



State of
New Mexico
San Juan College
Foundation, Inc.
(A Component
Unit of San Juan
College)

Financial Statements with
Independent Auditors' Report
For the Years Ended June 30, 2016 and 2015

INTRODUCTORY SECTION

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Annual Financial Report
June 30, 2016

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San Juan College Foundation, Inc.
 (A Component Unit of San Juan College)
 Annual Financial Report
 June 30, 2016

Official Roster

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
Len Scalzi		President
Danny Beyhan		Vice-President
Kerwin Gober		Treasurer
Kenneth C. Leach		Secretary
Dr. Toni Pendergrass		Member, SJC President
Gayle Dean		Member, Executive Director
Tucker Bayless		Member
Scott Bird		Member
Marjorie Black		Member
John Buffington		Member
Dr. Robert J. Burns		Member
Gwen Clouthier		Member
Curtis R. Gurley		Member
Ken Hare		Member
Dr. James C. Henderson		Member
Jeff Howle		Member
Chad King		Member
Rhonda Ledford		Member
Kathy Jo Myers		Member
Joshua D. Payne		Member
Janel Ryan		Member
Mark Stockham		Member
Beverly Taylor		Member
Revis Taylor		Member
Arvin Trujillo		Member
	<u>Administrative Officials</u>	
Gayle Dean		Executive Director
Lowell Parrish		Fund Accountant and Database Administrator

FINANCIAL SECTION

Independent Auditors' Report

Timothy Keller
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 Foundation, Inc. (the "Foundation") (a nonprofit organization and component unit of San Juan College), as of and for the years ended June 30, 2016 and 2015, 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 Foundation'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 Foundation'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, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

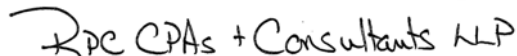
Other Information

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 7, 2016 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 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 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.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 7, 2016

**BASIC
FINANCIAL STATEMENTS**

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Statements of Net Position
June 30, 2016 and 2015

Exhibit A-1

Assets	<u>2016</u>	<u>2015</u>
<i>Current assets</i>		
Cash and cash equivalents	\$ 386,366	\$ 291,565
Promises to give	205,000	544,936
Investments, fair value	<u>20,094,270</u>	<u>21,156,993</u>
<i>Total current assets</i>	<u>20,685,636</u>	<u>21,993,494</u>
<i>Capital assets</i>		
Land and buildings, net of accumulated depreciation	<u>2,654,177</u>	<u>2,795,647</u>
<i>Total capital assets</i>	<u>2,654,177</u>	<u>2,795,647</u>
<i>Noncurrent Assets</i>		
Restricted cash and cash equivalents	240,039	264,223
Promises to give - noncurrent, net	200,059	420,000
Beneficial interest in remainder trusts	72,105	90,140
Land held for investment	<u>5,000</u>	<u>5,000</u>
<i>Total non-current assets</i>	<u>517,203</u>	<u>779,363</u>
<i>Total assets</i>	<u>\$ 23,857,016</u>	<u>\$ 25,568,504</u>
Liabilities and Net Position		
<i>Current liabilities</i>		
Accounts payable	\$ 2,890	\$ 25,877
Due to San Juan College	<u>245,082</u>	<u>1,078,589</u>
<i>Total current liabilities</i>	<u>247,972</u>	<u>1,104,466</u>
<i>Non-current liabilities</i>		
Possible Dreams Deposits	<u>229,614</u>	<u>255,531</u>
<i>Total non-current liabilities</i>	<u>229,614</u>	<u>255,531</u>
<i>Total liabilities</i>	<u>477,586</u>	<u>1,359,997</u>
<i>Net position:</i>		
Net investment in capital assets	2,654,177	2,795,647
Restricted, expendable	1,336,177	1,735,584
Restricted, unexpendable	13,438,540	14,088,766
Unrestricted	<u>5,950,536</u>	<u>5,588,510</u>
<i>Total net position</i>	<u>23,379,430</u>	<u>24,208,507</u>
<i>Total liabilities and net position</i>	<u>\$ 23,857,016</u>	<u>\$ 25,568,504</u>

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, 2016 and 2015

Exhibit A-2

	2016	2015
<i>Operating revenues</i>		
Contributions, net	\$ 2,249,954	\$ 6,321,934
Noncash contributions:		
Collectibles and assets	507,960	7,311
Services	100	-
Other	14,069	14,895
<i>Total operating revenues</i>	2,772,083	6,344,140
<i>Operating expenses</i>		
Scholarships	663,032	521,832
College awards, programs, and relations	1,217,811	540,980
General and administrative	210,907	233,010
Fund raising expenses	173,086	180,686
Depreciation	141,470	141,470
<i>Total operating expenses</i>	2,406,306	1,617,978
<i>Operating income</i>	365,777	4,726,162
<i>Non-operating revenues (expenses)</i>		
Investment income	475,753	2,631,401
Realized gain on investments	91,595	-
Net unrealized loss on investments	(1,016,460)	(2,176,359)
Change in value of split-interest agreements	(18,035)	(16,003)
Contributions to San Juan College (see note 12)	(599,414)	(7,170,461)
Investment management fees	(128,293)	(147,478)
<i>Total non-operating revenues (expenses)</i>	(1,194,854)	(6,878,900)
<i>Change in net position</i>	(829,077)	(2,152,738)
<i>Total net position - beginning of year</i>	24,208,507	26,361,245
<i>Total net position - end of year</i>	\$ 23,379,430	\$ 24,208,507

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 Cash Flows
For the Years Ended June 30, 2016 and 2015

Exhibit A-3

	2016	2015
<i>Cash flows from operating activities:</i>		
Cash received from donors	\$ 3,324,078	\$ 2,224,537
Cash paid to College for employee salaries	(300,710)	(298,255)
Cash paid for scholarships, awards, and programs	(1,958,373)	(1,081,831)
<i>Net cash provided by operating activities</i>	1,064,995	844,451
<i>Cash flows from investing activities:</i>		
Investment income	32,480	440,787
Investment management fees	(128,293)	(147,478)
Proceeds from sale of investments	1,330,158	14,525,482
Purchase of investments	(767,062)	(10,000,000)
<i>Net cash provided by investing activities</i>	467,283	4,818,791
<i>Cash flows from non-capital financing activities:</i>		
Cash paid to College for School of Energy Project	(1,461,661)	(6,308,214)
<i>Net cash used by non-capital financing activities</i>	(1,461,661)	(6,308,214)
<i>Net increase (decrease) in cash and cash equivalents</i>	70,617	(644,972)
<i>Cash and cash equivalents - beginning of year</i>	555,788	1,200,760
<i>Cash and cash equivalents - end of year</i>	\$ 626,405	\$ 555,788
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 365,777	\$ 4,726,162
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	141,470	141,470
Promises to give	559,877	636,777
Beneficial interests in remainder trusts	18,035	252,172
Accounts payable	(22,987)	24,257
Due to San Juan College	28,740	72,165
Conditional refundable advance and Possible Dreams Deposits	(25,917)	(5,008,552)
<i>Net cash provided by operating activities</i>	\$ 1,064,995	\$ 844,451

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, 2016

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. 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.

San Juan College Foundation, Inc.
 (A Component Unit of San Juan College)
 Notes to Financial Statements
 June 30, 2016

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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, 2016 and June 30, 2015, the Foundation paid \$2,150 and \$4,258, respectively, in scholarship matching funds to the College for students who met program criteria.

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.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2016

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 2016 and 2015; therefore, no provision for income taxes is included in the financial statements.

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, 2016, the Foundation adopted GASB Statements No. 72, Fair Value Measurement and Application and No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. These Statements are required to be implemented as of June 30, 2016, if applicable.

GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financials statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2016

NOTE 1 – Summary of Significant Accounting Policies (Continued)

The objective of GASB Statement No. 76 objective is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAPP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

NOTE 2 – Cash and Investments

The Foundation’s cash accounts are held in demand checking accounts at two institutions with carrying amounts totaling \$626,405 and \$555,788 at June 30, 2016 and 2015, 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, 2016, the Foundation's uninsured cash deposits total were \$200,744. As of June 30, 2015, the Foundation's uninsured cash deposits total were \$129,927.

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. A summary of investments follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Certificates of Deposit & Money Markets	\$ 232,105	\$ 789,981
Equities	19,341,644	19,864,337
Fixed Income Securities - Gov. & Corp.	266,044	363,367
Other	<u>254,477</u>	<u>139,308</u>
 Total Pooled Investments	 <u>\$ 20,094,270</u>	 <u>\$ 21,156,993</u>

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

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Notes to Financial Statements
June 30, 2016

NOTE 2 – Cash and Investments (continued)

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, 2016 or June 30, 2015.

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, 2016 and June 30, 2015, 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, 2016 and June 30, 2015, Foundation's bond mutual funds are subject to interest rate risk; however, they are all unrated.

Investment Income

Components of investment return were as follows:

	June 30, 2016	June 30, 2015
Investment Income	\$ 475,753	\$ 2,631,401
Realized gain on investments	91,595	-
Net unrealized gain on investments	(1,016,460)	(2,176,359)
Total Investment Income	\$ (449,112)	\$ 455,042

Maturity rates consist of the following as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities			
		Not subject to Interest <u>Rate Risk</u>	Less than 1 <u>Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
CDs/Money Markets	\$ 232,105	\$ 232,105	\$ -	\$ -	\$ -
Equities	19,341,644	19,341,644	-	-	-
Fixed Income - Gov. & Corp.	266,044	119,138	28,588	103,661	14,657
Other/Alternative Investments	254,477	254,477	-	-	-
Total Investments	\$ 20,094,270	\$ 19,947,364	\$ 28,588	\$ 103,661	\$ 14,657

Maturity rates consist of the following as of June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities			
		Not subject to Interest <u>Rate Risk</u>	Less than 1 <u>Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
CDs/Money Markets	\$ 789,981	\$ 789,981	\$ -	\$ -	\$ -
Equities	19,864,337	19,864,337	-	-	-
Fixed Income - Gov. & Corp.	363,367	185,293	16,107	126,966	35,001
Other/Alternative Investments	139,308	139,308	-	-	-
Total Investments	\$ 21,156,993	\$ 20,978,919	\$ 16,107	\$ 126,966	\$ 35,001

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2016

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 September 30, 2015 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, 2016

NOTE 3 – Fair Value Measurements (continued)

The Foundation maintained a balance of \$20,094,270 in investments at June 30, 2016 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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CDs/Money Markets	\$ 232,105	\$ -	\$ -	\$ 232,105
Equities	17,208,547	2,133,097	-	19,341,644
Fixed Income - Gov. & Corp.	266,044	-	-	266,044
Other/Alternative Investments	<u>254,477</u>	<u>-</u>	<u>-</u>	<u>254,477</u>
Total Investments	<u>\$ 17,961,173</u>	<u>\$ 2,133,097</u>	<u>\$ -</u>	<u>\$ 20,094,270</u>

The Foundation maintained a balance of \$21,156,993 in investments at June 30, 2015 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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CDs/Money Markets	\$ 789,981	\$ -	\$ -	\$ 789,981
Equities	17,833,718	2,030,619	-	19,864,337
Fixed Income - Gov. & Corp.	363,367	-	-	363,367
Other/Alternative Investments	<u>139,308</u>	<u>-</u>	<u>-</u>	<u>139,308</u>
Total Investments	<u>\$ 19,126,374</u>	<u>\$ 2,030,619</u>	<u>\$ -</u>	<u>\$ 21,156,993</u>

NOTE 4 – Beneficial Interest in Remainder Trusts

The Foundation maintains a beneficial interest in remainder trusts as of June 30, 2016 and June 30, 2015. The fair market value of the interests as of each year end total \$72,105 and \$90,140, respectively. The beneficial interests are held at a brokerage house and will be converted to cash or investments upon the triggering events that are in the trust documents.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2016

NOTE 5 – Capital Assets

Capital assets consists of the following at June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
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
Less accumulated depreciation:				
Buildings	2,122,050	141,470	-	2,263,520
Total accumulated depreciation	2,122,050	141,470	-	2,263,520
Total capital assets, net of depreciation	<u>\$ 2,795,647</u>	<u>\$ (141,470)</u>	<u>\$ -</u>	<u>\$ 2,654,177</u>

Depreciation expense for the year ended June 30, 2016 was \$141,470.

Capital assets consists of the following at June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
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
Less accumulated depreciation:				
Buildings	1,980,580	141,470	-	2,122,050
Total accumulated depreciation	1,980,580	141,470	-	2,122,050
Total capital assets, net of depreciation	<u>\$ 2,937,117</u>	<u>\$ (141,470)</u>	<u>\$ -</u>	<u>\$ 2,795,647</u>

Depreciation expense for the year ended June 30, 2015 was \$141,470.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2016

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, 2016 and June 30, 2015, the financial statements included contributed services and corresponding general and administrative services expense of \$309,408 and \$307,724, respectively. Contributed services during the years ended June 30, 2016 and June 30, 2015 were reimbursed to the College through cash payments totaling \$309,408 and \$307,724, 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 \$883,476 and \$943,903 as of June 30, 2016 and June 30, 2015, 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 \$40,400 and \$57,956 in distributions from the trust during the years ending June 30, 2016 and June 30, 2015, 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 are included in the Statement of Net Position as a beneficial interest in remainder trust as of June 30, 2016 and June 30, 2015 in the amount of \$72,105 and \$90,140, respectively.

NOTE 7 – Trust Agreements (continued)

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 \$482,913 and \$529,489 as of June 30, 2016 and June 30, 2015, 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, 2016 and June 30, 2015.

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, 2016

NOTE 9 – Net Position

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Awards	\$ 200	\$ 1,000
Art Gallery Support	5,838	5,974
Capital Improvement	174,389	412,894
College Programs	782,024	866,730
Scholarships	299,759	380,061
Partial Endowments	<u>73,967</u>	<u>68,925</u>
Total	<u>\$ 1,336,177</u>	<u>\$ 1,735,584</u>

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
College Programs	\$ 1,044,675	\$ 966,607
DT Chairs	1,368,571	1,423,397
Faculty Awards	108,543	117,198
Library Support	817,226	876,960
Scholarships	8,943,750	9,464,017
Staff Award	64,114	66,882
Student Awards	66,151	70,417
Student Support	122,679	131,732
Title III	<u>902,831</u>	<u>971,556</u>
Total	<u>\$ 13,438,540</u>	<u>\$ 14,088,766</u>

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.

For the year ended June 30, 2016, total budgeted expenditures exceeded total actual expenditures as follows:

	Total Budget	Total Actual Expenditures	Over (Under) Budget
San Juan College Foundation	<u>\$ 5,723,150</u>	<u>\$ 3,133,913</u>	<u>\$ (2,589,237)</u>

For the year ended June 30, 2015, total budgeted expenditures exceeded total actual expenditures as follows:

	Total Budget	Total Actual Expenditures	Over (Under) Budget
San Juan College Foundation	<u>\$ 9,618,300</u>	<u>\$ 8,935,917</u>	<u>\$ (682,383)</u>

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Notes to Financial Statements
June 30, 2016

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 \$1,840,000. Promises to give expected to be received after the end of each year are discounted at the applicable federal rate of 2.47% as of June 30, 2016 and June 30, 2015. The total amount expected to be received during the next twelve months is \$205,000 with the remaining \$205,000 to be collected the following year, which is subject to an allowance of \$4,941, leaving a net noncurrent promise to give of \$200,059.

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, 2016, the Foundation made payments to the College, on a reimbursement basis, for the College's construction costs of the School of Energy. On the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016, these payments totaled \$599,414. On the 2016 Statement of Cash Flows this amount is shown as \$1,461,661 paid as a non-capital financing activity which is comprised of the amount on the Statement of Revenues, Expenses, and Changes in Net Position and \$862,247 which was paid during 2016, but was accrued as a payable at the end of the prior year. On the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2015, these payments totaled \$7,170,461. Of this 2015 amount, \$6,308,214 has been paid as a non-capital financing activity in the Statement of Cash Flows, and \$862,247 is accrued as a portion of 'Due to San Juan College' on the Statement of Net Position as of June 30, 2015.

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 2014, 2013 and 2012 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, 2016 that would possibly require adjustment or disclosure in these financial statements, through November 7, 2016, the date that these financial statements were available to be issued. No events have occurred subsequent to June 30, 2016 that would require adjustment of modification to the contents of these statements.

SUPPLEMENTARY INFORMATION

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of General and Administrative Expenses
for the Years Ended June 30, 2016 and June 30, 2015

Statement A-1

	2016	2015
General and Administrative Expenses		
Computer expenses	\$ 6,348	\$ 6,039
Conferences and training	-	75
Maintenance - real property	-	6,196
Membership dues	1,325	1,675
Miscellaneous	1,226	1,191
Newsletters	3,500	3,500
Office supplies	944	356
Postage	1,422	1,079
Printing	3,027	4,352
Professional fees	2,544	8,886
Promotional expenses	3,500	13,998
Publications	142	42
Salaries and benefits	300,709	298,255
Taxes	1,501	4,604
Telephone	1,163	1,005
Travel	3,334	5,798
Transfers to fundraising expenses	(119,778)	(124,041)
	\$ 210,907	\$ 233,010
Total General and Administrative Expenses		

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, 2016

	Annual Budgeted Amount (GAAP Basis)	Actual Amounts	Variance with Final Budget- Positive (Negative)
<u>Revenues</u>			
Cash (or Equivalent) Contribution Revenues			
Contributions - Unrestricted	\$ 950,000	\$ 975,294	\$ 25,294
Contributions - Restricted	650,000	717,313	67,313
Contributions - Endowment	200,000	186,624	(13,376)
Campaign Contributions	82,500	345,123	262,623
Golf Tournament Contributions	15,000	25,600	10,600
Total Cash (or Equivalents) Contribution Revenues	1,897,500	2,249,954	352,454
In Kind Contributions - Personal Property	-	507,960	507,960
All Contribution Revenues	1,897,500	2,757,914	860,414
Investment Income	831,000	567,348	(263,652)
Unrealized FMV Gain/(Loss) on Investments	-	(1,016,460)	(1,016,460)
In Kind College Support	309,408	309,408	-
Support Reimbursed to SJC	(309,408)	(309,408)	-
Other Income	-	14,069	14,069
NPV Change/Split Interest Trusts	-	(18,035)	(18,035)
Total Revenues	2,728,500	2,304,836	(423,664)

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, 2016

Statement A-2
Page 2 of 2

	Annual Budgeted Amount (GAAP Basis)	Actual Amounts	Variance with Final Budget- Positive (Negative)
<u>Expenses</u>			
Awards	99,000	82,558	16,442
Bank Fees	3,000	2,197	803
Bond & Insurance	7,500	6,028	1,472
Capital Improvement Projects	3,375,650	599,414	2,776,236
College Programs	727,600	589,374	138,226
College Relations	45,000	37,717	7,283
Computer Supplies/Expenses	7,500	6,348	1,152
Depreciation	141,500	141,470	30
Conferences and Training	1,000	-	1,000
Fund Raising - Direct	24,000	27,219	(3,219)
Golf Tournament Expenses	23,000	20,061	2,939
Investment Fees	136,000	126,096	9,904
Maintenance - Real Property	1,500	-	1,500
Membership Dues	2,000	1,325	675
Miscellaneous	1,000	1,227	(227)
Newsletters	3,500	3,500	-
Office Supplies	1,000	944	56
Postage	1,500	1,422	78
Printing	4,500	3,027	1,473
Professional Fees	10,000	2,544	7,456
Promotions	3,500	3,500	-
Publications	200	142	58
Salaries	301,000	300,709	291
Scholarships	780,000	663,032	116,968
Special Projects	13,000	-	13,000
Taxes	1,700	1,501	199
Telephone	1,500	1,164	336
Travel & Lodging	6,500	3,334	3,166
Total Budgeted Expenses	5,723,150	2,625,853	3,097,297
College Programs/In-Kind Transfers	-	508,060	(508,060)
Non-Budgeted Expenses	-	508,060	(508,060)
Total Expenses	5,723,150	3,133,913	2,589,237
Excess/(Deficiency) of Revenues over Expenses	\$ (2,994,650)	\$ (829,077)	\$ (2,165,573)

See independent auditors' report

SUPPORTING SCHEDULE

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of Deposit and Investment Accounts
June 30, 2016

Schedule I

Financial Institution	Account Type	Investment Type	Amount
Cash and cash equivalents			
Cash on Hand	Petty Cash	Cash	\$ 276
Citizen's Bank	Checking	Cash	450,744
Wells Fargo Bank N.A.	Checking	Cash	612
Wells Fargo Bank N.A.	Checking	Cash	500
Wells Fargo Bank N.A.	Checking	Cash	11,858
Wells Fargo Bank N.A.	Savings	Cash	227,090
Total cash in banks			<u>691,080</u>
Less: other adjustments			(21)
Less: outstanding checks			(64,654)
Reconciled cash			<u><u>\$ 626,405</u></u>
Cash and cash equivalents per financial statements			
Cash and cash equivalents per Exhibit A-1			\$ 386,366
Restricted cash and cash equivalents per Exhibit A-1			240,039
Total cash and cash equivalents per financial statements			<u><u>\$ 626,405</u></u>
Investments			
Wells Fargo Bank N.A.	Certificate of Deposit	Time Deposit	\$ 24,000
Wells Fargo Bank N.A.	Investment	Equity - Common Stocks	10,412
Wells Fargo Bank N.A.	Investment	Precious Metals	166,137
Citizen's Trust and Investment Corp.	Investment	Mutual Funds - Equity	5,321,115
Morgan Stanley	Investment	Money Market	137,523
Morgan Stanley	Investment	Equity - Common Stocks	4,548,634
Morgan Stanley	Investment	Equity - ETFs	15,645
Morgan Stanley	Investment	Mutual Funds	88,340
New Mexico State Investment Council	Investment	Mutual Funds	9,782,464
			<u>20,094,270</u>
Investments per Exhibit A-1			<u><u>\$ 20,094,270</u></u>

See independent auditors' report

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

Timothy Keller
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, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiency listed as CU FS 2016-001.

Compliance and Other Matters

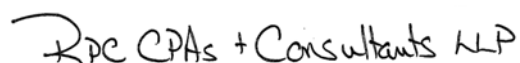
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

The Foundation's Response to Finding

The Foundation's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 7, 2016

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of Findings and Responses
June 30, 2016

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? | Yes |
| c. Noncompliance material to the basic financial statements noted? | None noted |

B. Prior Year Audit Findings

No prior year audit findings to report.

C. Financial Statement Findings

CU FS 2016-001 – Lack of Internal Controls over Credit Card Purchases – Significant Deficiency

Condition: During our process of understanding the Foundation and its environment, we noted instances where elements of the Foundation's internal control framework were deficient or need improvement. The Foundation's monitoring element was not documented, sufficiently designed, or implemented as we noted that the Foundation does not have controls in place to ensure that credit card purchases by the Executive Director are reviewed and approved.

Criteria: The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the Foundation can maximize its potential for safeguarding assets and reduce the risk of misstatements within its financial statements.

Effect: Without all of the five elements of the COSO Internal Control Integrated Framework present, the Foundation is exposing itself to the risk of misappropriation of assets and needs to improve upon its processes in place to maximize the resources of the Foundation to safeguard assets and prevent or detect misstatements.

Cause: Due to small staff size, the Foundation does not have controls in place to review and approve purchases made by the Executive Director on the Foundation's credit card. This has been noted as potential weaknesses in internal control.

Auditors' Recommendation: We recommend that the management of the Foundation incorporate all five elements of the COSO Internal Control Framework in their organization. In particular, we recommend that the Foundation implement a review of the credit card purchases by the Executive Director, which due to the small staff size of the Foundation, could be performed by the Foundation's Board or the College President, or another designated party.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Schedule of Findings and Responses
June 30, 2016

C. Financial Statement Findings (continued)

CU FS 2016-001 – Lack of Internal Controls over Credit Card Purchases – Significant Deficiency (continued)

Foundation's Response: The San Juan College Foundation Board and Staff welcome optimum and continuously improved internal controls. Our process for review of expenditures is consistent and has been the same for several years. The Foundation's accountant performs an initial review of the credit card statement in order to properly categorize expenditures. Revenues and expenditures are reviewed quarterly by first the Asset Management Committee and then by the San Juan College Foundation Board.

In order to strengthen existing controls a detailed credit card review has been added to the agenda for regular monthly meetings with the Executive Director and the President. Additionally, as always, expenditures and revenues will be reviewed by the Asset Management Committee of the San Juan College Foundation Board on a quarterly basis.

San Juan College Foundation, Inc.
(A Component Unit of San Juan College)
Other Disclosures
June 30, 2016

Auditor Prepared Financial Statements

RPC CPAs & Consultants, LLP 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 November 8, 2016 during which the audit was discussed. The exit conference was attended by the following individuals:

San Juan College Foundation, Inc.

Danny Beyhan, Vice President, Board of Directors
Gayle Dean, Executive Director
Lowell Parrish, Foundation Accountant

RPC CPAs + Consultants, LLP

Bobby Cordova, CPA – Audit Partner
Alan D. Bowers, Jr, CPA – Senior Manager