

CHEYENNE VILLAGE, INC.

Financial Statements

For The Year Ended June 30, 2017

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, 2017, 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, 2017 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 17, 2017

CHEYENNE VILLAGE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 (with comparative totals for 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,454,639	\$ 2,341,857
Investments	2,103,198	1,877,285
Accounts receivable, net	508,650	360,412
Contributions receivable	31,916	35,324
Other assets	<u>73,386</u>	<u>159,667</u>
Total	5,171,789	4,774,545
BENEFICIAL INTEREST IN TRUST	830,885	757,029
LAND, BUILDINGS AND EQUIPMENT, NET	1,048,416	1,001,049
OTHER ASSETS	<u>95,652</u>	<u>94,975</u>
TOTAL ASSETS	<u>\$ 7,146,742</u>	<u>\$ 6,627,598</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 252,636	\$ 172,528
Accrued expenses and other	<u>463,275</u>	<u>506,855</u>
Total	<u>715,911</u>	<u>679,383</u>
NET ASSETS		
Unrestricted	5,322,694	4,862,046
Temporarily restricted	277,252	329,140
Permanently restricted	<u>830,885</u>	<u>757,029</u>
Total net assets	<u>6,430,831</u>	<u>5,948,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,146,742</u>	<u>\$ 6,627,598</u>

See notes to financial statements.

CHEYENNE VILLAGE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES					
Fees from services:					
Host home services	\$ 3,113,795			\$ 3,113,795	\$ 2,969,947
Individual residential services	3,094,209			3,094,209	3,044,325
Group residential services	911,502			911,502	818,983
Supported community connections	343,216			343,216	365,731
Other operating support:					
Contributions	562,520	\$ 61,394		623,914	570,511
Supported living services	159,393			159,393	125,934
Interest and dividends	89,635			89,635	92,478
Event loss (net of direct event expenses of \$52,006 and \$54,283 respectively)	(7,381)			(7,381)	(5,008)
Net realized and unrealized investment gains (losses)	183,110			183,110	(56,328)
Change in value of beneficial interest in trust			\$ 73,856	73,856	(98,743)
Other	60,308			60,308	59,767
Net assets released from restrictions	113,282	(113,282)			
Total	8,623,589	(51,888)	73,856	8,645,557	7,887,597
EXPENSES					
Program services	6,985,673			6,985,673	6,689,870
General and administrative	827,013			827,013	772,557
Fund raising	350,255			350,255	366,037
Total	8,162,941	—	—	8,162,941	7,828,464
CHANGE IN NET ASSETS					
	460,648	(51,888)	73,856	482,616	59,133
NET ASSETS,					
Beginning of year	4,862,046	329,140	757,029	5,948,215	5,889,082
NET ASSETS, End of year	\$ 5,322,694	\$ 277,252	\$ 830,885	\$ 6,430,831	\$ 5,948,215

See notes to financial statements.

CHEYENNE VILLAGE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)**

	2017												2016 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	\$ 257,865	\$ 1,382,335	\$ 567,363	\$ 310,877	\$ 209,936	\$ 138,913	\$ 28,845	\$ 10,686	\$ 2,906,820	\$ 591,836	\$ 184,073	\$ 3,682,729	\$ 3,593,064
Client benefits	2,176,533	501,163	66,746		12,279	2,613	1,468	172	2,760,974			2,760,974	2,582,425
Employee benefits	45,062	322,030	150,297	70,865	46,324	24,660	7,821	817	667,876	115,222	41,787	824,885	751,424
Contract services	9,020	44,921	19,947	6,426	9,687	6,484	1,081	581	98,147	36,173	48,042	182,362	197,560
Repairs and maintenance	14,507	28,282	27,342	3,482	847	1,477	226	7,087	83,250	11,427	733	95,410	94,652
Insurance	1,762	38,819	12,451	5,403	8,784	8,784	45	7,514	83,562	8,370	137	92,069	86,887
Vehicle expenses	1,335	26,229	2,917	3,052	18,100	2,898	8		54,539	1,236		55,775	58,209
Supplies	5,456	10,738	2,591	3,081	1,232	841	308	355	24,602	8,525	13,012	46,139	61,595
Advertising and public relations	4,213	2,093	713	923	805				8,747	2,485	21,513	32,745	44,567
Utilities	3,349	12,919	656	1,959	914	502	217	4,730	25,246	5,112	916	31,274	31,560
Telephone	2,304	15,090	3,603	1,535	2,624	1,082	111	827	27,176	3,293	302	30,771	27,889
Meetings and conferences	1,185	9,190	4,021	1,536	1,707	901	221	30	18,791	3,531	7,403	29,725	21,306
Printing and publications	400	1,471	454	1,271	258	190	77	58	4,179	2,889	19,819	26,887	28,499
Mileage	2,759	5,553	2,232	19	972	1,633			13,168	178	56	13,402	14,957
Dues, subscriptions and miscellaneous	294	2,660	1,159	374	487	291	67	9	5,341	985	4,704	11,030	10,464
Leases and rentals		8,350							8,350			8,350	7,021
Postage	189	1,568	568	161	323	94	18	5	2,926	380	4,580	7,886	7,757
Taxes and licenses	79	171	1,045	10	2	1,229		36	2,572	1,526	1	4,099	4,678
Bad debt expense	364	1,666				1,000			3,030	100	100	3,230	4,150
Other		3,912	3,601	934					8,447	12,570		21,017	33,020
TOTAL BEFORE DEPRECIATION AND AMORTIZATION	2,526,676	2,419,160	867,706	411,908	315,281	193,592	40,513	32,907	6,807,743	805,838	347,178	7,960,759	7,661,684
Depreciation and amortization	10,731	68,434	52,722	8,624	25,063	3,054	567	8,735	177,930	21,175	3,077	202,182	166,780
TOTAL EXPENSES	\$ 2,537,407	\$ 2,487,594	\$ 920,428	\$ 420,532	\$ 340,344	\$ 196,646	\$ 41,080	\$ 41,642	\$ 6,985,673	\$ 827,013	\$ 350,255	\$ 8,162,941	
PERCENT OF TOTAL COSTS	31%	31%	11%	5%	4%	2%	1%	1%	86%	10%	4%	100%	
COMPARATIVE 2016 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
2016 PERCENT OF TOTAL COSTS	30%	30%	12%	5%	5%	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, 2017 (with comparative totals for 2016)

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ 482,616	\$ 59,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	202,182	166,780
Gain on sale of land, buildings and equipment	(5,329)	
Net realized and unrealized (gains) losses on investments	(183,110)	56,328
Change in value of beneficial interest in trust	(73,856)	98,743
Changes in operating assets and liabilities:		
Accounts receivable, net	(148,238)	82,589
Contributions receivable	3,408	50,561
Other assets	85,604	(114,433)
Accounts payable, accrued expenses and other	<u>36,528</u>	<u>44,170</u>
Net cash provided by operating activities	<u>399,805</u>	<u>443,871</u>
INVESTING ACTIVITIES		
Proceeds from sales of investments	182,093	211,099
Purchases of investments	(224,896)	(261,502)
Purchases of land, buildings and equipment	(249,670)	(159,362)
Proceeds from sales of land, buildings and equipment	<u>5,450</u>	<u> </u>
Net cash used in investing activities	<u>(287,023)</u>	<u>(209,765)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	112,782	234,106
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,341,857</u>	<u>2,107,751</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,454,639</u>	<u>\$ 2,341,857</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, 2016, 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, 2017 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, 2014 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 \$5,643 and \$2,733 as of June 30, 2017 and 2016, respectively, which represents management's estimate of specific accounts receivable balances that they believe are uncollectible. Medicaid receivables accounted for approximately 95% of total net receivables at June 30, 2017 and 2016.

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 \$830,885 and \$757,029 at June 30, 2017 and 2016, 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 \$34,769 and \$36,000 in distributions from the trust during the years ended June 30, 2017 and 2016, respectively.

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)
2017:				
Investments:				
Exchange traded funds:				
Domestic equity	\$ 629,888	\$ 629,888		
Fixed income	66,153	66,153		
International equity	51,420	51,420		
Mutual funds:				
International equity	341,649	341,649		
Fixed income	259,130	259,130		
Domestic equity	190,383	190,383		
Common stock:				
Domestic	243,968	243,968		
International	22,108	22,108		
Corporate bonds	208,864		\$ 208,864	
Government bonds	50,189		50,189	
Money market accounts	<u>39,446</u>	<u>39,446</u>		
Total	<u>\$ 2,103,198</u>	<u>\$ 1,844,145</u>	<u>\$ 259,053</u>	<u>\$ —</u>
Beneficial interest in perpetual trust	<u>\$ 830,885</u>	<u>\$ —</u>	<u>\$ 830,885</u>	<u>\$ —</u>
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		
Domestic 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>

5. LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Buildings and improvements	\$ 2,580,384	\$ 2,635,883
Vehicles and equipment	1,223,515	1,225,180
Land	<u>407,168</u>	<u>407,168</u>
Total	4,211,067	4,268,231
Less accumulated depreciation and amortization	<u>3,162,651</u>	<u>3,267,182</u>
Land, buildings and equipment, net	<u>\$ 1,048,416</u>	<u>\$ 1,001,049</u>

6. EMPLOYEE BENEFIT PLANS

Cheyenne Village maintains a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code under which employees may make contributions to the plan.

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. The plan is 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 \$143,778 and \$68,687 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 was \$68,394 and \$67,717 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, 2017 and 2016, Cheyenne Village received approximately 73% and 77%, of its revenues from the State of Colorado, respectively, and received approximately 11% and 12%, respectively, of its revenues from Federal Social Security and other assistance programs.

9. VOLUNTEER SERVICES

During the years ended June 30, 2017 and 2016, Cheyenne Village received 1,688 and 1,456 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. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Persons served funds	\$ 217,919	\$ 251,988
Alzheimer's fund	29,778	29,778
United Way funds restricted for future periods	23,571	33,674
Buildings and equipment	3,484	1,500
McLaughlin lodge	2,500	
Staff development	<u> </u>	<u>12,200</u>
Total	<u>\$ 277,252</u>	<u>\$ 329,140</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 \$830,885 and \$757,029 as of June 30, 2017 and 2016, respectively.

11. ENDOWMENT FUNDS

Cheyenne Village's endowment consists of one donor restricted endowment fund established for the purpose of supporting the operations of Cheyenne Village. 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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ <u>—</u>	\$ <u>—</u>	\$ <u>830,885</u>	\$ <u>830,885</u>

Changes in endowment net assets for the year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ —	\$ —	\$ 757,029	\$ 757,029
Distribution from trust			(34,769)	(34,769)
Net appreciation (realized and unrealized)	<u> </u>	<u> </u>	<u>108,625</u>	<u>108,625</u>
Endowment net assets, End of year	\$ <u>—</u>	\$ <u>—</u>	\$ <u>830,885</u>	\$ <u>830,885</u>

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>

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, 2017 and 2016.