

Sinclair Community College Foundation

**Report on Audit of Financial Statements,
Internal Control and Compliance with
Laws and Regulations**

**For the year ended December 31, 1999
and 1998**



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Sinclair Community College Foundation

We have reviewed the Independent Auditor's Report of the Sinclair Community College Foundation, Montgomery County, prepared by Pricewaterhouse Coopers LLP for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sinclair Community College Foundation is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

July 20, 2000

CONTENTS

Section

Report on Financial Statements A

Report of Independent Accountants on Compliance and on
Internal Control over Financial Reporting Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* B

SINCLAIR COMMUNITY COLLEGE FOUNDATION

SECTION A

REPORT ON FINANCIAL STATEMENTS

Report of Independent Accountants

Board of Trustees
Sinclair Community College Foundation
Dayton, Ohio

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, and of cash flows present fairly, in all material respects, the financial position of Sinclair Community College Foundation (the "Foundation") at December 31, 1999 and December 31, 1998, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2000 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

June 2, 2000

Sinclair Community College Foundation
Statements of Financial Position
As of December 31, 1999 and 1998

Assets	<u>1999</u>	<u>1998</u>
Cash	\$ 200,876	\$ 254,348
Investments (Notes 2 and 3):		
Fixed income securities	4,767,957	4,529,581
Equities	10,946,377	9,323,874
Miami Valley Venture Fund	163,337	125,691
Total investments	<u>15,877,671</u>	<u>13,979,146</u>
Pledges receivable, net of allowance of \$7,125	<u>64,125</u>	<u>-</u>
Total assets	<u>\$ 16,142,672</u>	<u>\$ 14,233,494</u>
Liabilities and net assets		
Payable to Sinclair Community College	<u>\$ 111,453</u>	<u>\$ 56,103</u>
Net assets (Note 4):		
Unrestricted	13,392,053	11,891,667
Temporarily restricted	781,345	608,069
Permanently restricted	1,857,821	1,677,655
Total net assets	<u>16,031,219</u>	<u>14,177,391</u>
Total liabilities and net assets	<u>\$ 16,142,672</u>	<u>\$ 14,233,494</u>

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

Sinclair Community College Foundation
Statements of Activities and Changes in Net Assets
for the years ended December 31, 1999 and 1998

	1999			1998				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions (Notes 2 and 6)	\$ 93,439	\$ 210,496	\$ 130,949	\$ 434,884	\$ 74,756	\$ 69,001	\$ 364,101	\$ 507,858
Interest/dividends, net of fund expenses of \$25,354 in 1999 and \$29,530 in 1998	363,960	53,971	3,355	421,286	265,544	93,506	14,357	373,407
Net assets released from restrictions (Note 4)	240,258	(240,258)	-	-	161,265	(161,265)	-	-
Net realized gains on investments	720,879	94,116	14,975	829,970	588,415	588,415	588,415	588,415
Net unrealized investment gains	503,728	54,951	30,887	589,566	1,383,994	1,383,994	1,383,994	1,383,994
Total revenue and support	1,922,264	173,276	180,166	2,275,706	2,473,974	1,242	378,458	2,853,674
Expenses:								
Scholarships	289,741			289,741	254,319			254,319
Project support	100,479			100,479	113,838			113,838
Operating expenses (Notes 5 and 7)	31,658			31,658	18,010			18,010
Total expenses	421,878	-	-	421,878	386,167	-	-	386,167
Change in net assets	1,500,386	173,276	180,166	1,853,828	2,087,807	1,242	378,458	2,467,507
Net assets, beginning of year	11,891,667	608,069	1,677,655	14,177,391	9,803,860	606,827	1,299,197	11,709,884
Net assets, end of year	\$ 13,392,053	\$ 781,345	\$ 1,857,821	\$ 16,031,219	\$ 11,891,667	\$ 608,069	\$ 1,677,655	\$ 14,177,391

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

Sinclair Community College Foundation
Statements of Cash Flows
For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Increase in net assets	\$1,853,828	\$2,467,507
Adjustments to reconcile to net cash provided by operating activities:		
Increase in pledges receivable	(64,125)	-
Increase in payable to Sinclair Community College	55,350	13,188
Contributions and investment income restricted for long-term investment	(180,166)	(378,458)
Net realized gains on investments	(829,970)	(588,415)
Net unrealized investment gains	<u>(589,566)</u>	<u>(1,383,994)</u>
Net cash provided by operating activities	<u>245,351</u>	<u>129,828</u>
Cash flows related to investing activities:		
Proceeds from sale of investments	1,174,423	1,166,976
Purchase of investments	<u>(1,653,412)</u>	<u>(1,511,205)</u>
Net cash used for investing activities	<u>(478,989)</u>	<u>(344,229)</u>
Cash flows related to financing activities:		
Investment income restricted for endowments	49,217	14,357
Contributions restricted for endowments	<u>130,949</u>	<u>364,101</u>
Net cash provided by financing activities	<u>180,166</u>	<u>378,458</u>
Net increase in cash	(53,472)	164,057
Cash, beginning of year	<u>254,348</u>	<u>90,291</u>
Cash, end of year	<u>\$ 200,876</u>	<u>\$ 254,348</u>

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

Sinclair Community College Foundation

Notes to Financial Statements

1. Organization

The Sinclair Community College Foundation (the Foundation) was established in 1969 for the sole purpose of providing scholarships and other financial assistance to Sinclair Community College (the College) and its students. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Foundation classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. These classifications are permanently restricted, temporarily restricted and unrestricted net assets.

Method of Accounting

The Foundation generally follows the accounting procedures as set forth in the AICPA Audit and Accounting Guide for Audits of Certain Nonprofit Organizations.

Investments

Investments are managed by BZW Barclays Global Investors and Morgan Stanley. The Foundation has also made a limited partner commitment of \$250,000 to the Miami Valley Venture Fund. In 1999 and 1998, the Foundation contributed \$50,000 and \$87,500, respectively, as a result of capital calls. Since inception in 1996, capital calls have totaled \$187,500 through December 31, 1999. The investment value carried in these financial statements, net of interest income and management fees, was \$163,337 and \$125,691 at December 31, 1999 and 1998, respectively. The remaining portion of the commitment is callable when the fund has reached its minimum funding requirement.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Other investments are recorded at cost or, if acquired by gift, at fair value at the date of the gift.

Contributions

Contributions are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Sinclair Community College Foundation
Notes to Financial Statements

3. Investments

Cost values of investments at December 31, 1999 and 1998 are summarized as follows:

	<u>1999</u>	<u>1998</u>
Fixed income securities	\$ 5,038,566	\$ 4,401,456
Equities	7,558,271	6,928,002
Miami Valley Venture Fund	<u>163,337</u>	<u>121,759</u>
Total investments	<u>\$12,760,174</u>	<u>\$11,451,217</u>

The limited partner investment in the Miami Valley Venture Fund, which is carried at cost, had a market value of \$460,589 at December 31, 1999. Approximately 60% of this value is represented by the Foundation's share of a single, highly volatile investment in an internet startup company.

Realized and unrealized gains and losses on all investments are recorded in the period earned. Such amounts are recorded as changes in unrestricted net assets to the extent there are no donor-imposed restrictions limiting the use of these gains and losses. If donor-imposed restrictions exist, such amounts are reported as changes to temporarily restricted or permanently restricted net assets, depending upon the nature of the restriction.

4. Net Assets

Unrestricted Net Assets

Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor, principally for scholarships. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes. Net assets released from donor restrictions were as follows:

Sinclair Community College Foundation
Notes to Financial Statements

	<u>1999</u>	<u>1998</u>
Scholarships	\$ 113,374	\$ 108,907
Project support	49,585	52,358
Inactive funds	57,342	-
Operating fee	19,957	-
	<u>\$ 240,258</u>	<u>\$ 161,265</u>

Inactive funds represent donor-restricted accounts from which the donated principal has been expended in accordance with donor intent, but in which residual amounts of interest income have been accumulating.

In accordance with Board policy adopted in 1999, donor-restricted accounts are assessed a 1% fee for operating expenses.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds be expended as the donor has specified, principally for scholarships and student financial aid. Such investment income is recognized as income in temporarily restricted net assets or unrestricted net assets in accordance with donor stipulations when it is earned.

5. Transactions with Sinclair Community College

The Foundation processes payments through and maintains accounting records on the computer system of the College. The College allocates the cost of accounting and computer system support to the Foundation. Such allocations amounted to approximately \$1,960 and \$1,900 for the years ended December 31, 1999 and 1998, respectively.

6. Donated Equipment and Materials

The Foundation receives donations of equipment and materials which are passed on to the College for various educational uses. These donations are not recorded as revenue and support of the Foundation due to their immateriality to these financial statements.

7. Operating Expenses

Operating expenses include fund raising costs of approximately \$21,350 and \$11,550 for the years ended December 31, 1999 and 1998, respectively.

SINCLAIR COMMUNITY COLLEGE FOUNDATION

SECTION B

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

**Report of Independent Accountants on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Trustees
Sinclair Community College Foundation
Dayton, Ohio

We have audited the financial statements of Sinclair Community College Foundation (the "Foundation") as of and for the year ended December 31, 1999, and have issued our report thereon dated June 2, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the

Board of Trustees
Sinclair Community College Foundation

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

June 2, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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SINCLAIR COMMUNITY COLLEGE FOUNDATION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 14, 2000**