORT LEWIS COLLEGE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

Waiver fall headcount enrollment based on original fall census reports, was 7.7% higher than the prior year, with resident headcount down approximately 9.3% and non-resident headcount up by approximately 10.6%.

- **Scholarships** – The discount rate for 2019 (adjusted for the effect of the Native American Tuition Waiver) was 37.3%. Scholarship awards have been strategically awarded with the goal of increasing enrollment and retention, with institutional scholarships increasing by 18.6% in fiscal year 2019. State-funded financial aid includes the Native American Tuition Waiver.
- **New Provost** – During fiscal year 2019, the College conducted a national search to replace Dr. Barbara Morris who resigned the prior year to serve as the president of the State University of New York – Oneonta. In April 2019, President Tom Stritikus announced that Cheryl Nixon had been chosen to fill the Provost’s position. Dr. Nixon previously served as an Associate Provost and Professor of English at the University of Massachusetts, Boston, where she created new undergraduate research programs and high-impact teaching projects. Dr. Nixon earned her bachelor’s degree in English and political science from Tufts University and her master’s and doctorate in English from Harvard University.
- **New Programs** – During fiscal year 2019, the College created two new programs: 1) Liberal Arts Core Concentrations and 2) First Year Launch. The Core Concentration program gives students the opportunity to group four of their nine general-education “gtPathways” courses mandated by the State of Colorado – known as the “liberal arts core” – because it exposes students to a range of disciplines in the tradition of liberal arts education – into one of three themes targeted at developing skills in demand in the workplace. The three concentration themes are Analytical Thinking, Science Communication, and Diversity & Inclusion. The First Year Launch program features signature classes designed and taught by professors and staff. They include one-credit classes for first year students that introduces them to the business of being a college student and acquaints them with mentors, advocates and allies at the College. Topics range from leadership and urban sketching to financial literacy and journaling and it includes a capstone project that allows students to express their reactions to their first year at the College.

### Undergraduate FTE Enrollment



**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

**CONDENSED FINANCIAL STATEMENTS FOR THE COLLEGE**

The financial statements and notes are presented for the reporting entity that includes the College and the Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity). Condensed Financial Statements for the College are presented below.

- **The Statements of Net Position** report assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources.) Condensed Statements of Net Position are shown below.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current Assets	\$43,489,534	\$35,574,980	\$33,067,158
Noncurrent Assets	<u>167,390,944</u>	<u>168,456,582</u>	<u>171,508,348</u>
Total Assets	<u>210,880,478</u>	<u>204,031,562</u>	<u>204,584,506</u>
Deferred Outflows of Resources	<u>4,494,162</u>	<u>7,515,539</u>	<u>14,235,723</u>
Current Liabilities	16,006,834	8,429,255	<u>8,886,113</u>
Noncurrent Liabilities	<u>75,127,091</u>	<u>81,607,690</u>	<u>108,797,856</u>
Total Liabilities	<u>91,133,925</u>	<u>90,036,945</u>	<u>117,683,969</u>
Deferred Inflows of Resources	<u>11,373,784</u>	<u>17,714,813</u>	<u>4,210,579</u>
Net Position			
Net Investment in Capital Assets	<u>118,213,861</u>	<u>118,329,281</u>	<u>118,042,167</u>
Restricted	<u>3,534,778</u>	<u>10,594,590</u>	<u>6,258,400</u>
Unrestricted	<u>(8,881,708)</u>	<u>(25,128,528)</u>	<u>(27,374,886)</u>
Total Net Position	<u>\$112,866,931</u>	<u>\$103,795,343</u>	<u>\$96,925,681</u>

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

**The Statements of Revenues, Expenses and Changes in Net Position** report the results of operating and non-operating revenues and expenses during the year, as well as the resulting increase or decrease in net position at the end of the year.

	Year Ended <u>June 30, 2020</u>	Year Ended <u>June</u> <u>30, 2019</u>	Year Ended <u>June 30, 2018</u>
Operating Revenues			
Tuition and Fees, Net	\$ 13,454,265	\$ 14,686,685	\$ 14,894,776
Grants and Contracts	26,300,524	23,831,257	22,491,387
Auxiliary Enterprises, Net	11,516,218	14,626,401	15,020,967
Other	<u>11,504,122</u>	<u>10,558,208</u>	<u>9,480,940</u>
Total Operating Revenues	<u>62,775,129</u>	<u>63,702,551</u>	<u>61,888,070</u>
Operating Expenses	<u>69,946,923</u>	<u>68,868,776</u>	<u>84,273,381</u>
<b>Operating Income (Loss)</b>	<b><u>(7,171,794)</u></b>	<b><u>(5,166,225)</u></b>	<b><u>(22,385,311)</u></b>
Non-operating Revenues (Expenses):			
Federal Pell Grants	<u>5,658,599</u>	<u>5,716,261</u>	<u>5,163,301</u>
Other Net Non-Operating Revenues (Expenses)	<u>5,969,968</u>	<u>1,910,499</u>	<u>(1,830,580)</u>
Net Non-operating Revenues	<u>11,628,567</u>	<u>7,626,760</u>	<u>3,332,721</u>
<b>Income (Loss) Before Other Revenues, Expenses, or Transfers</b>	<b>4,456,774</b>	<b>2,460,535</b>	<b>(19,052,590)</b>
Other Revenues, (Expenses), or Transfers:			
Gain (Loss) on Disposal of Assets	-	(10,631)	(54,616)
State Capital Appropriations	1,932,698	1,137,316	203,982
State Capital Contribution	656,886	19,864	-
Capital Student Fees, Net	1,682,774	2,321,852	2,387,113
Capital Grants and Gifts	136,400	726,763	1,215,520
State Pension Contribution	195,433	202,813	-
Additions to Endowments	<u>10,624</u>	<u>11,150</u>	<u>31,296</u>
<b>Increase (Decrease) in Net Position</b>	<b><u>9,071,588</u></b>	<b><u>6,869,662</u></b>	<b><u>(15,269,295)</u></b>
Net Position – Beginning of Year	103,795,343	96,925,681	113,516,741
Restatement, GASB 75	-	-	(1,321,765)
Restated Net Position – Beginning of Year	<u>103,795,343</u>	<u>96,925,681</u>	<u>112,194,976</u>
<b>Net Position – End of Year</b>	<b><u>\$112,866,931</u></b>	<b><u>\$103,795,343</u></b>	<b><u>\$96,925,681</u></b>

**CAPITAL ASSETS**

At June 30, 2020, the College had approximately \$164.7 million invested in capital assets, net of accumulated depreciation of \$139.0 million. Depreciation expense was \$8.6 million for the year ended June 30, 2020. At June 30, 2019, the College had approximately \$166.3 million invested in capital assets, net of accumulated depreciation of \$131.0 million. Depreciation expense was \$8.7 million for the year ended June 30, 2019. Details of these assets are shown below.

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$286,301	\$106,301	\$106,301
Construction in Progress	3,684,048	5,287,345	906,713
Collections	1,433,404	1,413,483	1,419,377
Land Improvements, Net	7,587,044	8,171,133	8,545,054
Buildings and Improvements, Net	147,601,102	146,848,845	152,842,768
Equipment, Net	3,711,027	4,032,792	3,743,287
Library Materials, Net	406,376	438,342	473,831
Total	<u>\$164,709,302</u>	<u>\$166,298,241</u>	<u>\$168,037,331</u>

Major capital additions completed in fiscal year 2020 and the resources that funded their acquisition include:

Cooper Residence Hall Improvements, funded by the College	\$7,099,709
SUS Dining Hall Improvements, funded by the College	188,852
Front Hill Improvements, funded by the College	218,727
River Rights/Permit/Easement, funded by the College	180,000
Miller Roof & Replacement, funded by the State	153,620
Miller/Skyhawk Station Improvements, funded by the College	153,865

The following significant capital projects were in progress at June 30, 2020:

Whalen Gymnasium Expansion/Renovation, funded by the State	\$2,717,391
Berndt Math/STEM Renovation, funded by the College	110,404
Miller Roof & Replacement, funded by the State	666,466

Major capital additions completed in fiscal year 2019 and the resources that funded their acquisition include:

Additional Capital Purchases on Berndt Hall – Geosciences, Physics, Engineering, final phase funded by the College	\$698,157
West Campus Water Main Replacement, funded by the College	406,650

The following significant capital projects were in progress at June 30, 2019:

Cooper Residence Hall Improvements, funded by the College	\$3,949,566
Whalen Gymnasium Expansion/Renovation, funded by the State	917,151

**DEBT**

At June 30, 2020, 2019, and 2018, the College had approximately \$49.1 million, \$50.8 million, and 53 million in long-term debt outstanding, respectively. The table below summarizes debt over the past three fiscal years.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Auxiliary Revenue Bonds, Net	<u>\$49,158,865</u>	<u>\$50,807,847</u>	<u>\$53,019,518</u>

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

**OTHER HIGHLIGHTS**

- **Strategic Plan** – The College’s administrative decisions continue to be guided by the strategic plan adopted by the College’s Board of Trustees in February 2019. The plan focuses on four major areas including Students at the Center, Community Responsiveness, Knowledge in Action, and Systems to Facilitate Success. The plan allows the College to adapt within the areas of focus as faculty and staff chart a course to student success, fiscal sustainability, and academic excellence. The plan continues to put concentration on the key factors that distinguish the College, including cultural and natural diversity of the region, the College’s faculty and degree options, commitment to access and affordability, experiential learning, and diversity in students and staff. The Strategic Plan set a goal of increasing enrollment to 3,700 students in three years.
- **COVID-19** – The COVID-19 pandemic had a large impact on the College’s operations in the Spring of 2020. All course instruction was moved online in March 2020 and completed virtually, and all non-essential staff began working remotely. Pro-rated refunds for some services were given for the Spring 2020 term, this included refunds for housing, meals, and parking totaling \$2.1 million. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020, which is a \$2 trillion package of assistance measures that include direct payment to families, loans for small businesses, supports for businesses and funding for education. In fiscal year 2020, the College was awarded the following funds:
  - Direct CARES Act Higher Education Emergency Relief Fund funding of \$1.5 million to be used to provide emergency financial aid grants to students for their expenses related to the disruption of campus operations due to COVID. The College awarded \$1.3 million to students in the fiscal year 2020. The remainder of the funds will be awarded in fiscal year 2021. In the Statements of Revenues, Expenses, and Changes in Net Position, the CARES Act grant revenue was recorded in the Nonoperating Federal Grants and Contracts line item and the awards to students were recorded in the Scholarships and Fellowships operating expense line item.
  - Direct CARES Act Higher Education Emergency Relief Fund funding of \$1.9 million to be spent on costs for which there is a “clear nexus to significant changes to the delivery in instruction” due to COVID-19. This could include refunds made to students, technology costs, programming customizations for courses and delivery. The College used these funds to cover a portion of the housing, meal, and parking refunds issued to students. In the Statements of Revenues, Expenses, and Changes in Net Position, the CARES Act grant revenue was recorded in the Nonoperating Federal Grants and Contracts line item and the refunds for housing, meals, and parking reduced the Auxiliary Enterprises operating revenue line item.
  - Indirect CARES Act Coronavirus Relief Fund funding of \$7.5 million was allocated to the College in May 2020 by Governor Polis in Executive Order D 2020 070 to be used for health and safety precautions; student mental health services; school closure and re-opening costs; to facilitate distance learning with closings; expenses to recover lost learning time; personnel expenses; and economic support to educate students by maintaining enrollment, retention and credential completion. The College did not spend any of this money in fiscal year 2020 and as such, recorded it in the Statements of Net Position in line items Restricted Cash and Cash Equivalents and Unearned Revenue. The College will expend all indirect CARES Act money in fiscal year 2021 on economic support to educate students by maintaining enrollment, retention and credential completion.
- **Entangled Solutions-** The College applied for and was awarded a \$2 million in-kind consulting support grant from Entangled Solutions, now Guild Learning Solutions, a pioneering innovation consultancy for higher education. The multi-year consulting engagement will focus on continuing the College’s enrollment and

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

financial growth and help preserve the mission while meeting the needs of students and a changing labor market. The project will focus on attracting additional students by expanding online programs and building partnerships with employers.

- **FLC Tuition Promise** – In fiscal year 2020 the College rolled out the Tuition Promise, which covers the cost of tuition for any admitted Colorado resident whose family income is \$60,000 or less.
- **SkyHawk Station** – The College opened the SkyHawk Station in August of 2019 which is a ‘one-stop shop’ for student services including financial aid, registration, advising, and student billing. The SkyHawk Station contains many services that were previously decentralized. As part of the Students at the Center initiative in the strategic plan, the SkyHawk Station is making the business of being a student easier to accomplish. The SkyHawk Station has been well received by students and is having a positive impact on the students’ customer service experience.
- **Academic Hub at Reed Library** – A new Academic Hub at Reed Library is being developed, this idea was made possible with a \$1.5 million grant through the Federal Department of Education Native American Serving Non-Tribal Institutions Title III program. The hub will become the ‘one-stop shop’ for student academic needs that will house centralized peer education and tutoring, the Federal TRIO programs, undergraduate research, career and internship services, as well as state-of-the-art learning labs.
- **Business Innovation Center** – The College’s School of Business Administration opened a Business Innovation Center in downtown Durango. The overarching purpose of the Center is to spur economic development in Durango and Southwest Colorado. The Center creates a location for cooperative efforts among regional governmental agencies including regional municipalities, counties, and tribes. The Center provides mentorship for businesses, business students, and residents looking to start businesses. The Innovation Center also has a focus on increasing internship opportunities for students.
- **Board of Trustees** – In March of 2020, Governor Polis signed HB20-1108 creating two new seats on the College Board of Trustees, increasing the Board from seven members to nine members, all Governor appointed. One member is now required to be an enrolled member of a Federally recognized Native American tribe.
- **New Programs** – A new one-year Principal Leadership and Licensure graduate program was approved by the Board of Trustees and will have the first cohort in Fall 2020. All major school districts in northwest New Mexico and southwest Colorado have a need for principals and educators trained in Special Education, and this new program will help fill these gaps in local schools.

The School of Business and Administration launched a new Certificate in Ski Resort Operations program in the fall of 2020. This program provides students with the business management skills needed in ski resort operations. The curriculum is inclusive of all snow sports and explores the trend toward resorts developing secondary seasons around mountain biking and hosting events and festivals.

**ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE**

**Enrollment**

Enrollment increased 4% for Fall 2020 semester, halting a multi-year decline in student numbers. Students of color constitute most of the student body, making up 57% of all students, compared to 53% in 2019. Native American students represent 45% of the student body, compared to 41% for Fall 2019. A big factor to the enrollment increase

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

was retention of existing students, increasing from 62% to 68% in Fall 2020. Retention of Native American students increased to 67% in Fall 2020, up 10% from 2019. For Latinx students, retention increased to 69% in 2020, up 11% from 2019. Other areas of enrollment are up as well, including continuing students, up 1.3%; first year students, up 6.8%; transfer students, up 7.5%. The College saw an increase of 8.6% in first year students from Colorado.

Faculty aided in recruitment by contacting prospective students and their parents in an effort to persuade students to enroll, with an emphasis placed on Colorado and regional students. Other initiatives started in 2019, such as the First Year Launch program and the Skyhawk Station, are credited with helping with creating a sense of wellbeing and belonging on campus. The effort expended to boost 2020 enrollment will need to be matched in future years due to COVID-19 creating uncertainty for graduating high school students who are looking to take a gap year or stay close to home for college.

### **COVID-19**

For the Fall 2020 semester, the College has worked diligently to change processes, procedures, and instruction delivery methods to reduce the transmission risk of COVID-19 on campus. The College is offering over 100 online courses and another 250 remote access courses. The remaining courses are being held in person with strict guidelines. Masks are required at all times on campus and all faculty, staff, and students coming to campus must take a COVID-19 pre-screening questionnaire using a smartphone app that is also used for contact tracing. All students living on-campus were required to get a COVID-19 test before moving into the residence halls and all faculty, staff, and students will be required to get a COVID-19 test before the spring 2021 semester begins. Random weekly COVID-19 testing is being performed on all faculty, staff, and students. Large tents were installed around campus and classes are encouraged to be held in these tents when the weather permits. To address technology access issues, the College created a technology rental program that students can use to rent laptops, smartphones, and hotspots. The academic calendars for the fall and spring term were condensed and eliminated fall and spring breaks to reduce the risk of traveling to high risk areas and then returning to campus. Quarantine procedures for students living in the residence halls have been developed to reduce the spread of COVID-19 should a student test positive. The College has created a COVID-19 support team to assist students impacted by the pandemic.

### **Budget**

For the fiscal year 2019-20 budget cycle, the Governor proposed, and the Legislature approved, a 12.9% increase to higher education funding, in exchange for not increasing resident tuition rates. Enrollment was estimated to decline by approximately 1%. These changes when coupled with Native American Tuition reimbursement increases, allowed the college to make the strategic investments to support the strategic plan.

COVID-19 impacted the fiscal year 2020-21 cycle revenue assumptions. The Board of Trustees assumed an enrollment decline of 7.5% given the enrollment trends across the country. Native American enrollment was assumed to decline, and the impact of such decline would be felt in fiscal year 2021-22. As a result, the College reduced the general fund budget by \$1.6 million by using both temporary and permanent reduction strategies. Actual fall enrollment, as noted earlier, is up 3.7% overall with Native American enrollment up over 10%. Fiscal year 2020-21 revenue should exceed budget by approximately \$570 thousand, assuming the same COVID-19 conditions in the spring semester.

**FORT LEWIS COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Years Ended June 30, 2020 and 2019**

**Capital Construction**

Funding for the second phase of the Health Sciences Center (formerly Whalen Gymnasium Expansion for Exercise Science) was approved in the 2020 legislative cycle. The first portion of this project's funding addresses the needs of the Health Sciences department, including both Exercise Science and Public Health majors, two of the College's fastest growing academic departments. The Health Sciences Center project will provide a state-of-the-art facility that will help with recruitment in these growing programs. The project will cost approximately \$32.9 million, with the State of Colorado contributing \$29.6 million, and the College contributing 10%, or approximately \$3.3 million, through donations, grants, and partnerships.

**State Funding**

As outlined earlier, the College receives funding from the State of Colorado for the College Opportunity Fund (COF), Fee for Service Contract (FFS) and the Native American tuition waiver reimbursement. The combination of this funding makes the College more dependent on State funding than most other colleges and universities in the State of Colorado.

The spread of COVID-19 is currently altering the behavior of businesses and people in a manner that is having significant negative effects on revenues collected by the State of Colorado. Revenue estimates conducted in spring 2020, indicated a budget gap of \$3.5 billion for the fiscal year 2020-21 budget cycle. To help fill this gap, higher education was reduced by 58% in the State budget and backfilled by a one-time allocation of indirect CARES Act funding of approximately 53%. The revenue outlook for the State has improved above the spring estimates, but not to the extent to restore all funding. The Colorado Department of Higher Education is considering fiscal 2021-22 budget scenarios for higher education which include budget reduction of between 1% and 10% from fiscal 2019-20 funding levels.

**CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide users of our financial statements with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fort Lewis College Accounting Office at Room 140 Berndt Hall, 1000 Rim Drive, Durango, Colorado, 81301, call (970) 247-7364, or email [AskAccounting@fortlewis.edu](mailto:AskAccounting@fortlewis.edu).



**BASIC FINANCIAL STATEMENTS SECTION**

**FORT LEWIS COLLEGE**  
**STATEMENTS OF NET POSITION**  
**As of June 30, 2020 and 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Current Assets:		
Cash and Cash Equivalents	\$ 25,044,968	\$ 24,805,027
Restricted Cash and Cash Equivalents	7,481,148	-
Investments	7,942,919	7,485,282
Student Accounts Receivable, Net	544,782	486,005
Accounts Receivable - Fort Lewis College Foundation, Net	592,472	391,504
Other Accounts Receivable	1,170,413	1,753,052
Inventories	60,878	60,485
Prepaid Expense	651,954	593,625
Total Current Assets	<u>43,489,534</u>	<u>35,574,980</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,681,642	2,158,341
Nondepreciable Capital Assets:		
Land and Improvements	286,301	106,301
Construction in Progress	3,684,048	5,287,345
Collections	1,433,404	1,413,483
Total Nondepreciable Capital Assets	<u>5,403,753</u>	<u>6,807,129</u>
Depreciable Capital Assets:		
Land Improvements, Net	7,587,044	8,171,133
Buildings and Improvements, Net	147,601,102	146,848,845
Equipment, Net	3,711,027	4,032,792
Library Materials, Net	406,376	438,342
Total Depreciable Capital Assets, Net	<u>159,305,549</u>	<u>159,491,112</u>
Total Noncurrent Assets	<u>167,390,944</u>	<u>168,456,582</u>
Total Assets	<u>210,880,478</u>	<u>204,031,562</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows of Resources	<u>4,494,162</u>	<u>7,515,539</u>

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

**FORT LEWIS COLLEGE**  
**STATEMENTS OF NET POSITION**  
**As of June 30, 2020 and 2019**

<b>LIABILITIES</b>	<b>2020</b>	<b>2019</b>
Current Liabilities:		
Accounts Payable	1,712,290	2,144,489
Accrued Liabilities	3,023,338	2,558,019
Unearned Revenue	9,121,941	1,664,666
Deposits Held for Others	269,341	273,164
Bonds Payable, Current Portion	1,552,572	1,464,652
Compensated Absence Liabilities, Current Portion	327,352	324,265
Total Current Liabilities	<u>16,006,834</u>	<u>8,429,255</u>
Noncurrent Liabilities:		
Bonds Payable, Net	47,606,293	49,343,195
Compensated Absence Liabilities	1,931,211	1,623,491
Pension Liability	24,600,801	29,402,246
Other Post Employment Benefits Liability	988,786	1,238,758
Total Noncurrent Liabilities	<u>75,127,091</u>	<u>81,607,690</u>
Total Liabilities	<u>91,133,925</u>	<u>90,036,945</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources	<u>11,373,784</u>	<u>17,714,813</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	118,213,861	118,329,281
Restricted for Nonexpendable Purposes:		
Endowment	25,000	25,000
Restricted for Expendable Purposes:		
Endowment	670,290	659,666
Other	2,839,488	9,909,924
Unrestricted	(8,881,708)	(25,128,528)
Total Net Position	<u>\$ 112,866,931</u>	<u>\$ 103,795,343</u>

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

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,838,623	\$ 115,555
Investments	20,215,540	21,986,044
Promises to give, net	3,364,191	363,003
Beneficial interests in assets held by others	66,904	66,834
Tangible assets, net	<u>7,241,179</u>	<u>7,635,623</u>
<b>Total Assets</b>	<u>\$ 32,726,437</u>	<u>\$ 30,167,059</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 315	\$ 11,303
Due to Fort Lewis College	592,473	393,130
Gift annuity obligation payable	2,156	2,576
Margin loan	<u>-</u>	<u>63,733</u>
<b>Total Liabilities</b>	<u>\$ 594,944</u>	<u>\$ 470,742</u>
<b>NET ASSETS</b>		
Without donor restrictions		
General unrestricted	1,292,072	1,457,598
Board designated endowments	1,521,673	1,577,373
Other board designations	173,779	188,734
Gifts-in-kind and other tangible assets, net	<u>1,199,043</u>	<u>907,850</u>
Total net assets without donor restrictions	<u>4,186,567</u>	<u>4,131,555</u>
With donor restrictions		
Purpose and/or time restricted		
Scholarships, awards, and other	10,650,960	7,195,193
Endowment funds	1,298,851	2,040,111
Gifts-in-kind and other tangible assets	<u>3,247,591</u>	<u>3,933,228</u>
Total purpose and time restricted net assets	<u>15,197,402</u>	<u>13,168,532</u>
Restricted in perpetuity		
Endowment funds	9,952,979	9,601,685
Gifts-in-kind and other tangible assets	<u>2,794,545</u>	<u>2,794,545</u>
Total restricted in perpetuity	<u>12,747,524</u>	<u>12,396,230</u>
Total net assets with donor restrictions	<u>27,944,926</u>	<u>25,564,762</u>
<b>Total Net Assets</b>	<u>32,131,493</u>	<u>29,696,317</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 32,726,437</u>	<u>\$ 30,167,059</u>

The accompanying notes are an integral part of these statements.

**FORT LEWIS COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2020 and 2019**

<b>REVENUES</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$3,943,507 - 2020 and \$3,989,642 - 2019, net of scholarship allowances of \$33,923,630 - 2020 and \$32,147,862 - 2019, and net of bad debt of \$91,219 - 2020 and \$157,556 - 2019)	\$ 13,454,265	\$ 14,686,685
Federal Grants and Contracts	3,544,207	3,866,182
State and Local Grants and Contracts	21,853,609	18,909,677
Non-Governmental Grants and Contracts (including pledged revenues of \$0 - 2020 and \$340,000 - 2019)	902,708	1,055,398
Auxiliary Enterprises (including pledged revenues of \$14,185,365 - 2020, and \$14,796,140 - 2019, net of scholarship allowances of \$2,168,518- 2020 and \$1,881,094 - 2019, and net of bad debt of \$113,908 - 2020 and \$237,419 - 2019)	11,516,218	14,626,401
Fee For Service Contract Revenue	10,742,284	9,775,921
Other Operating Revenues (including pledged revenues of \$291 - 2020 and \$3,257 - 2019 and bad debt of \$11,161- 2020 and \$20,035 - 2019)	761,838	782,287
Total Operating Revenues	<u>62,775,129</u>	<u>63,702,551</u>
 <b>EXPENSES</b>		
Operating Expenses:		
Instruction	19,299,360	18,338,921
Research	1,056,885	1,035,015
Public Service	1,793,764	1,940,577
Academic Support	6,036,356	6,272,324
Student Services	7,619,595	7,680,764
Institutional Support	6,760,435	6,830,804
Operation and Maintenance of Plant	2,506,505	2,537,109
Scholarships and Fellowships	3,110,308	1,523,653
Auxiliary Enterprises	13,145,682	14,019,841
Depreciation	8,618,033	8,689,768
Total Operating Expenses	<u>69,946,923</u>	<u>68,868,776</u>
Operating Income (Loss)	<u>\$ (7,171,794)</u>	<u>\$ (5,166,225)</u>

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

**FORT LEWIS COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2020 and 2019**

<b>NONOPERATING REVENUES (EXPENSES)</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
Federal Pell Grants	5,658,599	5,716,261
Nonoperating Federal Grants and Contracts	3,188,497	-
Gifts (including pledged revenues of \$35,442 - 2020 and \$110,390 - 2019)	2,575,888	2,261,823
Investment Income (including pledged revenues of \$158,707 - 2020 and \$214,254 - 2019)	1,943,110	1,564,200
Interest Expense on Capital Debt	(1,754,056)	(1,850,783)
Other Nonoperating Revenue (Expenses) (including pledged revenues of \$11,969 - 2020 and \$0 - 2019)	16,529	(64,741)
Net Nonoperating Revenues	<u>11,628,567</u>	<u>7,626,760</u>
Income (loss) before other revenues, expenses, or transfers	4,456,773	2,460,535
 <b>OTHER REVENUES, (EXPENSES), OR TRANSFERS</b>		
Gain or (Loss) on Disposal of Assets	-	(10,631)
State Capital Appropriations	1,932,698	1,137,316
State Capital Contribution	656,886	19,864
Capital Student Fees (all pledged, net of bad debt of \$8,433 - 2020 and \$27,592 - 2019)	1,682,774	2,321,852
Capital Grants & Gifts	136,400	726,763
State Pension Contribution	195,433	202,813
Additions to Endowments	10,624	11,150
Increase (Decrease) in Net Position	<u>9,071,588</u>	<u>6,869,662</u>
 <b>NET POSITION</b>		
Net Position - Beginning of Year	<u>103,795,343</u>	<u>96,925,681</u>
Net Position - End of Year	<u><u>\$ 112,866,931</u></u>	<u><u>\$ 103,795,343</u></u>

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

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or time	Perpetuity	
Net assets at beginning of year	\$ 4,131,555	\$ 13,168,532	\$ 12,396,230	\$ 29,696,317
Operating Activities:				
SUPPORT, REVENUE AND GAINS				
Donations	88,239	5,236,520	274,312	5,599,071
Donations – marketable securities	-	138,875	40,037	178,912
Donations – gifts-in-kind and other non-cash	-	81,629	-	81,629
Other income	43,466	121,009	-	164,475
Subtotal of donations and other income	131,705	5,578,033	314,349	6,024,087
Investment loss, net	(53,400)	(355,937)	-	(409,337)
Gain on sale of tangible assets	110,627	-	-	110,627
Total before reclassifications	188,932	5,222,096	314,349	5,725,377
Reclassification of net assets				
Released from restriction	3,201,682	(3,201,682)	-	-
TOTAL SUPPORT, REVENUE AND GAINS	3,390,614	2,020,414	314,349	5,725,377
EXPENSES				
Program	2,860,101	-	-	2,860,101
Management and general	261,306	-	-	261,306
Fundraising	168,764	-	-	168,794
TOTAL EXPENSES	3,290,201	-	-	3,290,201
Changes in net assets from operating activities	100,413	2,020,414	314,349	2,435,176
Nonoperating Activities:				
Changes in Donor Restrictions, Net	(45,401)	8,456	36,945	-
Changes in net assets from nonoperating activities	(45,401)	8,456	36,945	-
CHANGES IN NET ASSETS	55,012	2,028,870	351,294	2,435,176
NET ASSETS- ENDING OF YEAR	<u>\$ 4,186,567</u>	<u>\$ 15,197,402</u>	<u>\$ 12,747,524</u>	<u>\$ 32,131,493</u>

The accompanying notes are an integral part of these statements.

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended June 30, 2019**

	<b>2019</b>			<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		
	<b>Purpose or time</b>	<b>Perpetuity</b>		
Net assets at beginning of year	\$ 5,023,322	\$ 10,507,417	\$ 11,777,090	\$ 27,307,829
Operating Activities:				
<b>SUPPORT, REVENUE AND GAINS</b>				
Donations	209,357	2,865,109	496,985	3,571,451
Donations – marketable securities	-	643,938	-	643,938
Donations – gifts-in-kind and other non-cash	-	270,715	-	270,715
Other income	55,555	273,539	-	329,094
Subtotal of donations and other income	264,912	4,053,301	496,985	4,815,198
Investment loss, net	140,049	973,106	-	1,113,155
Total before reclassifications	404,961	5,026,407	496,985	5,928,353
Reclassification of net assets				
Released from restriction	3,084,779	(3,084,779)	-	-
<b>TOTAL SUPPORT, REVENUE AND GAINS</b>	3,489,740	1,941,628	496,985	5,928,353
<b>EXPENSES</b>				
Program	2,892,341	-	-	2,892,341
Management and general	242,517	-	-	242,517
Fundraising	180,007	-	-	180,007
<b>TOTAL EXPENSES</b>	3,314,865	-	-	3,314,865
Changes in net assets from operating activities	174,875	1,941,628	496,985	2,613,488
Nonoperating Activities:				
Loss in value of donated property	(225,000)	-	-	(225,000)
Changes in donor restrictions, net	(841,642)	719,487	122,155	-
Changes in net assets from nonoperating activities	(1,066,642)	719,487	122,155	(225,000)
Change in Net Assets for the Year	(891,767)	2,661,115	619,140	2,388,488
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 4,131,555</b>	<b>\$ 13,168,532</b>	<b>\$ 12,396,230</b>	<b>\$ 29,696,317</b>

The accompanying notes are an integral part of these statements.



**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2020**

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Fort Lewis College support	\$ 1,513,567	\$ -	\$ -	\$ 1,513,567
Scholarships	1,140,685	-	-	1,140,685
Fees for college services	72,540	145,082	145,082	364,704
Professional fees	39,076	50,757	-	89,833
Other expense	48,855	13,106	9,614	71,575
Depreciation	27,193	-	-	27,193
Food and beverage	18,185	-	4,648	22,833
Bank and credit card fees	-	-	9,450	9,450
Insurance	-	9,306	-	9,306
Rental expense	-	3,548	-	3,548
Repairs and maintenance	-	20,187	-	20,187
Licenses, dues and fees	-	11,833	-	11,833
Property taxes	-	7,487	-	7,487
<b><i>TOTAL</i></b>	<b><u>\$ 2,860,101</u></b>	<b><u>\$ 261,306</u></b>	<b><u>\$ 168,794</u></b>	<b><u>\$ 3,290,201</u></b>

The accompanying notes are an integral part of these statements.

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2019**

	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Fort Lewis College support	\$ 1,782,117	\$ -	\$ -	\$ 1,782,117
Scholarships	840,240	-	-	840,240
Fees for college services	72,540	145,082	145,082	362,704
Professional fees	21,600	78,138	-	99,738
Other expense	58,768	35,827	21,288	115,883
Depreciation	35,787	-	-	35,787
Food and beverage	24,751	-	10,743	35,494
Bank and credit card fees	-	-	2,894	2,894
Insurance	-	8,583	-	8,583
Rental Expenses	-	7,430	-	7,430
Repairs and maintenance	-	15,155	-	15,155
Licenses, dues and fees	-	5,200	-	5,200
Property taxes	-	3,640	-	3,640
<b>TOTAL</b>	<b>\$ 2,835,803</b>	<b>\$ 299,055</b>	<b>\$ 180,007</b>	<b>\$ 3,314,865</b>

The accompanying notes are an integral part of these statements.

**FORT LEWIS COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received:		
Tuition and Fees	\$ 13,473,956	\$ 14,489,744
Sales of Products	371,782	597,593
Sales of Services	22,239,939	24,535,248
Grants and Contracts	33,840,629	23,428,844
Student Loans Collected	-	3,662
Other Operating Receipts	737,597	777,240
Cash Payments:		
Scholarships Disbursed	(3,366,707)	(1,552,307)
Student Loans Disbursed	-	(3,231)
Payments to Suppliers	(19,704,212)	(20,209,895)
Payments to Employees	(46,279,614)	(43,540,429)
Net Cash Provided (Used) by Operating Activities	1,313,371	(1,473,530)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal Pell Grants	5,658,599	5,716,261
Non-Operating Federal Grants/Contracts	3,188,497	-
Gifts for Other than Capital Purposes	2,374,920	2,155,416
Agency Receipts	16,787,049	17,316,042
Agency Payments	(16,802,223)	(17,633,594)
Additions to Endowment	10,624	11,150
Net Cash Provided by Noncapital Financing Activities	11,217,465	7,565,275
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Student Fees	1,683,940	2,327,252
State Capital Contributions	1,932,698	1,034,630
Capital Gifts and Grants	136,400	726,763
Proceeds from Sale of Capital Assets	-	2,500
Bond Issuance Costs Paid	-	(64,741)
Net Proceeds from Bonds Issued/ Proceeds from Capital Debt	-	75,000
Acquisition and Construction of Capital Assets	(6,289,603)	(6,385,821)
Principal Paid on Capital Debt	(1,464,652)	(2,097,958)
Interest on Capital Debt	(1,770,702)	(1,884,422)
Net Cash Used for Capital and Related Financing Activities	(5,771,921)	(6,266,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	6,647,204	1,691,714
Purchase of Investments	(6,809,143)	(1,869,247)
Investment Earnings	1,647,413	1,273,149
Net Cash Provided by Investing Activities	1,485,473	1,095,616
Net Increase in Cash and Cash Equivalents	8,244,390	920,565
Cash and Cash Equivalents - Beginning of Year	26,963,368	26,042,804
Cash and Cash Equivalents - End of Year	\$ 35,207,758	\$ 26,963,368

The accompanying notes are an integral part of this financial statement

**FORT LEWIS COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Loss	\$ (7,171,794)	\$ (5,166,225)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	8,618,033	8,689,768
Pension Expense	(8,484,866)	(5,536,905)
Noncash Operating Transactions	236,845	105,466
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	541,345	296,850
Prepaid Expense	(58,329)	12,634
Accounts Payable	(470,092)	121,964
Accrued Liabilities	332,424	27,151
Unearned Revenue	7,458,997	(31,139)
Compensated Absence Liability	310,807	6,906
Net Cash Provided (Used) by Operating Activities	\$ 1,313,371	\$ (1,473,530)
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State-funded Acquisitions of Capital Assets	\$ -	\$ 70,618
Non-cash Acquisitions of Capital Assets	\$ 83,680	\$ 127,118
Loss on Capital Asset Deletions	\$ -	\$ (10,631)
Amortization of Deferred Bond Refunding Loss	\$ (175,461)	\$ (185,467)
Change in Unrealized Gains on Investments	\$ 457,637	\$ 468,583
Amortization of Bond Premium	\$ 184,330	\$ 188,713

The accompanying notes are an integral part of this financial statement

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donors and others	\$ 2,421,364	\$ 3,637,610
Investment income received	530,549	653,617
Scholarships and awards paid	(1,140,685)	(840,240)
Cash paid for program and other expenses	(1,853,901)	(2,188,415)
Interest paid	(614)	(17,429)
<i>NET CASH FROM OPERATING ACTIVITIES</i>	<u>(43,287)</u>	<u>1,245,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	13,748,187	21,063,582
Purchases of investments	(12,738,113)	(22,498,632)
Proceeds from sale of intangible assets	546,122	-
Payments on margin loan	(420)	(560)
<i>NET CASH FROM INVESTING ACTIVITIES</i>	<u>1,555,776</u>	<u>(1,435,610)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment donations received in cash	274,312	496,985
Borrowing from margin loan	-	145,752
Payments on margin loan	(63,733)	(814,376)
<i>NET CASH FROM FINANCING ACTIVITIES</i>	<u>210,579</u>	<u>(171,639)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,723,068	(362,106)
<b>CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR</b>	115,555	477,661
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<u>\$ 1,838,623</u>	<u>\$ 115,555</u>
<b>Reconciliation of change in net assets to net cash from operating activities:</b>		
Change in net assets	\$ 2,435,176	\$ 2,388,488
Adjustments to reconcile change in net assets to net cash used by		
Operating Activities:		
Permanent endowment donations, cash and non-cash	(274,312)	(496,985)
Other non-cash donations received	(251,504)	(729,766)
Depreciation	27,193	35,787
Net realized and unrealized (gains) losses on investments	939,272	(547,532)
Unamortized discount on promises to give	300,000	-
Net gain on sale of tangible assets	(110,627)	-
Decrease in value of donated property	-	225,000
Decrease (increase) in promises to give, net	(3,301,188)	257,540
Increase in amount due to Fort Lewis College	199,343	108,032
Increase (decrease) in accounts payable	(6,640)	4,579
Total adjustments	<u>(2,478,463)</u>	<u>(1,143,345)</u>
<i>NET CASH FROM OPERATING ACTIVITIES</i>	<u>\$ (43,287)</u>	<u>\$ 1,245,143</u>

The accompanying notes are an integral part of these statements.

**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Governance**

Fort Lewis College (the College) is governed by the Board of Trustees for Fort Lewis College (the Board). The Board consists of nine voting and two non-voting members who are responsible for making policy for the College and overseeing its operation. One member is required to be an enrolled member of a Federally recognized Native American tribe. Voting members are appointed by the Colorado governor and require Colorado State Senate confirmation. They serve four-year terms. The two non-voting members are elected by the College's faculty and students. The faculty representative serves a two-year term. The student representative serves a one-year term.

The College President is appointed by and reports to the Board and is responsible for day-to-day management of the institution and its employees.

**Reporting Entity and Component Unit**

The College is a public institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the State Comprehensive Annual Financial Report may be obtained from the Office of the State Controller.

The College adheres to Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Fort Lewis College Foundation (the Foundation) meets the GASB Statement No. 61 criteria for inclusion in the College's financial statements.

The Foundation is a legally separate, tax-exempt component unit of the College. In December 1969, the Foundation was organized and issued a Certificate of Incorporation under the Colorado Non-Profit Corporation Act. The purposes of the corporation are to "...assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College..." (per Articles of Incorporation III). Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income that the Foundation holds and invests is restricted to the activities, facilities, and programs of the College by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 958 Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

The amount transferred from the Foundation to the College, during the fiscal year ended June 30, 2020 for the purposes stated above was \$2,991,817 which included \$1,135,565 for scholarships and \$605,604 for grant pass-through transactions. The total transfer for the year ended June 30, 2019 for the purposes stated above was \$2,925,627, which included \$876,462 for scholarships and \$442,673 for grant pass-through transactions. Complete financial statements for the Foundation can be obtained from the Accounting Office at the College.

**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

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As defined by GASB Statement No. 61, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

**Basis of Accounting**

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the institutional budget documents, must take into consideration any differences in the basis of accounting and other requirements for the preparation of such other presentations.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State of Colorado Treasurer and all highly liquid investments with an original maturity of three months or less.

**Restricted Cash and Cash Equivalents**

Cash balances that are externally restricted such as endowments or agency funds, or for bond reserve, replacement, or rebate funds, or to purchase capital or noncurrent assets, are classified as current or noncurrent assets on the Statements of Net Position, as appropriate.

**Investments and Investment Income**

Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

**Income Taxes**

As a state institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. The College did not have any significant unrelated business taxable income in the years ended June 30, 2020 and 2019.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Use of Estimates**

Estimates are made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

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**Capital Assets**

Capital assets are stated at cost at the date of acquisition or at fair value at the date of donation. For equipment, the capitalization policy includes all items with a value of \$5,000 or more, and an estimated useful life of greater than one year.

Intangibles and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and renovations and improvements, the capitalization policy includes items with a value of \$50,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements. Currently, the College does not have any capital leases.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets and half of the annual depreciation is expensed in the first and last year of service, regardless of when the asset was acquired. The useful lives of assets are as follows:

<u>Asset Class</u>	<u>Years</u>
Land Improvements	20-50
Buildings and Improvements	10-40
Equipment and Software	3-10
Library Materials	10

**Unearned Revenue**

Unearned revenues represent unearned student tuition and fees, event revenues, and advances on grants and contracts for which the College has not yet provided the associated services.

**Compensated Absence Liabilities**

Employees' compensated absences are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the College. Employees accrue and vest in vacation and sick leave earnings based on their hire date, length of service and Full Time Equivalent (FTE) status. Full-time professional exempt employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 480 hours, while full-time classified employees accrue sick leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired on or after July 1, 1988. Full-time classified employees hired before July 1, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates shown in the table below. Vacation accruals are paid up to 192 hours upon separation for exempt staff and a graduated scale for classified staff (from 192 to 336 depending on years of service), whereas only a portion of sick leave is paid



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upon specific types of separation, such as retirement. Most part-time employees accrue vacation leave that is pro-rated based on their hours worked.

Vacation Accrual Rates:

Years of Service	Hours Earned Per Month	Maximum Accrual
Classified employees hired Before July 1, 1988	10 - 14	240 - 336 hours
Classified employees hired on Or after July 1, 1988	8 - 14	192 - 336 hours
Professional Exempt Employees	16	384 hours

The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statements of Net Position and as a component of appropriate functional expense categories in the Statements of Revenues, Expenses, and Changes in Net Position. The current portion of this liability is estimated based on historical trends.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), defines the five elements that make up a statements of net position to include:

- Assets – resources with a present service capacity under the College’s control.
- Deferred Outflows of Resources – consumption of net assets by the College that is applicable to a future reporting period.
- Liabilities – present obligations to sacrifice resources.
- Deferred Inflows of Resources – acquisitions of net assets by the College that is applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statements of net position.

See Notes 17 and 18 for detail of the composition of the College’s deferred outflows and deferred inflows related to pension and OPEB.

**Net Position**

The College has classified its net position according to the following criteria:

Net Investment in Capital Assets – This category represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of this category.

Restricted Net Position, Nonexpendable – This category consists of endowment funds that are required to be retained in perpetuity.

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Restricted Net Position, Expendable – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including unspent debt proceeds.

Unrestricted Net Position – Unrestricted Net Position are those funds that do not meet the definition of “Restricted” or “Net Investment in Capital Assets” as described above. Generally, these resources will be derived from student tuition and fees, State appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities. This category is a deficit due to the required implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

### **Classification of Revenues**

The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the College.

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include Federal Pell grants, nonoperating Federal grants and contracts, gifts, investment income, and other nonoperating revenue.

Other revenues, expenses, or transfers, include gain or loss on the disposal of assets, state capital and controlled maintenance appropriations, capital student fees, capital grants and gifts, State pension contributions, and additions to endowment.

### **Scholarship Allowance**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College’s financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees were \$33.9 million and \$32.2 million, scholarship allowances for auxiliary charges were \$2.2 million and \$1.9 million for the years ended June 30, 2020 and 2019, respectively.

### **Application of Restricted and Unrestricted Resources**

The College’s policy is to first apply an expense against restricted resources and then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

### **Pensions**

The College participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of

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accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

**Other Post Employment Benefits (OPEB)**

The College participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

**Fiscal Rules**

Colorado State Senate Bill 10-003, enacted by the General Assembly and signed by the Governor and effective June 9, 2010, amends Section 24-30-202, C.R.S. As amended, Section 24-30-202(13)(b), C.R.S., allows a governing board of an Institution of Higher Education that has adopted Fiscal Rules and has determined that such Fiscal Rules provide adequate safeguards for the proper expenditure of the moneys of the institution to elect to exempt the institution from the Fiscal Rules promulgated by the State Controller pursuant to Section 24-30-202. Pursuant to this change, on June 3, 2011, the College Board voted to opt out of the State of Colorado Fiscal Rules and establish its own set of Fiscal Rules. These rules were adopted by the Board of Trustees on June 3, 2011 and became effective July 1, 2011.

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The College deposits most of its cash with the Colorado State Treasurer (the Treasurer) as allowed by C.R.S. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020 and 2019, the College had cash on deposit with the State Treasurer of \$29,421,011 and \$20,357,595, respectively, which represented 0.31 percent and 0.22 percent of the total \$9,633.8 million and \$9,096.5 million fair value of investments in the State Treasurer's Pool (Pool). As of June 30, 2020, the Pool's resources included \$16.0 million of cash on hand and \$9,617.8 million of investments.

On the basis of the College's participation in the Pool, the College reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2020.

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As of June 30, 2020, the carrying amount of the College's cash held locally was \$4,905,734. The cash included petty cash and change funds of \$6,527 and bank deposits of \$4,899,207. The bank balance of deposits before reconciling items was \$5,192,409. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

As of June 30, 2019, the carrying amount of the College's cash held locally was \$6,510,538. The cash included petty cash and change funds of \$5,637 and bank deposits of \$6,504,901. The bank balance of deposits before reconciling items was \$6,428,222. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

Investments

During the 2013 Colorado legislative session, the General Assembly passed legislation (HB 13-1297) that grants investment authority to the College. The Board exercised its investment authority during the fiscal year ended June 30, 2016. The College has authority to invest institutional funds in any investment deemed advisable by the Board per C.R.S. Section 23-52-103.

The following summarizes the College's investments by type at June 30, 2020:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents - Money Market	\$ 19,746	\$ 19,746
Mutual Funds - Equity	3,069,741	2,540,390
Mutual Funds - Fixed Income	4,853,432	4,699,808
Total investments	<u>\$ 7,942,919</u>	<u>\$ 7,259,944</u>

Investment income included in the accompanying Statements of Revenues, Expenses and Changes in Net Position is as follows:

Total dividends and interest (net of fees of \$38,089)	\$ 161,921
Net realized gains/unrealized losses (realized gain \$296,077, unrealized loss \$361)	295,716
Total	<u>\$ 457,637</u>

The following summarizes the College's investments by type at June 30, 2019:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents - Money Market	\$ 15,967	\$ 15,967
Mutual Funds - Equity	3,027,606	2,471,900
Mutual Funds - Fixed Income	4,441,709	4,314,080
Total investments	<u>\$ 7,485,282</u>	<u>\$ 6,801,947</u>

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Investment income included in the accompanying Statements of Revenues, Expenses and Changes in Net Position is as follows:

Total dividends and interest (net of fees of \$35,163)	\$ 176,804
Net realized and unrealized gains (realized \$66,380, unrealized \$225,399)	<u>291,779</u>
Total	<u><u>\$ 468,583</u></u>

Credit Quality Risk - Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical ratings organization (NRSRO). At June 30, 2020, the College held Equity Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$398,216, 4 Stars total fair value of \$2,592,426 and 5 Stars total fair value of \$79,098. At June 30, 2020, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$1,178,810, 4 Stars total fair value of \$2,210,782 and 5 Stars total fair value of \$1,463,840. At June 30, 2019, the College held Equity Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$512,489, 4 Stars total fair value of \$2,292,233 and 5 Stars total fair value of \$222,884. At June 30, 2019, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$537,087, 4 Stars total fair value of \$2,848,923 and 5 Stars total fair value of \$1,055,699.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Interest rate risk applies only to debt investments. The College held no debt investments at June 30, 2020.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk.

#### Fair Value of Investments

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College has the following recurring fair value measurements as of June 30, 2020:

- Equity Mutual Funds of \$3,069,740 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of \$4,853,432 are valued using quoted market prices (Level 1 inputs)

The College has the following recurring fair value measurements as of June 30, 2019:

- Equity Mutual Funds of \$3,027,606 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of \$4,441,709 are valued using quoted market prices (Level 1 inputs)

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**NOTE 3 - FORT LEWIS COLLEGE FOUNDATION FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

The carrying amounts reported on the statement of financial position for cash and cash equivalents, accounts payable and accrued expenses, and certain other liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were considered by the Foundation in estimating the fair value of its other financial instruments. Any variance in resulting fair value from recorded values was insignificant.

Promises to give

The fair value of unconditional promises to give is determined by discounting multi-year gifts to net present value using discount rates commensurate with the payment terms of each gift.

Beneficial interest in long-term trusts held by others

The fair value of the beneficial interest in long-term trusts held by others is determined by the fair value of the underlying investments held by the third-party trustees.

Obligations under gift annuity agreements

The fair value of obligations under gift annuity agreements is based upon the payments to be made over the estimated remaining lives of the income beneficiaries and is discounted to present value using an applicable discount rate.

Investments

The Foundation values its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest level priority to Level 3 inputs.

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. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of valuation methodologies used for assets measured at fair value:

Equity securities and mutual funds (cash, equities, fixed income, commodities) - Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

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Fixed income (bond funds or individual bonds) - Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings (other than investments in certain entities that calculate net asset value (NAV) per share).

Alternative investments - Valued at the NAV as provided by the investment managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, the Foundation had no plans to sell investments at amounts different from NAV. Funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

No changes were made to the valuation methodologies during the years ended June 30, 2020 and 2019. The following tables set forth, by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis, as of June 30, 2020 and 2019:

Description	June 30,2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,838,623	\$ -	\$ -	\$ 1,838,623
Investments at fair value				
Equities				
Domestic	5,147,483	-	-	5,147,483
International	4,028,008	-	-	4,028,008
Emerging markets	1,612,605	-	-	1,612,605
Fixed income				
Domestic	7,002,484	-	-	7,002,484
International	594,940	-	-	594,940
Emerging markets	1,021,931	-	-	1,021,931
Alternative investments				
Private equity - measured at NAV	-	-	-	662,490
Master limited partnerships	145,678	-	-	145,678
Total investments at fair value	19,553,129	-	-	20,215,619
Beneficial interest in assets held by others	66,904	-	-	66,904
Total	<u>\$21,458,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$22,121,146</u>

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Description	June 30,2019			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 115,555	\$ -	\$ -	\$ 115,555
Investments at fair value				
Equities				
Domestic	5,968,395	-	-	5,968,395
International	4,477,077	-	-	4,477,077
Emerging markets	1,700,487	-	-	1,700,487
Fixed income				
Domestic	7,194,687	-	-	7,194,687
International	1,034,299	-	-	1,034,299
Emerging markets	1,301,370	-	-	1,301,370
Alternative investments				
Private equity - measured at NAV	-	-	-	159,456
Master limited partnerships	150,273	-	-	150,273
Total investments at fair value	21,826,588	-	-	21,986,044
Beneficial interest in assets held by others	66,834	-	-	66,834
Total	\$22,008,977	\$ -	\$ -	\$22,168,433

Investments in certain entities that calculate NAV per share are as follows:

Description	June, 30 2020	June, 30 2020	Redemption Frequency
	NAV	Unfunded Commitments	
Private equity – June 30, 2020	\$ 662,490	\$ 384,000	Upon fund termination
Private equity – June 30, 2019	\$ 159,456	\$ 594,000	Upon fund termination

Private equity funds focus on buyout, growth equity, and/or distressed debt. These investments are not readily redeemable, but a secondary market does exist. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from 1 to 12 years.



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Return on investments is summarized as follows for the respective years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest	\$ 139,432	\$ 173,789
Dividends	518,160	520,910
Total interest and dividends	657,592	694,699
Net realized gain (loss)	<u>(34,440)</u>	<u>(64,550)</u>
Total realized investment income	623,152	630,149
Net unrealized gain (loss)	<u>(902,613)</u>	<u>603,266</u>
Total return (loss) on investments before expenses	(279,461)	1,233,415
Brokerage and custodial fees	(117,146)	(102,831)
Interest expense	<u>(12,730)</u>	<u>(17,429)</u>
Return (loss) on investments, net of expenses	<u>\$ (409,337)</u>	<u>\$ 1,113,155</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Position. At June 30, 2020 and 2019, the Accounts Receivable balances are comprised of:

	<u>2020</u>	<u>2019</u>
Student Accounts Receivable	\$ 1,607,831	\$ 1,516,154
Less: Allowance for Doubtful Accounts	<u>(1,063,049)</u>	<u>(1,030,149)</u>
Student Accounts Receivable, Net	<u>544,782</u>	<u>486,005</u>
 Accounts Receivable - Fort Lewis College Foundation	 <u>592,472</u>	 <u>391,504</u>
 Other Accounts Receivable		
Sponsored Programs	560,350	522,266
Conferences & Summer Programs	900	245,870
Other*	<u>609,163</u>	<u>984,916</u>
Other Accounts Receivable	<u>1,170,413</u>	<u>1,753,052</u>
 Total Receivables, Net	 <u>\$ 2,307,667</u>	 <u>\$ 2,630,561</u>

\*Other accounts receivable includes \$523,424 and \$579,615 for State of Colorado Fee for Service payments at June 30, 2020 and 2019, respectively.

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**NOTE 5 - CAPITAL ASSETS**

The College's capital asset activity for the year ended June 30, 2020, was as follows:

	Balance <u>6/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>6/30/2020</u>
Land	\$ 106,301	\$ 180,000	\$ -	\$ -	\$ 286,301
Land Improvements	22,754,807	65,035	-	218,727	23,038,569
Buildings and Improvements	252,710,268	-	-	7,596,046	260,306,314
Construction in Progress	5,287,345	6,392,329	180,853	(7,814,773)	3,684,048
Equipment	11,504,867	509,649	201,100	-	11,813,416
Software	1,267,811	-	-	-	1,267,811
Library Materials	2,222,862	43,014	364,908	-	1,900,968
Capitalized Collections	1,413,483	19,921	-	-	1,433,404
Total	<u>297,267,744</u>	<u>7,209,948</u>	<u>746,861</u>	<u>-</u>	<u>303,730,831</u>
Less Accumulated Depreciation:					
Land Improvements	14,583,674	867,852	-	-	15,451,526
Buildings and Improvements	105,861,423	6,843,789	-	-	112,705,212
Vehicles and Equipment	7,476,928	828,177	201,100	-	8,104,005
Software	1,262,957	3,236	-	-	1,266,193
Library Materials	1,784,521	74,979	364,907	-	1,494,593
Total Accumulated Depreciation	<u>130,969,503</u>	<u>8,618,033</u>	<u>566,007</u>	<u>-</u>	<u>139,021,529</u>
Capital Assets, Net	<u>\$ 166,298,241</u>	<u>\$ (1,408,085)</u>	<u>\$ 180,854</u>	<u>\$ -</u>	<u>\$ 164,709,302</u>

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The College's capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Additions	Deletions	Transfers	Balance 6/30/2019
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	22,277,539	70,618	-	406,650	22,754,807
Buildings and Improvements	251,882,643	777,361	-	50,264	252,710,268
Construction in Progress	906,713	4,883,065	45,519	(456,914)	5,287,345
Equipment	10,370,031	1,241,067	106,231	-	11,504,867
Software	1,267,811	-	-	-	1,267,811
Library Materials	2,457,975	42,579	277,692	-	2,222,862
Capitalized Collections	1,419,377	-	5,894	-	1,413,483
Total	<u>290,688,390</u>	<u>7,014,690</u>	<u>435,336</u>	<u>-</u>	<u>297,267,744</u>
Less Accumulated Depreciation:					
Land Improvements	13,732,485	851,189	-	-	14,583,674
Buildings and Improvements	99,039,875	6,821,548	-	-	105,861,423
Equipment	6,670,030	900,530	93,632	-	7,476,928
Software	1,224,525	38,433	-	-	1,262,958
Library Materials	1,984,144	78,068	277,692	-	1,784,520
Total Accumulated Depreciation	<u>122,651,059</u>	<u>8,689,768</u>	<u>371,324</u>	<u>-</u>	<u>130,969,503</u>
Capital Assets, Net	<u>\$ 168,037,331</u>	<u>\$ (1,675,078)</u>	<u>\$ 64,012</u>	<u>\$ -</u>	<u>\$ 166,298,241</u>

**NOTE 6 - FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS**

Tangible assets include gifts-in-kind and purchased items held by the Foundation, including "offered for lease" Durango area townhomes and the President's residence which are depreciated over a period of forty years using the straight-line method. During the year ended June 30, 2020, the Foundation recognized a net gain of \$110,156 on the sale of one of the townhomes. Total depreciation expense for the years ended June 30, 2020 and 2019 was \$27,193 and \$35,787, respectively.

The Foundation's collection items are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Collections are maintained in various venues on campus, primarily in the Center for Southwest Studies. Each of the items is cataloged, preserved and cared for by the College's staff, and activities verifying their existence and assessing their condition are performed continuously.

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At June 30, 2020, tangible assets are composed of the following:

	2020			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Purpose or time	Perpetuity	
Gifts-in-kind				
Land and buildings	\$ 500,000	\$ 12,000	\$ -	\$ 512,000
Accumulated depreciation	(93,750)	-	-	(93,750)
Collection items	70,100	3,069,356	2,641,550	5,781,006
Total gifts-in-kind	<u>476,350</u>	<u>3,081,356</u>	<u>2,641,550</u>	<u>6,199,256</u>
Purchased assets				
Land and buildings	994,400	-	-	994,400
Accumulated depreciation	(271,707)	-	-	(271,707)
Collection items	-	92,335	152,995	245,330
Concert pianos	-	73,900	-	73,900
Total purchased assets	<u>722,693</u>	<u>166,235</u>	<u>152,995</u>	<u>1,041,923</u>
Total tangible assets, net	<u>\$ 1,199,043</u>	<u>\$ 3,247,591</u>	<u>\$ 2,794,545</u>	<u>\$ 7,241,179</u>

At June 30, 2019, tangible assets are composed of the following:

	2019			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Purpose or time	Perpetuity	
Gifts-in-kind				
Land and buildings	\$ 1,025,000 (a)	\$ 12,000	\$ -	\$ 1,037,000
Accumulated depreciation	(168,750)	-	-	\$ (168,750)
Collection items	51,600	3,015,263	2,641,550	\$ 5,708,413
Total gifts-in-kind	<u>907,850</u>	<u>3,027,263</u>	<u>2,641,550</u>	<u>6,576,663</u>
Purchased assets				
Land and buildings	994,400	-	-	\$ 994,400
Accumulated depreciation	(254,670)	-	-	\$ (254,670)
Collection items	-	92,335	152,995	\$ 245,330
Concert pianos	-	73,900	-	\$ 73,900
Total purchased assets	<u>739,730</u>	<u>166,235</u>	<u>152,995</u>	<u>1,058,960</u>
Total tangible assets, net	<u>\$ 1,647,580</u>	<u>\$ 3,193,498</u>	<u>\$ 2,794,545</u>	<u>\$ 7,635,623</u>

(a) The Foundation recognized a determinable market value loss of \$225,000 on land donated in a prior year.

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**NOTE 7 - ACCRUED LIABILITIES**

At June 30, 2020 and 2019, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	<u>2020</u>	<u>2019</u>
Accrued Payroll & Benefits	\$ 2,245,735	\$ 1,916,404
Accrued Interest Payable	430,967	438,746
Contractor Retainage	306,779	166,691
Other Liabilities	39,857	36,178
Total	<u>\$ 3,023,338</u>	<u>\$ 2,558,019</u>

**NOTE 8 - UNEARNED REVENUE**

At June 30, 2020 and 2019, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	<u>2020</u>	<u>2019</u>
Tuition and Fees	\$ 544,398	\$ 475,327
Auxiliary Enterprises	81,792	127,680
Grants and Contracts	8,330,987	864,583
Miscellaneous	164,764	197,076
Total	<u>\$ 9,121,941</u>	<u>\$ 1,664,666</u>

**NOTE 9 - LONG-TERM LIABILITIES**

The College's long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Current</u> <u>Portion</u>
Bonds Payable:					
Revenue Bonds	\$ 47,688,521	\$ -	\$ (1,464,652)	\$ 46,223,869	\$ 1,552,572
Bond Premium/(Discount)	3,119,326	-	(184,330)	2,934,996	-
Total Bonds Payable	<u>50,807,847</u>	<u>-</u>	<u>(1,648,982)</u>	<u>49,158,865</u>	<u>1,552,572</u>
Other Liabilities:					
Compensated Absences	1,947,756	608,507	(297,700)	2,258,563	327,352
Total Other Liabilities	<u>1,947,756</u>	<u>608,507</u>	<u>(297,700)</u>	<u>2,258,563</u>	<u>327,352</u>
Total Long-Term Liabilities	<u>\$ 52,755,603</u>	<u>\$ 608,507</u>	<u>\$ (1,946,682)</u>	<u>\$ 51,417,428</u>	<u>\$ 1,879,924</u>

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The College's long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Current Portion
<b>Bonds Payable:</b>					
Revenue Bonds	\$ 49,711,479	\$ 4,520,000	\$ (6,542,958)	\$ 47,688,521	\$ 1,464,652
Bond Premium/(Discount)	3,308,039	-	(188,713)	3,119,326	-
Total Bonds Payable	53,019,518	4,520,000	(6,731,671)	50,807,847	1,464,652
<b>Other Liabilities:</b>					
Compensated Absences	1,940,850	325,047	(318,141)	1,947,756	324,265
Total Other Liabilities	1,940,850	325,047	(318,141)	1,947,756	324,265
<b>Total Long-Term Liabilities</b>	<b>\$ 54,960,368</b>	<b>\$ 4,845,047</b>	<b>\$ (7,049,812)</b>	<b>\$ 52,755,603</b>	<b>\$ 1,788,917</b>

**NOTE 10 - BONDS PAYABLE**

Revenue bond principal and interest are payable solely from net pledged revenues which consist of gross revenues derived from the operation of the College's pledged operations, a portion of tuition, and pledged student fees as shown in the Schedules of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 Revenue Bonds and Expenses in the Supplemental Information section of this report. Annual debt service payments are made in October and April of each year and are detailed below.

On February 28, 2012, the College issued the Series 2012 Revenue Bonds in the amount of \$6,520,000 to finance various energy conservation improvements to the College campus. The 2012 Revenue Bonds bear interest at 3.8%.

On March 29, 2016, the College issued Series 2016A Enterprise Revenue Refunding Bonds to refund the Series 2007A Revenue Bonds as an in-substance defeasance. The face value of the old debt was \$10,440,000 and the escrow deposit was \$11,250,399. The par amount of the new debt was \$10,555,000 with a premium of \$792,619. The interest rate of the old debt ranged from 4.00% to 4.75% and the interest rate of the new debt ranges from 2.00% to 5.00%. The sum of the debt service of the old debt was \$15,403,619 and the debt service of the new debt is \$13,928,969, with a savings of \$1,474,650 in cash flows. Present values of the debt service cash flow are \$12,412,631 for the old debt versus \$11,187,439 for the new debt, resulting in an economic gain of \$1,225,192. The term of the new debt is the same as that of the remaining term of the old debt (18 years). Underwriting and other issuance costs were \$97,381. Unrefunded debt for the Series 2007A Revenue Bonds amounted to \$1,365,000.

On March 29, 2016, the College issued Series 2016B Enterprise Revenue Refunding Bonds to refund the Series 2007B1 Revenue Bonds as an in-substance defeasance. The face value of the old debt was \$25,985,000 and the escrow deposit was \$28,122,534. The par amount of the new debt was \$25,400,000 and the premium was \$2,957,037. The interest rate of the old debt ranged from 4.00% to 5.00% and the interest rate of the new debt ranges from 2.00% to 5.00%. The sum of the debt service of the old debt was \$43,602,825 and the debt service of the new debt is \$39,635,671, with a savings of \$3,967,154 in cash flows. Present values of the debt service cash flow are \$32,790,232 for the old debt versus \$29,329,405 for the new debt, resulting in an economic gain of \$3,460,827. The term of the new debt is the same as that of the remaining term of the old debt (23 years).

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Underwriting and other issuance costs were \$234,342. Unrefunded debt for the Series 2007A Revenue Bonds amounted to \$3,395,000.

On March 29, 2016, the College issued Series 2016C Drawdown Bond in the amount of \$4,060,000 with the Bank of the San Juans for the final phase of the Bader/Snyder Residence Hall renovations. This bond has a fixed interest rate of 2.96% and issuance costs were \$60,000.

On April 11, 2019, the College issued the Series 2019A Enterprise Revenue Refunding Bonds to refund the Series 2007A Unrefunded Revenue Bonds as a defeasance. The face value of the old debt was \$1,195,000 and the face value of the new debt was \$1,197,178. The par amount of the new debt was \$1,215,000. The interest rate of the old debt ranged from 4.25% to 5.00% and the interest rate of the new debt is 3.41%. The sum of the debt service of the old debt was \$1,637,638 and the debt service of the new debt is \$1,527,825, with a savings of \$109,813 in cash flows. Present values of the debt service cash flow are \$1,280,585 for the old debt versus \$1,195,534 for the new debt, resulting in an economic gain of \$85,051. The term of the new debt is the same as that of the remaining term of the old debt (14 years). Underwriting and other issuance costs were \$17,821.

On April 11, 2019, the College issued the Series 2019B Enterprise Revenue Refunding Bonds to refund the Series 2007B Unrefunded Revenue Bonds as a defeasance. The face value of the old debt was \$3,250,000 and the face value of the new debt was \$3,305,000. The interest rate of the old debt ranged from 4.25% to 5.00% and the interest rate of the new debt is 3.73%. The sum of the debt service of the old debt was \$4,986,366 and the debt service of the new debt is \$4,691,280, with a savings of \$295,086 in cash flows. Present values of the debt service cash flow are \$3,594,940 for the old debt versus \$3,324,466 for the new debt, resulting in an economic gain of \$270,474. The term of the new debt is the same as that of the remaining term of the old debt (19 years). Underwriting and other issuance costs were \$48,941.

Total outstanding bonds, including premiums or discounts, are summarized below:

Issue	Date Issued	Amount Issued	2020	2019
2012 Revenue Bonds	2/28/2012	\$ 6,520,000	\$ 5,138,869	\$ 5,383,521
2016A Revenue Bonds	3/29/2016	10,555,000	8,495,000	9,030,000
2016B Revenue Bonds	3/29/2016	25,400,000	24,425,000	24,920,000
2016C Revenue Bonds	3/29/2016	4,060,000	3,715,000	3,835,000
2019A Revenue Bonds	4/11/2019	1,215,000	1,145,000	1,215,000
2019B Revenue Bonds	4/11/2019	3,305,000	3,305,000	3,305,000
Unamortized Premium		-	2,934,996	3,119,326
Total		<u>\$ 51,055,000</u>	<u>\$ 49,158,865</u>	<u>\$ 50,807,847</u>

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Principal and interest requirements on all outstanding bonds at June 30, 2020 are summarized in the table below.

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,552,572	\$ 1,730,716	\$ 3,283,288
2022	2,166,778	1,670,100	3,836,878
2023	2,242,330	1,606,261	3,848,591
2024	2,329,293	1,534,257	3,863,550
2025	2,437,735	1,443,110	3,880,844
2026-2030	14,142,101	5,502,105	19,644,206
2031-2035	13,668,060	2,548,851	16,216,912
2036-2040	7,685,000	422,000	8,107,000
Total	<u>\$ 46,223,869</u>	<u>\$ 16,457,401</u>	<u>\$ 62,681,270</u>

**NOTE 11 - OPERATING LEASES**

Certain equipment, consisting of vehicles, is being leased by the College under operating leases. The following is a schedule of all future minimum rental payments due on operating leases as of June 30, 2020:

Year ending June 30,	
2021	\$ 18,740
2022	10,325
Total	<u>\$ 29,065</u>

**NOTE 12 - ENCUMBRANCES**

Outstanding purchase commitments not reflected in the financial statements at June 30, 2020 and 2019 are:

	2020	2019
Education and General	\$ 281,366	\$ 480,179
Auxiliary Enterprises	690,230	478,896
Restricted Funds	357,630	338,699
Plant Funds	2,922,932	5,693,009
Total	<u>\$ 4,252,158</u>	<u>\$ 6,990,783</u>



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**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$2,922,932 and \$5,693,009 as of June 30, 2020 and 2019, respectively. These improvements will be funded by appropriations from the State or internal transfers of funds.

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. Management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the College.

**NOTE 14 - SCHOLARSHIP ALLOWANCE**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. Also included in the scholarship allowance amounts are Native American Tuition Waivers, which are funded through the State. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2020 and 2019, were as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/2020 Total	6/30/2019 Total
Gross Revenue	\$ 47,377,895	\$ 13,684,736	\$ 61,062,631	\$ 63,342,042
Scholarship Allowance:				
Federal	(4,072,140)	(714,759)	(4,786,899)	(5,612,779)
State (Includes Native American Tuition Waiver)	(22,682,373)	(195,405)	(22,877,778)	(18,315,560)
Private	(814,821)	(143,021)	(957,842)	(859,121)
Institutional	(6,354,296)	(1,115,333)	(7,469,629)	(9,241,496)
Total Scholarship Allowance	<u>(33,923,630)</u>	<u>(2,168,518)</u>	<u>(36,092,148)</u>	<u>(34,028,956)</u>
Net Revenue	<u>13,454,265</u>	<u>11,516,218</u>	<u>24,970,483</u>	<u>29,313,086</u>

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**NOTE 15 - DEFERRED OUTFLOWS AND INFLOWS**

The College's Deferred Outflows and Inflows as of June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Deferred Outflows		
Accounting Loss on Bond Refunding	\$ 2,663,425	\$ 2,838,886
Pension Experience Gains and Losses	919,140	840,806
Pension Contributions Subsequent to Measurement Date	855,779	743,049
Pension Projected vs. Actual Investment Earnings	-	1,485,147
Pension Changes in Assumptions or Other Inputs	-	1,548,178
OPEB Projected vs. Actual Investment Earnings	-	7,124
OPEB Contributions Subsequent to Measurement Date	44,296	39,163
OPEB Expected vs. Actual Experience	3,281	4,496
OPEB Employer Contributions vs. Employer Proportionate Share	37	-
OPEB Changes in Assumptions or Other Inputs	8,203	8,690
Total Deferred Outflows	<u>\$ 4,494,162</u>	<u>\$ 7,515,539</u>
Deferred Inflows		
Pension Projected vs. Actual Investment Earnings	\$ 2,650,445	\$ -
Pension Change in Employer Proportion	1,334,675	2,381,941
Pension Changes in Assumptions or Other Inputs	7,056,040	15,182,866
Pension Employer Contributions vs. Employer Proportionate Share	4,586	6,621
OPEB Projected vs. Actual Investment Earnings	16,504	-
OPEB Expected vs. Actual Experience	166,152	1,886
OPEB Change in Employer Proportion	145,021	141,036
OPEB Employer Contributions vs. Employer Proportionate Share	360	463
Total Deferred Inflows	<u>\$ 11,373,784</u>	<u>\$ 17,714,813</u>

Additional information on Long-Term Liabilities and Bonds Payable can be found in Footnotes 9 and 10. Additional information on the Pension and OPEB Deferred Inflows and Outflows can be found in Footnotes 17 and 18.

**NOTE 16 - SPENDING LIMITATIONS**

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State of Colorado, including the College. During the year ended June 2004, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes, an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than ten

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percent of its total annual revenues in grants from all Colorado State and local governments combined. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In February 2005, the Board designated the College as a TABOR enterprise pursuant to the statute and in fiscal year 2006 the College began reporting its activity to the State as an enterprise. Designation is reviewed at the end of each year to determine if the College continues to meet TABOR-exempt criteria.

The table below shows the College's TABOR Enterprise state support calculation for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
State Support:		
Capital Appropriations/Contributions	\$ 1,932,698	\$ 1,157,180
State/Local Grants (non-financial aid)	285,871	143,586
Institutional Share of COP Debt Payments	273,727	280,912
Institutional Share of PERA Direct Distribution	195,433	202,813
Total State Support	<u>\$ 2,687,729</u>	<u>\$ 1,784,491</u>
Total Revenues (gross operating, nonoperating, and other revenues)	<u>\$ 80,389,408</u>	<u>\$ 77,934,881</u>
Ratio of State Support to Total Revenues	3.34%	2.29%

The Colorado State Legislature establishes spending authority to the College in its annual Long Appropriations Bill. The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund and Fee for Service. The Native American Tuition Waiver is not included in these amounts.

For the years ended June 30, 2020 and 2019, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2020, the College had a total long bill appropriation of \$14,136,437. For the year ended June 30, 2019, the College had a total long bill appropriation of \$13,053,096. All other revenues and expenses reported by the College represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources. These appropriations are not considered in the State support calculation for TABOR purposes.

**NOTE 17 - EMPLOYMENT BENEFITS**

Employees of the College participate in one of three retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. All other eligible employees of the College participate in either the Public Employees' Retirement Association of Colorado (PERA) plan or other defined contribution plans.

The College's total payroll for the fiscal years ended June 30, 2020 and 2019 was \$36,337,867 and \$33,862,460, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$8,572,008, \$23,925,604, and \$343,939, respectively for June 30, 2020, and

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\$7,701,933, \$22,392,298, and \$376,550, respectively for June 30, 2019. The remaining employees were not eligible for participation in any of the College's plans.

General Information about the PERA Pension Plan

*Plan description.* Eligible employees of the College are provided with pensions through the SDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions provisions as of June 30, 2020.* Eligible employees and the College are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413.

Contribution rates for the period of July 1, 2018 through June 30, 2020 are summarized in the table below:

	July 1, 2019 Through June 30, 2020	July 1, 2018 Through June 30, 2019
Employee Contribution Rate	8.75%	8.00%
Employer Contribution Rate	10.40%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SDTF <sup>1</sup>	9.38%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
<b>Total employer contribution rate to the SDTF</b>	<b>19.38%</b>	<b>19.13%</b>

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a non-employer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the College is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from Fort Lewis College were \$1,661,255 and \$1,616,192 for the years ended June 30, 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PERA Pension

At June 30, 2020, Fort Lewis College reported a liability of \$24,600,801 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2019, and the total

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pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The College's proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity. At December 31, 2019, Fort Lewis College's proportion was 0.2535170882 percent, which was a decrease of 0.00488076135 percent from its proportion measured as of December 31, 2018.

At June 30, 2019, the College reported a liability of \$29,402,246 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The College's proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a non-employer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity. At December 31, 2018, the College's proportion was 0.2583978495 percent, which was a decrease of 0.0160377606 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2020 and 2019, the College recognized pension expense of (\$8,484,866) and (\$5,536,905), respectively. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2020		Fiscal Year 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 919,140	\$ -	\$ 840,806	\$ -
Changes of assumptions or other inputs	-	7,056,040	1,548,178	15,182,866
Net difference between projected and actual earnings on pension plan investments	-	2,650,445	1,485,147	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,339,261	-	2,388,562
Contributions subsequent to the measurement date	855,779	-	743,049	-
Total	\$ 1,774,919	\$11,045,746	\$ 4,617,180	\$17,571,428

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of \$855,779 and \$743,049 for fiscal year 2020 and 2019, respectively, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2021	\$ (8,362,124)
2022	(758,481)
2023	(104,028)
2024	(901,973)
2025	-
Thereafter	-

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*Actuarial assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) <sup>1</sup>	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.



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- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*Sensitivity of Fort Lewis College's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability – 2020	\$ 31,648,713	\$ 24,600,801	\$ 18,636,989
Proportionate share of the net pension liability - 2019	\$ 36,552,053	\$ 29,402,246	\$ 23,352,858

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*Pension plan fiduciary net position.* Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Defined Contribution Pension Plans

Voluntary Investment Program

*Plan Description* - Employees of the College that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The College does not match employee contributions. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$193,596 for the Voluntary Investment Program.

Defined Contribution Retirement Plan (PERA DC Plan)

*Plan Description* – Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s CAFR as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan and the College are required to contribute a percentage of the participating employees’ PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period January 1, 2019 through December 31, 2020 are summarized in the tables below:

	July 1, 2019 Through June 30, 2020	January 1, 2019 Through June 30, 2019
Employee Contribution Rates:		
Employee contribution	8.75%	8.00%
Employer Contribution Rates:		
On behalf of all employees	10.40%	10.15%

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Additionally, the employers are required to contribute AED and SAED to the SDTF as follows:

	June 30, 2020
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
<b>Total employer contribution rate to the SDTF<sup>1</sup></b>	<b>10.00%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$3,590 and the College recognized pension expense of \$8,369 for the PERA DC Plan for the fiscal year ended June 30, 2020.

Non-PERA Defined Contribution Plan

Certain full time faculty and professional staff of the College are required to participate in a defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$2,727,519 for the fiscal year ended June 30, 2020 and \$2,552,722 for the fiscal year ended June 30, 2019. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,914,048 for the fiscal year ended June 30, 2020 and \$1,791,384 for the fiscal year ended June 30, 2019.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF). The contributions by student employees for the fiscal years ended June 30, 2020 and 2019 were \$25,795 and \$28,241, respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs

The College's contributions to the various health insurance programs for the fiscal years ended June 30, 2020 and 2019 were \$4,867,421 and \$4,621,322, respectively.

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**NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS**

Health Care Trust Fund (HCTF)

*Plan Description.* Eligible employees of the College are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State Division are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

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Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the College is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the College were \$86,120 for the fiscal year ended June 30, 2020 and \$77,472 for the fiscal year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB  
At June 30, 2020 and 2019, the College reported a liability of \$988,786 and \$1,238,758 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The College's proportion of the net OPEB liability was based on the College's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the College's proportion was 0.0879703920 percent, which was a decrease of 0.0030785021 from its proportion measured as of December 31, 2018.

For the years ended June 30, 2020 and June 30, 2019, the College recognized OPEB expense of (\$61,826) and (\$6,066), respectively. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2020		Fiscal Year 2019	
	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,281	\$ 166,152	\$ 4,496	\$1,886
Changes of assumptions or other inputs	8,203	-	8,690	-
Net difference between projected and actual earnings on OPEB plan investments	-	16,504	7,124	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	37	145,382	-	141,499
Contributions subsequent to the measurement date	44,296	N/A	39,163	N/A
Total	\$ 55,818	\$ 328,038	\$ 59,473	\$ 143,385

\$44,296 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2021	\$ (72,452)
2022	(72,450)
2023	(67,672)
2024	(61,900)
2025	(39,701)
Thereafter	(2,342)

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*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent for 2019, gradually increasing to 4.50 percent in 2029

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 and 2018 Medicare Part A premiums are \$437 and \$422 per month, respectively.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

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All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the State Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	



**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

*Sensitivity of the College's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$965,297	\$988,786	\$1,015,928

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability - 2020	\$ 1,118,021	\$ 988,786	\$ 878,262
Proportionate share of the net OPEB liability - 2019	\$ 1,386,063	\$ 1,238,758	\$ 1,112,827

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 19 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES**

The College is subject to risks of loss from liability for accident, property damage and personal injury. To mitigate these risks the College has purchased the following insurance:

<u>Coverage</u>	<u>Company</u>	<u>Limit (\$)</u>	<u>Deductible (\$)</u>
Property - Buildings (includes Computers and Equipment)	Hanover Group	541,148,359	10,000
Inland Marine	Hanover Group	1,233,229	1,000
Crime	Hanover Group	1,000,000	10,000
General Liability	Hanover Group	2,000,000	-
Sexual Misconduct or Molestation	Hanover Group	1,000,000	-
School Educators Legal Liability	Hanover Group	1,000,000	10,000
Employee Benefits Liability	Hanover Group	1,000,000	1,000
Law Enforcement Professional Liability	Hanover Group	1,000,000	2,500
Employment Practices Liability	Hanover Group	1,000,000	10,000
Fine Arts	Hanover Group	7,000,000	2,500
Commercial Auto	Hanover Group	1,000,000	1,000
Hired & Non-Owned Auto	Hanover Group	1,000,000	1,000
Workers' Compensation	Pinnacol Assurance	500,000	5,000
Excess	Hanover Group	10,000,000	10,000
Medical Professional	Hanover Group	3,000,000	1,000
Tenant Liability	Philadelphia	2,000,000	-
Foreign General Liability	AIG	6,000,000	-
Data Breach	Hanover Group	10,000	1,000
Cyber Security	Travelers	1,000,000	10,000
Flood	Hanover Group	5,000,000	25,000
Earthquake	Hanover Group	5,000,000	25,000

The College became fully insured through several insurance companies for worker's compensation in 2010 and for property and liability in 2011. The College is insured for everything above its deductible. The coverage in fiscal year 2020 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverages.

**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

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**NOTE 20 - COVID-19**

The COVID-19 pandemic had a large impact on the College's operations in the Spring of 2020. All course instruction was moved online in March 2020 and completed virtually, and all non-essential staff began working remotely. Pro-rated refunds for some services were given for the Spring 2020 term, this included refunds for housing, meals, and parking totaling \$2.1 million. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020, which is a \$2 trillion package of assistance measures that include direct payment to families, loans for small businesses, supports for businesses and funding for education. In fiscal year 2020, the College was awarded the following funds:

- Direct CARES Act Higher Education Emergency Relief Fund funding of \$1.5 million to be used to provide emergency financial aid grants to students for their expenses related to the disruption of campus operations due to COVID-19. The College awarded \$1.3 million to students in the fiscal year 2020. The remainder of the funds will be awarded in fiscal year 2021. In the Statements of Revenues, Expenses, and Changes in Net Position, the CARES ACT grant revenue was recorded in the Nonoperating Federal Grants and Contracts line item and the awards to students were recorded in the Scholarships and Fellowships operating expense line item.
- Direct CARES Act Higher Education Emergency Relief Fund funding of \$1.9 million to be spent on costs for which there is a "clear nexus to significant changes to the delivery in instruction" due to COVID-19. This could include refunds made to students, technology costs, programming customizations for courses and delivery. The College used these funds to cover a portion of the housing, meal, and parking refunds issued to students. In the Statements of Revenues, Expenses, and Changes in Net Position, the CARES Act grant revenue was recorded in the Nonoperating Federal Grants and Contracts line item and the refunds for housing, meals, and parking reduced the Auxiliary Enterprises operating revenue line item.
- Indirect CARES Act Coronavirus Relief Fund funding of \$7.5 million was allocated to the College in May 2020 by Governor Polis in Executive Order D 2020 070 to be used for health and safety precautions; student mental health services; school closure and re-opening costs; to facilitate distance learning with closings; expenses to recover lost learning time; personnel expenses; and economic support to educate students by maintaining enrollment, retention and credential completion. The College did not spend any of this money in fiscal year 2020 and as such, recorded it in the Statements of Net Position in line items Restricted Cash and Cash Equivalents and Unearned Revenue. The College will expend all indirect CARES Act money in fiscal year 2021 on economic support to educate students by maintaining enrollment, retention and credential completion

**NOTE 21 - SUBSEQUENT EVENT**

The College has evaluated all subsequent events through the auditors' report dated February 1, 2021 and noted the following material subsequent events that required disclosure in these financial statements.

Bond issuances

On September 23, 2020 the Board issued its Enterprise Refunding Revenue Bonds, Tax Exempt Series 2020A-1 in the aggregate principal amount of \$685,000, its Enterprise Refunding Revenue Bonds, Taxable Series 2020A-2 in the aggregate principal amount of \$1,150,000, its Enterprise Refunding Revenue Bonds, Tax Exempt Series 2020B-1 in the aggregate principal amount of \$535,000, and its Enterprise Refunding Revenue Bonds, Taxable Series 2020B-2 in the aggregate principal amount of \$2,560,000 to (a) pay and defease certain maturities of the College's

**FORT LEWIS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

outstanding Series 2016A Bonds, Series 2016B bonds, and Series 2016C bond, as set forth below, (b) refund other interest payable on certain of the remaining outstanding portions of the Series 2016A Bonds and Series 2016B bonds, and (c) to pay certain costs relating to the issuance of the Series 2020 bonds. Interest rates for Series 2020A-1 bonds range from 2 percent to 2.25 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2033. Interest rates for Series 2020A-2 bonds range from 1.25 percent to 3 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2033. Interest rates for Series 2020B-1 bonds range from 2 percent to 2.75 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2038. Interest rates for Series 2020B-2 bonds range from 1.25 percent to 3.25 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2038.

Bond Series	Maturities (October 1)	Par Amount to be Escrowed to Maturity
Series 2016A Bonds	2020	\$ 545,000
	2021	560,000
Series 2016B Bonds	2020	510,000
	2021	980,000
Series 2016C Bonds	2020	120,000
	2021	125,000
		\$ 2,840,000

The face value of the defeased debt was \$2,840,000 and the face value of the new debt is \$4,930,000. The interest rate of the defeased debt ranged from 2 percent to 4 percent and the interest rate of the new debt ranges from 1.25 percent 3.25 percent. The sum of the debt service of the defeased debt was \$4,743,582 and the debt service of the new debt is \$6,293,282, with a loss of \$1,549,700 in cash flows. Present values of the debt service cash flow resulted in an economic loss of \$494,927. Issuance costs were \$119,299.

Health Sciences Center

Funding for the second phase of the Health Sciences Center (formerly Whalen Gymnasium Expansion for Exercise Science) was approved in the 2020 legislative cycle. The first portion of this project’s funding addresses the needs of the Health Sciences department, including both Exercise Science and Public Health majors, two of the College’s fastest growing academic departments. The Health Sciences Center project will provide a state-of-the-art facility that will help with recruitment in these growing programs. The project will cost approximately \$32.9 million, with the State of Colorado contributing \$29.6 million, and the College contributing 10%, approximately \$3.3 million through donations, grants, and partnerships.

REQUIRED SUPPLEMENTARY INFORMATION

**FORT LEWIS COLLEGE**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF THE COLLEGE'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**COLORADO PERA PENSION PLAN**  
**For the Fiscal Years Ended June 30, \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.2535170882%	0.2583978495%	0.27443561%	0.29202833%	0.31475950%	0.33276131%	0.34067181%
College's proportionate share of the net pension liability	\$ 24,600,801	\$ 29,402,246	\$ 54,936,471	\$ 53,640,145	\$ 33,147,427	\$ 31,301,239	\$ 30,346,946
College's covered payroll	\$ 8,040,433	\$ 7,839,644	\$ 8,052,222	\$ 8,352,504	\$ 8,716,807	\$ 8,767,074	\$ 8,975,428
College's proportionate share of the net pension liability as a percentage of its covered payroll	306%	375%	682%	642%	395%	376%	346%
Plan fiduciary net position as a percentage of the total pension liability	62.2%	55.1%	76.1%	42.6%	56.1%	59.8%	61.1%
PERA State Division Total Pension Liability (thousands)	\$ 25,696,667	\$ 25,345,094	\$ 20,017,982	\$ 31,994,311	\$ 23,991,569	\$ 23,420,461	\$ 22,888,431
PERA State Division Fiduciary Net Position (thousands)	\$ 15,992,863	\$ 13,966,421	\$ 15,233,702	\$ 13,626,180	\$ 13,460,536	\$ 14,013,947	\$ 13,980,460
PERA State Division Net Pension Liability (thousands)	<u>\$ 9,703,804</u>	<u>\$ 11,378,673</u>	<u>\$ 4,784,280</u>	<u>\$ 18,368,131</u>	<u>\$ 10,531,033</u>	<u>\$ 9,406,514</u>	<u>\$ 8,907,971</u>

\*The amounts presented for each fiscal year were determined as of the calendar year-end (the plan's measurement periods) that occurred within the College's fiscal years, in accordance with Governmental Accounting Standards Board Statement No. 68 and 82, *Accounting and Financial Reporting for Pensions*.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the College presents information for those years for which information is available.

**FORT LEWIS COLLEGE**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF COLLEGE CONTRIBUTIONS**  
**TO THE PERA PENSION PLAN**  
**For the Fiscal Years Ended June 30, \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,661,255	\$ 1,676,192	\$ 1,522,138	\$ 1,540,109	\$ 1,490,576	\$ 1,491,417	\$ 1,382,743	\$ 1,347,586	\$ 1,062,738	\$ 1,022,139
Contributions in relation to the contractually required contribution	<u>1,661,255</u>	<u>1,676,192</u>	<u>1,522,138</u>	<u>1,540,109</u>	<u>1,490,576</u>	<u>1,491,417</u>	<u>1,382,743</u>	<u>1,347,586</u>	<u>1,062,738</u>	<u>1,022,139</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,572,008	\$ 7,701,933	\$ 7,956,811	\$ 8,378,468	\$ 8,384,596	\$ 8,328,195	\$ 8,763,897	\$ 9,036,932	\$ 8,469,538	\$ 9,380,804
Contributions as a percentage of covered payroll	19.38%	21.76%	19.13%	18.38%	17.78%	17.91%	15.78%	14.91%	12.55%	10.90%

**FORT LEWIS COLLEGE**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2020

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**Changes in benefit terms and actuarial assumptions – Net Pension Liability**

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.5% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for the pension plan compared to the prior year.



**FORT LEWIS COLLEGE**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF THE COLLEGE'S PROPORTIONATE**  
**SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY**  
**For the Fiscal Years Ended June 30, \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
College's proportion of the net OPEB liability	0.0879703920%	0.0910488941%	0.0989885924%	0.1051789869%
College's proportionate share of the net OPEB liability	\$ 988,786	\$ 1,238,758	\$ 1,286,456	\$ 1,363,681
College's covered payroll	\$ 7,939,902	\$ 7,700,623	\$ 8,036,356	\$ 8,304,929
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	12%	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%
PERA Health Care Trust Fund Total OPEB Liability (thousands)	\$ 1,488,508	\$ 1,639,734	\$ 1,575,822	\$ 1,556,762
Health Care Trust Fund Fiduciary Net Position (thousands)	\$ 364,510	\$ 279,192	\$ 276,222	\$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (thousands)	<u>\$ 1,123,998</u>	<u>\$ 1,360,542</u>	<u>\$ 1,299,600</u>	<u>\$ 1,296,534</u>

\*The amounts presented for each fiscal year were determined as of the calendar year-end (the plan's measurement periods) that occurred within the College's fiscal year in accordance with Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the College presents information for those years for which information is available.

**FORT LEWIS COLLEGE**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF COLLEGE CONTRIBUTIONS**  
**TO THE PERA HEALTHCARE TRUST FUND**  
**For the Fiscal Years Ended June 30, \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 86,120	\$ 77,472	\$ 80,293	\$ 86,399	\$ 85,609	\$ 92,448	\$ 109,417	\$ 108,927	\$ 96,444	\$ 86,664
Contributions in relation to the contractually required contribution	<u>86,120</u>	<u>77,472</u>	<u>80,293</u>	<u>86,399</u>	<u>85,609</u>	<u>92,448</u>	<u>109,417</u>	<u>108,927</u>	<u>96,444</u>	<u>86,664</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,443,137	\$ 7,595,246	\$ 7,871,863	\$ 8,470,490	\$ 8,393,039	\$ 9,063,529	\$ 10,727,157	\$ 10,679,118	\$ 9,455,294	\$ 8,496,471
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

**FORT LEWIS COLLEGE**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

As of and for the year ended June 30, 2020

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**Changes in benefit terms and actuarial assumptions – Net OPEB Liability**

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follows:

- The Healthcare cost trend rate for Medicare Part A premiums increased from 3.25% to 3.50%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The Healthcare cost trend rate for Medicare Part A premiums increased from 3.00% to 3.25%.
- Benefit payments and contributions were assumed to be made at the middle of the year instead of the end of the month.

There were no changes in terms or assumptions for the December 31, 2017 measurement period for the pension plan compared to the prior year.

SUPPLEMENTAL INFORMATION

**FORT LEWIS COLLEGE**  
**SCHEDULES OF PLEDGED REVENUES AND EXPENSES**  
**FOR SERIES 2012, 2016, AND 2019 REVENUE BONDS**  
**For Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Residence Halls and Apartments	\$ 8,182,949	\$ 8,296,334
Campus Food Service	4,727,394	4,392,511
Bookstore	(19,696)	200,000
Student Union	1,754,827	1,796,226
Campus Parking	300,844	395,333
Child Development Center	378,330	405,048
Central Services	30,798	291,957
Recreation Center	1,080,286	1,720,603
Student Activities	662,040	742,440
Conferences & Summer Programs	310,748	785,207
Health and Counseling Center	731,428	752,935
10% Student Tuition	1,878,108	1,996,940
Indirect Cost Recovery	277,692	322,424
<b>Total Revenues</b>	<u>20,295,747</u>	<u>22,097,959</u>
<b>OPERATING EXPENDITURES</b>		
Residence Halls and Apartments	4,555,500	4,555,911
Campus Food Service	3,183,865	2,926,613
Bookstore	4,571	4,326
Student Union	1,086,268	1,125,797
Campus Parking	114,556	117,219
Child Development Center	488,236	426,803
Central Services	1,140,116	1,183,020
Recreation Center	1,469,077	1,574,105
Student Activities	608,490	683,929
Conferences & Summer Programs	309,844	501,438
Health and Counseling Center	807,724	768,189
<b>Total Operating Expenditures</b>	<u>13,768,247</u>	<u>13,867,349</u>
<b>Net Revenue before Transfers</b>	<u>6,527,501</u>	<u>8,230,610</u>
<b>TRANSFERS</b>		
Mandatory transfers	2,980,608	3,726,815
Net Non-mandatory Transfers	2,531,296	1,830,133
<b>Total Transfers</b>	<u>5,511,904</u>	<u>5,556,948</u>
<b>Increase in fund balance</b>	<u>1,015,597</u>	<u>2,673,662</u>
Net operating revenue	\$ 6,527,501	\$ 8,230,610
Bond Principal and Interest	3,235,415	3,974,262
Excess of net operating revenues over debt service	<u>\$ 3,292,086</u>	<u>\$ 4,256,348</u>
Debt service coverage ratio	202%	207%



**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fort Lewis College (the College), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 1, 2021. Our report includes a reference to other auditors who audited the financial statements of the Fort Lewis College Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit, Fort Lewis College Foundation, were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Dalby Wendland & Co. P.C." in a cursive script.

DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

February 1, 2021



## LEGISLATIVE AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited the financial statements of the business-type activities of Fort Lewis College (the College) an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and have issued our report thereon dated February 1, 2021. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Fort Lewis College Foundation (the Foundation), a discretely presented component unit of the College, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 5, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changes during fiscal year 2020. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the net pension liability is based on the estimate of the College's proportionate share of the net pension liability as of December 31, 2019 and 2018 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note 17 to the College's financial statements. The College's proportion of the SDTF's net pension liability was based on the College's contributions to the SDTF for the calendar year 2019 and 2018 relative to the total contributions made to the SDTF by participating employers for the calendar year 2019 and 2018.
- Management's estimate of the net other post-employment benefits (OPEB) liability is based on the estimate of the College's proportionate share of the OPEB liability as of December 31, 2019 and 2018 of the Health Care Trust Fund (HCTF) as described in Note



18 to the College's financial statements. The College's proportion of the HCTF's net OPEB liability was based on the College's contributions to the HCTF for the calendar year 2019 and 2018 relative to the total contributions made to the HCTF by participating employers for the calendar year 2019 and 2018.

- Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of depreciation expense is based on their evaluation of the useful lives of property and equipment. We evaluated the key factors and assumptions used to determine the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during the audit.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated February 1, 2021.

#### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the management’s discussion and analysis, the Schedules of the College’s Proportionate Share of the Net Other Post-Employment Benefits– a cost-sharing multiple-employer plan administered by the Colorado Public Employees’ Retirement Association (PERA), the Schedules of College Contributions Colorado PERA Healthcare Trust Fund, the Schedule of the College’s Proportionate Share of the Net Pension Liability of the State Division Trust Fund – a cost-sharing multiple-employer pension plan administered by the Colorado Public Employees’ Retirement Association and the schedule of College contributions to the State Division Trust Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedules of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 Revenue Bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the Legislative Audit Committee, Office of the State Auditor of the State of Colorado, and Board of Trustees and management of Fort Lewis College and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

Sincerely,



DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

February 1, 2021

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

**FORT LEWIS COLLEGE**  
**STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS**  
For the year ended June 30, 2020

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**Introduction**

Fort Lewis College is a state-supported institution of higher education located in Durango, Colorado.

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2020, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE).

**State-Funded Student Assistance Programs**

The various State-funded student assistance programs at the College include the Colorado Need Based Grant Program, the Colorado Work Study Program, and the Colorado Merit Aid.

The State-funded student assistance awards made by the College totaled approximately \$1,905,216 for the fiscal year ended June 30, 2020.

The Director of Financial Aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period, Fort Lewis College obtained authorizations to award Colorado student financial aid funds of approximately \$1,481,971 under the Colorado Need Based Grant Program, \$48,660 under the Colorado Merit Aid program, and \$374,585 under the Colorado Work Study Program.



**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF  
APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF  
THE STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS**

Members of the Legislative Audit Committee:

**Report on the Financial Statement**

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Fort Lewis College (the College), an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and the notes related to the Statement. The Statement is the responsibility of the College's management. Our responsibility is to express an opinion on this Statement based on our audit.

**Management's Responsibility for the Statement**

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2019-20 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College, as described in Note 1 to the Statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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 Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the College for the year ended June 30, 2020, in accordance with the format as set forth in the *2019-20 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College described in Note 1 to the Statement.

**Emphasis of Matter**

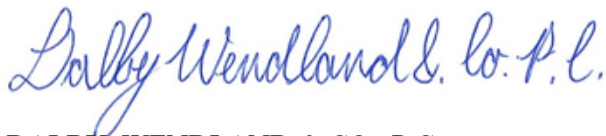
We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the College was prepared in accordance with the *2019-20 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the College in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated February 1, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Restriction on Use**

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the College's Board of Trustees, and management of the University, the Colorado Department of Higher Education, and the Colorado Commission on Higher Education and is not intended to be, and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.



DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

February 1, 2021

**FORT LEWIS COLLEGE**  
**STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS**

**For the Fiscal Year Ended June 30, 2020**

	<b>Total State- Funded Student Assistance</b>	<b>Colorado Need- Based Grant</b>	<b>Colorado Work Study</b>	<b>Colorado Merit Aid Program</b>
Appropriations:				
Original	\$ 1,905,216	\$ 1,497,559	\$ 353,591	\$ 54,066
Supplemental	-	-	-	-
Transfer	-	(15,588)	20,994	(5,406)
Returned to CCHE	-	-	-	-
Total	<u>1,905,216</u>	<u>1,481,971</u>	<u>374,585</u>	<u>48,660</u>
Expenditures	(1,905,216)	(1,481,971)	(374,585)	(48,660)
Reversions to State General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FORT LEWIS COLLEGE**  
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
NOTES TO STATEMENT OF APPROPRIATIONS,  
EXPENDITURES, TRANSFERS, AND REVERSIONS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Fort Lewis College (the College) is governed by the College's Board of Trustees.

The accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2019-20 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the College. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the College for the year ended June 30, 2020. Because the Statement presents only a selected portion of the activities of the College, it is not intended to and does not present either the financial position or changes in financial position of the College in conformity with U.S. generally accepted accounting principles.

**Basis of Accounting**

The College's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and College Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

All student aid is expensed on a cash basis except for the Colorado Work Study (CWS) Program. The CWS is on the accrual basis in that the expense is recognized when students earn their wages from employment positions funded by CWS.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE STATEMENT OF APPROPRIATIONS, EXPENDITURES,  
TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT  
ASSISTANCE PROGRAMS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs (the Statement) of Fort Lewis College (the College), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2020, and the related notes to the Statement, and have issued our report thereon dated February 1, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the Statement, we considered the College's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Dalby Wendland & Co. P.C." in a cursive script.

DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

February 1, 2021