

San Juan College Foundation, Inc.
A Component Unit of San Juan College

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018 and 2017



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INGRAM

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Introductory Section

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San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
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June 30, 2018

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San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Official Roster
June 30, 2018

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Danny Beyhan	President
Kenneth C. Leach	Vice-President
Kerwin Gober	Treasurer
Kathy Jo Myers	Secretary
Dr. Toni Pendergrass	Member, SJC President
Gayle Dean	Member, Executive Director
Shane Chance	Member, SJC Board Rep.
Tucker Bayless	Member
Scott Bird	Member
Marjorie Black	Member
Jeff Bourgeois	Member
Dr. Robert J. Burns	Member
Gwen Clouthier	Member
Curtis R. Gurley	Member
Dr. James C. Henderson	Member
Jeff Howle	Member
Brandon Jakino	Member
Chad King	Member
Rhonda Ledford	Member
Ginger Palmer	Member
Joshua D. Payne	Member
Janel Ryan	Member
Len Scalzi	Member
Mark Stockham	Member
Beverly Taylor	Member
Arvin Trujillo	Member
Valerie Uselman	Member

Administrative Officials

Gayle Dean	Executive Director
Lowell Parrish	Fund Accountant and Database Administrator

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Report

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
To the Board of Directors
San Juan College Foundation, Inc.
Farmington, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of San Juan College Foundation, Inc. (the "Foundation") (a nonprofit organization and component unit of San Juan College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 the Foundation as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foundation as of and for the year ended June 30, 2017 were audited by other auditors whose report dated October 23, 2017, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, the accompanying supplementary information and supporting schedule as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information and supporting schedule as listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplementary information and supporting schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC.
Albuquerque, New Mexico
October 29, 2018

Financial Statements

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Statements of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 289,775	\$ 78,691
Promises to give	-	205,000
Investments, fair value	24,191,550	22,949,012
Total current assets	24,481,325	23,232,703
Capital assets		
Land and buildings, net of accumulated depreciation	2,371,237	2,512,707
Total capital assets	2,371,237	2,512,707
Noncurrent Assets		
Restricted cash and cash equivalents	211,390	248,776
Beneficial interest in remainder trusts	-	76,078
Land held for investment	14,420	14,420
Total non-current assets	225,810	339,274
Total assets	\$ 27,078,372	\$ 26,084,684
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 1,979	\$ 4,511
Due to San Juan College	160,930	177,509
Total current liabilities	162,909	182,020
Non-current liabilities		
Possible dreams deposits	211,234	222,513
Total non-current liabilities	211,234	222,513
Total liabilities	374,143	404,533
Net position:		
Net investment in capital assets	2,371,237	2,512,707
Restricted, expendable	1,343,151	1,201,063
Restricted, unexpendable	15,662,453	14,972,409
Unrestricted	7,327,388	6,993,972
Total net position	26,704,229	25,680,151
Total liabilities and net position	\$ 27,078,372	\$ 26,084,684

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

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues		
Contributions, net	\$ 1,072,995	\$ 1,021,217
Noncash contributions:		
Collectibles and assets	158,430	71,993
Other	16,378	15,616
Total operating revenues	1,247,803	1,108,826
Operating expenses		
Scholarships	622,469	589,311
College awards, programs, and relations	886,811	642,473
General and administrative	221,166	211,375
Fund raising expenses	156,079	148,636
Depreciation	141,470	141,470
Total operating expenses	2,027,995	1,733,265
Operating income	(780,192)	(624,439)
Non-operating revenues (expenses)		
Investment income	521,548	466,101
Realized gain on investments	473,514	392,381
Net unrealized gain (loss) on investments	1,083,065	2,399,480
Change in value of split-interest agreements	(7,944)	1,827
Contributions to San Juan College (see note 12)	(113,984)	(200,743)
Investment management fees	(151,929)	(133,886)
Total non-operating revenues (expenses)	1,804,270	2,925,160
Change in net position	1,024,078	2,300,721
Total net position - beginning of year	25,680,151	23,379,430
Total net position - end of year	\$ 26,704,229	\$ 25,680,151

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

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San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from donors	\$ 1,517,602	\$ 1,297,811
Cash paid to College for employee salaries	(314,864)	(306,047)
Cash paid for scholarships, awards, and programs	(1,590,772)	(1,351,700)
Net cash (used) provided by operating activities	(388,034)	(359,936)
Cash flows from investing activities:		
Investment income	827,645	285,837
Investment management fees	(151,929)	(133,886)
Proceeds from sale of investments	-	224,000
Purchase of land for investment	-	(9,420)
Purchase of investments	-	(104,790)
Net cash provided by investing activities	675,716	261,741
Cash flows from non-capital financing activities:		
Cash paid to College for special projects	(113,984)	(200,743)
Net cash used by non-capital financing activities	(113,984)	(200,743)
Net (decrease) increase in cash and cash equivalents	173,698	(298,938)
Cash and cash equivalents - beginning of year	327,467	626,405
Cash and cash equivalents - end of year	\$ 501,165	\$ 327,467
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	\$ (780,192)	\$ (624,439)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	141,470	141,470
Promises to give	205,000	200,059
Beneficial interests in remainder trusts	76,078	(3,973)
Accounts payable	(2,532)	1,621
Due to San Juan College	(16,579)	(67,573)
Conditional refundable advance and possible dreams deposit	(11,279)	(7,101)
Net cash (used) provided by operating activities	\$ (388,034)	\$ (359,936)

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

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

San Juan College Foundation, Inc. ("Foundation") is a legally separate, tax-exempt component unit of San Juan College ("College"). The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. The thirty member board of the Foundation consists of graduates and friends of the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of its resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can be used by, or for the benefit of, the College only, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

As a component unit of the College, the Foundation presents its financial statements in accordance with accounting standards generally accepted in the United States as established by the Governmental Accounting Standards Board (GASB).

The significant accounting policies utilized by the Foundation in the preparation of the financial statements are described below.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments, including demand deposits and short-term money market mutual fund investments, with maturities of three months or less from the date of acquisition to be cash equivalents.

Promises To Give

Contributions and promises to give are recognized as revenues when received or pledged. If there are no time or donor restrictions placed on these contributions and promises to give, the revenue is reflected as an increase in unrestricted net position; however, if such restrictions do exist, the revenue is classified as restricted expendable or restricted unexpendable, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions. The carrying amount of unconditional promises to give to be received in less than one year approximate the fair value because of the short maturity of those financial instruments. All promises to give expected to be received in more than one year are computed using the present value technique applied to anticipated cash flows.

Allowance for Doubtful Accounts

Generally accepted accounting principles (GAAP) include the use of the valuation method for estimating the allowance for doubtful accounts. The Foundation uses the direct write-off method in recognizing uncollectible pledges receivable. Under this method, pledges are charged to operations when they are deemed by management to be uncollectible.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts (Continued)

The Foundation's use of the direct write-off method does not result in a material change to the financial statements in comparison to the valuation method.

Investments

Investments consist primarily of money market mutual funds, bond mutual funds and marketable securities. Marketable securities are carried at fair value based on quoted market prices. Money market mutual funds are carried at amortized cost, which approximates fair value. The change in fair value is reported in the investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Foundation also currently holds investments in precious metals that were received from a donor. The precious metals are reported at fair value on the Statement of Net Position. The change in fair value of the precious metals are reported in the investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Property and Equipment

The Foundation follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

	<u>Years</u>
Building.....	25
Improvements.....	10-25
Equipment, furniture and fixtures.....	5-7

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Possible Dreams Deposits

The Foundation created a program named Possible Dreams, whereby all eighth grade students in San Juan County are invited to deposit in a college fund to save for tuition when they graduate from high school. The participants receive a refund less a service charge of \$50 if they drop out of the program.

The Foundation is liable for a maximum of \$360 in tuition to San Juan College if the student meets certain requirements. Possible Dreams deposits are classified as deposits held in trust for financial statement purposes. During the years ended June 30, 2018 and June 30, 2017, the Foundation paid \$0 and \$350, respectively, in scholarship matching funds to the College for students who met program criteria.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues

The Foundation has classified its revenues as either operating or non-operating according to the following criteria:

- *Operating Revenues:* Operating revenues include activities that have the characteristics of exchange transactions such as unrestricted gifts. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred.
- *Non-Operating Revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, investment income and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as investment income. Gifts and contributions are recognized when all applicable eligibility requirements have been met.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their estimated fair value in the period received.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use the restricted resources first.

Contributed Facilities and Services

Contributed facilities and services represent the estimated fair rental value of office space and general corporate services provided. Contributed facilities are provided on a month-to-month basis. Contributed facilities and services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded as in-kind expense, and are included with the general and administrative expenses in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates. Significant estimates of the Foundation include accumulated depreciation and allowance for promises to give not considered collectible.

Income Taxes

The Foundation is a nonprofit organization as described as a public charity under Section 509(a)(3) of the Internal Revenue Code and is exempt from federal and state income taxes under Section 501(c)(3). The Foundation had no material unrelated business income during fiscal years 2017 and 2016; therefore, no provision for income taxes is included in the financial statements.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Foundation reports information regarding its financial position and activities according to the following classifications:

1. Net investment in capital assets – represents the Foundation’s total capital assets.
2. Restricted expendable – represents resources that the Foundation is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.
3. Restricted unexpendable – represents those operating funds on which external restrictions have been imposed that limit the purpose for which such funds can be used.
4. Unrestricted net position – represents resources whose use is not limited or restricted by donors. Unrestricted net position has risen from exchange transactions and receipt of unrestricted contributions.

New Accounting Standards Adopted

During the year ended June 30, 2018, the Foundation adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, and GASB Statement No. 85 *Omnibus*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. These four Statements are required to be implemented as of June 30, 2018, if applicable.

The implementation of these statements did not have a significant impact on the Foundation because the activities of the Foundation were not affected by the statements in a material manner.

NOTE 2: CASH AND INVESTMENTS

The Foundation’s cash accounts are held in demand checking accounts at two institutions with carrying amounts totaling \$501,165 and \$327,467 at June 30, 2018 and 2017, respectively.

Concentration of Credit Risk - Cash

The Foundation maintains deposits in two financial institutions located in Farmington, New Mexico. All of the Foundation’s accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for demand deposit accounts. As of June 30, 2018, the Foundation's uninsured cash deposits total were \$39,005. As of June 30, 2017, the Foundation's uninsured cash deposits total were \$0.

Investments

The investment policy allows the Foundation to invest its portfolio in equities, fixed-income, alternative investments, and other investment strategies to maintain sufficient liquidity to meet projected distribution requirements.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

A summary of investments follows:

Summary of Investments

	June 30, 2018	June 30, 2017
CDs & Money Markets	\$ 407,342	\$ 111,209
Equities	21,070,812	20,243,725
Fixed Income - Gov. & Corp.	2,570,799	2,446,799
Other	142,597	147,279
Total Pooled Investments	\$ 24,191,550	\$ 22,949,012

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All custodians of the investments of the Foundations are members of Securities Investor Protection Corporation (SIPC) and the securities are protected up to \$500,000.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single stock or security. Investments in any one stock or security that represent 5% or more of total investments are considered to be exposed to concentrated credit risks and are required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in certificates of deposits and money market fund investments are excluded from this requirement. There were no investments in any single stock or security that represent 5% or more of the total investments of the Foundation at June 30, 2018 or June 30, 2017.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy on investment credit risk. At June 30, 2018 and June 30, 2017, the Foundation's bond and money market mutual funds are subject to credit risk, however, they are unrated.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a policy to limit its exposure to interest rate risk. At June 30, 2018 and June 30, 2017, Foundation's bond mutual funds are subject to interest rate risk; however, they are all unrated.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Investment Income

Components of investment return were as follows:

	June 30, 2018	June 30, 2017
Investment Income	\$ 521,548	\$ 466,101
Realized gain on investments	473,514	392,381
Net unrealized gain on investments	1,083,065	2,399,480
Total Investment Income	\$ 2,078,127	\$ 3,257,962

Maturity rates consist of the following as of June 30, 2018:

Investment Type	Fair Value	Investment Maturities			
		Not subject to Interest Rate Risk	Less than 1 Year	1-5 Years	5+ Years
CDs & Money Markets	\$ 407,342	\$ 407,342	\$ -	\$ -	\$ -
Equities	21,070,812	21,070,812	-	-	-
Fixed Income - Gov. & Corp.	2,570,799	2,532,844	5,139	32,816	-
Other	142,597	142,597	-	-	-
Total Investments	\$ 24,191,550	\$ 24,153,595	\$ 5,139	\$ 32,816	\$ -

Maturity rates consist of the following as of June 30, 2017:

Investment Type	Fair Value	Investment Maturities			
		Not subject to Interest Rate Risk	Less than 1 Year	1-5 Years	5+ Years
CDs & Money Markets	\$ 111,209	\$ 111,209	\$ -	\$ -	\$ -
Equities	20,243,725	20,243,725	-	-	-
Fixed Income - Gov. & Corp.	2,446,799	2,299,893	28,588	103,661	14,657
Other	147,279	147,279	-	-	-
Total Investments	\$ 22,949,012	\$ 22,802,106	\$ 28,588	\$ 103,661	\$ 14,657

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 3: FAIR VALUE MEASUREMENTS

The fair value framework uses a hierarchy that prioritizes the inputs to the 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 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 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 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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. See above for discussion of valuation methodologies used to measure fair value of investments.

Money Markets, Equities, Fixed Income Securities, and Alternative Investments are valued at the daily closing price as reported by the fund. These investments held by the Foundation are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded. A portion of the Foundation's investment with the New Mexico State Investment Council is listed as Level 2 as the investments are held within a comingled fund.

Silver is valued at fair market value using the daily closing spot price at June 30, 2018 per the ICE Benchmark Administration and the London Bullion Market Association.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

The Foundation maintained a balance of \$24,191,550 in investments at June 30, 2018, which required fair value disclosure. The following table sets forth by level within the fair value hierarchy of the Foundation's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
CDs/Money Markets	\$ 407,342	\$ -	\$ -	\$ 407,342
Equities	18,662,887	2,407,925	-	21,070,812
Fixed Income - Gov. & Corp.	2,570,799	-	-	2,570,799
Other/Alternative Investments	142,597	-	-	142,597
Total Investments	\$ 21,783,625	\$ 2,407,925	\$ -	\$ 24,191,550

The Foundation maintained a balance of \$22,949,012 in investments at June 30, 2017, which required fair value disclosure. The following table sets forth by level within the fair value hierarchy of the Foundation's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
CDs/Money Markets	\$ 111,209	\$ -	\$ -	\$ 111,209
Equities	18,033,685	2,210,040	-	20,243,725
Fixed Income - Gov. & Corp.	2,446,799	-	-	2,446,799
Other/Alternative Investments	147,279	-	-	147,279
Total Investments	\$ 20,738,972	\$ 2,210,040	\$ -	\$ 22,949,012

NOTE 4: BENEFICIAL INTEREST IN REMAINDER TRUSTS

The Foundation maintained a beneficial interest in remainder trusts as of June 30, 2017. The fair market value of the interests as of June 30, 2017 was \$76,078. The beneficial interests were held at a brokerage house in prior years. During the year ended June 30, 2018 the Trust was converted to investments upon the occurrence of the triggering events in the trust documents and the Foundation received \$73,932 in investments as a final distribution.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 5: CAPITAL ASSETS

Capital assets consists of the following at June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,130,945	\$ -	\$ -	\$ 1,130,945
Total capital assets not being depreciated	1,130,945	-	-	1,130,945
Capital assets being depreciated:				
Buildings	3,786,752	-	-	3,786,752
Total capital assets being depreciated	3,786,752	-	-	3,786,752
Total capital assets	4,917,697	-	-	4,917,697
Less accumulated depreciation:				
Buildings	2,404,990	141,470	-	2,546,460
Total accumulated depreciation	2,404,990	141,470	-	2,546,460
Total capital assets, net of depreciation	\$ 2,512,707	\$ (141,470)	\$ -	\$ 2,371,237

Depreciation expense for the year ended June 30, 2018 was \$141,470.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 5: CAPITAL ASSETS (Continued)

Capital assets consists of the following at June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 1,130,945	\$ -	\$ -	\$ 1,130,945
Total capital assets not being depreciated	1,130,945	-	-	1,130,945
Capital assets being depreciated:				
Buildings	3,786,752	-	-	3,786,752
Total capital assets being depreciated	3,786,752	-	-	3,786,752
Total capital assets	4,917,697	-	-	4,917,697
Less accumulated depreciation:				
Buildings	2,263,520	141,470	-	2,404,990
Total accumulated depreciation	2,263,520	141,470	-	2,404,990
Total capital assets, net of depreciation	\$ 2,654,177	\$ (141,470)	\$ -	\$ 2,512,707

Depreciation expense for the year ended June 30, 2017 was \$141,470.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 6: NON-GIFT REVENUE

San Juan College, principally through its Development Office, provides services for the administration of the Foundation in the form of personnel, equipment, and supplies to the Foundation. During the years ended June 30, 2018 and June 30, 2017, the financial statements included contributed services and corresponding general and administrative services expense of \$321,955 and \$312,325, respectively. Contributed services during the years ended June 30, 2018 and June 30, 2017 were reimbursed to the College through cash payments totaling \$321,955 and \$312,325, respectively.

NOTE 7: TRUST AGREEMENTS

In 1986, a trust fund was established for the Roy G. Dalpra Scholarship Fund held by Citizens Bank as Trustee. The market value of the assets of the Trust approximated \$845,596 and \$904,671 as of June 30, 2018 and June 30, 2017, respectively. The Trustee has sole uncontrolled discretion regarding the distribution of the Trust funds to the Foundation. Distributions from the Trust are recorded as income in the year received and the assets are not included in the Statement of Net Position. The Foundation received \$77,864 and \$58,270 in distributions from the trust during the years ending June 30, 2018 and June 30, 2017, respectively.

In 2002, an individual established a charitable remainder unitrust agreement, and the Foundation was named as primary beneficiary under the trust administered by an investment company. The trust is an irrevocable trust. The assets of the trust were included in the Statement of Net Position as a beneficial interest in remainder trust as of June 30, 2017 in the amount of \$76,078. The Foundation received a final distribution from this trust totaling \$73,932 during the year ended June 30, 2018.

In 2006, an individual established a second charitable remainder unitrust agreement, and the Foundation was named as the current primary beneficiary under the trust administered by a trust company. The trust is an irrevocable trust, but includes the power to designate additional or substitute charitable remainder, during the lifetime of the individual establishing the trust. The market value of the assets of the trust approximated \$509,259 and \$500,569 as of June 30, 2018 and June 30, 2017, respectively. The trustee retains sole authority to invest and manage the trust assets and is required to distribute to the Foundation, not less than \$30,000 each year, as the individual who established the trust passed away in December 2012. The assets of the trust are not included in the Statement of Net Position. The Foundation received \$30,000 in distributions from the trust during both the years ending June 30, 2018 and June 30, 2017.

NOTE 8: DONATED LAND AND BUILDINGS

During the year ended June 30, 2001, a company gifted real property to the Foundation. The Foundation accepted the real property as a part of the permanent assets of the Foundation. The land and buildings were valued at \$4,300,000 based on an independent appraisal. The Foundation entered into an agreement allowing San Juan College to use the land and buildings at no cost.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 9: NET POSITION

Restricted expendable net position of the Foundation is comprised of the following:

	June 30, 2018	June 30, 2017
Awards	\$ 500	\$ 700
Art Gallery Support	5,623	5,838
Capital Improvement	265,346	179,330
College Programs	804,209	806,040
Scholarships	205,242	144,447
Partial Endowments	62,232	64,709
Total	\$ 1,343,152	\$ 1,201,064

Restricted unexpendable net position of the Foundation is comprised of the following:

	June 30, 2018	June 30, 2017
College Programs	\$ 1,264,731	\$ 1,195,142
DT Chairs	1,647,294	1,548,597
Faculty Awards	128,889	121,655
Library Support	923,478	892,606
Scholarships	10,374,719	9,933,730
Staff Award	79,367	73,442
Student Awards	88,300	84,300
Student Support	144,224	136,184
Title III	1,011,451	986,754
Total	\$ 15,662,453	\$ 14,972,410

NOTE 10: BUDGETARY INFORMATION

An internal budget is prepared by management and approved by the Board of Directors. Actual expenditures may not exceed budgeted expenditures in total. This budget is used as a guide to control expenditures during the year.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 10: BUDGETARY INFORMATION (Continued)

For the year ended June 30, 2018, total budgeted expenditures exceeded total actual expenditures as follows:

	Total Budget	Total Actual Expenditures	Over (Under) Budget
San Juan College Foundation	\$ 2,329,290	\$ 2,293,217	\$ (36,073)

For the year ended June 30, 2017, total budgeted expenditures exceeded total actual expenditures as follows:

	Total Budget	Total Actual Expenditures	Over (Under) Budget
San Juan College Foundation	\$ 2,367,820	\$ 2,068,586	\$ (299,234)

NOTE 11: PROMISES TO GIVE

In the year ended June 30, 2013 the Foundation held a campaign to raise funds for the School of Energy. The promises to give for this initiative totaled \$1,825,000 at June 30, 2013 and an additional \$425,000 was pledged during the year ending June 30, 2014 to bring the total for this initiative at June 30, 2014 to \$2,250,000. Collections to date on this initiative have totaled \$2,250,000. The final amount received as part of this initiative was \$205,000 during the year ended June 30, 2018.

NOTE 12: CONTRIBUTIONS TO SAN JUAN COLLEGE

As mentioned in Note 11, since the year ended June 30, 2013, the Foundation has received various contributions of funds to aid San Juan College in the construction of the School of Energy. During the year ended June 30, 2018, the Foundation made payments to the College, on a reimbursement basis, for the College's construction costs of the School of Energy, and payments for the ongoing maintenance support for the College's Sherman Dugan Museum of Geology. On the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018, these payments totaled \$113,984. On the 2018 Statement of Cash Flows this amount is shown as \$113,984 paid as a non-capital financing activity. On the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017, these payments totaled \$200,743. On the 2017 Statement of Cash Flows this amount is shown as \$200,743 paid as a non-capital financing activity.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2018

NOTE 13: INCOME TAX MATTERS

The Internal Revenue Service has not examined any of the Form 990 tax returns. However, the Foundation's tax returns for 2016, 2015 and 2014 are subject to examination by the IRS, generally, for three years after they were filed. The Foundation recognizes tax benefits only to the extent the Foundation believes it is "more likely than not" that its tax position will be sustained upon IRS examination.

NOTE 14: RISK MANAGEMENT

The Foundation is physically housed within the College and the College provides office space, personnel, utilities, and general operating expenses to the Foundation. The Foundation's exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters fall within the College's insurance coverage.

NOTE 15: SUBSEQUENT EVENTS

The Foundation has evaluated events subsequent to June 30, 2018 that would possibly require adjustment or disclosure in these financial statements, through October 29, 2018, the date that these financial statements were available to be issued. No events have occurred subsequent to June 30, 2018 that would require adjustment of modification to the contents of these statements.

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Supplementary Information

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San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of General and Administrative Expenses
For the Years Ended June 30, 2018 and 2017

	2018	2017
General and Administrative Expenses		
Computer expenses	\$ 6,709	\$ 6,482
Membership dues	1,452	1,165
Miscellaneous	602	1,325
Newsletters	3,500	3,500
Office supplies	675	551
Postage	1,341	1,045
Printing	2,507	3,169
Promotional expenses	5,450	4,893
Publications	146	323
Salaries and benefits	314,864	306,047
Taxes	511	128
Telephone	1,646	1,019
Travel	6,293	4,390
Transfers to fundraising expenses	(124,530)	(122,662)
Total General and Administrative Expenses	\$ 221,166	\$ 211,375

See independent auditors' report.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of Budget Comparisons
For the Year Ended June 30, 2018

	Annual Budgeted Amount (GAAP Basis)	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues			
Cash (or Equivalent) Contribution Revenues			
Contributions - Unrestricted	\$ 300,000	\$ 46,762	\$ (253,238)
Contributions - Restricted	550,000	1,004,761	454,761
Contributions - Endowment	200,000	21,472	(178,528)
Campaign Contributions	200,000	-	(200,000)
Total Cash (or Equivalents) Contribution Revenues	1,250,000	1,072,995	(177,005)
In Kind Contributions - Personal Property	-	158,430	158,430
All Contribution Revenues	1,250,000	1,231,425	(18,575)
Investment Income	570,500	995,062	424,562
Unrealized FMV Gain/(Loss) on Investments	570,500	1,083,065	512,565
In Kind College Support	316,500	321,955	5,455
Support Reimbursed to SJC	(316,500)	(321,955)	(5,455)
Other Income	15,000	16,378	1,378
NPV Change/Split Interest Trusts	-	(7,944)	(7,944)
Total Revenues	2,406,000	3,317,986	911,986

See independent auditors' report.

	Annual Budgeted Amount (GAAP Basis)	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenses			
Awards	\$ 75,000	\$ 86,134	\$ (11,134)
Bank Fees	2,100	1,635	465
Bond & Insurance	7,000	6,068	932
Capital Improvement Projects	114,000	113,984	16
College Programs	548,490	605,289	(56,799)
College Relations	194,200	36,958	157,242
Computer Supplies/Expenses	7,500	6,709	791
Depreciation	141,500	141,470	30
Conferences and Training	1,000	-	1,000
Fund Raising - Direct	27,000	25,481	1,519
Investment Fees	139,500	150,294	(10,794)
Membership Dues	2,000	1,452	548
Miscellaneous	1,100	602	498
Newsletters	3,500	3,500	-
Office Supplies	1,000	675	325
Postage	1,500	1,341	159
Printing	4,500	2,507	1,993
Professional Fees	3,500	-	3,500
Promotions	4,500	5,450	(950)
Publications	200	146	54
Salaries	306,700	314,864	(8,164)
Scholarships	734,800	622,469	112,331
Special Projects	500	-	500
Taxes	1,700	511	1,189
Telephone	1,500	1,646	(146)
Travel & Lodging	5,000	6,293	(1,293)
Total Budgeted Expenses	2,329,290	2,135,478	193,812
College Programs/In-Kind Transfers	-	158,430	(158,430)
Non-Budgeted Expenses	-	158,430	(158,430)
Total Expenses	2,329,290	2,293,908	35,382
Excess/(Deficiency) of Revenues over Expenses	\$ 76,710	\$ 1,024,078	\$ (947,368)

See independent auditors' report.

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Supporting Schedule

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San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of Deposit and Investment Accounts
June 30, 2018

Financial Institution	Account Type	Investment Type	Amount
Cash and cash equivalents			
Cash on Hand	Petty Cash	Cash	\$ 142
Citizen's Bank	Checking	Cash	289,005
Wells Fargo Bank N.A.	Checking	Cash	23,823
Wells Fargo Bank N.A.	Checking	Cash	219
Wells Fargo Bank N.A.	Savings	Cash	187,348
Total cash in banks			500,537
Less: other adjustments			10,100
Less: outstanding checks			(9,472)
Reconciled cash			\$ 501,165
Cash and cash equivalents per financial statements			
Cash and cash equivalents per Statement of Net Position			\$ 289,775
Restricted cash and cash equivalents per Statement of Net Position			211,390
Total cash and cash equivalents per financial statements			\$ 501,165
Investments			
Wells Fargo Bank N.A.	Investment	Equity - Common Stocks	\$ 12,197
Wells Fargo Bank N.A.	Investment	Precious Metals	142,597
Citizen's Trust and Investment Corp.	Investment	CDs & Money Markets	236,170
Citizen's Trust and Investment Corp.	Investment	Equities	6,003,478
Citizen's Trust and Investment Corp.	Investment	Fixed Income - Gov. & Corp.	349,865
Morgan Stanley	Investment	CDs & Money Markets	171,172
Morgan Stanley	Investment	Equities	5,517,747
Morgan Stanley	Investment	Fixed Income - Gov. & Corp.	10,894
New Mexico State Investment Council	Investment	Equities	9,537,390
New Mexico State Investment Council	Investment	Fixed Income - Gov. & Corp.	2,210,040
			\$ 24,191,550
Investments per Statement of Net Position			\$ 24,191,550

See independent auditors' report.

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Compliance Section

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
The Board of Directors
San Juan College Foundation, Inc.
Farmington, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Juan College Foundation, Inc. (the "Foundation") (a component unit of San Juan College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated October 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 29, 2018

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Other Disclosures
June 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the basic financial statements noted? | None noted |

B. PRIOR YEAR AUDIT FINDINGS

None noted

C. FINANCIAL STATEMENT FINDINGS

None noted

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of San Juan College Foundation, Inc. from the original books and records provided to them by the management of the Foundation. The responsibility for the financial statements remains with the Foundation.

EXIT CONFERENCE

An exit conference was held October 29, 2018 during which the audit was discussed. The exit conference was attended by the following individuals:

San Juan College Foundation, Inc.

Kathy Jo Myers, Board Member

Dr. Toni Pendergrass, Board Member

Gayle Dean, Executive Director

Lowell Parrish, Foundation Accountant

Carr, Riggs, & Ingram, LLC

Alan D. Bowers, Jr., CPA, Audit Partner