

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

December 31, 2019 and 2018



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

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



Wall,
Smith,
Bateman Inc.

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

We have audited the accompanying financial statements of Trinidad State Junior College Educational Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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 17, 2020

Certified Public Accountants

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TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	Operating Fund	Investment Fund	Total
ASSETS			
Cash and cash equivalents	\$ 74,562	\$ 146,671	\$ 221,233
Contributions receivable	-	3,125	3,125
Certificates of deposit	15,115	30,945	46,060
Investment securities, at market value	-	8,760,947	8,760,947
Land, buildings and equipment, net	766,601	60,000	826,601
Art and osteological collection	51,937	-	51,937
Total Assets	\$ 908,215	\$ 9,001,688	\$ 9,909,903
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 3,745	\$ -	\$ 3,745
Security deposits	1,075	-	1,075
Notes payable, net	268,955	-	268,955
Total liabilities	273,775	-	273,775
Net Assets			
Without donor restrictions			
Undesignated	564,910	2,527,190	3,092,100
Designated	69,530	131,500	201,030
Total without donor restrictions	634,440	2,658,690	3,293,130
With donor restrictions			
Perpetual in nature	-	3,398,820	3,398,820
Purpose restrictions	-	2,249,988	2,249,988
Time-restricted for future periods	-	694,190	694,190
Total with donor restrictions	-	6,342,998	6,342,998
Total net assets	634,440	9,001,688	9,636,128
Total Liabilities and Net Assets	\$ 908,215	\$ 9,001,688	\$ 9,909,903

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

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

	Operating Fund	Investment Fund	Total
ASSETS			
Cash and cash equivalents	\$ 114,982	\$ 153,199	\$ 268,181
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
Total Assets	\$ 1,000,987	\$ 7,241,675	\$ 8,242,662
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
Total liabilities	295,212	27,263	322,475
Net Assets			
Without donor restrictions			
Undesignated	636,245	2,133,599	2,769,844
Designated	69,530	131,500	201,030
Total without donor restrictions	705,775	2,265,099	2,970,874
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)
Total with donor restrictions	-	4,949,313	4,949,313
Total net assets	705,775	7,214,412	7,920,187
Total Liabilities and Net Assets	\$ 1,000,987	\$ 7,241,675	\$ 8,242,662

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

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019

	Operating Fund	Investment Fund		Total
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Revenues and Support				
Contributions	\$ 51	\$ 31,023	715,392	\$ 746,466
Fundraising income	31,317	-	-	31,317
Net investment return	275	543,082	1,218,099	1,761,456
Program fees	2,420	-	-	2,420
Rental income	71,993	-	-	71,993
Miscellaneous income	2,098	-	-	2,098
In-kind contribution	10,625	-	-	10,625
Transfers between operating fund and investment fund	180,000	(180,000)	-	-
Net assets released from restrictions -				
Scholarships	-	386,943	(386,943)	-
Other college assistance	-	148,975	(148,975)	-
Other programs	-	3,888	(3,888)	-
Total Revenue and Support	298,779	933,911	1,393,685	2,626,375
Expenses				
Program services				
Scholarships	-	386,943	-	386,943
Other college assistance	-	148,975	-	148,975
Program expenses	68,868	4,402	-	73,270
Facility and equipment depreciation	55,343	-	-	55,343
Interest on debt for facilities	12,843	-	-	12,843
In-kind expense	10,625	-	-	10,625
Supporting services				
General and administrative	190,296	-	-	190,296
Fundraising	32,139	-	-	32,139
Total Expenses	370,114	540,320	-	910,434
Change in Net Assets	(71,335)	393,591	1,393,685	1,715,941
Net assets as of beginning of year	705,775	2,265,099	4,949,313	7,920,187
Net Assets as of End of Year	\$ 634,440	\$ 2,658,690	\$ 6,342,998	\$ 9,636,128

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

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

	Operating Fund	Investment Fund		Total
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Revenues and Support				
Contributions	\$ 124	\$ 39,601	\$ 238,401	\$ 278,126
Fundraising income	30,060	-	-	30,060
Net investment return	244	(70,630)	(159,683)	(230,069)
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.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019

	Operating Fund	Investment Fund	Total
Cash flow from operating activities			
Change in net assets	\$ (71,335)	\$ 1,787,276	\$ 1,715,941
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Realized/unrealized (gain) loss on investments	-	(1,567,267)	(1,567,267)
Depreciation	55,343	-	55,343
Changes in operating assets			
(Increase) decrease in contributions receivable	-	(3,125)	(3,125)
Increase (decrease) in accounts payable	2,070	(27,263)	(25,193)
Net cash provided (used) by operating activities	<u>(13,922)</u>	<u>189,621</u>	<u>175,699</u>
Cash flow from investing activities			
Purchase of securities	(139)	(737,647)	(737,786)
Purchase of equipment	(2,852)	-	(2,852)
Proceeds from sale of investments	-	938,600	938,600
Net cash provided (used) by investing activities	<u>(2,991)</u>	<u>200,953</u>	<u>197,962</u>
Cash flow from financing activities			
Contributions to permanently restricted endowments	-	(397,102)	(397,102)
Payments on notes payable	(23,507)	-	(23,507)
Net cash provided (used) by financing activities	<u>(23,507)</u>	<u>(397,102)</u>	<u>(420,609)</u>
Net change in cash	(40,420)	(6,528)	(46,948)
Cash - Beginning of year	114,982	153,199	268,181
Cash - End of year	<u>\$ 74,562</u>	<u>\$ 146,671</u>	<u>\$ 221,233</u>
Supplementary information			
Interest paid	\$ 12,843	\$ -	\$ 12,843

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

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

	Operating Fund	Investment Fund	Total
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 contributions receivable	-	20,330	20,330
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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Expenses</u>	<u>General & Admin</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Scholarships	\$ 386,943	\$ -	\$ -	\$ 386,943
Other college assistance	148,975	-	-	148,975
Facility and equipment depreciation	55,343	-	-	55,343
Interest	12,843	-	-	12,843
Salary	-	99,851	-	99,851
Advertising	-	4,722	-	4,722
Professional fees & contract labor	-	31,031	20,437	51,468
Dues and subscriptions	-	3,323	-	3,323
Alumni expense	-	85	-	85
Insurance	12,054	871	-	12,925
Travel & entertainment	-	6,340	-	6,340
Printing, reproduction and postage	-	28,331	-	28,331
Office supplies	-	2,958	-	2,958
Gun range	20,209	-	-	20,209
John building	12,547	-	-	12,547
President's discretionary fund	9,698	-	-	9,698
SoCo Best Robotics	1,074	-	-	1,074
Emergency student funds	508	-	-	508
Xeriscape	968	-	-	968
In-Kind	10,625	-	-	10,625
Other	<u>16,212</u>	<u>12,784</u>	<u>11,702</u>	<u>40,698</u>
TOTAL EXPENSES	<u>\$ 687,999</u>	<u>\$ 190,296</u>	<u>\$ 32,139</u>	<u>\$ 910,434</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, 2018

	<u>Program Expenses</u>	<u>General & 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
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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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

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.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 – Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

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 without donor restricted 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 with donor restrictions 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 with donor restricted net assets to without donor restricted 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, 2019 and 2018, depreciation expense of \$55,343 and \$54,195, respectively, was charged to operations.

Income Taxes – The Foundation is organized as Colorado nonprofit corporations and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(a) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Taxes (Form 990) with the IRS. The Foundation believes that they have appropriate support for any tax position taken, and as such, do not have any uncertain tax positions that are material to the financial statements

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.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Employee Benefits – The Foundation maintains a simplified employee defined contribution plan for its employees. The Foundation contributes 3.0% of the employee’s gross pay to the plan. Contributions to the plan totaled \$2,059 and \$1,800 during 2019 and 2018, 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.

Accounting Standards Update 2018-08

During fiscal year 2019, the Foundation adopted the provisions of FASB Accounting Standards Updated 2018-08, Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves the scope and accounting guidance for contributions received and contributions made and will assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal) transactions and (2) determining whether a contribution is conditional.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects the Foundation's financial assets at December 31, 2019 and December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 221,233	\$ 268,181
Certificates of Deposit	46,060	45,578
Contributions receivable	3,125	-
Investments	<u>8,760,947</u>	<u>6,997,874</u>
	9,031,365	7,311,633
Less amounts not available to be used within one year:		
Net assets with donor restrictions	6,342,998	4,949,313
Designated by the board	<u>131,500</u>	<u>201,030</u>
	<u>6,474,498</u>	<u>5,150,343</u>
Total financial assets and liquidity resources available within one year	<u>\$ 2,556,867</u>	<u>\$ 2,161,290</u>

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 \$2,658,690 and \$2,265,099 in unrestricted investments that can be used to assist in covering annual operational expenses as of December 31, 2019 and 2018, respectively. 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.

TRINIDAD STATE JUNIOR COLLEGE EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 - INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 7,093,981	\$ 6,925,379
Money market funds	1,666,790	72,291
Corporate stocks	176	204
Total	<u>\$ 8,760,947</u>	<u>\$ 6,997,874</u>

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

	<u>2019</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Interest and dividends	\$ 59,565	\$ 134,625	\$ 194,190
Net realized/unrealized gains (losses)	<u>483,792</u>	<u>1,083,474</u>	<u>1,567,266</u>
Net investment return	<u>\$ 543,357</u>	<u>\$ 1,218,099</u>	<u>\$ 1,761,456</u>
	<u>2018</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</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>

The investments are held in two investment accounts at no cost to the Foundation.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 32,414	\$ 32,414
Martinez – Southway Land	60,000	60,000
Equipment	5,100	2,248
John Building	188,200	188,200
SLV - Health Sciences Building	737,229	737,229
Pine Street Property	128,314	128,314
Gun Range Improvement	<u>297,227</u>	<u>297,227</u>
Total property and equipment	1,448,484	1,445,632
Less accumulated depreciation	<u>(621,883)</u>	<u>(566,540)</u>
Net property and equipment	<u>\$ 826,601</u>	<u>\$ 879,092</u>

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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.

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 \$18,384 and \$27,838 for 2019 and 2018, respectively.

Following is a summary of the Foundation’s future rental income through June 30, 2019 for the SLV Health Sciences Building. Rent income from this lease totaled \$45,672 and \$45,672 for 2019 and 2018, respectively.

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>2019</u>	<u>2018</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 \$329,766	\$ 272,374	\$ 296,251
Issue costs	<u>(3,419)</u>	<u>(3,789)</u>
Total notes payable	<u>\$ 268,955</u>	<u>\$ 292,462</u>

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

	2020	\$ 24,048
	2021	25,208
	2022	26,423
	2023	27,696
	2024	29,030
	Thereafter	<u>136,550</u>
		<u>\$ 268,955</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

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

NOTE 8 – RESTRICTIONS ON NET ASSETS

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

	<u>2019</u>	<u>2018</u>
STEM Endowment –		
U.S. Department of Education match,		
Unrestricted use after September 30, 2030	\$ 100,000	\$ 100,000
50% of earnings as defined in the grant,		
Unrestricted use after September 30, 2030	143,944	131,921
Earnings on public donations –		
Use restricted to scholarships and other purposes	<u>51,388</u>	<u>28,865</u>
Total STEM Endowment	<u>295,332</u>	<u>260,786</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	200,246	105,596
Earnings on public donations –		
Use restricted to scholarships and other purposes	<u>80,183</u>	<u>374</u>
Total STEM Endowment	<u>530,429</u>	<u>355,970</u>
Investment Fund –		
Restricted to scholarships and other purposes	<u>2,118,417</u>	<u>1,325,816</u>
Total Investment Fund	<u>2,118,417</u>	<u>1,325,816</u>
Total with donor restrictions%/ time and purpose restricted net assets	<u>\$ 2,944,178</u>	<u>\$ 1,942,572</u>

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	<u>2019</u>	<u>2018</u>
Investment Fund –		
Title III Grant –		
Public contributions for endowment	\$ 809,514	\$ 783,716
STEM II Grant –		
Public contributions for endowment	626,187	338,610
Perpetually restricted contributions	<u>1,963,119</u>	<u>1,884,415</u>
Total with donor restrictions – perpetual in nature	<u>\$ 3,398,820</u>	<u>\$ 3,006,741</u>

NOTE 9 – 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 10 – 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 11 – 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 12 – DESIGNATED NET ASSETS

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

	<u>2019</u>	<u>2018</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>

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NOTE 13 – ENDOWMENTS

The Foundation's endowment consists of approximately 87 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, 2019 and 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</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	-	349,984	349,984
	<hr/>	<hr/>	<hr/>
Balance, December 31, 2018	-	4,141,535	4,141,535
Interest and dividend income	-	114,785	114,785
Net appreciation (depreciation) realized and unrealized	-	922,030	922,030
Contributions	-	397,102	397,102
Appropriation of endowment assets for expenditure	-	(160,615)	(160,615)
Reclassification	-	-	-
	<hr/>	<hr/>	<hr/>
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 5,414,837</u>	<u>\$ 5,414,837</u>

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 require 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.

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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 14 – 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 had an original gift value of \$1,631,743, a fair value of \$1,572,083 at December 31, 2018 resulting in a deficiency of \$59,660. 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. There were no such underwater funds at December 31, 2019.

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 ending December 31, 2018.

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;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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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, 2019, and 2018:

December 31, 2019	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 funds	\$ 4,020,336	\$ 4,020,336	\$ -	\$ -
Large blend	1,113,680	1,113,680	-	-
Balanced	144,279	144,279	-	-
High dividend yields	262,389	262,389	-	-
Marketable debt securities				
Domestic emphasis				
Balanced fixed income	96,186	96,186	-	-
Short-term fixed income	65,400	65,400	-	-
Intermediate-term fixed income	598,685	598,685	-	-
High risk	793,202	793,202	-	-
Money market funds	1,666,790	1,666,790	-	-
TOTAL	<u>\$ 8,760,947</u>	<u>\$ 8,760,947</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018	Fair Value	(Level 1)	(Level 2)	(Level 3)
Marketable equity securities				
Domestic emphasis				
500 index funds	\$ 3,974,152	\$ 3,974,152	\$ -	\$ -
Large blend	1,091,993	1,091,993	-	-
Balanced	142,114	142,114	-	-
High dividend yields	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>

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NOTE 16 – COMMITMENTS, CONTIGENCIES & RISKS AND UNCERTAINTIES

Concentration of Credit Risk - The Foundation's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 per institution. Investment balances are covered by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. In addition, Stifel Nicolaus has obtained increased coverage in amounts totaling \$150 million per account, which includes \$1 million coverage for cash. Cash in excess of the FDIC limit equaled \$28,350 and \$76,275 at December 31, 2019 and 2018, respectively. The Foundation's investment balances did not exceed SIPC insurance limits as of December 31, 2019 and 2018.

NOTE 17 - SUBSEQUENT EVENTS

Evaluation of Subsequent Events - We have evaluated subsequent events through June 17, 2020, the date of the independent auditors' report, the date that the financial statements are available to be issued, and have considered any relevant matters in the preparation of the financial statements and footnotes.

Coronavirus Disease (COVID-19) Outbreak – Subsequent to year-end, COVID-19 has made its way to the United States of America. This disease has sickened many and is causing deaths. Various actions by the federal, state and local governments have been implemented to try to slow down or stop the spread of the virus. The disease, along with the actions of the governments, have caused major effects on the stock market. The total value of the stock market has decreased between 30 to 35%.

On December 31, 2019, 88% of the Foundation's assets were investments in marketable securities. The earnings from those marketable securities, interest, dividends, realized and unrealized gains are used by the Foundation to provide assistance to Trinidad State Junior College. At this time, the loss is unrealized and the Foundation has no intentions of liquidating any of its holdings. In accordance with GAAP, marketable securities are marked-to-market at year-end. Following GAAP, would mean that the Foundation will recognize any decrease caused by the effects at December 31, 2020.