

**SANTA FE COMMUNITY COLLEGE
FOUNDATION
(A Component Unit of
Santa Fe Community College)**

**Financial Statements with Independent
Auditors' Report**

June 30, 2017



**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
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JUNE 30, 2017**

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**SANTA FE COMMUNITY COLLEGE FOUNDATION
 (A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
 OFFICIAL ROSTER
 JUNE 30, 2017**

Name	Title
BOARD OF DIRECTORS	
Richard A. Abeles	President
Carmen Gonzales	Vice President
Patricia McNeill	Secretary
Rosemary Palazzi Mulcahy	Treasurer
Deborah Boldt	Executive Director
Kenneth Dettelbach	Member
Elise Arena	Member
Hue-Chan Karels	Member
Leona Zastrow	Member
Regis Pecos	Member
Linda Vega	Member
Randy Grissom	Member, SFCC President
Frederick Nugent	Member
George Gamble	Member, SFCC Governing Board Representative
Martha Romero	Member, SFCC Governing Board Representative
Pablo Sedillo	Member, SFCC Governing Board Representative

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Fe Community College Foundation
Santa Fe, New Mexico
and
Mr. Timothy Keller, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Fe Community College Foundation (the "Foundation"), a nonprofit organization and component unit of Santa Fe Community College, as of and for the year ended June 30, 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 respective financial position of the Foundation as of June 30, 2017, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the beginning balance of net position of the Foundation has been restated due to an unrecorded payable to the Primary Government. The restatement resulted in a decrease in the beginning net position of the Foundation of \$129,076. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require 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 this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Foundation's internal controls over financial reporting and compliance.



Albuquerque, New Mexico
October 31, 2017

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Assets

Current Assets

Cash and cash equivalents	\$	1,785,081
Investments, at fair value		7,357,917
Total Current Assets		<u>9,142,998</u>

Noncurrent Assets

Artwork collections		610,083
Total Assets	\$	<u><u>9,753,081</u></u>

Liabilities

Current Liabilities

Accounts Payable	\$	3,428
Annuity payable, current portion		3,650
Due to Santa Fe Community College		587,799
Total Current Liabilities		<u>594,877</u>

Noncurrent Liabilities

Annuity payable, less current portion		13,468
Total Liabilities		<u>608,345</u>

Net Position

Unrestricted		699,884
Restricted, expendable		3,243,892
Restricted, unexpendable		5,200,960
Total Net Position		<u>9,144,736</u>

Total Liabilities and Net Position	\$	<u><u>9,753,081</u></u>
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See Notes to Financial Statements

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Operating Revenues	
Gifts	\$ 673,817
Non - Gift Revenue	400,854
	<hr/>
Total Operating Revenues	1,074,671
	<hr/>
Operating Expenses	
General and administrative	409,581
Contribution to SFCC:	
Scholarships	365,075
Program Support	508,534
	<hr/>
Total Operating Expenses	1,283,190
	<hr/>
Operating Loss	(208,519)
	<hr/>
Non-Operating Revenues (Expenses)	
Investment Income	762,978
Investment management fees and taxes	(56,607)
	<hr/>
Total Non-Operating Revenues	706,371
	<hr/>
Income Before Contributions to Permanent Endowments	497,852
	<hr/>
Contributions to Permanent Endowments	
Gifts	145,194
	<hr/>
Change in Net Position	643,046
	<hr/>
Net Position, Beginning of the Year, as previously reported	8,630,766
Restatement per Note 11	(129,076)
	<hr/>
Net Position, Beginning of the Year, as restated	8,501,690
	<hr/>
Net Position, End of the Year	\$ <u><u>9,144,736</u></u>

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See Notes to the Financial Statements

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities	
Cash received from donors	\$ 673,817
Cash paid to SFCC for scholarships and program support	(413,887)
Cash paid for operating expenses	(31,498)
Net Cash Provided by Operating Activities	<u>228,432</u>
Cash Flows from Non-Capital Financing Activities	
Cash received from donors for permanent endowments	145,194
Net Cash Provided by Non-Capital Financing Activities	<u>145,194</u>
Cash Flows from Investing Activities	
Purchase of investments	(8,619,148)
Proceeds from sale of investments	7,885,777
Investment Income	982,519
Investment management fees	(56,607)
Net Cash Provided by Investing Activities	<u>192,541</u>
Net Increase in Cash and Cash Equivalents	566,167
Cash and Cash Equivalents, beginning of year	<u>1,218,914</u>
Cash and Cash Equivalents, end of year	\$ <u><u>1,785,081</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating loss	\$ (208,519)
Adjustments to reconcile operating loss to net cash used in operating activities	
Change in:	
Payables	2,854
Artwork collections	(25,625)
Due to Santa Fe Community College	459,722
Total Adjustments	<u>228,432</u>
Net Cash Provided by Operating Activities	\$ <u><u>228,432</u></u>
Supplemental Disclosure of Non-Cash Investing Activities:	
Change in fair value of investments	\$ <u><u>(219,541)</u></u>
Non-cash donation	\$ <u><u>400,854</u></u>

See Notes to the Financial Statements

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: NATURE OF ORGANIZATION

Santa Fe Community College Foundation (the Foundation) was formed to encourage, solicit, receive, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of Santa Fe Community College (SFCC or College) and its objectives and, to that end (a) to take and to hold, either absolutely or in trust for any limitations and conditions imposed by law or the instrument under which received; (b) to sell, lease, convey, and dispose of any such property, to invest and re-invest any proceeds and other funds, and to deal with and expend the principal and income for any purpose herein authorized; (c) to act as trustee; and (d) in general, to exercise any, all, and every power, including trust powers, which a nonprofit corporation organized under the laws of New Mexico for the foregoing purposes can be authorized to exercise.

Under the Memorandum of Agreement with the College, the College will (1) assign staff to service the administrative needs of the Foundation; (2) provide liability insurance for the Foundation's officers and Board Members; (3) provide suitable office and meeting space; (4) pay the cost of reasonable utilities, maintenance and repairs, property insurance, and any other reasonable physical facility support services; (5) provide certain reasonable administration support services; and (6) provide, at no cost to the Foundation, reasonable information technology processing and support, including acquisition of appropriate hardware and software. The Foundation has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The Foundation applies business-type activity accounting and the Foundation's basic financial statements are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Accordingly Revenues are recognized when they are earned, and expenses are recognized as soon as the liability is incurred.

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 fund investments, with maturities of three months or less from the date of acquisition to be cash equivalents.

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2: 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 endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to a maximum of 7% of the rolling average market value of the prior twelve quarters. At the beginning of each fiscal year, the Foundation's board of directors will determine the potential distribution amount for each endowment fund for the ensuing fiscal year. Foundation's spending policy complies with the requirements of the Laws of the State of New Mexico and Uniform Prudent Management of Institutional Funds Act.

Artwork Collections

The Foundation maintains works of art and similar assets that are (a) held for public exhibition, and education in furtherance of public service rather than financial gain, (b) protected, kept unencumbered, cared for, and preserved, and (c) subject to an organizational policy that requires the proceeds of items that are sold to be used for other items for collections.

Annuity Payable

Annuity payable represents the liability established for donations whereby a specified amount of funds are to be paid to the donor for the duration of his or her life. The Foundation uses annuity rates, including the discount and remainder factors, based on the American Council on Gift Annuities guidelines to establish the estimated liability. Significant factors of the estimate include the donor's age, amount of donation, and the discount rate, and are updated annually to adjust the liability.

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.

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2: 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.

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.

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 management to make estimates and assumptions which affect certain reported amounts and disclosures. The Foundation's estimates include the valuation of artwork. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a nonprofit organization 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 year 2017; therefore, no provision for income taxes is included in the financial statements.

Net Position

Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has arisen from exchange transactions and receipt of unrestricted contributions. Restricted net position represents those funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net position are resources that the Foundation is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3: CASH AND INVESTMENTS

The Foundation's cash accounts are held in demand checking and money market accounts at an institution with a carrying amount totaling \$1,785,081 at June 30, 2017.

Custodial Credit Risk – Cash

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation maintains cash deposits in one financial institution. The Foundation's cash account is insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000. As of June 30, 2017, the Foundation's uninsured cash deposits total were \$1,258,350. The money market mutual funds held by the Foundation are not insured by the FIDC, however they are not subject to custodial credit risk.

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 at June 30, 2017 is as follows:

Mutual Funds - Equities	\$	4,549,496
Mutual Funds - Bonds		2,776,934
Exchange Traded- Equities		23,962
Exchange Traded – Fixed Income		7,525
	\$	<u>7,357,917</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. The Foundation's exposure to custodial credit risk at June 30, 2017 is as follows:

<u>Investment Type</u>	<u>Custodian</u>	<u>Fair Value</u>
Mutual Funds - Equities	Fidelity Investments	\$ 4,549,496
Mutual Funds - Bonds	Fidelity Investments	2,776,934
Exchange Traded - Equities	Fidelity Investments	23,962
Exchange Traded - Fixed Income	Fidelity Investments	7,525
		\$ <u>7,357,917</u>

Fidelity Investments are members of Securities Investor Protection Corporation (SIPC). As a result, securities are protected up to \$500,000. In addition to the SIPC protection, Fidelity Investments provide excess coverage from Lloyd's of London in conjunction with other insurers. Total aggregate excess of SIPC coverage is \$1 billion each, but there is a per unit limit of \$1.9 million for cash awaiting investment.

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

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 issuer. Investments in any one issuer that represents 5% or more for bonds and 5% or more for all other 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 mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There were no bonds in a single issuer that represents 5% or more of the total investments and there were no other investments 5% or more of the total investments at June 30, 2017.

A detail of the cash and investment accounts at June 30, 2017 is included below.

<u>Name of Depository/ Custodian</u>	<u>Account Type</u>	<u>Institution Balance</u>	<u>Reconciled Book Balance</u>
Deposits			
Century Bank-Public Funds	Non-Interest-Bearing Deposit	\$ 1,508,350	1,569,343
Fidelity Investments	Money Market Mutual Funds	263,318	215,738
Total Deposits		<u>1,771,668</u>	<u>1,785,081</u>
Investment Accounts			
Fidelity Investments	Mutual Funds - Equities	4,549,496	4,549,496
Fidelity Investments	Mutual Funds - Bonds	2,776,934	2,776,934
Fidelity Investments	Exchange Traded Equities	23,962	23,962
Fidelity Investments	Exchange Traded - Fixed	7,525	7,525
Total Investments		<u>\$ 7,357,917</u>	<u>7,357,917</u>

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. The Foundation’s bond and money market funds had the following credit risk structure as of June 30, 2017:

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Money Market Funds:		
Fidelity Treasury Money Market	AAA	3.48%
Bond Mutual Funds:		
Vanguard Inter-Term Inv	A	9.85%
Vanguard Short-Term Inv	A	9.87%
Vanguard Short-Term Corp	A	0.10%
Fidelity Floating Rate	B	5.22%
Blackrock Strategic Income	BB	0.03%
Templeton Global Total Return	BB	4.84%
Doubleline Total Return	BB	6.86%

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

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, 2017, Foundation’s bond mutual funds are subject to interest rate risk.

Investment Income

For the year ended June 30, 2017, components of investment income were as follows:

Interest and dividend income	\$	191,461
Net realized gains		791,058
Net unrealized loss		(219,541)
Total Investment (loss)	\$	<u>762,978</u>

Fair Value Measurement

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices (unadjusted) for the identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal to principal markets.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- Level 3 inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Foundation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Foundation has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment held by the Foundation:				
Mutual Funds – Equities	\$ 4,549,496	4,549,496	-	-
Mutual Funds – Bonds	2,776,934	2,776,934	-	-
Exchange Traded – Equities	23,962	23,962	-	-
Exchange Traded – Fixed Income	<u>7,525</u>	<u>7,525</u>	-	-
Total investments subject to leveling	\$ <u>7,357,917</u>	<u>7,357,917</u>	<u>-</u>	<u>-</u>
Investments measured at the net asset value (NAV):	\$ <u>-</u>			
Total investments	\$ <u>7,357,917</u>			

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4: NON-GIFT REVENUE

The Foundation has recorded the estimated value of contributed goods and services received from various sources as non-gift revenue and expense. The Foundation has received non-gift revenue of \$326,284 from the College and \$74,570 from donors for the year ended June 30, 2017. The following is a summary of the classification of non-gift revenue:

Salaries & benefits	\$	309,342
Instructional supplies		49,055
Artwork		24,925
Facilities use SFCC		9,039
Operating expense		7,903
Student support		590
Total Non-Gift Revenue	\$	<u>400,854</u>

NOTE 5: RELATED PARTY TRANSACTIONS

The College provides office space, personnel, utilities, and general operating expenses to the Foundation. These amounts are included in non-gift revenue in the amount of \$326,284 and in general and administrative expenses of \$326,284. In addition, the Foundation will incur certain expenditures including various scholarships and programs that are paid through the College. The Foundation will reimburse the College for these items it has paid on behalf of the Foundation.

During the fiscal year 2017, members of the board of directors made new gifts to the Foundation totaling \$39,403.

NOTE 6: RISK MANAGEMENT

The Foundation is physically housed within the College and the College provides office space, personnel, utilities, and general operating expenses to 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 7: DUE TO SANTA FE COMMUNITY COLLEGE

The Foundation has amounts due to the College for projects and expenses paid on their behalf during the year in the amount of \$587,799, which is included in current liabilities as of June 30, 2017. These expenses are made up of general and administrative costs, special project costs, and foundation scholarships.

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8: ENDOWMENTS

On July 1, 2009 the Uniform Prudent Management of Institutional Funds Act became effective in New Mexico. If a donor has not provided specific instructions, state law permits the Board of Directors to authorize for expenditure the interest, dividends and net appreciation (realized and unrealized) of the investments of endowment funds.

The endowment spending policy provides that a maximum of up to 7% of the market value of the Long Term Investment Accounts invested for Endowments, calculated quarterly on the rolling average market value of the prior twelve quarters, will be made available for expenditures each year. Expenditures within the 7% limit will be made to realize the intended purposes of the Endowment, any total return above 7% will be returned to the endowment corpus unless an endowment donor explicitly specifies a different arrangement in the endowment fig instrument, and any unspent portion of the 7% will be returned to the corpus but may be available to support the designated purposes of the Endowment in the following fiscal year. The amount available for expenditure in the year ending June 30, 2017 is \$237,068.

As of June 30, 2017 the value of the Foundation's endowment portfolio was \$7,529,600 and the permanent endowment contributions were \$5,051,660.

NOTE 9: SUBSEQUENT EVENTS

The Foundation has evaluated events subsequent to June 30, 2017 that would possibly require adjustment or disclosure in these financial statements, through October 31, 2017, the date that these statements were available to be issued. There were no events identified that require adjustment or disclosure as of June 30, 2017.

NOTE 10: INCOME TAX MATTERS

The Internal Revenue Service has not examined any of the Form 990 tax returns. However, the Foundation's tax returns for 2017, 2016 and 2015 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 11: RESTATEMENT

On October 20, 2016 the Foundation posted an adjusting entry, increasing the liability due to the College for the fiscal year 2016. The adjusting entry was made to the Foundation's trial balance, however, was not made on Axiom's trial balance for the Foundation. Therefore, the adjustment was not represented in the Foundation's financial statements for the year ended June 30, 2016. Because the Foundation's trial balance did not agree to the audited financial statements, the Foundation's fund balance did not roll forward from fiscal year 2016 to fiscal year 2017.

To correct this, we will adjust by restating the beginning net position of the Foundation to represent a decrease of \$129,076. The effect is a change in net position by this amount for the year ended June 30, 2016.

**INDEPENDENT AUDITOR’S 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**

To the Board of Directors
Santa Fe Community College Foundation
Santa Fe, New Mexico
and
Mr. Timothy Keller, New Mexico State Auditor

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 Santa Fe Community College Foundation (the “Foundation”), a nonprofit organization and component unit of Santa Fe Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 31, 2017.

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 opinion 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 combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 questioned costs as item 2017-001 that we consider to be a significant deficiency.

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*.

Foundation Response to Finding

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
October 31, 2017

SUPPLEMENTARY INFORMATION

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

A. Prior Year Audit Findings

No prior year audit findings to report.

B. Financial Statement Findings

2017-001 – Restatement of Net Position (Significant Deficiency)

Condition: The Foundation posted an adjusting entry to increase the liability due to the College for the year ended June 30, 2016. The adjusted balance was not reflected on the audited financial statements for fiscal year 2016.

Criteria: In accordance with generally accepted accounting principles, all transactions including liabilities should be reflected in the financial statements.

Effect: The Foundation's beginning balance of net position for fiscal year 2017 was overstated by \$129,076.

Cause: The adjusting entry was made to the Foundation's trial balance, however, was not made on Axiom's trial balance for the Foundation. Therefore, the adjustment was not represented in the Foundation's financial statements for the year ended June 30, 2016. Because the Foundation's trial balance did not agree to the audited financial statements, the Foundation's fund balance did not roll from fiscal year 2016 to fiscal year 2017.

Recommendation: We recommend that the Foundation and the College perform a more thorough review of the audited financial statement prior to their release to ensure that all audited balances tie to the entity's trial balance to ensure that all adjusting entries are reflected in the financial statements. As outlined in the management representation letter, management assumes all responsibility for non-audit services such as financial statement preparation.

Management Response: SFCC provided the adjusting journal entry to the independent auditor on October 20, 2016 and the entry was included on the College's financial statements, however, it was not included on the Foundation's financial statements. Management received the final draft of the financial statements on November 18, after the financial report was due to the state auditor on November 15. Management will work with auditors to ensure that enough time is planned to have SFCC review final financial numbers prior to submitting the audit to OSA. Currently, management has implemented a quarterly billing and review of the Due to/Due from account from the Foundation to the College. This audit finding has been corrected at the time of writing this management response. The VP for Finance and Controller are responsible for correcting this audit finding and the finding will be verified to be resolved by December 2017.

**SANTA FE COMMUNITY COLLEGE FOUNDATION
(A COMPONENT UNIT OF SANTA FE COMMUNITY COLLEGE)
EXIT CONFERENCE
JUNE 30, 2017**

The contents of this report were discussed in the exit conference held on October 25, 2017 with the following in attendance.

Santa Fe Community College Foundation Personnel

Randy Grissom, President, SFCC
Nick Telles, Vice President of Finance/CFO, SFCC
Richard Abeles, Board Member
Deborah Boldt, Executive Director
Kelly Smith, Foundation Advancement Manager
Rosemary Mulcahy, Treasurer
Carmen Gonzales, President, SFCC Foundation
Adam Stranel, Board Member
Amy Pell, Controller

Axiom Certified Public Accountants and Business Advisors LLC

Jaime Rumbaoa, CPA, CITP, CISA, CFE, Partner