

JEFFCO SCHOOLS FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

**JEFFCO SCHOOLS FOUNDATION
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YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jeffco Schools Foundation
Lakewood, Colorado

We have audited the accompanying financial statements of Jeffco Schools Foundation (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Jeffco Schools Foundation

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter Unrestricted Net Deficit

As discussed in Note 9 to the financial statements, the Foundation has a negative amount of unrestricted net assets for years ended June 30, 2017 and 2016. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 24, 2017

**JEFFCO SCHOOLS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 303,765	\$ 501,560
Investments	15,401	14,587
Prepaid Expense	2,011	1,493
Accounts Receivable, Net	298,164	29,436
Total Current Assets	619,341	547,076
Equipment	32,825	32,825
Less: Accumulated Depreciation	(32,825)	(32,825)
Equipment, Net	-	-
Beneficial Interest in Assets Held by Others	640,424	374,563
Investment – Wetherbee Art and Music Fund	270,197	251,393
Investment – Chris Faughnan Memorial	33,478	31,705
Investment – Warren Tech Auto	25,749	24,290
Total Assets	\$ 1,589,189	\$ 1,229,027
LIABILITIES AND NET ASSETS		
LIABILITIES		
Scholarships Payable	\$ 224,807	\$ -
Payroll Liabilities Payable	16,400	14,567
Trade Accounts Payable	38,827	35,233
Note Payable, Current Portion	23,571	23,571
Total Current Liabilities	303,605	73,371
NOTE PAYABLE	117,856	138,623
Total Liabilities	421,461	211,994
NET ASSETS		
Unrestricted	(38,449)	(61,564)
Temporarily Restricted	414,214	486,634
Permanently Restricted	791,963	591,963
Total Net Assets	1,167,729	1,017,033
Total Liabilities and Net Assets	\$ 1,589,189	\$ 1,229,027

See accompanying Notes to Financial Statements.

**JEFFCO SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Contributions from Individuals	\$ 20,974	\$ 46,646	\$ -	\$ 67,620
Corporate Contributions	96,209	44,316	-	140,525
Other Contributions	60,388	94,689	200,000	355,077
Foundation Grants	444	293,500	-	293,944
Government Grants	-	246,320	-	246,320
Special Events	56,481	2,650	-	59,131
In-Kind Contributions	92,714	2,603	-	95,317
Investment and Other Income	66,677	32,561	-	99,238
Net Assets Released from Restrictions	835,704	(835,704)	-	-
Total Revenue	<u>1,229,590</u>	<u>(72,420)</u>	<u>200,000</u>	<u>1,357,171</u>
EXPENSES				
Programs	1,040,892	-	-	1,040,892
Administrative	114,129	-	-	114,129
Fundraising	51,454	-	-	51,454
Total Expenses	<u>1,206,475</u>	<u>-</u>	<u>-</u>	<u>1,206,475</u>
CHANGE IN NET ASSETS	23,115	(72,420)	200,000	150,696
Net Assets – Beginning of Year	<u>(61,564)</u>	<u>486,634</u>	<u>591,963</u>	<u>1,017,033</u>
NET ASSETS – END OF YEAR	<u>\$ (38,449)</u>	<u>\$ 414,214</u>	<u>\$ 791,963</u>	<u>\$ 1,167,729</u>

See accompanying Notes to Financial Statements.

**JEFFCO SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions from Individuals	\$ 33,737	\$ 69,677	\$ -	\$ 103,414
Corporate Contributions	70,963	68,338	-	139,301
Other Contributions	30,390	67,158	-	97,548
Grants	4,000	161,393	-	165,393
Special Events	42,366	1,740	-	44,106
In-Kind Contributions	66,940	9,794	-	76,734
Investment and Other Income	917	(6,302)	(15,481)	(20,866)
Net Assets Released from Restrictions	569,693	(438,757)	(130,936)	-
Total Revenue	<u>819,006</u>	<u>(66,959)</u>	<u>(146,417)</u>	<u>605,630</u>
EXPENSES				
Programs	528,211	-	-	528,211
Administrative	111,507	-	-	111,507
Fundraising	64,619	-	-	64,619
Total Expenses	<u>704,337</u>	<u>-</u>	<u>-</u>	<u>704,337</u>
CHANGE IN NET ASSETS	114,669	(66,959)	(146,417)	(98,707)
Net Assets – Beginning of Year	<u>(176,233)</u>	<u>553,593</u>	<u>738,380</u>	<u>1,115,740</u>
NET ASSETS – END OF YEAR	<u>\$ (61,564)</u>	<u>\$ 486,634</u>	<u>\$ 591,963</u>	<u>\$ 1,017,033</u>

See accompanying Notes to Financial Statements.

**JEFFCO SCHOOLS FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Total Net Assets	\$ 150,696	\$ (98,707)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Unrealized and Realized (Gain) Loss on Investments and Beneficial Interest in Assets Held by Others	(99,238)	21,718
Change in Assets and Liabilities:		
Change in Prepaid Expense	(518)	(206)
Change in Accounts Receivable	(268,728)	91,167
Change in Scholarships Payable	224,807	-
Change in Payroll Liabilities Payable	1,833	125,588
Change in Accounts Payable	3,594	(12,351)
Net Cash Provided by Operating Activities	12,445	127,209
 CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of Assets to/from Community First Foundation, Net	(189,473)	145,517
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(20,767)	-
Net Cash Used by Financing Activities	(20,767)	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(197,795)	272,726
 Cash and Cash Equivalents – Beginning of Year	501,560	228,834
 CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 303,765	\$ 501,560
 SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Payable Converted to Note Payable	\$ -	\$ 162,194

See accompanying Notes to Financial Statements.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 ORGANIZATION

Jeffco Schools Foundation (the Foundation) was incorporated in 1983 as a nonprofit organization and is classified as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code (IRC). The general purpose of the Foundation is to provide private initiative to develop and fund programs expanding educational opportunities for students and to sponsor innovation and improvement in the overall quality of public education. The Foundation is supported primarily by public donations that are used to develop and fund programs, which enhance public education within the Jefferson County School District, No. R-1 (the District).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statement presentation of the Foundation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In August 2008, the Financial Accounting Standards Board issued FASB ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The state of Colorado enacted UPMIFA effective September 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Foundation adopted FASB ASC 958-205 for the year ended June 30, 2009. Management has determined that the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA (see Note 4).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, certificates of deposit and money market accounts with original maturities of three months or less. At June 30, 2017, the Foundation maintained the majority of its cash and temporary investments in the commercial bank, FirstBank, and maintained an operating account at the Community First Foundation. At various times during the year, the Foundation had certain cash equivalent amounts in excess of the federally insured limit of \$250,000. The Foundation believes it is not exposed to any significant credit risk on its cash and investments.

Investments

The Foundation records investments at fair value.

Accounts Receivable

Accounts receivable are stated at the amount billed or pledged by grantors and donors. The majority of this balance is a \$246,320 receivable from the State of Colorado Department of Higher Education related to the COSI grant as described in Note 10. This balance was collected in August 2017.

Equipment

Equipment is valued at cost on the date of acquisition, or fair market value on the date of donation. Equipment is depreciated over a five year estimated useful life using the straight-line method. There was no depreciation expense for the years ended June 30, 2017 and 2016, as all equipment was fully depreciated.

Scholarship Payable

Scholarships payable are funds due to selected scholarship recipients as of year-end. They are recorded as liability on the date that the funds become obligated to the student recipients.

Revenue

Contributions are recognized when received. Unconditional promises to give are recognized when the promise is made. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Facilities and Services

The Foundation uses facilities at the District for their offices (in the amount of a yearly rental value of \$12,800 and \$12,800 for 2017 and 2016, respectively), for which the Foundation is not charged a fee. In addition, the Foundation has received in-kind professional services of \$31,255 and \$14,345 for the years ended June 30, 2017 and 2016, respectively. The District also provided the Foundation with \$25,000 and \$27,839 for the years ended June 30, 2017 and 2016, respectively, in management support to cover part of the Foundation's payroll. The amount for these facilities and services has been reflected in the accompanying financial statements as contributions revenue and allocated among expenses.

Program Expenses

During the fiscal year 2017, the Foundation program expenses totaled \$1,040,892, of which \$264,607 was for community programs, \$43,735 for educational programs, \$523,761 in scholarships, and \$208,789 of other program expenses.

During the fiscal year 2016, the Foundation program expenses totaling \$528,211, related to community programs: \$366,916, educational support: \$103,908, and scholarships: \$57,387.

Income Taxes

The Foundation is exempt from federal income taxes under Section 509(a)(1) of the IRC as an organization described in Section 501(c)(3) of the IRC. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Section 511 of the IRC. As of June 30, 2017, the Internal Revenue Service has not proposed any adjustments that would result in a material change to the Foundation's financial position.

Subsequent Events

Management evaluated subsequent events through October 24, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to October 24, 2017, that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2017.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation entered into various agreements with Community First Foundation (CFF). CFF shall hold, manage, invest, and reinvest the assets of the Foundation.

One of the agreements is an endowment challenge agreement (the Challenge Fund) whereby the Foundation had a \$1,000,000 internally or externally designated Endowment Goal. CFF provided matching funds in the amount of \$200,000 (see Note 4 for information on distribution policy). During the year ended June 30, 2016, the Foundation and CFF amended the original agreement to eliminate the \$1,000,000 goal and continue to allow annual distributions of 5% of the average fair market value during the year. During the year ended June 30, 2017, the Foundation and CFF amended the original agreement to release the restrictions on the matching funds of \$200,000 allowing the Foundation to recognize it as revenue and assets held. The aggregate fair market value of the Challenge Fund as of June 30, 2017 and 2016 was \$640,424 and \$574,563, respectively. The Foundation's beneficial interest in the Challenge Fund as of June 30, 2017 and 2016 is \$640,423 and \$374,563, respectively, as CFF transferred the match of \$200,000 during the year ended June 30, 2017. The agreement also permits the Foundation to substitute another beneficiary in the place of CFF if CFF ceases to exist or if the governing board of the Foundation votes that support of CFF is no longer necessary or is inconsistent with the needs of the community.

In addition to the Challenge Fund, the Foundation also holds an endowment that was established by a donor in November 2009. The Betty and Joe Wetherbee Art and Music Endowment Fund (Wetherbee Fund) was established to support art, music, and humanities programming in or for students in the District. The balance of this account at June 30, 2017 and 2016 is \$270,197 and \$251,393, respectively.

The Foundation also has a beneficial interest in two other programs with CFF. The Foundation's beneficial interest as of June 30, 2017 and 2016 is \$33,478 and \$31,705 and, respectively, in the Chris Faughnan Memorial account and \$25,749 and \$24,290, respectively, in the Warren Tech Auto account. These amounts are included in temporarily restricted assets.

Lastly, the Foundation has entered into an agreement with CFF whereby CFF will invest operating funds for the Foundation. As of June 30, 2017 and 2016, operating funds of \$15,401 and \$14,587, respectively, are being held by CFF. These amounts are shown as investments in the Statement of Financial Position.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 ENDOWMENTS

Interpretation of Relevant Law

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies the following endowment assets as permanently restricted net assets:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as either temporarily restricted until appropriated by the Foundation's board or unrestricted.

Return Objectives and Risk Parameters

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The preservation and safety of principal,
2. Maximization of total return and asset growth.
3. Availability and liquidity of funds to meet program needs, project costs, operating and capital expenditure requirements.

Spending Policy

The Foundation's agreement with CFF for the Challenge Fund states the Foundation may take distributions of no more than 5% of average net fair market value of the Fund for such year. The Foundation's right to direct a distribution of amounts for any year shall not be cumulative, and, if CFF distributes to or for the benefit of the Foundation less than the amount described in the preceding sentence with respect to any such year, then the Foundation shall not be entitled to request a distribution of such undistributed amount in any subsequent year. The Foundation did request distributions from the endowment during the years ended June 30, 2017 and 2016 after meeting the specified requirements for set forth by the donor. The interest earnings on this endowment fund were amended during the year ended June 30, 2017 to be reinvested as unrestricted net assets.

The Wetherbee Fund will receive annual distributions equal to 4% of the total value of the fund annually regardless of the actual interest earned. The distributions will be restricted to the operating objectives of the fund. The Foundation has a policy of appropriating any income from the Wetherbee endowment for spending on the operational expenses to run the art and music programs at the Foundation when deemed necessary or appropriate. As any income or gains from the endowment are appropriated and spent, these amounts are released from temporarily restricted net assets.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

The Foundation's investments are held in various cash and mutual fund accounts. Long-term investment activity for the year ended June 30, 2017 and endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Board Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds	<u>\$ 65,860</u>	<u>\$ 52,797</u>	<u>\$ 791,963</u>	<u>\$ 910,620</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017:

	<u>Board Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets – Beginning of Year	\$ -	\$ 33,993	\$ 591,963	\$ 625,956
Investment Return:				
Investment Income	71,897	30,693	-	102,590
Total	71,897	64,686	591,963	728,546
Contributions	-	-	200,000	200,000
Appropriation of Endowment	6,037	11,889	-	17,926
Net Assets – June 30, 2017	<u>\$ 65,860</u>	<u>\$ 52,797</u>	<u>\$ 791,963</u>	<u>\$ 910,620</u>

Long-term investment activity for the year ended June 30, 2017 and endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Board Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds	<u>\$ -</u>	<u>\$ 33,993</u>	<u>\$ 591,963</u>	<u>\$ 625,956</u>

Changes in endowment net assets for the fiscal year ended June 30, 2016:

	<u>Board Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets – Beginning of Year	\$ -	\$ 47,928	\$ 738,380	\$ 786,308
Investment Return:				
Investment Income	-	(3,240)	(9,083)	(12,323)
Total	-	44,688	729,297	773,985
Contributions	-	-	-	-
Appropriation of Endowment	-	10,695	137,334	148,029
Net Assets – June 30, 2016	<u>\$ -</u>	<u>\$ 33,993</u>	<u>\$ 591,963</u>	<u>\$ 625,956</u>

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 NET ASSETS

Permanently Restricted Net Assets

Net assets were released from donor restrictions by meeting the required spending policy listed in footnote 4:

	<u>2017</u>	<u>2016</u>
Annual Distribution	<u>\$ -</u>	<u>\$ 130,936</u>

Permanently restricted net assets at June 30 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Challenge Endowment	\$ 574,563	\$ 374,563
Betty and Joe Wetherbee Art and Music Fund	217,400	217,400
Total Permanently Restricted Net Assets	<u>\$ 791,963</u>	<u>\$ 591,963</u>

Temporarily Restricted Net Assets

Program grants include the areas of educational support, student scholarships, and community partnerships.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

	<u>2017</u>	<u>2016</u>
Program Grants	<u>\$ 835,704</u>	<u>\$ 438,757</u>

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Restricted Community Programs	\$ 41,542	\$ 159,782
Scholarships	202,925	173,448
Educational Programs	169,747	153,404
Total Temporarily Restricted Net Assets	<u>\$ 414,214</u>	<u>\$ 486,634</u>

Permanently restricted net assets include the Challenge Endowment totaling \$574,563 for June 30, 2017 and \$374,563 for June 30, 2016, which must be invested in perpetuity, the income from which is reinvested as unrestricted funds as of August 15, 2016. Prior to August 15, 2016, the earnings on the Challenge Endowment were reinvested as permanently restricted. The Foundation also holds the Betty and Joe Wetherbee Art and Music Endowment, which was established during the year ended June 30, 2010, totaling \$217,400 in permanently restricted funds for June 30, 2017 and 2016.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Investments

Investments at June 30, 2017 and 2016 are held at the Community First Foundation, which manages and invests the Foundation's endowments (see Note 4), scholarship fund and general operating account and has fiduciary responsibility for the proper investment of these funds.

Community First Foundation may invest in equity securities, fixed income securities and, without limitation; provided however, that in making and retaining the investments, Community First Foundation shall act in accordance with the standard of conduct set forth in Colorado law with respect to the management of institutional funds. Community First Foundation's investments may include funds in all levels of the valuation hierarchy. Since Community First Foundation's underlying investments of the Foundation's funds are not observable, this type of investment for the Foundation is generally classified within Level 3 of the valuation hierarchy.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2017:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Community First Foundation	\$ -	\$ -	\$ 985,249	\$ 985,249

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2016:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Community First Foundation	\$ -	\$ -	\$ 696,538	\$ 696,538

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30:

	2017	2016
Balance – Beginning of Year	\$ 696,538	\$ 863,773
Distributions	(10,527)	(145,517)
Contributions	200,000	-
Investment Gains (Losses)	108,591	(12,276)
Investment Management Fees	(9,353)	(9,442)
Balance – End of Year	<u>\$ 985,249</u>	<u>\$ 696,538</u>

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the statements of activities for the years ended June 30, 2017 and 2016.

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 NOTES PAYABLE

During the year ended June 30, 2016, the Foundation converted its salaries payable to Jefferson County School District to a note payable over the next seven years without interest. The note payable is due in annual installments of \$23,571 through June 30, 2023. The amount outstanding as of June 30, 2017 was \$141,427.

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 23,571
2019	23,571
2020	23,571
2021	23,571
2022	23,571
Thereafter	23,572
Total	<u>\$ 141,427</u>

NOTE 8 TRANSACTIONS WITH RELATED ENTITIES

The Foundation exchanges funds throughout the year with Jefferson County School District. During the year ended June 30, 2017, the Foundation received \$27,669 from the District in contribution revenue, and paid the District \$330,411 for support of programs and \$23,571 for their annual note payable payment. At June 30, 2017, the Foundation owed the District \$31,061 in accounts payable and \$141,427 related to the note payable as described in Note 7.

NOTE 9 UNRESTRICTED NET DEFICIT

The Foundation has an unrestricted net deficit of (\$38,449) as of June 30, 2017. This was a decrease of \$23,115 from the unrestricted net deficit balance of (\$61,564), as of June 30, 2016. Management will strive to reduce the unrestricted deficit by increasing support from corporate and individual donors with more unrestricted contributions.

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ (38,449)	\$ (61,564)
Temporarily Restricted	414,214	486,634
Permanently Restricted	791,963	591,963
Total Net Assets	<u>\$ 1,167,729</u>	<u>\$ 1,017,033</u>

**JEFFCO SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 COLORADO OPPORTUNITY SCHOLARSHIP INITIATIVE

During the year ended June 30, 2017, the Foundation entered into a two year grant agreement with the State of Colorado Department of Higher Education to be the recipient of approximately \$264,000 in scholarship funds to be distributed to students of Jefferson County entering trade credentialing or two-year Associates degree programs. In order to receive the funds, the Foundation must raise matching funds at a 1:1 ratio. As a result of this agreement, the Foundation had a receivable of \$246,000 from the Colorado Department of Higher Education and a scholarship payable of \$200,000 to Red Rocks Community College at year-end. The related grant revenues are \$493,944 and scholarship expenses of \$481,807 for the year ended June 30, 2017.