

**TRINIDAD STATE JUNIOR COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

December 31, 2016 and 2015



RECEIVED

By the Office of the State Auditor at 8:19 am, Jun 23, 2017



**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Trinidad State Junior College
Educational Foundation, Inc.
Trinidad, Colorado

We have audited the accompanying financial statements of Trinidad State Junior College Educational Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trinidad State Junior College Educational Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 26, 2017

Certified Public Accountants

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TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016		<u>Total</u>
	<u>Operating Fund</u>	<u>Investment Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 76,347	\$ 276,943	\$ 353,290
Accounts receivable	4,160	-	4,160
Interfund receivable/payable	45,304	(45,304)	-
Dividend receivable	-	26,987	26,987
Contributions receivable	-	126,974	126,974
Promises to give, net of allowance for uncollectible promises of \$0 and \$0, respectively	-	-	-
Prepaid expenses	300	-	300
Certificates of deposit	14,753	30,381	45,134
Investment securities, at market value	-	7,217,609	7,217,609
Land, buildings and equipment, net	864,341	60,000	924,341
Art and osteological collection	51,937	-	51,937
	<u>51,937</u>	<u>-</u>	<u>51,937</u>
Total Assets	<u>\$ 1,057,142</u>	<u>\$ 7,693,590</u>	<u>\$ 8,750,732</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Security deposits	1,075	-	1,075
Notes payable, net	336,376	-	336,376
Total liabilities	<u>337,451</u>	<u>-</u>	<u>337,451</u>
Net Assets			
Unrestricted			
Undesignated	650,161	2,504,701	3,154,862
Designated	69,530	131,500	201,030
Total unrestricted	<u>719,691</u>	<u>2,636,201</u>	<u>3,355,892</u>
Temporarily restricted	-	2,944,782	2,944,782
Permanently restricted	-	2,112,607	2,112,607
Total net assets	<u>719,691</u>	<u>7,693,590</u>	<u>8,413,281</u>
Total Liabilities and Net Assets	<u>\$ 1,057,142</u>	<u>\$ 7,693,590</u>	<u>\$ 8,750,732</u>

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

2015

<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Total</u>
\$ 77,993	\$ 250,888	\$ 328,881
11,380	11,150	22,530
-	-	-
-	-	-
-	-	-
-	37,200	37,200
300	-	300
14,655	30,245	44,900
-	6,675,801	6,675,801
799,867	60,000	859,867
<u>52,337</u>	<u>-</u>	<u>52,337</u>
<u>\$ 956,532</u>	<u>\$ 7,065,284</u>	<u>\$ 8,021,816</u>
\$ 5,240	\$ 11,381	\$ 16,621
1,075	-	1,075
<u>356,828</u>	<u>-</u>	<u>356,828</u>
<u>363,143</u>	<u>11,381</u>	<u>374,524</u>
523,859	2,350,520	2,874,379
<u>69,530</u>	<u>131,500</u>	<u>201,030</u>
593,389	2,482,020	3,075,409
-	2,644,454	2,644,454
-	<u>1,927,429</u>	<u>1,927,429</u>
<u>593,389</u>	<u>7,053,903</u>	<u>7,647,292</u>
<u>\$ 956,532</u>	<u>\$ 7,065,284</u>	<u>\$ 8,021,816</u>

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				
	Operating Fund	Investment Fund			Total
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Support					
Contributions	\$ 207	\$ 92,475	\$ 321,642	\$ 111,153	\$ 525,477
Fundraising income	33,825	-	-	-	33,825
In-kind contributions	59,661	-	-	-	59,661
Interest and dividends	188	82,807	149,621	-	232,616
Realized/unrealized gain(loss) on investments	-	121,518	215,820	-	337,338
Program fees	11,550	-	-	-	11,550
Rental income	68,590	-	-	-	68,590
Management fee	179,897	(65,810)	(114,087)	-	-
Miscellaneous income	22,500	-	-	-	22,500
Reclass of net assets	-	-	(74,025)	74,025	-
Transfer from operating to investment fund	(17,202)	-	17,202	-	-
Net assets released from restrictions -					
Scholarships	-	208,849	(208,849)	-	-
Other programs	-	6,996	(6,996)	-	-
Total Revenue and Support	359,216	446,835	300,328	185,178	1,291,557
Expenses and Losses					
Program services					
Scholarships	-	285,658	-	-	285,658
Program expenses	33,773	6,996	-	-	40,769
Facility and equipment depreciation	49,569	-	-	-	49,569
Interest on debt for facilities	15,898	-	-	-	15,898
Supporting services					
General and administrative	118,851	-	-	-	118,851
Fundraising	14,823	-	-	-	14,823
Total Expenses	232,914	292,654	-	-	525,568
Total Expenses and Losses	232,914	292,654	-	-	525,568
Change in Net Assets	126,302	154,181	300,328	185,178	765,989
Net assets as of beginning of year	593,389	2,482,020	2,644,454	1,927,429	7,647,292
Net Assets as of End of Year	\$ 719,691	\$ 2,636,201	\$ 2,944,782	\$ 2,112,607	\$ 8,413,281

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

2015

Operating Fund	Investment Fund			
Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 639	\$ 64,380	\$ 190,376	\$ 308,047	\$ 563,442
37,851	-	-	-	37,851
4,995	-	-	-	4,995
207	108,398	189,437	-	298,042
-	(121,877)	(208,792)	-	(330,669)
25,504	-	-	-	25,504
63,047	-	-	-	63,047
64,564	(24,572)	(39,992)	-	-
838	-	-	-	838
-	-	(317,172)	317,172	-
-	-	-	-	-
-	281,005	(281,005)	-	-
-	3,069	(3,069)	-	-
197,645	310,403	(470,217)	625,219	663,050
-	281,005	-	-	281,005
74,082	3,069	-	-	77,151
45,703	-	-	-	45,703
16,771	-	-	-	16,771
100,915	-	-	-	100,915
13,911	-	-	-	13,911
251,382	284,074	-	-	535,456
251,382	284,074	-	-	535,456
(53,737)	26,329	(470,217)	625,219	127,594
647,126	2,455,691	3,114,671	1,302,210	7,519,698
\$ 593,389	\$ 2,482,020	\$ 2,644,454	\$ 1,927,429	\$ 7,647,292

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		<u>Total</u>
	<u>Operating Fund</u>	<u>Investment Fund</u>	
Cash flow from operating activities			
Change in net assets	\$ 126,302	\$ 639,687	\$ 765,989
Adjustments to reconcile change in net assets to net cash provided by operating activities			
In-kind contributions	(59,661)	-	(59,661)
Realized/unrealized (gain) loss on investments	-	(337,338)	(337,338)
Depreciation	49,569	-	49,569
Changes in operating assets			
(Increase) decrease in accounts receivable	(38,083)	11,150	(26,933)
(Increase) decrease in dividends receivable	-	(26,987)	(26,987)
(Increase) decrease in contributions receivable	-	(126,974)	(126,974)
(Increase) decrease in promises to give	-	37,200	37,200
(Increase) decrease in inventory	400	-	400
(Increase) decrease in prepaid expenses	-	-	-
Increase (decrease) in accounts payable	(5,241)	33,924	28,683
Net cash provided (used) by operating activities	<u>73,286</u>	<u>230,662</u>	<u>303,948</u>
Cash flow from investing activities			
Purchase of securities	(98)	(94,004)	(94,102)
Purchase of gun range improvements	(28,816)	-	(28,816)
Purchase of student center improvements	(25,567)	-	(25,567)
Net cash provided (used) by investing activities	<u>(54,481)</u>	<u>(94,004)</u>	<u>(148,485)</u>
Cash flow from financing activities			
Contributions to permanently restricted endowments	-	(110,603)	(110,603)
Payments on notes payable	(20,451)	-	(20,451)
Net cash provided (used) by financing activities	<u>(20,451)</u>	<u>(110,603)</u>	<u>(131,054)</u>
Net change in cash	(1,646)	26,055	24,409
Cash - Beginning of year	77,993	250,888	328,881
Cash - End of year	<u>\$ 76,347</u>	<u>\$ 276,943</u>	<u>\$ 353,290</u>
Supplementary information			
Interest paid	\$ 15,899	\$ -	\$ 15,899
In-kind contributions	\$ 59,661	\$ -	\$ 59,661

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

2015		
<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Total</u>
\$ (53,737)	\$ 181,331	\$ 127,594
-	330,669	330,669
45,703	-	45,703
628	(3,740)	(3,112)
-	-	-
-	-	-
-	54,517	54,517
-	-	-
(300)	-	(300)
4,873	(2,003)	2,870
<u>(2,833)</u>	<u>560,774</u>	<u>557,941</u>
(95)	(538,494)	(538,589)
<u>-</u>	<u>-</u>	<u>-</u>
<u>(95)</u>	<u>(538,494)</u>	<u>(538,589)</u>
-	-	-
<u>(19,581)</u>	<u>-</u>	<u>(19,581)</u>
<u>(19,581)</u>	<u>-</u>	<u>(19,581)</u>
(22,509)	22,280	(229)
<u>100,502</u>	<u>228,608</u>	<u>329,110</u>
<u>\$ 77,993</u>	<u>\$ 250,888</u>	<u>\$ 328,881</u>
\$ 16,771	\$ -	\$ 16,771

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Program</u> <u>Expenses</u>	<u>General &</u> <u>Admin</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Scholarships	\$ 285,658	\$ -	\$ -	\$ 285,658
Facility and equipment depreciation	49,569	-	-	49,569
Interest	15,898	-	-	15,898
Salary	-	65,176	-	65,176
Advertising	-	4,734	-	4,734
Professional fees & contract labor	-	20,950	964	21,914
Alumni expense	-	88	-	88
Insurance	12,429	1,398	-	13,827
Travel & entertainment	-	3,950	-	3,950
Printing, reproduction and postage	-	11,483	-	11,483
Office supplies	-	3,780	-	3,780
Gun range	959	-	-	959
John building	11,107	-	-	11,107
College for Kids	913	-	-	913
SoCo Best Robotics	917	-	-	917
Emergency student funds	1,998	-	-	1,998
Xeriscape	199	-	-	199
President's Discretionary Fund	139	-	-	139
Other	<u>12,108</u>	<u>7,292</u>	<u>13,859</u>	<u>33,259</u>
TOTAL EXPENSES	<u>\$ 391,894</u>	<u>\$ 118,851</u>	<u>\$ 14,823</u>	<u>\$ 525,568</u>

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

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Program</u> <u>Expenses</u>	<u>General &</u> <u>Admin</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Scholarships	\$ 281,005	\$ -	\$ -	\$ 281,005
Facility and equipment depreciation	45,703	-	-	45,703
Interest	16,771	-	-	16,771
Salary	-	53,704	-	53,704
Advertising	-	1,541	-	1,541
Professional fees & contract labor	2,078	19,975	1,888	23,941
Insurance	15,201	840	-	16,041
Travel & entertainment	-	3,393	-	3,393
Printing, reproduction and postage	-	15,654	-	15,654
Office supplies	-	5,325	-	5,325
Gun range	5,327	-	-	5,327
John building	9,713	-	-	9,713
Gifts to TSJC	12,995	-	-	12,995
College for Kids	5,175	-	-	5,175
EPIC equipment	2,375	-	-	2,375
Emergency student funds	2,996	-	-	2,996
President's Discretionary Fund	9,904	-	-	9,904
Adult education	3,950	-	-	3,950
Other	7,437	483	12,023	19,943
TOTAL EXPENSES	<u>\$ 420,630</u>	<u>\$ 100,915</u>	<u>\$ 13,911</u>	<u>\$ 535,456</u>

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

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Trinidad State Junior College Educational Foundation, Inc. is a Colorado nonprofit corporation, incorporated on January 2, 1968. The corporation's specific purpose is to receive, hold, invest and administer property and make expenditures to or for the benefit of Trinidad State Junior College. Typically, the Foundation has provided scholarships to students, raised funds for capital improvements at the College, and funded other special projects at the College. Contributions are generally received from individuals and businesses within the Southern Colorado region.

Fund Accounting – To ensure observance of limitations and restrictions placed on use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Funds used are described as follows:

Operating Fund – This includes unrestricted resources and represents the portion of expendable funds and property and equipment that are available for support of the Foundation's operations and programs.

Investment Fund – This includes cash and investments that are managed on behalf of Trinidad State Junior College ("the College"). Income generated by these investments, including the unrealized change in the market value of the investments, net of any expenses are temporarily and permanently restricted for the use of the College.

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and other assets along with payables and other liabilities.

Use of Estimates - The 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 and disclosures. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Financial Statement Presentation – Financial statement presentation follows generally accepted accounting principles (GAAP) in that the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition – The Foundation accounts for its contributions in accordance with GAAP whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributed Services and Other In-Kind Contributions – Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A number of volunteers have contributed significant amounts of their time in the Foundation's program services and its fundraising campaigns, but are not recognized as contributions in the financial statement because they do not meet the aforementioned criteria.

Contributed Assets – Contributed marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and assets, decrease in liabilities or expenses depending on the form of benefits received. Donor-restricted promises to give are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires or has been met, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment – Purchased property and equipment with a value of \$500 or more are recorded at cost and capitalized. Donated property and equipment with a value of \$500 or more are recorded as support at their estimated fair value and capitalized. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution 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, the Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated on the straight-line method over the estimated useful lives of net assets. Depreciation expense was calculated using useful lives of five to thirty years. For the years ended December 31, 2016 and 2015, depreciation expense of \$49,569 and \$45,703, respectively, was charged to operations.

Cash and Cash Equivalents – The Foundation defines cash as all cash on hand, demand deposits, and investments with original maturities of three months or less. Cash balances held by investment managers are treated as investments.

Income Taxes – The Foundation is exempt from income taxes, under Section 501(c) (3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2). The tax years ended December 31, 2013, 2014, 2015, and 2016, remain subject to examination by the Internal Revenue Service.

Investments – Investments are reported at fair value, determined by using quoted market prices, where available. Where quoted market prices are not available, the present value of estimated, expected future cash flows or another reasonable method of determining fair value is used.

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments Income (Loss) Allocation – The Foundation pools investments of the various net asset accounts. The income from such investments, including gains and losses, are allocated to the participating net asset accounts. The distributable income (loss) is allocated to all income producing accounts.

Investment income earned by permanently restricted asset account is credited to the appropriate associated temporarily restricted asset account.

Management Fee – The Foundation charged a 2.5% and 1% annual management fee for 2016 and 2015, respectively, to all income producing accounts. The management fee is calculated on a quarterly basis, each time the investment income is allocated. The management fee income from December 31, 2016 will be used to assist the Foundation's budgeted expenses for the fiscal year January 1, 2017 to December 31, 2017.

Reclassifications – Certain amounts from prior year financial statements have been reclassified to meet the format of current year financial statements. There is no effect on net assets due to these reclassifications.

NOTE 2 – CONCENTRATION OF CREDIT RISK

In the normal course of business, the Foundation has a cash balance at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. All amounts were insured by FDIC at December 31, 2016 and 2015.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at the end of the year are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ -	\$ 37,200
Receivable in three to five years	-	-
Receivable in over five years	-	-
Total unconditional promises to give	-	37,200
Less: discount at 3% to net present value	-	-
Less: allowance for uncollectible promises	-	-
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 37,200</u>

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 – PROMISES TO GIVE (cont'd)

A summary of changes in the Foundations promises to give follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 37,200	\$ 91,716
New pledges received	-	24,000
Collections received	(37,200)	(78,800)
Contribution revenue	-	284
	<u>\$ -</u>	<u>\$ 37,200</u>

Beginning October 2011, the Foundation is the recipient of a STEM Grant that will match up to \$250,000 of donations received over the next five years.

NOTE 4 - INVESTMENTS

Investment securities, stated at fair value, as of year-end, include:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 975,703	\$ 6,675,671
Money market funds	6,241,771	-
Corporate stocks	135	130
Total	<u>\$ 7,217,609</u>	<u>\$ 6,675,801</u>

The following schedule summarizes the investment income reported in the statement of activities:

	<u>2016</u>			<u>2015</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Interest and dividends	\$ 82,995	\$ 149,621	\$ -	\$ 232,616	\$ 298,042
Net realized/unrealized gains (losses)	<u>121,518</u>	<u>215,820</u>	<u>-</u>	<u>337,338</u>	<u>(330,669)</u>
Net investment return	<u>\$ 204,513</u>	<u>\$ 365,441</u>	<u>\$ -</u>	<u>\$ 569,954</u>	<u>\$ (32,627)</u>

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 32,414	\$ 32,414
Martinez – Southway Land	60,000	60,000
John Building	180,000	180,000
Student Center - SLV	720,363	694,796
Pine Street Property	128,314	128,314
Gun Range Improvement	<u>262,289</u>	<u>173,813</u>
Total property and equipment	1,383,380	1,269,337
Less accumulated depreciation	<u>(459,039)</u>	<u>(409,470)</u>
Net property and equipment	<u>\$ 924,341</u>	<u>\$ 859,867</u>

Included in artwork and osteological collection is \$2,800 of fundraising inventory which consist of 28 bronze sculptures valued at \$100 each. These sculptures are given to guests and donors in appreciation for their gifts to the College.

NOTE 6 –LEASE AGREEMENTS

The Foundation has two lease agreements with the Colorado Board of Higher Education. One is for the Gun Range and one is for the SLV Student Center. Future payments from the College are dependent upon the appropriation by the legislature of the State of Colorado. The State of Colorado’s fiscal year runs from July 1st to June 30th.

The Foundation has nine leases for office space in the John Building. One lease has a term of June 1, 2016 to May 31, 2017, one has a term of September 1, 2016 to August 31, 2017, four have terms of November 1, 2016 to October 31, 2017, one has a term from November 10, 2016 to November 9, 2017, one has a term from December 1, 2016 to November 30, 2017, and one lease has a term from December 9, 2016 to May 8, 2017.

Following is a summary of the Foundation’s future rental income through June 30, 2017 for the SLV Student Center and the gun range and through November 30, 2017 for the John Building:

SLV Student Center	\$ 24,636
John Building	<u>28,150</u>
Total Rental Income	<u>\$ 52,786</u>

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NOTE 7 – NOTES PAYABLE

Current notes payable and long-term debt at year end consisted of the following:

	<u>2016</u>	<u>2015</u>
San Luis Valley Federal Bank, due in monthly payments of \$3,060 through March 25, 2029, including interest at 4.50%, secured by real estate with a book value of \$391,297 and \$389,928 at December 31, 2016 and 2015, respectively.	\$340,904	\$ 361,725
Issue costs	<u>(4,528)</u>	<u>(4,897)</u>
Total notes payable	336,376	356,828
Less current maturities	<u>(21,244)</u>	<u>(20,280)</u>
Total long-term debt	<u>\$ 315,132</u>	<u>\$ 336,548</u>

Following are maturities of long-term debt for each of the next five years:

2017	\$ 21,244
2018	22,253
2019	23,310
2020	24,418
2021	25,578
Thereafter	<u>224,101</u>
	<u>\$ 340,904</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

Trinidad State Junior College provides office space for the Foundation at no charge. The Executive Director of the Foundation and the Administrative Assistant were also employees of Trinidad State Junior College, and the Foundation reimburses the College for one quarter of the director's salary and the entire administrative assistant's salary, which totaled \$44,044 at December 31, 2015. Starting November 1, 2015, the employees became sole employees of the Foundation.

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NOTE 9 – COMMITMENTS

The Foundation has committed six scholarships in the amount of \$500 each to four Trinidad Middle School students that received top honors at the state MESA (Mathematics, Engineering, Science, and Achievement) Competition in 2012 and 2013. The Foundation would only award the scholarships if the students were to enroll and be accepted into a program at Trinidad State Junior College.

NOTE 10 – RESTRICTIONS ON NET ASSETS

Temporarily restricted assets are available from the following sources at December 31:

	<u>2016</u>	<u>2015</u>
STEM Endowment		
U.S. Department of Education match, Unrestricted use after September 30, 2030	\$ 100,000	\$ 100,000
50% of earnings as defined in the grant, Unrestricted use after September 30, 2030	143,654	135,700
Earnings on public donations – Use restricted to scholarships and other purposes	<u>28,178</u>	<u>22,206</u>
Total STEM Endowment	<u>271,832</u>	<u>257,906</u>
 STEM Endowment –		
U.S. Department of Education match, Unrestricted use after September 30, 2031	250,000	169,743
50% of earnings as defined in the grant, Unrestricted use after September 30, 2031	93,291	65,940
Earnings on public donations – Use restricted to scholarships and other purposes	<u>9,570</u>	<u>3,682</u>
Total STEM Endowment	<u>352,861</u>	<u>239,365</u>
 Investment Fund –		
Restricted to scholarships and other purposes	<u>2,320,089</u>	<u>2,098,833</u>
Total Investment Fund	<u>2,320,089</u>	<u>2,098,833</u>
 Promises to give –		
General purpose and scholarship fund	<u>-</u>	<u>48,350</u>
Total promises to give	<u>-</u>	<u>48,350</u>
 Total temporarily restricted net assets	<u>\$ 2,944,782</u>	<u>\$ 2,644,454</u>

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NOTE 10 – RESTRICTIONS ON NET ASSETS (cont'd)

Permanently restricted assets are available from the following sources at December 31:

	<u>2016</u>	<u>2015</u>
Investment Fund –		
Title III Grant –		
Public contributions for endowment	\$ 554,679	\$ 552,554
STEM Grant –		
Public contributions for endowment	253,810	-
Permanently restricted contributions	<u>1,304,118</u>	<u>1,374,875</u>
Total restricted net assets	<u>\$2,112,607</u>	<u>\$1,927,429</u>

NOTE 11 – ENDOWMENT STEM GRANT

The provisions of the grant require that the combination of the STEM Grant and the College match be invested and not spent for a twenty-year period plus any additional restrictions of private donors related to matching funds. The corpus plus fifty percent of the cumulative income could not be spent until September 2030 and September 2031. The other fifty percent of income may be used for the purposes designated by donors or, if unrestricted, to defray any expenses necessary to operate the College.

NOTE 12 – RECLASSIFICATION OF NET ASSETS

During the normal course of business, the Foundation receives and records contributions from the best information available. From time to time, additional information becomes available or the donor will change their initial restriction. The Foundation will reclassify the amounts involved to the new classification.

NOTE 13 – CONTINGENCIES

During 2013, land was donated to the Foundation for use in the expansion of the San Luis Valley Campus. However, if the land is not used in eight years, the land reverts back to the donor. The land has a value of \$550,000 that has not been recorded on the books.

During 2014, the Foundation received a donation which is contingent on certain circumstances to take place that the Foundation has no control over, it was in the amount of \$50,000. This donation has not been recorded on the books.

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NOTE 14 – UNRESTRICTED, DESIGNATED NET ASSETS

The Foundation has unrestricted - designated net assets for the following purposes:

	<u>2016</u>	<u>2015</u>
SLV Expansion	\$ 101,030	\$ 101,030
SLV Campus	<u>100,000</u>	<u>100,000</u>
	<u>\$ 201,030</u>	<u>\$ 201,030</u>

NOTE 15 – ENDOWMENTS

The Foundation's endowment consists of approximately 65 individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in Endowment Net Assets for the years ending December 31, 2016 and 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ 1,937,763</u>	<u>\$ 1,302,210</u>	<u>\$ 3,239,973</u>
Interest and dividend income	-	136,390	-	136,390
Net appreciation (depreciation) realized and unrealized	-	(152,189)	-	(152,189)
Contributions	-	39,790	308,047	347,837
Appropriation of endowment assets for expenditure	-	(104,137)	-	(104,137)
Reclassification	-	<u>(363,049)</u>	<u>317,472</u>	<u>(45,877)</u>
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 1,494,568</u>	<u>\$ 1,927,429</u>	<u>\$ 3,421,997</u>
Interest and dividend income	-	112,154	-	112,154
Net appreciation (depreciation) realized and unrealized	-	161,593	-	161,593
Contributions	-	193,441	111,153	304,594
Appropriation of endowment assets for expenditure	-	(202,544)	-	(202,544)
Reclassification	-	<u>(83,146)</u>	<u>74,025</u>	<u>(9,121)</u>
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 1,676,066</u>	<u>\$ 2,112,607</u>	<u>\$ 3,788,673</u>

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NOTE 15 – ENDOWMENTS(cont'd)

In 2008, the State of Colorado enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The act requires certain disclosures relating to endowments. The Foundation has established an accounting system whereby the original value of an endowment is recorded in one project and the earnings from the investment of the endowment is recorded in another project. If the terms of the endowment requires a portion of the earnings to be reinvested in the corpus, that amount is transferred from the income project to the endowment project on the day it is allocated.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce the best results while assuming a moderate level of risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation 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.

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

The Foundation is subject to the provisions of FASB ASC 820-10, which establishes a framework for measuring fair value of financial instruments. 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under ASC 820-10 are described below:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation 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;

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NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

- 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 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 tables present the Foundation's fair value hierarchy for financial assets measured at fair value on a recurring basis as of December 31, 2016, and 2015:

December 31, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities				
Domestic emphasis	\$ 450,904	\$ 450,904	\$ -	\$ -
Marketable debt securities				
Domestic emphasis	217,955	217,955	-	-
International emphasis	306,843	306,843	-	-
Money market funds	6,241,772	6,241,772	-	-
Corporate stocks	135	135	-	-
TOTAL	<u>\$ 7,217,609</u>	<u>\$ 7,217,609</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2015	Fair Value	(Level 1)	(Level 2)	(Level 3)
Marketable equity securities				
Domestic emphasis	\$ 4,052,374	\$ 4,052,374	\$ -	\$ -
International emphasis	228,309	228,309	-	-
Marketable debt securities				
Domestic emphasis	1,758,165	1,758,165	-	-
International emphasis	636,823	636,823	-	-
Corporate stocks	130	130	-	-
TOTAL	<u>\$ 6,675,801</u>	<u>\$ 6,675,801</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTE 17 – SUBSEQUENT EVENTS

The Foundation is subject to the provisions of FASB ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date of the financial statements, were issued or the date the financial statements were available to be issued. The Foundation has evaluated subsequent events through May 26, 2017, the date that the financial statements are available to be issued.