

CHEYENNE VILLAGE, INC.

Financial Statements

For The Year Ended June 30, 2016

And

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cheyenne Village, Inc.

We have audited the accompanying financial statements of Cheyenne Village, Inc. (Cheyenne Village) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the financial statements referred to above present fairly, in all material respects, the financial position of Cheyenne Village, Inc. as of June 30, 2016 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Cheyenne Village's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 18, 2016

CHEYENNE VILLAGE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016 (with comparative totals for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,341,857	\$ 2,107,751
Investments	1,877,285	1,883,210
Accounts receivable, net	360,412	443,001
Contributions receivable	35,324	85,885
Other assets	<u>159,667</u>	<u>45,905</u>
Total	4,774,545	4,565,752
BENEFICIAL INTEREST IN TRUST	757,029	855,772
LAND, BUILDINGS AND EQUIPMENT, NET	1,001,049	1,008,467
OTHER ASSETS	<u>94,975</u>	<u>94,304</u>
TOTAL ASSETS	<u>\$ 6,627,598</u>	<u>\$ 6,524,295</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 172,528	\$ 191,974
Accrued expenses and other	<u>506,855</u>	<u>443,239</u>
Total	<u>679,383</u>	<u>635,213</u>
NET ASSETS		
Unrestricted:		
Available for operations	4,862,046	4,071,536
Board designated	<u> </u>	<u>465,599</u>
Total unrestricted	4,862,046	4,537,135
Temporarily restricted	329,140	496,175
Permanently restricted	<u>757,029</u>	<u>855,772</u>
Total net assets	<u>5,948,215</u>	<u>5,889,082</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,627,598</u>	<u>\$ 6,524,295</u>

See notes to financial statements.

CHEYENNE VILLAGE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016 (with comparative totals for 2015)

	2016					2015 Total	
	Operations	Unrestricted Designated	Total	Temporarily Restricted	Permanently Restricted		
REVENUES							
Fees from services:							
Host home services	\$ 2,969,947		\$ 2,969,947			\$ 2,969,947	\$ 2,781,829
Individual residential services	3,044,325		3,044,325			3,044,325	2,579,831
Group residential services	818,983		818,983			818,983	1,330,374
Supported community connections	365,731		365,731			365,731	377,179
Other operating support:							
Contributions	432,632		432,632	\$ 137,879		570,511	606,441
Supported living services	125,934		125,934			125,934	78,787
Interest and dividends	92,478		92,478			92,478	91,015
Event loss (net of direct event expenses of \$54,283 and \$67,866 respectively)	(5,008)		(5,008)			(5,008)	(10,576)
Net realized and unrealized investment gains (losses)	(56,328)		(56,328)			(56,328)	15,895
Change in value of beneficial interest in trust					\$ (98,743)	(98,743)	(16,357)
Other	59,767		59,767			59,767	64,858
Reclassification	465,599		(465,599)				
Net assets released from restrictions	304,914	\$	304,914	(304,914)			
Total	8,618,974	(465,599)	8,153,375	(167,035)	(98,743)	7,887,597	7,899,276
EXPENSES							
Program services	6,689,870		6,689,870			6,689,870	6,569,245
General and administrative	772,557		772,557			772,557	791,366
Fund raising	366,037		366,037			366,037	325,875
Total	7,828,464	—	7,828,464	—	—	7,828,464	7,686,486
CHANGE IN NET ASSETS	790,510	(465,599)	324,911	(167,035)	(98,743)	59,133	212,790
NET ASSETS, Beginning of year	4,071,536	465,599	4,537,135	496,175	855,772	5,889,082	5,676,292
NET ASSETS, End of year	\$ 4,862,046	\$ —	\$ 4,862,046	\$ 329,140	\$ 757,029	\$ 5,948,215	\$ 5,889,082

See notes to financial statements.

CHEYENNE VILLAGE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016 (with comparative totals for 2015)**

	2016											2015 Total	
	Program Services						Outreach	McLaughlin Lodge	Total Program Services	General and Administrative	Fund Raising		Total
Host Homes	Individual Residential Services	Group Residential Services	Program Support	Supported Community Connections	Supported Living Services								
EXPENSES													
Salaries	\$ 236,806	\$ 1,326,094	\$ 574,660	\$ 298,134	\$ 265,259	\$ 136,275	\$ 26,890	\$ 11,240	\$ 2,875,358	\$ 542,209	\$ 175,497	\$ 3,593,064	\$ 3,617,299
Client benefits	2,052,445	446,351	68,624		10,808	2,142	2,028	27	2,582,425			2,582,425	2,464,948
Employee benefits	39,221	302,973	136,135	58,040	50,695	21,652	7,229	836	616,781	98,986	35,657	751,424	776,124
Contract services	10,286	47,574	21,628	7,423	8,148	7,516	792	571	103,938	42,949	50,673	197,560	171,945
Repairs and maintenance	6,586	30,002	29,566	4,014	852	1,688	323	7,662	80,693	13,226	733	94,652	80,469
Insurance	1,661	36,687	11,801	4,941	8,281	8,281	43	7,084	78,779	7,979	129	86,887	97,350
Supplies	3,583	8,767	1,474	4,757	1,317	503	209	638	21,248	7,567	32,780	61,595	40,062
Vehicle expenses	576	25,100	7,488	3,110	18,378	2,960	136		57,748	461		58,209	50,663
Advertising and public relations	2,005	5,106	1,452	1,648	475	75			10,761	1,021	32,785	44,567	47,784
Utilities	2,595	12,883	993	2,201	1,038	570	255	4,138	24,673	5,856	1,031	31,560	33,781
Printing and publications	194	1,508	441	1,165	200	138	50	50	3,746	2,806	21,947	28,499	31,823
Telephone	664	12,524	2,785	1,714	2,251	1,369	54	1,250	22,611	5,079	199	27,889	29,607
Meetings and conferences	1,947	9,074	3,131	1,109	1,614	582	77	21	17,555	2,127	1,624	21,306	21,642
Mileage	2,694	5,687	2,359	522	1,152	1,315	29		13,758	889	310	14,957	14,978
Dues, subscriptions and miscellaneous	349	2,844	1,020	284	598	160	69	8	5,332	777	4,355	10,464	12,965
Postage	270	1,926	701	199	388	122	21	7	3,634	371	3,752	7,757	8,370
Leases and rentals		7,021							7,021			7,021	8,394
Taxes and licenses	81	147	2,090	4	6	3		36	2,367	2,160	151	4,678	4,139
Bad debt expense	2,400								2,400	500	1,250	4,150	1,252
Other		12,851	4,928						17,779	15,241		33,020	16,622
TOTAL BEFORE DEPRECIATION AND AMORTIZATION	2,364,363	2,295,119	871,276	389,265	371,460	185,351	38,205	33,568	6,548,607	750,204	362,873	7,661,684	7,530,217
Depreciation and amortization	9,392	62,016	34,687	9,792	14,321	5,840	384	4,831	141,263	22,353	3,164	166,780	156,269
TOTAL EXPENSES	\$ 2,373,755	\$ 2,357,135	\$ 905,963	\$ 399,057	\$ 385,781	\$ 191,191	\$ 38,589	\$ 38,399	\$ 6,689,870	\$ 772,557	\$ 366,037	\$ 7,828,464	
PERCENT OF TOTAL COSTS	30%	30%	12%	5%	5%	2%	1%	1%	86%	10%	4%	100%	
COMPARATIVE 2015 EXPENSES	\$ 2,265,939	\$ 1,855,963	\$ 1,461,688	\$ 391,195	\$ 341,611	\$ 184,450	\$ 32,946	\$ 35,453	\$ 6,569,245	\$ 791,366	\$ 325,875		\$ 7,686,486
2015 PERCENT OF TOTAL COSTS	30%	24%	19%	5%	4%	2%	1%	1%	86%	10%	4%		100%

See notes to financial statements.

CHEYENNE VILLAGE, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016 (with comparative totals for 2015)

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 59,133	\$ 212,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	166,780	156,269
Net realized and unrealized (gains) losses on investments	56,328	(15,895)
Change in value of beneficial interest in trust	98,743	16,357
Changes in operating assets and liabilities:		
Accounts receivable, net	82,589	(13,151)
Contributions receivable	50,561	(15,622)
Other assets	(114,433)	(7,120)
Accounts payable and accrued expenses	<u>44,170</u>	<u>15,846</u>
Net cash provided by operating activities	<u>443,871</u>	<u>349,474</u>
INVESTING ACTIVITIES		
Proceeds from sales of investments	211,099	173,342
Purchases of investments	(261,502)	(222,129)
Purchases of land, buildings and equipment	<u>(159,362)</u>	<u>(48,929)</u>
Net cash used in investing activities	<u>(209,765)</u>	<u>(97,716)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	234,106	251,758
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,107,751</u>	<u>1,855,993</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,341,857</u>	<u>\$ 2,107,751</u>

See notes to financial statements.

CHEYENNE VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cheyenne Village, Inc. (Cheyenne Village) serves adults with developmental disabilities, providing services, choices, and opportunities which promote full participation in El Paso County, Colorado. Nearly all of the people served by Cheyenne Village will require their services throughout the course of their lives; many have been with Cheyenne Village since its founding in 1971.

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Cheyenne Village's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cheyenne Village reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by Cheyenne Village is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Cheyenne Village.

Revenue Recognition — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cheyenne Village reports gifts of land, building and equipment as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Cheyenne Village reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Cheyenne Village reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions Receivable — Management believes that all contributions receivable recorded at June 30, 2016 are collectible and no allowance for doubtful contributions is deemed necessary. Contributions receivable consist entirely of unconditional promises to give in less than one year.

Investments — Investments are carried at fair value. Fair values for exchange traded funds, mutual funds and common stock are determined principally through quoted market prices. Fair values for fixed income obligations are determined through pricing services. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings on restricted investments are recognized as an increase in unrestricted or temporarily restricted net assets according to the nature of the restrictions on the original gift.

Land, Buildings and Equipment — Land, buildings and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to thirty years for buildings and improvements and from three to five years for vehicles, furnishings and equipment. Cheyenne Village capitalizes property and equipment purchases which exceed \$1,000 and have a useful life in excess of one year.

Compensated Absences — Employees of Cheyenne Village earn a vested right to compensation for unused vacation time. Accordingly, Cheyenne Village has made an accrual for vacation compensation that employees have earned but not taken.

Tax Status — Cheyenne Village is a not-for-profit corporation which is classified as a public charity by the Internal Revenue Service and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Cheyenne Village's information returns for the year ended June 30, 2013 through the current period remain subject to examination by taxing authorities.

Cheyenne Village believes that it does not have any uncertain tax positions that are material to the financial statements.

Statement of Cash Flows — For purposes of reporting cash flows, Cheyenne Village considers cash on hand and amounts due from banks as cash and cash equivalents.

Statement of Functional Expenses — The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates — The preparation of Cheyenne Village's financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — Cheyenne Village has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the invoiced amounts, net of an allowance for doubtful accounts of \$2,733 and \$1,533 as of June 30, 2016 and 2015, respectively, which represents management's estimate of specific accounts receivable balances that they believe are uncollectible. Medicaid receivables accounted for approximately 96% and 94% of total net receivables at June 30, 2016 and 2015, respectively.

3. BENEFICIAL INTEREST IN TRUST

Cheyenne Village is a 6% beneficiary of the Jacqueline Grace Archer Trust, the principal of which is to be held in perpetuity at a bank. Cheyenne Village's share of the fair market value of this trust was \$757,029 and \$855,772 at June 30, 2016 and 2015, respectively. The fair value in the trust is determined based on Cheyenne Village's proportionate share of the fair value of the underlying assets of the trust. Fair value of the underlying assets is determined using quoted market prices and pricing services. Cheyenne Village received \$36,000 in distributions from the trust during each of the years ended June 30, 2016 and 2015.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Cheyenne Village uses a framework pursuant to generally accepted accounting principles for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3: Prices determined using significant unobservable inputs.

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

The following table sets forth by level, within the fair value hierarchy, Cheyenne Village's investments and beneficial interest at fair value as of June 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016:				
Investments:				
Exchange traded funds:				
Domestic equity	\$ 562,205	\$ 562,205		
Fixed income	48,317	48,317		
International equity	38,896	38,896		
Mutual funds:				
International equity	272,927	272,927		
Fixed income	235,530	235,530		
Domestic equity	193,952	193,952		
Common stock	212,064	212,064		
Corporate bonds	173,381		\$ 173,381	
Government bonds	76,016		76,016	
Money market accounts	<u>63,997</u>	<u>63,997</u>		
Total	<u>\$ 1,877,285</u>	<u>\$ 1,627,888</u>	<u>\$ 249,397</u>	<u>\$ —</u>
Beneficial interest in perpetual trust	<u>\$ 757,029</u>	<u>\$ —</u>	<u>\$ 757,029</u>	<u>\$ —</u>
2015:				
Investments:				
Exchange traded funds:				
Domestic equity	\$ 554,913	\$ 554,913		
International equity	43,615	43,615		
Mutual funds:				
Domestic equity	253,751	253,751		
International equity	249,625	249,625		
Fixed income	266,678	266,678		
Common stock	198,653	198,653		
Money market accounts	26,660	26,660		
Government bonds	116,564		\$ 116,564	
Corporate bonds	<u>172,751</u>		<u>172,751</u>	
Total	<u>\$ 1,883,210</u>	<u>\$ 1,593,895</u>	<u>\$ 289,315</u>	<u>\$ —</u>
Beneficial interest in perpetual trust	<u>\$ 855,772</u>	<u>\$ —</u>	<u>\$ 855,772</u>	<u>\$ —</u>

5. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30:

	2016	2015
Buildings and improvements	\$ 2,635,883	\$ 2,597,636
Vehicles and equipment	1,225,180	1,107,463
Land	<u>407,168</u>	<u>407,168</u>
Total	4,268,231	4,112,267
Less accumulated depreciation and amortization	<u>3,267,182</u>	<u>3,103,800</u>
Land, buildings and equipment, net	<u>\$ 1,001,049</u>	<u>\$ 1,008,467</u>

6. EMPLOYEE BENEFIT PLANS

Cheyenne Village maintains a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. Employees had not been allowed to make contributions to the plan. As of January 1, 2015 the plan allows employee contributions.

Cheyenne Village also maintains a qualified defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees with at least 60 days of service. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Through December 31, 2014, employer contributions were determined annually by the Board of Directors. As of January 1, 2015 the plan was amended to be a safe harbor matching plan, whereby Cheyenne Village matches 100% of the first 3% and 50% of the next 2% of employee contributions. Cheyenne Village made contributions to the profit sharing plan of \$68,687 and \$34,607 for the years ended June 30, 2016 and 2015, respectively.

Cheyenne Village has a non-qualified deferred compensation plan. The plan does not provide for employer contributions. The plan investments are assets of Cheyenne Village and are reflected in long-term other assets in the accompanying statement of financial position at fair value. A corresponding liability is reflected within accrued expenses. The fair value of the plan investments as of June 30, 2016 and 2015 was \$67,717 and \$67,046, respectively.

7. CONCENTRATIONS OF CREDIT RISK

Cheyenne Village maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. Cheyenne Village has not experienced any losses in such accounts.

Cheyenne Village has investments in money market accounts, mutual funds, exchange traded funds, common stock and fixed income securities which it has placed with an investment management company. Cheyenne Village invests in investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in Cheyenne Village's financial statements.

8. CONCENTRATIONS OF REVENUE

During the years ended June 30, 2016 and 2015, Cheyenne Village received approximately 77% and 75%, of its revenues from the State of Colorado, respectively, and received approximately 12% and 11%, respectively, of its revenues from Federal Social Security and other assistance programs.

9. VOLUNTEER SERVICES

During the years ended June 30, 2016 and 2015, Cheyenne Village received 1,456 and 1,447 hours, respectively, of donated services to support its programs and services. Volunteers provide essential services that Cheyenne Village might otherwise be unable to afford. Services contributed by volunteers include providing administrative assistance and aiding individuals in community participation. The value of these services has not been included in the financial statements.

10. BOARD DESIGNATED NET ASSETS — UNRESTRICTED

As of June 30, 2015 the Board of Directors had designated net assets for general endowment of \$465,599. During the year ended June 30, 2016, the Board of Directors removed all designations of net assets.

11. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At June 30 temporarily restricted net assets are available for the following purposes:

	2016	2015
Persons served funds	\$ 251,988	\$ 295,297
United Way funds restricted for future periods	33,674	48,104
Alzheimer's fund	29,778	109,478
Staff development	12,200	7,623
Buildings and equipment	1,500	4,159
Memorial fund	<u> </u>	<u>31,514</u>
Total	<u>\$ 329,140</u>	<u>\$ 496,175</u>

Permanently restricted net assets are comprised of investment funds to be held in perpetuity, the income from which is expendable to support the activities of Cheyenne Village. Permanently restricted net assets consist of the beneficial interest in perpetual trust of \$757,029 and \$855,772 as of June 30, 2016 and 2015, respectively.

12. ENDOWMENT FUNDS

Cheyenne Village's endowment consists of two endowment funds established for the purpose of supporting the operations of Cheyenne Village. Its endowment includes both a donor-restricted endowment fund and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides statutory guidance for management, investment and expenditure of endowment funds held by not-for-profit organizations. Cheyenne Village has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Cheyenne Village classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Cheyenne Village in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Cheyenne Village considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of Cheyenne Village and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of Cheyenne Village
- 7) The investment policies of Cheyenne Village

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ <u> —</u>	\$ <u> —</u>	\$ <u> 757,029</u>	\$ <u> 757,029</u>

Changes in endowment net assets for the year ended June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ 465,599	\$ —	\$ 855,772	\$ 1,321,371
Distribution from trust			(36,000)	(36,000)
Net depreciation (realized and unrealized)			(62,743)	(62,743)
Reclassification of net assets	<u>(465,599)</u>	<u> </u>	<u> </u>	<u>(465,599)</u>
Endowment net assets, End of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 757,029</u>	<u>\$ 757,029</u>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			\$ 855,772	\$ 855,772
Board-designated endowment funds	<u>\$ 465,599</u>	<u> </u>	<u> </u>	<u>465,599</u>
Total funds	<u>\$ 465,599</u>	<u>\$ —</u>	<u>\$ 855,772</u>	<u>\$ 1,321,371</u>

Changes in endowment net assets for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ 465,599	\$ —	\$ 872,129	\$ 1,337,728
Distribution from trust			(36,000)	(36,000)
Net appreciation (realized and unrealized)	<u> </u>	<u> </u>	<u>19,643</u>	<u>19,643</u>
Endowment net assets, End of year	<u>\$ 465,599</u>	<u>\$ —</u>	<u>\$ 855,772</u>	<u>\$ 1,321,371</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Cheyenne Village to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2016 and 2015.

At December 31, 2015, Cheyenne Village no longer holds endowment assets. The permanently restricted endowment assets are held by a third party.