

NORTHEASTERN JUNIOR COLLEGE
FOUNDATION, INC.



FINANCIAL STATEMENTS

Year Ended June 30, 2018



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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Northeastern Junior College Foundation, Inc. (a nonprofit organization) as of June 30, 2018, 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; 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeastern Junior College Foundation, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

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.

Anderson & Whitney, P.C.

October 26, 2018

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30	2018
<u>ASSETS</u>	
Cash and cash equivalents	\$ 434,139
Accounts receivable	6,893
Prepaid expenses	2,068
Investments	5,654,655
Art collection	589,700
TOTAL ASSETS	\$ 6,687,455
<u>LIABILITIES</u>	
Accounts payable	\$ 95,037
Deferred revenue	40,842
Total Liabilities	135,879
<u>NET ASSETS</u>	
Unrestricted	1,021,672
Temporarily restricted	4,392,050
Permanently restricted	1,137,854
Total Net Assets	6,551,576
TOTAL LIABILITIES AND NET ASSETS	\$ 6,687,455

See Accompanying Notes to Financial Statements.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30	2018
Change in Unrestricted Net Assets:	
Revenue:	
Contributions	\$ 22,453
Contributed support	53,493
Investment earnings	210,732
Net assets released from restrictions	504,217
Total Revenue	790,895
Expenses:	
Scholarships	317,293
Grants and pass-through awards	99,922
Accounting fees	2,433
Advertising	5,820
Audit fees	9,600
Bank charges	394
Fundraising	27,321
Insurance	5,838
Licenses	312
Meals	1,475
Office supplies	595
Salaries and benefits	73,481
Supplies	11,221
Travel and mileage	2,679
Training	952
Total Expenses	559,336
Increase in Unrestricted Net Assets	231,559
Change in Temporarily Restricted Net Assets:	
Contributions	212,301
Grants	81,128
Rental income	40,000
Fundraising events	57,506
Investment earnings	157,556
Net assets released from restrictions	(504,217)
Increase in Temporarily Restricted Net Assets	44,274
Change in Permanently Restricted Net Assets:	
Investment earnings	36
Increase in Net Assets	275,869
Net Assets, Beginning of Year	6,275,707
Net Assets, End of Year	\$ 6,551,576

See Accompanying Notes to Financial Statements.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30	2018
Cash Flows from Operating Activities:	
Cash received from fundraising and other	\$ 396,448
Cash paid to suppliers and grantees	(450,324)
Dividends and interest	1,210
Net Cash Used by Operating Activities	(52,666)
Cash Flows from Investing Activities:	
Purchase of investments	(5,838,420)
Sale of investments	5,653,331
Net Cash Used by Investing Activities	(185,089)
Net Decrease in Cash	(237,755)
Cash, Beginning of Year	671,894
Cash, End of Year	\$ 434,139

Reconciliation of Change in Net Assets to Net Cash

Used by Operating Activities:	
Change in net assets	\$ 275,869
Adjustments:	
Net unrealized and realized (gain) loss on investments	(200,002)
Interest and dividends on investments reinvested	(167,112)
(Increase) decrease in operating assets:	
Accounts receivable	(6,893)
Increase (decrease) in operating liabilities:	
Accounts payable	55,519
Deferred revenue	(10,047)
Net Cash Used by Operating Activities	\$ (52,666)

See Accompanying Notes to Financial Statements.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies:

The accounting and reporting policies of Northeastern Junior College (NJC) Foundation, Inc. conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating Northeastern Junior College Foundation, Inc. financial statements.

Organization:

The Northeastern Junior College Foundation, Inc. was organized in 1977 as a Colorado not-for-profit corporation 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 operates on public funding through contributions received. These contributions are available for unrestricted use unless specifically restricted by the donor.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor-imposed restrictions or stipulations.

Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met, either by specific actions of the NJC Foundation or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restriction.

Permanently Restricted Net Assets are subject to donor-imposed restrictions or stipulations which require that the donated assets be maintained in perpetuity by the organization. Donors may permit the use of all or part of the income earned to be used for general or specific purposes.

Cash and Cash Equivalents:

NJC Foundation considers all cash and highly-liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Investments:

Investments in marketable securities with readily determinable fair values 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.

NJC 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).

Concentrations of Credit Risk:

NJC Foundation cash accounts are held at financial institutions at which deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Balances in the bank accounts may, at times, exceed the FDIC insurance coverage.

NJC 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.

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.

Contributions:

Contributions, including unconditional promises to give, if any, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions whose restrictions are met in the same reporting period as donated are reported as unrestricted contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Subsequent Events:

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

Tax Exempt Status:

Northeastern Junior College Foundation, Inc. has been granted an exemption from federal and Colorado income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision is made in these financial statements for income taxes.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses:

Whenever possible, the Foundation charges expenses directly to the benefitting program or support service based upon a reasonable and allocable basis. When this is difficult or impractical, costs are allocated to programs and support services based upon estimates.

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.

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 at contribution date.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Endowments:

The Board of Directors of the NJC Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as generally requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Foundation generally classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the NJC Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the organization.
- (7) The investment policies of the organization.

The endowment funds may be invested in high quality, publicly-traded common and preferred stocks, convertible bonds, bank common funds, mutual funds, fixed income securities and other assets as authorized by the Board of Directors of NJC Foundation from time to time. The nature of the assets involved and the long-term objectives of the Foundation suggest utilizing a total return approach to investment management.

The NJC Foundation endowment seeks preservation of principal and to provide a dependable and reasonable rate of long term investment return consistent with moderate investment risk. The primary investment objective of the endowment is growth of both principal and income on a long-term basis sufficient to preserve and increase the purchasing power of the assets and protect the assets against inflation.

The Foundation has a policy of appropriating for distribution each year up to 4% of the average of the permanent endowment's market values for each of the three immediately preceding years, for designated program support as approved by the NJC Foundation Board, in accordance with the endowment mission and purpose.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Endowments – Continued:

The following are the changes in endowment net assets for the year ended June 30, 2018:

Year Ended June 30, 2018	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 565,576	\$ 1,137,818
Contributions and fundraising	3,000	--
Appropriation of endowment assets for expenditure	(16,210)	--
Management fees	(24,036)	--
Interest income	60,553	36
Endowment net assets, end of year	\$ 588,883	\$ 1,137,854

The *Fair Value Measurements and Disclosures* Topic of the Financial Accounting Standards Board Codification establishes a fair value hierarchy that is based on the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy, measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

Description	Fair Value Measurements at June 30, 2018		
	Quoted Prices In Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Securities:			
Money Market	\$ 22,216	\$ --	\$ --
Mutual Funds – Equity	3,553,955	--	--
Mutual Funds – Fixed Income	2,078,484	--	--
Total	\$ 5,654,655	\$ --	\$ --

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Temporarily Restricted Net Assets:

Temporarily restricted assets are available for the following purposes:

June 30	2018
Investment and Title III funds	\$ 306,059
Managed Scholarships	3,698,948
Ag Farm Building	246,263
Pass-through Grants	61,842
Pass-through Scholarships	78,938
Total	\$ 4,392,050

NOTE 4 – Functional Expenses:

The costs associated with NJC Foundation's programs and supporting services are summarized as follows:

Year Ended June 30	2018
Program Services	\$ 417,215
Fund Raising	27,321
General and Administrative	114,800
Total Expenses	\$ 559,336

NOTE 5 – 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.

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 6 – 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.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Related Party Activities:

The Foundation charges incidental operating expenses through Northeastern Junior College. These expenses are itemized monthly and a reimbursement check is sent to the College. The amounts reimbursed are not included in the contributions to the College and are considered operating expenses by the Foundation.

The College provides a work space and has assigned an employee to be the executive director of the Foundation. A portion of the salary of the executive director is paid by the Foundation of \$19,988 and a portion is recognized as contributed support of \$53,493 for the fiscal year ending June 30, 2018.

The Foundation and the College entered into an informal agreement in 2002, whereby the College pays the Foundation for the use of its art collection. The Foundation retains ownership and is responsible for the upkeep and insuring of the art collection. 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 received \$40,000 from the College during the year in connection with this lease agreement.

NJC Foundation, during the normal course of operations, may invest funds with financial institutions and agencies associated periodically 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.

NOTE 8 – 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.

NORTHEASTERN JUNIOR COLLEGE FOUNDATION, INC.

Schedule of Functional Expenses

Year Ended June 30	2018			Total
	Program Services	Management and General	Fundraising	
Scholarships	\$ 317,293	\$ -	\$ -	\$ 317,293
Grants and pass-through awards	99,922	-	-	99,922
Accounting fees	-	2,433	-	2,433
Advertising	-	5,820	-	5,820
Audit fees	-	9,600	-	9,600
Bank charges	-	394	-	394
Fundraising	-	-	27,321	27,321
Insurance	-	5,838	-	5,838
Licenses	-	312	-	312
Meals	-	1,475	-	1,475
Office supplies	-	595	-	595
Salaries and benefits	-	73,481	-	73,481
Supplies	-	11,221	-	11,221
Travel and mileage	-	2,679	-	2,679
Training	-	952	-	952
	\$ 417,215	\$ 114,800	\$ 27,321	\$ 559,336