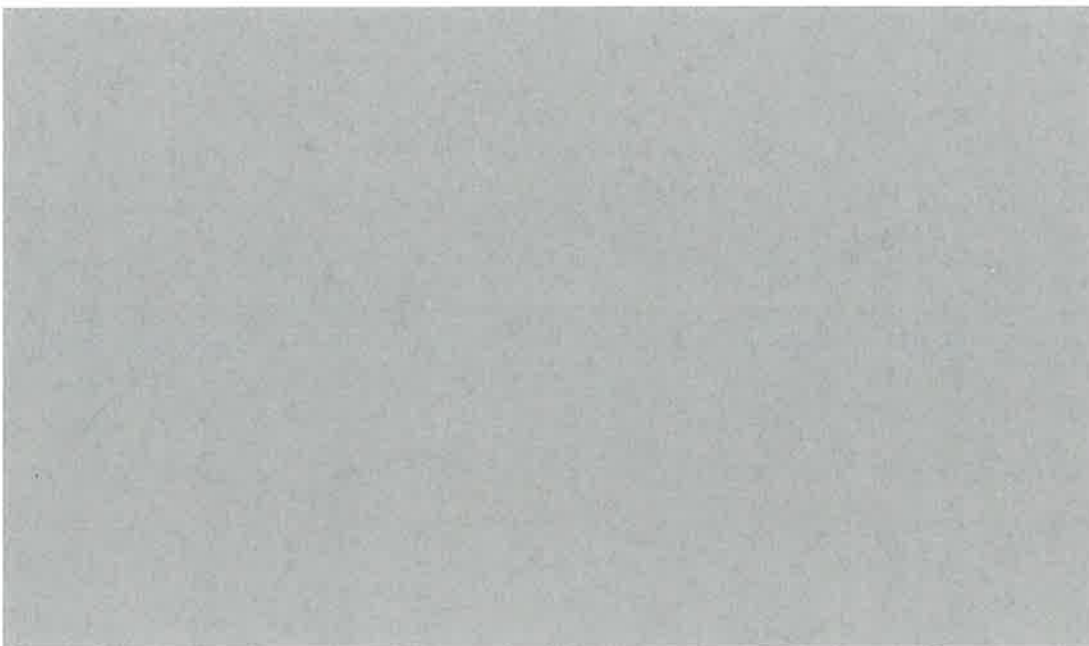


**TRINIDAD STATE JUNIOR COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

December 31, 2018 and 2017



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

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
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2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2018 the Organization adopted new accounting guidance, *FASB ASU NO. 2016-14 Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 11, 2019

Certified Public Accountants

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 114,982	\$ 153,199	\$ 268,181
Interfund receivable/payable	-	-	-
Contributions receivable	-	-	-
Certificates of deposit	14,976	30,602	45,578
Investment securities, at market value	-	6,997,874	6,997,874
Land, buildings and equipment, net	819,092	60,000	879,092
Art and osteological collection	51,937	-	51,937
	<u>51,937</u>	<u>-</u>	<u>51,937</u>
Total Assets	<u>\$ 1,000,987</u>	<u>\$ 7,241,675</u>	<u>\$ 8,242,662</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 1,675	\$ 27,263	\$ 28,938
Security deposits	1,075	-	1,075
Notes payable, net	292,462	-	292,462
	<u>292,462</u>	<u>-</u>	<u>292,462</u>
Total liabilities	295,212	27,263	322,475
	<u>295,212</u>	<u>27,263</u>	<u>322,475</u>
Net Assets			
Without donor restrictions			
Undesignated	636,245	2,133,599	2,769,844
Designated	69,530	131,500	201,030
	<u>69,530</u>	<u>131,500</u>	<u>201,030</u>
Total without donor restrictions	705,775	2,265,099	2,970,874
	<u>705,775</u>	<u>2,265,099</u>	<u>2,970,874</u>
With donor restrictions			
Perpetual in nature	-	3,006,741	3,006,741
Purpose restrictions	-	1,414,715	1,414,715
Time-restricted for future periods	-	587,517	587,517
Underwater endowments	-	(59,660)	(59,660)
	<u>-</u>	<u>(59,660)</u>	<u>(59,660)</u>
Total with donor restrictions	-	4,949,313	4,949,313
	<u>-</u>	<u>4,949,313</u>	<u>4,949,313</u>
Total net assets	705,775	7,214,412	7,920,187
	<u>705,775</u>	<u>7,214,412</u>	<u>7,920,187</u>
Total Liabilities and Net Assets	<u>\$ 1,000,987</u>	<u>\$ 7,241,675</u>	<u>\$ 8,242,662</u>

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

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

	Operating Fund	Investment Fund	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 124,955	\$ 94,966	\$ 219,921
Interfund receivable/payable	46,884	(46,884)	-
Contributions receivable	-	20,330	20,330
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
Total Assets	\$ 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			
Without donor restrictions			
Undesignated	659,840	2,347,777	3,007,617
Designated	69,530	131,500	201,030
Total without donor restrictions	729,370	2,479,277	3,208,647
With donor restrictions			
Perpetual in nature	-	2,472,498	2,472,498
Purpose restrictions	-	2,128,469	2,128,469
Time-restricted for future periods	-	606,641	606,641
Underwater endowments	-	-	-
Total with donor restrictions	-	5,207,608	5,207,608
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.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Operating Fund</u>		<u>Investment Fund</u>		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
Revenues and Support					
Contributions	\$ 124	\$ 39,601	\$ 238,401	\$ 278,126	
Fundraising income	30,060	-	-	30,060	
Interest and dividends	244	58,201	124,514	182,959	
Realized/unrealized gain(loss) on investments	-	(128,831)	(284,197)	(413,028)	
Program fees	3,190	-	-	3,190	
Rental income	76,632	-	-	76,632	
Miscellaneous income	9,784	-	-	9,784	
Transfers between operating fund and investment fund	164,379	(183,149)	18,770	-	
Net assets released from restrictions -					
Scholarships	-	307,846	(307,846)	-	
Other college assistance	-	47,223	(47,223)	-	
Other programs	-	714	(714)	-	
Total Revenue and Support	284,413	141,605	(258,295)	167,723	
Expenses					
Program services					
Scholarships	-	307,846	-	307,846	
Other college assistance	-	47,223	-	47,223	
Program expenses	66,610	714	-	67,324	
Facility and equipment depreciation	54,195	-	-	54,195	
Interest on debt for facilities	13,892	-	-	13,892	
Supporting services					
General and administrative	146,351	-	-	146,351	
Fundraising	26,960	-	-	26,960	
Total Expenses	308,008	355,783	-	663,791	
Change in Net Assets	(23,595)	(214,178)	(258,295)	(496,068)	
Net assets as of beginning of year	729,370	2,479,277	5,207,608	8,416,255	
Net Assets as of End of Year	\$ 705,775	\$ 2,265,099	\$ 4,949,313	\$ 7,920,187	

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

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

	<u>Operating Fund</u>	<u>Investment Fund</u>		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Revenues and Support				
Contributions	\$ 50	\$ 77,717	\$ 311,381	\$ 389,148
Fundraising income	22,940	-	-	22,940
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
Miscellaneous income	1,030	-	-	1,030
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	150,219	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)	150,219	2,974
Net assets as of beginning of year	719,691	2,636,201	5,057,389	8,413,281
Net Assets as of End of Year	\$ 729,370	\$ 2,479,277	\$ 5,207,608	\$ 8,416,255

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

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Total</u>
Cash flow from operating activities			
Change in net assets	\$ (23,595)	\$ (472,473)	\$ (496,068)
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Realized/unrealized (gain) loss on investments	-	413,028	413,028
Depreciation	54,195	-	54,195
Changes in operating assets			
(Increase) decrease in accounts receivable	46,884	-	46,884
(Increase) decrease in dividends receivable	-	-	-
(Increase) decrease in contributions receivable	-	20,330	20,330
(Increase) decrease in prepaid expenses	-	-	-
Increase (decrease) in accounts payable	(2,631)	(19,621)	(22,252)
Net cash provided (used) by operating activities	<u>74,853</u>	<u>(58,736)</u>	<u>16,117</u>
Cash flow from investing activities			
Purchase of securities	(117)	(4,187,643)	(4,187,760)
Proceeds from sale of investments	-	4,436,723	4,436,723
Purchases of improvements and equipment	(62,251)	-	(62,251)
Net cash provided (used) by investing activities	<u>(62,368)</u>	<u>249,080</u>	<u>186,712</u>
Cash flow from financing activities			
Contributions to permanently restricted endowments	-	(132,111)	(132,111)
Payments on notes payable	(22,458)	-	(22,458)
Net cash provided (used) by financing activities	<u>(22,458)</u>	<u>(132,111)</u>	<u>(154,569)</u>
Net change in cash	(9,973)	58,233	48,260
Cash - Beginning of year	<u>124,955</u>	<u>94,966</u>	<u>219,921</u>
Cash - End of year	<u>\$ 114,982</u>	<u>\$ 153,199</u>	<u>\$ 268,181</u>
Supplementary information			
Interest paid	\$ 13,892	\$ -	\$ 13,892

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

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

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Total</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			
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 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)	(67,013)
Proceeds from sale of investments	-	-	-
Purchases of improvements and equipment	-	-	-
Net cash provided (used) by investing activities	<u>(106)</u>	<u>(66,907)</u>	<u>(67,013)</u>
Cash flow from financing activities			
Contributions to permanently restricted endowments	-	(199,391)	(199,391)
Payments on notes payable	(21,456)	-	(21,456)
Net cash provided (used) by financing activities	<u>(21,456)</u>	<u>(199,391)</u>	<u>(220,847)</u>
Net change in cash	48,608	(181,977)	(133,369)
Cash - Beginning of year	<u>76,347</u>	<u>276,943</u>	<u>353,290</u>
Cash - End of year	<u>\$ 124,955</u>	<u>\$ 94,966</u>	<u>\$ 219,921</u>
Supplementary information			
Interest paid	\$ 14,888	\$ -	\$ 14,888

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, 2018

	<u>Program</u> <u>Expenses</u>	<u>General &</u> <u>Admin</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Scholarships	\$ 307,846	\$ -	\$ -	\$ 307,846
Other college assistance	47,223	-	-	47,223
Facility and equipment depreciation	54,195	-	-	54,195
Interest	13,892	-	-	13,892
Salary	-	83,786	-	83,786
Advertising	-	2,813	-	2,813
Professional fees & contract labor	-	21,740	14,102	35,842
License & permits	-	-	-	-
Alumni expense	-	60	-	60
Insurance	11,149	-	-	11,149
Travel & entertainment	-	2,453	-	2,453
Printing, reproduction and postage	-	20,192	-	20,192
Office supplies	-	3,012	-	3,012
Gun range	10,321	-	-	10,321
John building	31,206	-	-	31,206
SoCo Best Robotics	1,182	-	-	1,182
Emergency student funds	300	-	-	300
Xeriscape	355	-	-	355
College for Kids	746	-	-	746
Other	<u>12,065</u>	<u>12,295</u>	<u>12,858</u>	<u>37,218</u>
TOTAL EXPENSES	<u>\$ 490,480</u>	<u>\$ 146,351</u>	<u>\$ 26,960</u>	<u>\$ 663,791</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, 2017

	<u>Program Expenses</u>	<u>General & 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 and 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	<u>12,633</u>	<u>2,075</u>	<u>8,843</u>	<u>23,551</u>
TOTAL EXPENSES	<u>\$ 544,259</u>	<u>\$ 142,476</u>	<u>\$ 14,968</u>	<u>\$ 701,703</u>

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

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 available for the support of the Foundation's operations.

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 two classes of net assets: with donor restrictions and without donor restrictions.

Revenue Recognition – The Foundation accounts for its contributions in accordance with GAAP whereby contributions received are recorded as net assets with donor restrictions and net assets without donor restrictions support, depending on existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restriction.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 – We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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, 2018 and 2017, depreciation expense of \$54,195 and \$53,305, 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, 2015, 2016, 2017, and 2018, remain subject to examination by the Internal Revenue Service.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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.

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.

Employee Benefits – The Foundation maintains a simplified employee defined contribution plan for its employees. The Foundation contributes 2.5% of the employee's gross pay to the plan. Contributions to the plan totaled \$1,800 and \$1,758 during 2018 and 2017, respectively.

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.

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Foundation has adjusted the presentation of these statements accordingly.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects the Foundation's financial assets at December 31, 2018 and December 31, 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2018</u>	<u>2017</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 268,181	\$ 219,921
Certificates of deposit	45,578	45,354
Investments	<u>6,997,874</u>	<u>7,527,978</u>
	7,311,633	7,793,253
Less amounts not available to be used within one year:		
Net assets with donor restrictions	4,949,313	5,207,608
Designated by the board	<u>201,030</u>	<u>201,030</u>
	<u>5,150,343</u>	<u>5,408,638</u>
Total financial assets and liquidity resources available within one year	<u>\$ 2,161,290</u>	<u>\$ 2,384,615</u>

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – LIQUIDITY AND AVAILABILITY(cont'd)

The Foundation is substantially supported by charitable contributions and in addition has rental income from several facilities to help with the operational costs of those facilities. The Foundation also has \$2,265,099 in unrestricted investments that can be used to assist in covering annual operational expenses. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. As donors request expenditures to be made, restricted assets are liquidated to cover those expenditures once approved by the board.

NOTE 3 – 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. At December 31, 2018, amounts totaling \$76,275 were uninsured by FDIC.

NOTE 4 - INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 6,925,379	\$ 6,456,358
Money market funds	72,291	1,071,465
Corporate stocks	204	155
Total	<u>\$ 6,997,874</u>	<u>\$ 7,527,978</u>

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

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 58,445	\$ 124,514	\$ 182,959
Net realized/unrealized gains (losses)	<u>(128,831)</u>	<u>(284,197)</u>	<u>(413,028)</u>
Net investment return	<u>\$ (70,386)</u>	<u>\$ (159,683)</u>	<u>\$ (230,069)</u>
	<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 49,872	\$ 97,201	\$ 147,073
Net realized/unrealized gains (losses)	<u>15,053</u>	<u>29,132</u>	<u>44,185</u>
Net investment return	<u>\$ 64,925</u>	<u>\$ 126,333</u>	<u>\$ 191,258</u>

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 32,414	\$ 32,414
Martinez – Southway Land	60,000	60,000
Equipment	2,248	-
John Building	188,200	180,000
SLV - Health Sciences Building	737,229	720,363
Pine Street Property	128,314	128,314
Gun Range Improvement	<u>297,227</u>	<u>262,289</u>
 Total property and equipment	 1,445,632	 1,383,380
Less accumulated depreciation	<u>(566,540)</u>	<u>(512,344)</u>
Net property and equipment	<u>\$ 879,092</u>	<u>\$ 871,036</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 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.

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. Rent income from this lease totaled \$35,200 and \$27,838 for 2017 and 2018, respectively.

Rental income from the SLV Health Sciences Building lease totaled \$45,672 and \$45,672 for 2017 and 2018, respectively.

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
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DECEMBER 31, 2018 AND 2017**

NOTE 7 – NOTES PAYABLE

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

	<u>2018</u>	<u>2017</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 \$356,367	\$296,251	\$ 319,079
Issue costs	<u>(3,789)</u>	<u>(4,158)</u>
Total notes payable	292,462	314,921
Less current maturities	<u>(23,310)</u>	<u>(22,253)</u>
Total long-term debt	<u>\$ 269,152</u>	<u>\$ 292,667</u>

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

2019	\$ 23,310
2020	24,418
2021	25,578
2022	26,793
2023	28,066
Thereafter	<u>168,087</u>
	<u>\$ 296,252</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

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

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
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NOTE 9 – RESTRICTIONS ON NET ASSETS

Time and purpose restricted assets are available from the following sources at December 31:

	<u>2018</u>	<u>2017</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	131,921	145,334
Earnings on public donations – Use restricted to scholarships and other purposes	<u>28,865</u>	<u>33,278</u>
Total STEM Endowment	<u>260,786</u>	<u>278,612</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	105,596	111,307
Earnings on public donations – Use restricted to scholarships and other purposes	<u>374</u>	<u>19,964</u>
Total STEM Endowment	<u>355,970</u>	<u>381,271</u>
Investment Fund –		
Restricted to scholarships and other purposes	<u>1,325,816</u>	<u>2,075,227</u>
Total Investment Fund	<u>1,325,816</u>	<u>2,075,227</u>
 Total time and purpose restricted net assets	 <u>\$1,942,572</u>	 <u>\$2,735,110</u>

Net assets that are perpetual in nature are available from the following sources at December 31:

	<u>2018</u>	<u>2017</u>
Investment Fund –		
Title III Grant –		
Public contributions for endowment	\$ 783,716	\$ 557,019
STEM II Grant –		
Public contributions for endowment	\$ 338,610	\$ 288,285
 Perpetually restricted contributions	 <u>1,884,415</u>	 <u>1,627,194</u>
Total restricted net assets	<u>\$3,006,741</u>	<u>\$2,472,498</u>

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
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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.

NOTE 13 – DESIGNATED NET ASSETS

The Foundation has board designated net assets for the following purposes:

	<u>2018</u>	<u>2017</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>

**TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2016	\$ -	\$ 3,728,672	\$ 3,728,672
Interest and dividend income	-	72,611	72,611
Net appreciation (depreciation) realized and unrealized	-	21,765	21,765
Contributions	-	200,686	200,686
Appropriation of endowment assets for expenditure	-	(86,580)	(86,580)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2017	-	3,937,154	3,937,154
Interest and dividend income	-	97,916	97,916
Net appreciation (depreciation) realized and unrealized	-	(259,510)	(259,510)
Contributions	-	132,111	132,111
Appropriation of endowment assets for expenditure	-	(116,122)	(116,122)
Reclassification	<u>-</u>	<u>349,984</u>	<u>349,984</u>
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ 4,141,535</u>	<u>\$ 4,141,535</u>

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.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
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NOTE 14 – ENDOWMENTS (cont'd)

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 – UNDERWATER ENDOWMENTS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 30 donor-restricted endowment funds, which together have an original gift value of \$1,631,743, a current fair value of \$1,572,083, and a deficiency of \$59,660 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure \$113,465 from underwater endowment funds during the year.

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:

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
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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;
- 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, 2018, and 2017:

December 31, 2018	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				
500 index fund	\$ 3,974,152	\$ 3,974,152	\$ -	\$ -
Large blend	1,091,993	1,091,993	-	-
Balanced	142,114	142,114	-	-
High dividend yield	247,149	247,149	-	-
Marketable debt securities				
Domestic emphasis				
Balanced fixed income	94,742	94,742	-	-
Short-term fixed income	64,076	64,076	-	-
Intermediate-term fixed income	794,828	794,828	-	-
High risk	516,529	516,529	-	-
Money market funds	72,291	72,291	-	-
TOTAL	<u>\$ 6,997,874</u>	<u>\$ 6,997,874</u>	<u>\$ -</u>	<u>\$ -</u>

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
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December 31, 2017	Fair Value	(Level 1)	(Level 2)	(Level 3)
Marketable equity securities				
500 index fund	\$ 11,729	\$ 11,729	\$ -	\$ -
Balanced	449,215	449,215	-	-
High dividend yield	271,240	271,240	-	-
Marketable debt securities				
Domestic emphasis				
Balanced fixed income	301,690	301,690	-	-
Short-term fixed income	3,845,279	3,845,279	-	-
Intermediate-term fixed income	1,070,489	1,070,489	-	-
High risk	506,871	506,871	-	-
Money market funds	1,071,465	1,071,465	-	-
TOTAL	<u>\$ 7,527,978</u>	<u>\$ 7,527,978</u>	<u>\$ -</u>	<u>\$ -</u>

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 June 11, 2019, the date that the financial statements are available to be issued.



Wall,
Smith,
Bateman Inc.

June 11, 2019

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

We have audited the financial statements of Trinidad State Junior College Educational Foundation, Inc. for the years ended December 31, 2018 and 2017, and have issued our report thereon dated June 11, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 2, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Trinidad State Junior College Educational Foundation, Inc. are described in Note 1 to the financial statements. As described in Note 1, Trinidad State Junior College Educational Foundation, Inc. changed accounting policies by adopting the Financial Standard Board (FASB) Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during Fiscal Year 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on the straight-line method as referred to in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 11, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Trinidad State Junior College Educational Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado