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THE MYRON STRATTON HOME

Financial Statements

For the Year Ended December 31, 2017

And

Independent Auditors' Report

THE MYRON STRATTON HOME

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Myron Stratton Home

We have audited the accompanying financial statements of The Myron Stratton Home (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Myron Stratton Home as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2017 the Home adopted new accounting standards updates relating to investment disclosures. The provisions of the accounting standards updates were applied to the 2017 and 2016 footnote disclosures.

Report on Summarized Comparative Information

The financial statements of The Myron Stratton Home as of December 31, 2016 were audited by other auditors, whose report dated May 11, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

June 7, 2018

THE MYRON STRATTON HOME

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 (with comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,519,277	$ 110,859
Receivables		
Royalties	319,389	9,991
Interest and Dividends	22,002	19,732
Other	403,157	66,262
Supplies and prepaid expenses	73,982	95,468
Note receivable	400,000	
Investments	166,717,498	150,547,833
Home property, net	23,997,740	21,476,007
TOTAL	$ 193,453,045	$ 172,326,152
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 1,002,330	$ 458,483
Grants payable	51,000	30,000
Promises to give payable- Consortium	945,658	1,235,161
Total liabilities	1,998,988	1,723,644
NET ASSETS		
Unrestricted	188,031,179	167,179,630
Permanently restricted	3,422,878	3,422,878
Total net assets	191,454,057	170,602,508
TOTAL	$ 193,453,045	$ 172,326,152

See notes to financial statements.

THE MYRON STRATTON HOME

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	2017			2016
	Unrestricted	**Permanently Restricted**	**Total**	**Total**
REVENUES AND GAINS				
Investment income	$ 23,065,907		$ 23,065,907	$ 12,456,364
Royalty fees	1,773,208		1,773,208	1,244,017
Home operating revenues	939,370		939,370	956,089
Consortium rental income	458,769		458,769	457,767
Other	42,364		42,364	14,677
Total	26,279,618	$ —	26,279,618	15,128,914
EXPENSES				
Home operations	3,759,419		3,759,419	3,717,351
Administration	1,062,493		1,062,493	1,051,513
Grants awarded	382,000		382,000	317,100
Consortium expenses	224,157		224,157	1,752,056
Total	5,428,069	—	5,428,069	6,838,020
CHANGE IN NET ASSETS	20,851,549	—	20,851,549	8,290,894
NET ASSETS, Beginning of year	167,179,630	3,422,878	170,602,508	162,311,614
NET ASSETS, End of year	$ 188,031,179	$ 3,422,878	$ 191,454,057	$ 170,602,508

See notes to financial statements.

THE MYRON STRATTON HOME

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 20,851,549	$ 8,290,894
Adjustments to reconcile change in net assets to net cash provided by (used in) used in operating activities:		
Depreciation	791,294	775,414
Realized and unrealized gains on investments	(20,892,622)	(10,319,148)
Loss on disposal of Home property	118	
Changes in operating assets and liabilities:		
Receivables	(648,563)	(20,050)
Supplies and prepaid expenses	21,486	(31,916)
Accounts payable and accrued expenses	543,847	48,658
Grants payable	21,000	(20,000)
Promises to give payable- Consortium	(289,503)	1,235,161
Net cash provided by (used in) operating activities	398,606	(40,987)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	30,487,971	23,580,934
Purchases of investments	(25,765,014)	(23,255,951)
Purchases of Home property	(3,313,145)	(436,631)
Note receivable	(400,000)	
Net cash provided by (used in) investing activities	1,009,812	(111,648)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,408,418	(152,635)
CASH AND CASH EQUIVALENTS, Beginning of year	110,859	263,494
CASH AND CASH EQUIVALENTS, End of year	$ 1,519,277	$ 110,859

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Myron Stratton Home (the Home) was founded in accordance with the provisions of the will of Winfield Scott Stratton. The will directed that, after payment of all bequests, legal costs and expenses, the remainder of his estate be used to create an organization to provide a home for indigent persons who are unable to earn a livelihood by reason of old age, youth, sickness or other infirmity. The provisions of the will are subject to the jurisdiction of the District Court of El Paso County, Colorado and administered by the trustees and management of the Home. The Home's revenues are substantially provided by investment return (investment income and realized and unrealized gains on investments), royalties and home operating revenues.

Basis of Presentation — The Home is required to report 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 the Home is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Home. The Home currently has no temporarily restricted net assets.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended 2016, from which the summarized information was derived.

Adoption of Accounting Standards Updates — In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07, *Fair Value Measurement (Topic 820)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for such investments. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016. All provisions of ASU 2015-07 have been applied to the 2017 and 2016 disclosures in the accompanying notes.

Cash and Cash Equivalents — The Home considers all liquid investments with original maturities of three months or less and which are not held for long term investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for long term purposes, regardless of original length to maturity, are reported as investments and are excluded from this definition. The net amount of operating cash added to, or withdrawn from, the long-term investments is reported as an investing activity in the statement of cash flows.

Receivables — Receivables consist primarily of accrued and unpaid interest and dividends, royalties and amounts due from Medicaid. The fair value of receivables approximates the carrying amounts.

Grants Payable — Grants payable represents unconditional grants that have been authorized but remain unpaid as of the balance sheet date. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. There were no conditional grants at December 31, 2017. There was one conditional grant for $30,000 as of December 31, 2016.

Home Property — Home property is recorded at cost and depreciated using the straight-line method over estimated useful lives which range from three to fifty years. The Home's policy is to capitalize acquisitions of property costing in excess of $2,500 and having a useful life exceeding one year.

Investments — Investments in equity securities having a readily determinable fair value and all debt securities and alternative investments are carried at fair value. Other investments are valued at the lower of cost or net realizable value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Income Taxes — The Home is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Home believes that it does not have any uncertain tax positions that are material to the financial statements.

The Home's tax returns for 2014 through the current year remain open to examination by the Internal Revenue Service.

Functional Allocation of Expenses — The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and administration categories based on management's estimates.

Use of Estimates — Preparation of 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.

Reclassifications — Certain reclassifications to prior year amounts have been made to conform to the current year presentation.

Subsequent Events — The Home 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. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following table represents the cost and fair value of the Home's investments as of December 31:

	2017		2016	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Temporary cash investments	$ 4,709,602	$ 4,709,602	$ 2,187,073	$ 2,187,073
Corporate stocks	27,882,222	41,879,238	28,761,622	41,846,737
Equity mutual funds	22,338,331	28,057,742	25,829,519	23,436,486
Bond mutual funds	7,111,609	7,114,796	6,750,740	6,854,973
Alternative investments	53,548,488	84,920,460	47,582,114	76,186,904
Other (carried at cost)	35,660	35,660	35,660	35,660
Total	$ 115,625,912	$ 166,717,498	$ 111,146,728	$ 150,547,833

The Home is required to use 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 the Home 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.

Investments for which fair value is measured using the net asset value per share practical expedient are not categorized with the fair value hierarchy.

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 classifications (Level 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 the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Debt and Equity Securities — The Home invests in various equity securities and both equity and fixed income mutual funds. Where quoted market prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy.

The Home has classified equity and fixed income mutual funds and exchange traded equities in the Level 1 category. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Securities with these observable inputs are classified as Level 2 securities in the valuation hierarchy.

Alternative Investments — The Home's alternative investments consist of equity hedge funds, absolute return funds and limited partnerships. As a group, the alternative investments invest in a variety of securities including, but not limited to, foreign and domestic publicly traded equity securities, foreign and domestic fixed income investments, options, warrants, derivatives and contracts. These are valued at net asset value of the respective investments as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the investment will be sold for an amount different from the reported net asset value. See below for further information on these investments measured using the net asset value practical expedient.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Home does not have any unfunded commitments in any of their alternative investments. Written notice is required to redeem amounts held by these funds which are described below.

Other Investments — Other investments consist of interest in oil and mining rights and are carried at cost.

The following tables summarize the financial instruments reported within the statements of financial position carried at fair value as of December 31, 2017 and 2016, by caption and level within the fair value accounting hierarchy:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017:				
Temporary cash investments	$ 4,709,602	$ 4,709,602		
Corporate stocks	41,879,238	41,879,238		
Equity mutual funds	28,057,742	28,057,742		
Bond mutual funds	7,114,796	7,114,796		
Total investments in the fair value hierarchy	81,761,378	$ 81,761,378	$ —	$ —
Investments measured at net asset value	84,920,460			
Other investments (held at cost)	35,660			
Total investments	$ 166,717,498			

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016:				
Temporary cash investments	$ 2,187,073	$ 2,187,073		
Corporate stocks	41,846,737	41,846,737		
Equity mutual funds	23,436,486	23,436,486		
Bond mutual funds	6,854,973	6,854,973		
Total investments in the fair value hierarchy	74,325,269	$ 74,325,269	$ —	$ —
Investments measured at net asset value	76,186,904			
Other investments (held at cost)	35,660			
Total investments	$ 150,547,833			

Arbitrage Funds: The Home invests in two funds that use arbitrage as their primary investment strategy. These funds seek capital appreciation through various arbitrage situations. The funds seek returns through investing in international and domestic securities of issuers that are in financial distress, completing an out-of-court restructuring, involved in bankruptcy, mergers, unsolicited merger proposals, spin-offs, liquidations, recapitalizations, distressed or are illiquid. Investment portfolios consist of common stock, preferred stock, convertible securities, debt instruments, real estate assets, options futures, swaps, credit default swaps, other derivatives and structured products, including collateralized loan obligations. The funds may utilize leverage in its investment programs, and its portfolios may include both long and short positions.

Diversified Investment Fund: The Home invests in one diversified investment fund. Newport Asia, LLC primarily invests in traditional securities in the Asia-Pacific region of the world. The fund is currently invested in common stocks as well as real estate investment trusts.

Fixed Income Funds: The Home invests in a hedge fund, Convexity Capital Offshore LP, that is primarily invested in United States government obligations. The fund also may invest in a variety of other securities. It hedges these investments with the use of over the counter foreign exchange, interest rate, and credit option swaps.

Hedge Fund of Funds: The Home invests in one hedge fund, Maverick Stable Fund, LTD, that holds a mix of other hedge funds and securities. The investment objective of the fund is to achieve consistent, positive returns, which are not dependent upon a rising equity market, while attempting to reduce risk and volatility. The fund invests with hedge funds and other experienced portfolio managers or other investment managers employing a variety of trading styles or strategies, including but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy and other relative value strategies. The investment managers have discretion to make all investment and trading decisions, including the selection of the fund's portfolio managers.

Common Trust Funds Trust: The Home is invested in one fund, Wellington Trust Company, NA, CTF Emerging Companies Portfolio that is primarily invested in investments in small and emerging companies. The fund's investment objective is to provide long-term total returns in excess of the Russell 2000 Index.

Emerging Market Non-Hedge: The Home is invested in one fund, GQC Partners Emerging Markets Equity Fund that is primarily invested in equity securities or equity-linked instruments of companies located anywhere in the world, including, but not limited to, emerging markets countries and the United States. The investment objective of the fund is to maximize long-term capital appreciation. The Fund has no limitation on the capitalization size of the companies in which it invests nor its ability to invest in foreign securities. The Fund may invest in any country.

Traditional Hedge Funds: The Home is invested in ten traditional hedge funds. These are Canyon Value, Highfields Capital Fund Ltd, Indus Asia Pacific Fund Ltd, Maverick Fund Ltd, Steadfast International Ltd, Marshall Wace Eureka Fund, Fir Tree International Value Fund, King Street Capital, Ltd, Farallon Capital Institutional Partners, L.P., and Kabouter International Opportunities Fund. In 2016, the Home also invested in Capital Guardian Emerging Market Total Opportunities Fund, which was liquidated in 2017. These funds seek to preserve and grow capital through all market conditions. They invest primarily in a variety of domestic and international equity securities. These funds hedge their primary securities positions with a variety of hedging methods. The hedging methods include but are not limited to: call, put, and currency options, various swaps and futures contracts.

Funds in Liquidation: The Home has two funds that are currently in liquidation. The fund is currently paying out the remainder of the investment. Management believes that they will receive substantially all their remaining investment in this fund and that the fair market value accurately presents the fair value.

Investments that Calculate Net Asset Value — The following summarizes liquidity considerations for investments measured at fair value that calculate net asset value per share as a practical expedient at December 31, 2017 and 2016:

Investments	Fair Value	Redemption Frequency	Redemption Notice Period
2017:			
Arbitrage Funds:			
Davidson Kempner Institutional Partners LP	$ 5,273,642	Quarterly	65 days advance written notice
Holowesko Global Fd LTD	4,707,027	Quarterly	30 days advance written notice
Diversified Investment Fund:			
Newport Asia LLC	11,165,962	Monthly	30 days advance written notice
Fixed Income Fund:			
Convexity Capital Offshore LP	4,692,243	Quarterly	60 days advance written notice
Hedge Fund of Funds:			
Maverick Stable Fund LTD	6,326,850	Quarterly	95 days advance written notice
Common Trust Funds Trust:			
Wellington WTC-CTF	6,029,918	Monthly	Written notice before 22nd of prior month
Emerging Markets Non-Hedge:			
GQG Partners	4,265,519	Monthly	Written notice before 15th of the month
Traditional Hedge Funds:			
Kabouter Intl Opp Fund	5,685,055	Monthly	30 days advance written notice
Farallon Capital	5,066,323	Annually	60 days advance written notice
Canyon Value	4,737,466	Quarterly	60 days advance written notice
Indus Asia Pacific Fd LTD	4,555,403	Quarterly	30 days advance written notice
Marshall Wace Eureka Fund	4,538,910	Monthly	30 days advance written notice
Maverick Fund LTD	4,526,732	Quarterly	60 days advance written notice
Highfields Capital Fund LTD	4,216,600	Bi-annually	60 days advance written notice
King Street Capital LTD	3,724,921	Quarterly	65 days advance written notice
Steadfast International LTD	2,602,180	Quarterly	60 days advance written notice
Fir Tree Intl Value Fd	2,010,588	Monthly	90 days advance written notice
Funds in Liquidation:			
Och Ziff Overseas Fund	774,562	Annually	N/A
Raptor Private Portfolio Fd	20,559	N/A	N/A

Investments	Fair Value	Redemption Frequency	Redemption Notice Period
2016:			
Arbitrage funds:			
Och Ziff Overseas Fund	$ 6,551,394	Annually	45 days advance written notice
Davidson Kempner Institutional Partners LP	4,954,235	Quarterly	65 days advance written notice
Holowesko Global Fd LTD	4,198,990	Quarterly	30 days advance written notice
Diversified Investment Fund:			
Newport Asia LLC	7,898,078	Monthly	30 days advance written notice
Fixed Income Fund:			
Convexity Capital Offshore LP	4,927,553	Quarterly	60 days advance written notice
Hedge Fund of Funds:			
Maverick Stable Fund LTD	6,039,073	Quarterly	95 days advance written notice
Common Trust Funds Trust:			
Wellington WTC-CTF	5,066,167	Monthly	Written notice before 22nd of prior month
Traditional Hedge Funds:			
Maverick Fund LTD	4,593,575	Quarterly	60 days advance written notice
Kabouter Intl Opp Fund	4,251,518	Monthly	30 days advance written notice
Highfields Capital Fund LTD	4,220,800	Bi-annually	60 days advance written notice
Canyon Value	4,191,774	Quarterly	60 days advance written notice
Marshall Wace Eureka Fund	4,051,843	Monthly	30 days advance written notice
Indus Asia Pacific Fd LTD	3,825,937	Quarterly	30 days advance written notice
Capital Guardian Emerging Market Total Op Fund	3,676,582	Bi-monthly	30 days advance written notice
King Street	3,542,922	Quarterly	65 days advance written notice
Steadfast International LTD	2,200,588	Quarterly	60 days advance written notice
Fir Tree Intl Value Fd	1,967,930	Monthly	90 days advance written notice
Funds in Liquidation:			
Raptor Private Portfolio Fd	27,945	N/A	N/A

Investment income consists of the following for the years ended December 31:

	2017	2016
Net realized and unrealized gains	$ 20,892,622	$ 10,319,148
Dividends and interest	2,173,285	2,137,216
Total	$ 23,065,907	$ 12,456,364

Investment fees of $270,340 and $278,429 were recognized in administration expense by the Home during the years ended December 31, 2017 and 2016, respectively.

3. HOME OPERATING REVENUES

Home operating revenues consist of revenues from its alternative care facility and resident fees for rent and food.

4. HOME PROPERTY

Home property is comprised of the following as of December 31:

	2017	2016
Land	$ 1,207,184	$ 1,207,184
Building and improvements	31,959,984	32,361,316
Furniture and fixtures	1,396,523	1,319,458
Construction in progress	3,169,953	103,280
Total	37,733,644	34,991,238
Less accumulated depreciation	13,735,904	13,515,231
Home property, net	$ 23,997,740	$ 21,476,007

5. ENDOWMENT

The State of Colorado has adopted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA or the Act). The Act provides statutory guidance for management, investment and expenditures of endowment funds held by not-for-profit organizations. Amongst other provisions, the Act eliminates the "historical dollar value" rule for endowment funds, in favor of guidelines regarding what constitutes prudent spending and explicitly requires consideration of the following factors (if relevant):

1. The duration and preservation of the endowment fund
2. The purposes of the institution and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Institution; and
7. The investment policies of the Institution

The Home's endowment consists of one donor-restricted endowment fund established and restricted for the purpose of creating a Home for indigent people who are unable to earn a livelihood by reason of old age, youth, sickness or other infirmity.

As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Home's governing body has interpreted the State of Colorado's UPMIFA as permitting 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, the Home classifies the original value of gift donated to the permanent endowment, as permanently restricted net assets. Investment returns (losses) earned by the investment portfolio are recognized as unrestricted in accordance with the original will of Winfield Scott Stratton.

The composition of net assets by type of endowment fund at December 31 is as follows:

	Unrestricted	Permanently Restricted	Total
2017:			
Donor-restricted endowment funds	$ —	$ 3,422,878	$ 3,422,878
2016:			
Donor-restricted endowment funds	$ —	$ 3,422,878	$ 3,422,878

	Unrestricted	Permanently Restricted	Total
2017:			
Endowment net assets, beginning of year	$ —	$ 3,422,878	$ 3,422,878
Investment return:			
Investment gain on endowment funds	530,631		530,631
Other:			
Appropriation of endowment assets for expenditure	(530,631)		(530,631)
Endowment net assets, end of year	$ —	$ 3,422,878	$ 3,422,878

	Unrestricted	Permanently Restricted	Total
2016:			
Endowment net assets, beginning of year	$ —	$ 3,422,878	$ 3,422,878
Investment return:			
Investment gain on endowment funds	331,442		331,442
Other:			
Appropriation of endowment assets for expenditure	(331,442)		(331,442)
Endowment net assets, end of year	$ —	$ 3,422,878	$ 3,422,878

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Home is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2017 and 2016.

The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the Home's policies, the endowment assets are invested in a manner that is intended to produce the highest possible rate of return consistent with stated risk tolerances.

To satisfy its long-term rate of return objectives, the Home relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Home targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Equity-based investments include large-cap, small-cap and international equities. The Home also uses fixed income securities and alternative investments, such as hedge funds, to achieve its objectives.

6. RETIREMENT PLAN

The Home has a 401(k) plan for employees who are older than twenty years six months and have performed one year of service for the Home. Contributions are made by employees before or after tax. The plan is a safe harbor plan and the employer may make additional elective contributions to the plan. The Home contributes a Qualified Non-Election (Safe Harbor) amount of 3% of each eligible employee's salary but may contribute an additional discretionary amount. Employer elective contributions vest over a five year period. During the year ended December 31, 2017 and 2016, the Home recognized expenses of $187,733 and $166,290, respectively, for contributions into the plan.

7. LESSOR COMMITMENTS

As of December 31, 2017 and 2016, the Home has four lease arrangements with four not-for-profit entities (the Consortium) to lease space on its property. The leases call for the Consortium to pay annual rents of $1 each, plus a maintenance fee, and to reimburse the Home for all utility costs. During 2017 and 2016, the Home received reimbursements of $219,937 and $206,052, respectively, for maintenance, utilities and other costs. Two of the leases, which commenced in 2006, carried a term of five years, with the lessee having the option to renew up to four additional terms of five years each. One of the leases, which commenced in 2006, was amended in 2012 to allow the lessee to renew up to twenty terms of one year. One of the leases, which commenced in 2016, carries an initial term of fourteen months, and the agreement was renewed in 2017 for a period of eleven months.

The Home records a promise to give payable when they enter or renew a lease equal to the present value of the fair rental value for the entire term of the lease. Revenue is recognized as use of facilities occurs and reduces the payable commitment.

During the years ended December 31, 2017 and 2016, the Home recognized $458,769 and $457,767, respectively, in revenue relating to the Consortium, which are reflected as Consortium rental income in the accompanying statement of activities. During the years ended December 31, 2017 and 2016, the Home incurred $54,891 and $59,128, respectively, in net maintenance costs relating to the Consortium, as well as $169,266 and $1,692,928, respectively related to recording promise to give-payable related to updated leases, which are reflected as Consortium expenses in the accompanying statement of activities.

Future rental income as of December 31, 2017 will be recognized as follows:

2018	$	318,642
2019		289,392
2020		289,392
2021		48,232
Total	$	945,658

Leased property is carried at the following amounts as of December 31:

		2017		**2016**
Property	$	9,906,784	$	9,906,784
Accumulated depreciation		3,897,553		3,699,832
Net property	$	13,804,337	$	13,606,616

8. CONCENTRATIONS, RISKS AND UNCERTAINTIES

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

The Home's investment securities 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 change in the values of those investments will occur in the near term and that such changes could materially affect the recorded amount of investments in the Home's financial statements.

The Home's alternative investments are recorded at their estimated fair market value as determined by the funds (see Note 2). Actual fair value of the investments upon liquidation could vary significantly from the current estimated fair value.