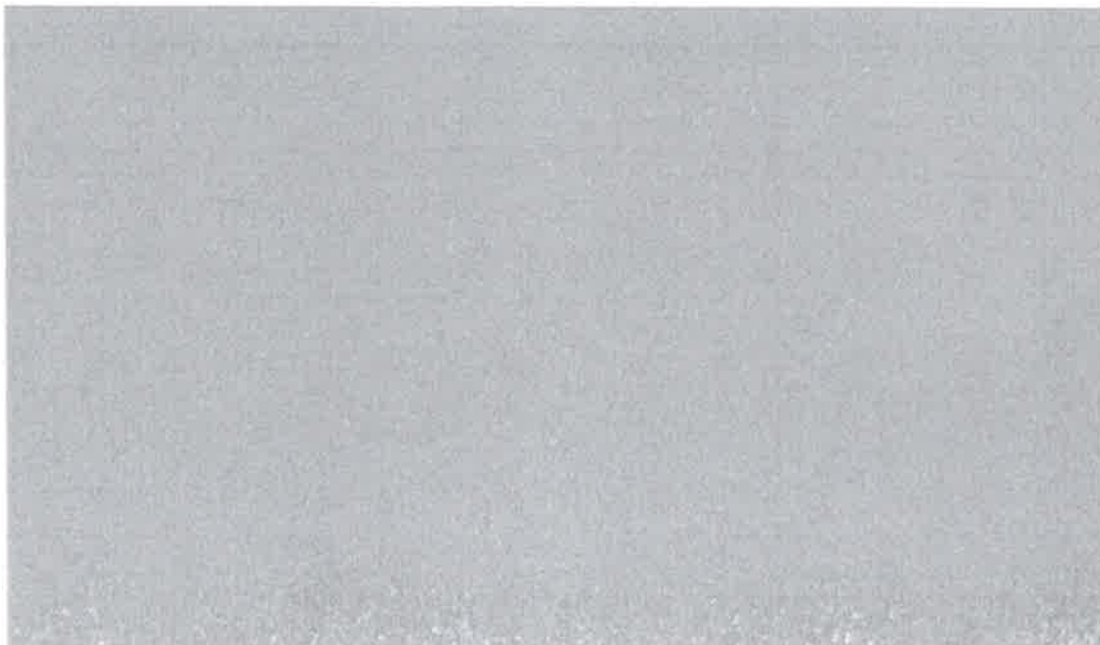


**TRINIDAD STATE JUNIOR COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

December 31, 2017 and 2016



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
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December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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

June 14, 2018

Certified Public Accountants

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TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017		
	Operating Fund	Investment Fund	Total
ASSETS			
Cash and cash equivalents	\$ 124,955	\$ 94,966	\$ 219,921
Accounts receivable	-	-	-
Interfund receivable/payable	46,884	(46,884)	-
Dividend receivable	-	-	-
Contributions receivable	-	20,330	20,330
Prepaid expenses	-	-	-
Certificates of deposit	14,859	30,495	45,354
Investment securities, at market value	-	7,527,978	7,527,978
Land, buildings and equipment, net	811,036	60,000	871,036
Art and osteological collection	51,937	-	51,937
	\$ 1,049,671	\$ 7,686,885	\$ 8,736,556
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 4,305	\$ -	\$ 4,305
Security deposits	1,075	-	1,075
Notes payable, net	314,921	-	314,921
Total liabilities	320,301	-	320,301
Net Assets			
Unrestricted			
Undesignated	659,840	2,347,777	3,007,617
Designated	69,530	131,500	201,030
Total unrestricted	729,370	2,479,277	3,208,647
Temporarily restricted	-	2,735,110	2,735,110
Permanently restricted	-	2,472,498	2,472,498
Total net assets	729,370	7,686,885	8,416,255
Total Liabilities and Net Assets	\$ 1,049,671	\$ 7,686,885	\$ 8,736,556

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

2016		
Operating Fund	Investment Fund	Total
\$ 76,347	\$ 276,943	\$ 353,290
4,160	-	4,160
45,304	(45,304)	-
-	26,987	26,987
-	126,974	126,974
300	-	300
14,753	30,381	45,134
-	7,217,609	7,217,609
864,341	60,000	924,341
51,937	-	51,937
<u>\$ 1,057,142</u>	<u>\$ 7,693,590</u>	<u>\$ 8,750,732</u>

\$ -	\$ -	\$ -
1,075	-	1,075
336,376	-	336,376
<u>337,451</u>	<u>-</u>	<u>337,451</u>

650,161	2,504,701	3,154,862
69,530	131,500	201,030
<u>719,691</u>	<u>2,636,201</u>	<u>3,355,892</u>
-	2,944,782	2,944,782
-	2,112,607	2,112,607
<u>719,691</u>	<u>7,693,590</u>	<u>8,413,281</u>
<u>\$ 1,057,142</u>	<u>\$ 7,693,590</u>	<u>\$ 8,750,732</u>

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				
	Operating Fund	Investment Fund			Total
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Support					
Contributions	\$ 50	\$ 77,717	\$ 111,990	\$ 199,391	\$ 389,148
Fundraising income	22,940	-	-	-	22,940
In-kind contributions	-	-	-	-	-
Interest and dividends	183	49,689	97,201	-	147,073
Realized/unrealized gain(loss) on investments	-	15,053	29,132	-	44,185
Program fees	12,440	-	-	-	12,440
Rental income	87,861	-	-	-	87,861
Management fee	-	-	-	-	-
Miscellaneous income	1,030	-	-	-	1,030
Matching for permanently restricted donations	-	-	(160,500)	160,500	-
Transfers between operating fund and investment fund	176,095	(187,175)	11,080	-	-
Net assets released from restrictions -					
Scholarships	-	295,331	(295,331)	-	-
Other programs	-	3,244	(3,244)	-	-
Total Revenue and Support	300,599	253,859	(209,672)	359,891	704,677
Expenses					
Program services					
Scholarships	-	407,539	-	-	407,539
Program expenses	65,283	3,244	-	-	68,527
Facility and equipment depreciation	53,305	-	-	-	53,305
Interest on debt for facilities	14,888	-	-	-	14,888
Supporting services					
General and administrative	142,476	-	-	-	142,476
Fundraising	14,968	-	-	-	14,968
Total Expenses	290,920	410,783	-	-	701,703
Change in Net Assets	9,679	(156,924)	(209,672)	359,891	2,974
Net assets as of beginning of year	719,691	2,636,201	2,944,782	2,112,607	8,413,281
Net Assets as of End of Year	\$ 729,370	\$ 2,479,277	\$ 2,735,110	\$ 2,472,498	\$ 8,416,255

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

2016

Operating Fund	Investment Fund			
Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 207	\$ 92,475	\$ 321,642	\$ 111,153	\$ 525,477
33,825	-	-	-	33,825
59,661	-	-	-	59,661
188	82,807	149,621	-	232,616
-	121,518	215,820	-	337,338
11,550	-	-	-	11,550
68,590	-	-	-	68,590
179,897	(65,810)	(114,087)	-	-
22,500	-	-	-	22,500
-	-	(74,025)	74,025	-
(17,202)	-	17,202	-	-
-	208,849	(208,849)	-	-
-	6,996	(6,996)	-	-
359,216	446,835	300,328	185,178	1,291,557
-	285,658	-	-	285,658
33,773	6,996	-	-	40,769
49,569	-	-	-	49,569
15,898	-	-	-	15,898
118,851	-	-	-	118,851
14,823	-	-	-	14,823
232,914	292,654	-	-	525,568
126,302	154,181	300,328	185,178	765,989
593,389	2,482,020	2,644,454	1,927,429	7,647,292
\$ 719,691	\$ 2,636,201	\$ 2,944,782	\$ 2,112,607	\$ 8,413,281

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		<u>Total</u>
	<u>Operating Fund</u>	<u>Investment Fund</u>	
Cash flow from operating activities			
Change in net assets	\$ 9,679	\$ (6,705)	\$ 2,974
Adjustments to reconcile change in net assets to net cash provided by operating activities			
In-kind contributions	-	-	-
Realized/unrealized (gain) loss on investments	-	(44,185)	(44,185)
Depreciation	53,305	-	53,305
Changes in operating assets			
(Increase) decrease in accounts receivable	2,580	-	2,580
(Increase) decrease in dividends receivable	-	26,987	26,987
(Increase) decrease in contributions receivable	-	106,644	106,644
(Increase) decrease in promises to give	-	-	-
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	300	-	300
Increase (decrease) in accounts payable	4,306	1,580	5,886
Net cash provided (used) by operating activities	<u>70,170</u>	<u>84,321</u>	<u>154,491</u>
Cash flow from investing activities			
Purchase of securities	(106)	(66,907)	(72,013)
Purchase of gun range improvements	-	-	-
Purchase of student center improvements	-	-	-
Net cash provided (used) by investing activities	<u>(106)</u>	<u>(66,907)</u>	<u>(72,013)</u>
Cash flow from financing activities			
Contributions to permanently restricted endowments	-	(199,391)	(194,391)
Payments on notes payable	(21,456)	-	(21,456)
Net cash provided (used) by financing activities	<u>(21,456)</u>	<u>(199,391)</u>	<u>(215,847)</u>
Net change in cash	48,608	(181,977)	(133,369)
Cash - Beginning of year	76,347	276,943	353,290
Cash - End of year	<u>\$ 124,955</u>	<u>\$ 94,966</u>	<u>\$ 219,921</u>
Supplementary information			
Interest paid	\$ 14,888	\$ -	\$ 14,888
In-kind contributions	\$ -	\$ -	\$ -

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

2016		
<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Total</u>
\$ 126,302	\$ 639,687	\$ 765,989
(59,661)	-	(59,661)
-	(337,338)	(337,338)
49,569	-	49,569
(38,083)	11,150	(26,933)
-	(26,987)	(26,987)
-	(126,974)	(126,974)
-	37,200	37,200
400	-	400
-	-	-
(5,241)	33,924	28,683
<u>73,286</u>	<u>230,662</u>	<u>303,948</u>
(98)	(94,004)	(94,102)
(28,816)	-	(28,816)
(25,567)	-	(25,567)
<u>(54,481)</u>	<u>(94,004)</u>	<u>(148,485)</u>
-	(110,603)	(110,603)
(20,451)	-	(20,451)
<u>(20,451)</u>	<u>(110,603)</u>	<u>(131,054)</u>
(1,646)	26,055	24,409
77,993	250,888	328,881
<u>\$ 76,347</u>	<u>\$ 276,943</u>	<u>\$ 353,290</u>
\$ 15,899	\$ -	\$ 15,899
\$ 59,661	\$ -	\$ 59,661

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program</u> <u>Expenses</u>	<u>General &</u> <u>Admin</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Scholarships	\$ 407,539	\$ -	\$ -	\$ 407,539
Facility and equipment depreciation	53,305			53,305
Interest	14,888			14,888
Salary	-	78,695	-	78,695
Advertising	-	2,209	-	2,209
Professional fees & contract labor	-	21,850	6,125	27,975
License & permits	-	13,856	-	13,856
Alumni expense	-	37	-	37
Insurance	13,503	-	-	13,503
Travel & entertainment	-	2,767	-	2,767
Printing, reproduction and postage	-	17,787	-	17,787
Office supplies	-	3,200	-	3,200
Gun range	6,017	-	-	6,017
John building	25,671	-	-	25,671
SoCo Best Robotics	2,661	-	-	2,661
Emergency student funds	2,866	-	-	2,866
Xeriscape	218	-	-	218
President's Discretionary Fund	4,958	-	-	4,958
Other	12,633	2,075	8,843	23,551
	<u>\$ 544,259</u>	<u>\$ 142,476</u>	<u>\$ 14,968</u>	<u>\$ 701,703</u>
TOTAL EXPENSES				

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, 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	12,108	7,292	13,859	33,259
	<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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016

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, 2017 and 2016, depreciation expense of \$53,305 and \$49,569, 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, 2014, 2015, 2016, and 2017, 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, 2017 AND 2016**

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% annual management fee to all income producing accounts. The management fee is calculated on a quarterly basis, each time the investment income is allocated. In January 2018 the Foundation Board decided to discontinue the management fee and to refund the annual management fee charged to income producing accounts for the year ending December 31, 2017. The refund was included in the December 31, 2017 accounting.

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. For December 31, 2017, amounts totaling \$49,113 were uninsured by FDIC.

NOTE 3 - INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 6,456,358	\$ 975,703
Money market funds	1,071,465	6,241,771
Corporate stocks	155	135
Total	<u>\$ 7,527,978</u>	<u>\$ 7,217,609</u>

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 – INVESTMENTS(cont'd)

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

	<u>2017</u>			<u>Total</u>	<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		<u>Total</u>
Interest and dividends	\$ 49,872	\$ 97,201	\$ -	\$ 147,073	\$ 232,616
Net realized/unrealized gains (losses)	<u>15,053</u>	<u>29,132</u>	<u>-</u>	<u>44,185</u>	<u>337,338</u>
Net investment return	<u>\$ 64,925</u>	<u>\$ 126,333</u>	<u>\$ -</u>	<u>\$ 191,258</u>	<u>\$ 569,954</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 32,414	\$ 32,414
Martinez – Southway Land	60,000	60,000
John Building	180,000	180,000
SLV - Health Sciences Building	720,363	720,363
Pine Street Property	128,314	128,314
Gun Range Improvement	<u>262,289</u>	<u>262,289</u>
Total property and equipment	1,383,380	1,383,380
Less accumulated depreciation	<u>(512,344)</u>	<u>(459,039)</u>
Net property and equipment	<u>\$ 871,036</u>	<u>\$ 924,341</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 5 –LEASE AGREEMENTS

The Foundation has a lease agreement with the State of Colorado, acting by and through the Department of Higher Education, State Board for Community Colleges and Occupational Education for the use and benefit of Trinidad State Junior College for the SLV Health Sciences Building. 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.

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 –LEASE AGREEMENTS(cont'd)

The Foundation has nine leases for office space in the John Building. All leases at the John Building are on a month-to-month basis.

Following is a summary of the Foundation's future rental income through June 30, 2018 for the SLV Health Sciences Building.

SLV Health Sciences Building	\$ 22,836
Total Rental Income	<u>\$ 22,836</u>

NOTE 6 – NOTES PAYABLE

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

	<u>2017</u>	<u>2016</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 \$365,821	\$319,079	\$ 340,904
Issue costs	<u>(4,158)</u>	<u>(4,528)</u>
Total notes payable	314,921	336,376
Less current maturities	<u>(22,253)</u>	<u>(21,244)</u>
Total long-term debt	<u>\$ 292,667</u>	<u>\$ 315,132</u>

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

2018	\$ 22,253
2019	23,310
2020	24,418
2021	25,578
2022	26,793
Thereafter	<u>196,727</u>
	<u>\$ 319,079</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

Trinidad State Junior College provides office space for the Foundation at no charge.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 – 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 9 – RESTRICTIONS ON NET ASSETS

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

	<u>2017</u>	<u>2016</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	145,334	143,654
Earnings on public donations –		
Use restricted to scholarships and other purposes	<u>33,278</u>	<u>28,178</u>
Total STEM Endowment	<u>278,612</u>	<u>271,832</u>
 STEM Endowment –		
U.S. Department of Education match,		
Unrestricted use after September 30, 2031	250,000	250,000
50% of earnings as defined in the grant,		
Unrestricted use after September 30, 2031	111,307	93,291
Earnings on public donations –		
Use restricted to scholarships and other purposes	<u>19,964</u>	<u>9,570</u>
Total STEM Endowment	<u>381,271</u>	<u>352,861</u>
 Investment Fund –		
Restricted to scholarships and other purposes	<u>2,075,227</u>	<u>2,320,089</u>
Total Investment Fund	<u>2,075,227</u>	<u>2,320,089</u>
 Total temporarily restricted net assets	 <u>\$ 2,735,110</u>	 <u>\$ 2,944,782</u>

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NOTE 9 – RESTRICTIONS ON NET ASSETS(cont'd)

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

	<u>2017</u>	<u>2016</u>
Investment Fund –		
Title III Grant –		
Public contributions for endowment	\$ 557,019	\$ 554,679
STEM Grant –		
Public contributions for endowment	288,285	253,810
Permanently restricted contributions	<u>1,627,194</u>	<u>1,304,118</u>
Total restricted net assets	<u>\$2,472,498</u>	<u>\$2,112,607</u>

NOTE 10 – 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 11 – 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 his initial restriction. The Foundation will reclassify the amounts involved to the new classification.

NOTE 12 – 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, in the amount of \$50,000. This donation has not been recorded on the books.

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NOTE 13 – UNRESTRICTED, DESIGNATED NET ASSETS

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

	<u>2017</u>	<u>2016</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 14 – 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, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2015	\$ -	\$ 1,494,568	\$ 1,927,429	\$ 3,421,997
Interest and dividend income	-	112,154	-	112,154
Net appreciation (depreciation) realized and unrealized	-	161,593	-	161,593
Contributions	-	193,746	111,153	304,899
Appropriation of endowment assets for expenditure	-	(163,315)	-	(163,315)
Reclassification	<u>-</u>	<u>(182,681)</u>	<u>74,025</u>	<u>(108,656)</u>
Balance, December 31, 2016	-	1,616,065	2,112,607	3,728,672
Interest and dividend income	-	72,611	-	72,611
Net appreciation (depreciation) realized and unrealized	-	21,765	-	21,765
Contributions	-	1,295	199,391	200,686
Appropriation of endowment assets for expenditure	-	(86,580)	-	(86,580)
Reclassification	<u>-</u>	<u>(160,500)</u>	<u>160,500</u>	<u>-</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 1,464,656</u>	<u>\$ 2,472,498</u>	<u>\$ 3,937,154</u>

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NOTE 14 – ENDOWMENTS(cont'd)

During the year funds were determined to not be actual endowment funds and have since been removed from the endowment fund balance calculated above.

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 15 – 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 15 – 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, 2017, and 2016:

December 31, 2017	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	\$ 732,031	\$ 732,031	\$ -	\$ -
Marketable debt securities				
Domestic emphasis	5,724,327	5,724,327	-	-
Money market funds	1,071,465	1,071,465	-	-
Corporate stocks	155	155	-	-
TOTAL	<u>\$ 7,527,978</u>	<u>\$ 7,527,978</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2016	Fair Value	(Level 1)	(Level 2)	(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>

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NOTE 16 – 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 June 14, 2018, the date that the financial statements are available to be issued.