

**SHAWNEE STATE UNIVERSITY
DEVELOPMENT FOUNDATION**

FINANCIAL STATEMENTS
June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Shawnee State University Foundation
940 Second Street
Portsmouth, Ohio 45662

We have reviewed the Independent Auditor's Report of the Shawnee State University Foundation, Scioto County, prepared by Crowe Chizek and Company, LLC, for the audit period July 1, 2003 to June 30, 2004. 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 Shawnee State University Foundation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 10, 2004

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
Portsmouth, Ohio

FINANCIAL STATEMENTS
June 30, 2004

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Shawnee State University Development Foundation
Portsmouth, Ohio

We have audited the accompanying statement of net assets of Shawnee State University Development Foundation (a not-for-profit component unit of Shawnee State University) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Shawnee State University Development Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shawnee State University Development Foundation as of June 30, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004, 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 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* and should be considered in assessing results of our audit.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Columbus, Ohio
October 7, 2004

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF NET ASSETS
June 30, 2004

ASSETS

Cash and cash equivalents	\$ 500,096
Investments	9,084,185
Other assets	112,819
Contributions receivable	172,126
Beneficial interest in trusts held by others	<u>1,317,484</u>
Total assets	<u>\$ 11,186,710</u>

LAIBILITIES

Accounts payable	\$ 9,710
Deposits held and due to others	39,441
Annuity payment liability	<u>131,377</u>
Total liabilities	<u>180,528</u>

NET ASSETS

Unrestricted	980,708
Temporarily restricted	4,758,712
Permanently restricted	<u>5,266,762</u>
Total net assets	<u>11,006,182</u>
 Total liabilities and net assets	 <u>\$ 11,186,710</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Contributions	\$ 178,888	\$ 105,120	\$ 538,825	\$ 822,833
Investment income, net	77,229	852,904	-	930,133
Net assets released from restrictions	<u>395,651</u>	<u>(395,651)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>651,768</u>	<u>562,373</u>	<u>538,825</u>	<u>1,752,966</u>
Expenses and losses				
Scholarships and other student aid	153,804	-	-	153,804
Institutional support	261,821	-	-	261,821
Guest speakers and lecturers	18,570	-	-	18,570
Management and general expenses	<u>117,063</u>	<u>-</u>	<u>-</u>	<u>117,063</u>
Total expenses	<u>551,258</u>	<u>-</u>	<u>-</u>	<u>551,258</u>
Change in net assets	100,510	562,373	538,825	1,201,708
Net assets, beginning of year	<u>880,198</u>	<u>4,196,339</u>	<u>4,727,937</u>	<u>9,804,474</u>
Net assets, end of year	<u>\$ 980,708</u>	<u>\$ 4,758,712</u>	<u>\$ 5,266,762</u>	<u>\$ 11,006,182</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
Year ended June 30, 2004

Cash flows from operating activities

Change in net assets	\$ 1,201,708
Adjustments to reconcile change in net assets to net cash generated by operating activities	
Noncash contributions	(74,958)
Realized and unrealized (gains) on investments	(834,124)
Contributions for long term purposes	(538,825)
Changes in assets and liabilities	
Contributions receivable	(12,530)
Other assets	(11,171)
Funds held in trust by others	(211,070)
Accounts payable	(1,066)
Deposits held and due to others	17,376
Annuity obligations	<u>52,391</u>
Net cash from operating activities	(412,269)

Cash flows from investing activities

Proceeds from sale of investments	9,425,005
Purchase of investments	<u>(9,560,461)</u>
Net cash from investing activities	<u>(135,456)</u>

Cash flows from financing activities

Contributions for long term purposes	<u>538,825</u>
Net cash from financing activities	<u>538,825</u>

Net change in cash and cash equivalents (8,900)

Cash and cash equivalents, beginning of the year 508,996

Cash and cash equivalents, end of year \$ 500,096

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization: Shawnee State University Development Foundation (the "Foundation") was incorporated as a not-for-profit organization in the State of Ohio on November 4, 1987. The Foundation was formed to raise funds exclusively for the benefit of Shawnee State University. The primary source of revenues for the Foundation is donor contributions. The Foundation is a legally separate entity from the University and maintains a self appointing board of trustees.

Financial Statement Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments: Investments are carried at fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments received by gifts are recorded at fair value at the date of gift. Realized investment gains and losses represent the difference between the proceeds on sales of investments and their cost when acquired. Investment return includes interest, dividends, and both realized and unrealized gains and losses. All realized and unrealized gains and losses on investments are reported as increases or decreases, respectively, to unrestricted net assets unless required by donors to be reinvested with the corpus (see Note 2).

In accordance with SFAS No. 117, the Foundation has recorded net appreciation (both realized and unrealized) on endowment funds as unrestricted net assets unless the use of such income has been temporarily or permanently restricted by the donor or by law. In cases where such donor imposed restrictions exist, net appreciation is recorded in the same manner as the corresponding income.

The Foundation's endowment consists of assets, which are invested to provide income to support education and related activities, either as a result of donor imposed restrictions or as a result of designations by the Board of Trustees. Endowment contributions are generally invested on a pooled basis and managed so as to achieve maximum long-term total return.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Contributions: Contributions to the Foundation 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.

Net Assets: Unrestricted Net Assets represent funds, which can be used by the Foundation for any purpose authorized by the Board of Trustees.

Temporarily Restricted Net Assets represent funds, which are restricted for a specific purpose determined by the donor. A donor-imposed restriction permits the Foundation to expend the donated assets as specified and is satisfied either by the passage of time or by actions of the Foundation. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Permanently Restricted Net Assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified.

During fiscal year 1990, the Foundation was awarded \$500,000 by the U. S. Department of Education for an Endowment Challenge Grant. Significant provisions of the Grant required the Foundation to secure \$500,000 in matching funds from private sources. The Foundation is temporarily restricted from spending more than 50% of the income of the investment of the Endowment Challenge Grant for a twenty-year period. After the twenty-year period, all income earned and the Grant's corpus may be spent by the Foundation for educational purposes.

Expiration of Donor-Imposed Restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when either the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. Generally the releases of restrictions are for scholarships and capital projects.

Federal Income Tax: The Internal Revenue Service has ruled that the Foundation is exempt from federal income taxes under Section 401(a) of the Internal Revenue Code as a public charity described in Section 501(c)(3).

Annuities Payable: The carrying value of annuities payable is actuarially determined based on the present value of the discounted estimated future cash flows using market interest rates.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

The fair value of investments held by the Foundation at June 30, 2004 is summarized as follows:

United States Government securities	\$ 1,779,515
Mutual funds	
Equity	1,303,726
Fixed income	1,063,167
Common stocks	<u>4,937,777</u>
Total	<u>\$ 9,084,185</u>

Investment income for the fiscal year ended June 30, 2004 is composed of the following:

Interest and dividends	\$ 96,009
Net realized and unrealized gains (losses)	<u>834,124</u>
Total	<u>\$ 930,133</u>

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2004 are promises to give from various donors that are unconditional. Pledges that will not be received in the subsequent year have been discounted to present value using interest rates ranging from 1.6% to 5.3%. Contributions receivable are due as follows:

Less than one year	\$ 5,805
One to five years	98,539
More than five years	<u>72,196</u>
 Total contributions receivable	 176,540
 Less: provision for uncollectible pledges	 <u>(4,414)</u>
 Net contributions receivable	 <u>\$ 172,176</u>

As of June 30, 2004, the Foundation had cash surrender value of insurance policies of \$112,816. The face value of these policies as of June 30, 2004 of \$1,056,221 is not reflected in the statement of financial position.

The Foundation received conditional promises to give totaling approximately \$3,420,000 as of June 30, 2004 that have not been recognized as assets in the statement of financial position. These gifts are primarily in the form of bequests which are deemed conditional due to their revocable nature.

NOTE 4 – SPLIT-INTEREST AGREEMENTS

The Foundation has been named charitable remainder beneficiary in various charitable remainder trusts administered by an outside trustee. These trusts provide, among other matters, that the trustee shall pay to beneficiaries periodic payments until either the assets of the trust have been exhausted or death of the beneficiaries. Upon death of the beneficiaries, the Foundation's designated share of all property in the trust will be transferred to the Foundation in accordance with the agreements.

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 4 – SPLIT-INTEREST AGREEMENTS (Continued)

The Foundation accounts for such agreements by recording the fair market value of assets donated netted against the present value of the annuities payable, based on the terms of the agreement as contributions receivable from remainder trusts. The excess of the fair market value of the donated assets over the liability is recorded as unrestricted support in the year of the gift, unless donor has placed restrictions on the use of the gift, in which case the excess is recorded as an addition to temporarily or permanently restricted net assets.

NOTE 5 – RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets at June 30, 2004 are restricted for the following purposes:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Federal matching grant funds	\$ 1,390,170	\$ -
Scholarships and student aid	985,693	1,810,822
Irrevocable charitable trusts	475,675	-
University facilities and programs	<u>1,907,174</u>	<u>3,455,940</u>
Total	<u>\$ 4,758,712</u>	<u>\$ 5,266,762</u>

NOTE 6 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist primarily of contributions receivable, and investments.

The Foundation maintains a custodial account with U. S. Bank N. A., Private Client, Trust and Asset Management Division. U. S. Bank maintains insurance coverage against major losses. Policies currently in place include an errors and omission policy, employee fidelity bond, blanket lost original instruments bond and master trust property policy. Coverage is provided by insurance companies which U. S. Bank management believes to be financially sound, and is maintained at levels which U. S. Bank considers reasonable given the size and scope of its operations. Insurance coverage is approved annually by the U. S. Bank Board of Directors.

NOTE 7 – DISTRIBUTIONS TO SHAWNEE STATE UNIVERSITY

The Foundation made distributions to, or on behalf of the University of \$434,195 during the year ended June 30, 2004. Administrative expenses of \$117,063 were reimbursed to Shawnee State University in fiscal year 2004 respectively to cover direct costs, including an appropriate allocation of salary and benefits, incurred in the management of the Foundation's endowment funds.



REPORT OF INDEPENDENT AUDITORS 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*

Board of Trustees
Shawnee State University Development Foundation
Portsmouth, Ohio

We have audited the financial statements of Shawnee State University Development Foundation (the Foundation) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 7, 2004. 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.

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 an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 material weaknesses.

Compliance and Other Matters

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 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*.

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


Crowe Chizek and Company LLC

Columbus, Ohio
October 7, 2004



**Auditor of State
Betty Montgomery**

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SHAWNEE STATE UNIVERSITY FOUNDATION

SCIOTO 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
DECEMBER 23, 2004**