

***Northeastern Junior College  
Foundation, Inc.***

**Financial Statements**

**June 30, 2017**



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# LAUER, SZABO & ASSOCIATES, PC

*Certified Public Accountants*

205 Main St. • P.O. Box 1886 • Sterling, CO 80751-7886  
Phone 970-522-2218 • FAX 970-522-2220

## **Independent Auditors' Report**

To the Board of Trustees  
Northeastern Junior College Foundation, Inc.  
Sterling, Colorado

We have audited the accompanying financial statements of Northeastern Junior College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 error or fraud.

### **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 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 Northeastern Junior College Foundation, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 9, 2017

*Northeastern Junior College Foundation, Inc.*  
**Financial Statements and Notes to Financial Statements**

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Statement of Financial Position**  
**June 30, 2017**

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Assets	
Cash and cash equivalents	\$ 671,894
Investments	5,102,452
Prepaid items	2,068
Art collections	589,700
	<hr/>
Total assets	\$ 6,366,114
	<hr/> <hr/>
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 39,518
Deferred grant revenues	50,889
	<hr/>
Total liabilities	90,407
Net assets	
Permanently restricted	1,137,818
Temporarily restricted	4,347,776
Unrestricted	790,113
	<hr/>
Total net assets	6,275,707
	<hr/> <hr/>
Total liabilities and net assets	\$ 6,366,114
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 48,710	\$ 407,368		\$ 456,078
Grants		76,388		76,388
Contributed support	53,660			53,660
Fundraising events	27,583	126,131		153,714
Investment income	298,820	174,385	16,832	490,037
Net assets released from restrictions - satisfaction of purpose restrictions	499,530	(499,530)		-
Total support and revenue	928,303	284,742	16,832	1,229,877
Expenses				
Program services	483,614			483,614
Administrative	110,361			110,361
Fundraising	35,579			35,579
Total expenses	629,554	-	-	629,554
Change in net assets	298,749	284,742	16,832	600,323
Net assets at beginning of year	491,364	4,063,034	1,120,986	5,675,384
Net assets at end of year	\$ 790,113	\$ 4,347,776	\$ 1,137,818	\$ 6,275,707

The accompanying notes are an integral part of these financial statements.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

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Cash flows from operating activities	
Change in net assets	\$ 600,323
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net unrealized and realized gains on investments	(400,685)
Changes in operating assets and liabilities	
Pledges receivable	42,813
Other receivables	2,400
Accounts payable	(80,219)
Deferred grant revenues	(4,176)
	<hr/>
Net cash provided by operating activities	160,456
Cash flows from investing activities	
Interest, dividends and other credits to investments	(88,741)
Purchases of investments	(169,535)
	<hr/>
Net cash used by investing activities	(258,276)
	<hr/>
Net decrease in cash and cash equivalents	(97,820)
Cash and cash equivalents at beginning of year	<hr/> 769,714
Cash and cash equivalents at end of year	<hr/> <hr/> \$ 671,894

The accompanying notes are an integral part of these financial statements.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note A – Summary of Significant Accounting Policies**

**Nature of operations**

Northeastern Junior College Foundation, Inc. (the Foundation) was founded in 1977 for charitable, scientific, literacy or educational purposes designed to promote the welfare of Northeastern Junior College (the College), its programs and its students. The Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code.

**Basis of accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial statement presentation**

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*). Accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Foundation. Board-designated net assets, if any, represent amounts the Foundation has set aside for a specific purpose.

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note A – Summary of Significant Accounting Policies (Continued)**

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized, or as temporarily restricted or permanently restricted based on donor imposed restrictions.

The Foundation has adopted a policy of allocating a minimum return of 3.5% on funds that are restricted for scholarship awards (except those that are restricted for scholarship awards at Northeastern Junior College, in which case those are allocated a return of .25%), and has also adopted a policy of charging a 1.5% administrative fee (except those that are restricted for scholarship awards at Northeastern Junior College, in which case those are charged a .25% administrative fee).

**Pledges and other receivables**

Contributions due in less than one year are recorded at their net realizable value upon receipt. Contributions due in more than one year are recorded at fair value on the date received. An allowance for doubtful collections is provided as applicable based on management's evaluation of potential uncollectible contributions at year-end.

**Fair value of financial instruments**

The Foundation's financial instruments consist primarily of cash, investments, and short-term receivables and payables. The carrying amount of these assets and liabilities approximate their value due to the short-term nature of such instruments. The recorded values of the art collection approximate fair value based on the most recent appraisal date.

**Art collection**

The Foundation's art collection, consisting of works of art contributed since the Foundation's inception, is recognized as an asset on the statement of financial position. Items acquired in exchange transactions are recognized as assets in the period in which they are acquired and are measured at cost, while contributed items are recognized as assets and as contributions in the appropriate net asset class and are measured at fair value. The art collection does not meet the definition of a "collection" as the Foundation

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note A – Summary of Significant Accounting Policies (Continued)**

does not have a policy that requires proceeds from their sales to be used to acquire other items for the collection, thus these items are accounted for as either held for sale or held and used in accordance with FASB ASC 360-10-35.

**Property and equipment**

The Foundation capitalizes all property and equipment with a cost of \$1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from 3-5 years.

Long lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the year.

**Contributions**

Contributions are recognized as revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Contributed support**

Contributed volunteer services are recognized at fair value if the services received either create or enhance long-lived assets; or require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by those volunteers. The amounts reflected in the accompanying financial statements are reported as contributed support and are offset by a like amount of expense.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note A – Summary of Significant Accounting Policies (Continued)**

**Concentration of credit risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and investment securities. The Foundation places its cash with creditworthy, high quality financial institutions. As of year-end, the Foundation had total deposits of \$673,574 of which \$491,109 was insured and \$182,465 was collateralized with securities held by the pledging institution's trust department or agent in the Foundation's name.

The Foundation has significant investments in mutual funds and equity investments. Investments are managed by investment advisors who are instructed by the Foundation's Board of Trustees in accordance with the Foundation's investment policy. Though the market value of the investments is subject to fluctuations on a year-to-year basis, the Board of Trustees believe that the investment policy is prudent to the long-term welfare of the Foundation.

**Advertising expense**

Advertising expenses are considered direct costs and are not considered to have a direct-response relationship to the programs and activities of the Foundation. Therefore, these expenses are recognized and incurred. No amounts of advertising have been capitalized.

**Income taxes**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, the Foundation is not taxed on income derived from its exempt functions.

The Foundation has evaluated its tax positions for all open tax years. Generally, three tax years remain subject to examination by tax jurisdictions. However, the Foundation is not currently under audit nor has the Foundation been contacted by any jurisdiction. Based on the evaluation of the Foundation's tax positions, management believes all tax positions taken would be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note B – Investments**

The portfolio of investments is carried at fair value. For donated investments, amounts reported based on the fair value at the date of the gift.

The Foundation maintains funds in investment accounts with Wells Fargo under which all investments are held as follows:

Fixed income securities	\$ 1,936,991
Equities	<u>3,165,281</u>
Total	<u>\$ 5,102,272</u>

The following schedule summarizes the investment income and its classification in the statement of activities:

Interest and dividends	\$ 139,319
Realized gains and losses	101,545
Unrealized gains and losses	<u>299,140</u>
Subtotal	540,004
Less administrative fees	<u>(49,967)</u>
Total investment income	<u>\$ 490,037</u>

**Note C – Fair value measurements**

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note C – Fair value measurements (Continued)**

<u>Financial assets</u>	<u>Fair value</u>	<u>Quoted Market prices (Level 1)</u>
Fixed income securities	\$ 1,936,991	\$ 1,936,991
Equities	<u>3,165,281</u>	<u>3,165,281</u>
Totals	<u>\$ 5,102,272</u>	<u>\$ 5,102,272</u>

The following methods and assumptions were used to estimate fair value for each class of financial investment measured at fair value:

**Fixed income securities**

Investments in certain fixed income securities represent investments in commingled funds consisting primarily of fixed income tax exempt securities. These investments are classified as Level 1 as they are traded in an active market for which daily closing prices, measured primarily on a net asset value basis, are available.

**Equities**

Investment in equities represent investments primarily in equity securities of companies based in the United States. These investments are classified as Level 1 as they are traded in an active market for which daily closing prices, measures primarily on a net asset value basis, are available.

**Note D – Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes:

Managed scholarships	\$ 3,645,777
Pass-through scholarships	41,468
Investment and Title III funds	352,552
Ag farm building	245,062
Pass-through grants	<u>62,917</u>
Totals	<u>\$ 4,347,776</u>

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note D – Temporarily restricted net assets**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

Scholarships	\$ 289,794
Grants	134,028
Other	<u>75,708</u>
Totals	<u>\$ 499,530</u>

**Note E – Permanently restricted net assets**

Net assets were permanently restricted for the following purposes:

Managed scholarships	<u>\$ 1,137,818</u>
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**Note F – Endowment**

The Foundation's endowment consists of 17 individual funds established for a variety of purposes. Its endowment is made up of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At year-end the fair value of 1 individual funds was less than the endowed amount by a total of \$464. These deficiencies resulted from unfavorable market fluctuations and from the continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

**Note G – Contingencies**

The Foundation receives financial assistance from various grant programs which are subject to final review and approval by the respective grantor agencies. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Foundation expects such amounts, if any, to be immaterial.

**Note H – Title III endowment challenge grant program**

Under the Federal Title III Endowment Challenge Grant Program, the College was entitled to receive \$311,626 of federal matching funds since the Foundation had secured a like amount of contributions prior to September 30, 2009.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note H – Title III endowment challenge grant program (Continued)**

The grant proceeds and the Foundation's matching funds may not be spent for a period of time ending twenty years after the grant's award date. The funds are to be segregated from the Foundation's other funds. There are investment standards that place restrictions on the types of investments into which the funds may be invested. During the grant period, the Foundation may withdraw and spend up to fifty percent of the fund earnings, subject to certain restrictions. The Foundation is also required to maintain records and provide certain reports associated with the fund.

**Note I – Charitable remainder trust**

An individual donor established a trust in 1997 naming the Foundation as 50% beneficiary of a charitable remainder trust. Under a charitable remainder trust arrangement, a donor establishes a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the beneficiary receives an interest in the assets remaining in the trust. Distributions of the remaining assets are established by the trust agreement and generally call for a specified percentage of the trust's fair value as determined annually. As stipulated in the trust documents, the donor has reserved the right to amend or revoke all or any portion of the interest of any one or more charitable remaindermen. As such, the assets to be received under the revocable split-interest agreement will be recognized as contribution revenue only when the agreement becomes irrevocable or the assets become available for the Foundation for its unconditional use.

**Note J – Art collection lease**

The Foundation and the College entered into an informal agreement in July 2002, whereby the College pays the Foundation for the use of its art collections. The Foundation retains ownership of the art collections and is responsible for the upkeep and insuring of the art collections. The lease income, net of upkeep and insurance costs, is to be used by the Foundation for scholarship awards to students attending the College. The Foundation did not receive funds from the College during the year in connection with this lease agreement.

**Note K – Related party transactions**

The Foundation, during the normal course of operations, invests funds with financial institutions and agencies associated with members of the Board of Trustees. All transactions and investments are made in accordance with the investment policies as adopted by the Board of Trustees.

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Notes to Financial Statements**

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**Note K – Related party transactions (Continued)**

A summary of the cash holdings with related parties at year-end is as follows:

Bank of Colorado	\$ 241,109
Wells Fargo Bank, N.A.	<u>5,533,237</u>
Total	<u>\$ 5,774,346</u>

**Note L – Evaluation of Subsequent Events**

The Foundation has evaluated subsequent events through the date the financial statements were available for issuance, which is the same date as the auditors' report.

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***Northeastern Junior College Foundation, Inc.***

**Supplementary Information**

**NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.**  
**Schedule of Functional Expenses**  
**For the Year Ended June 30, 2017**

	Program Activities		Supporting Activities		Totals
	Scholarships and Grants	Administration	Fundraising		
Expenses					
Scholarships	\$ 325,306				\$ 325,306
Grants and pass-through awards	158,308	1,625			159,933
Accounting fees		\$ 3,190			3,190
Auditor		9,200			9,200
Bank charges		430			430
Dues and subscriptions		2,781			2,781
Fundraising			\$ 35,579		35,579
Insurance		6,117			6,117
Labor		1,247			1,247
Licenses		25			25
Meals		3,150			3,150
Office supplies		640			640
Salaries and benefits		72,991			72,991
Supplies		8,622			8,622
Travel and mileage		348			348
Training		(5)			(5)
Total expenses	\$ 483,614	\$ 110,361	\$ 35,579		\$ 629,554