

Sinclair Community College Foundation

**Report on Audit of Financial Statements,
Internal Control and Compliance with
Laws and Regulations
For the years ended December 31, 2003
and 2002**



**Auditor of State
Betty Montgomery**

Board of Trustees
Sinclair Community College Foundation
444 West Third Street
Dayton, Ohio 45402-1460

We have reviewed the Independent Auditor's Report of the Sinclair Community College Foundation, Montgomery County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 2003 through December 31, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 9, 2004

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SINCLAIR COMMUNITY COLLEGE FOUNDATION

SECTION A

REPORT ON FINANCIAL STATEMENTS

Report of Independent Auditors

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, 2003 and December 31, 2002, 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 of America. 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 of America 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 our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2004 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 grants. That report is an integral part of an 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

May 14, 2004

Sinclair Community College Foundation
Statements of Financial Position
As of December 31, 2003 and 2002

Assets	2003	2002
Cash	\$ 423,872	\$ 464,632
Investments (Notes 2 and 3):		
Fixed income securities	5,064,575	4,927,074
Equities	11,774,320	9,061,259
Miami Valley Venture Funds	112,044	123,296
Total investments	<u>16,950,939</u>	<u>14,111,629</u>
Pledges receivable, net of allowances of \$0 and \$14,750 at December 31, 2003 and 2002, respectively (Note 4)	<u>3,851,235</u>	<u>2,262,661</u>
Total assets	<u>\$ 21,226,046</u>	<u>\$ 16,838,922</u>
Liabilities and net assets		
Payable to Sinclair Community College	<u>\$ 275,652</u>	<u>\$ 111,966</u>
Net assets (Note 5):		
Unrestricted	13,785,566	10,604,542
Temporarily restricted	3,379,054	3,175,291
Permanently restricted	<u>3,785,774</u>	<u>2,947,123</u>
Total net assets	<u>20,950,394</u>	<u>16,726,956</u>
Total liabilities and net assets	<u>\$ 21,226,046</u>	<u>\$ 16,838,922</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, 2003 and 2002

	2003				2002			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions (Notes 2 and 7)	\$ 1,266,674	\$ 1,013,447	\$ 673,972	\$ 2,954,093	\$ 90,103	\$ 547,530	\$ 83,408	\$ 721,041
Interest/dividends, net of fund expenses of \$40,513 in 2003 and \$40,970 in 2002	(22,797)	2,242	(511)	(21,066)	(23,860)	6,030	-	(17,830)
Net assets released from restrictions	1,122,751	(1,122,751)	-	-	738,279	(738,279)	-	-
Net realized/unrealized gains (losses) on investment	2,505,304	310,825	165,190	2,981,319	(1,375,186)	(144,735)	-	(1,519,921)
Total revenue and support	4,871,932	203,763	838,651	5,914,346	(570,664)	(329,454)	83,408	(816,710)
Expenses:								
Scholarships	243,580	-	-	243,580	379,628	-	-	379,628
Project support	1,073,780	-	-	1,073,780	703,826	-	-	703,826
Operating expenses	373,548	-	-	373,548	170,892	-	-	170,892
Total expenses	1,690,908	-	-	1,690,908	1,254,346	-	-	1,254,346
Change in net assets	3,181,024	203,763	838,651	4,223,438	(1,825,010)	(329,454)	83,408	(2,071,056)
Net assets, beginning of year	10,604,542	3,175,291	2,947,123	16,726,956	12,429,552	3,504,745	2,863,715	18,798,012
Net assets, end of year	\$ 13,785,566	\$ 3,379,054	\$ 3,785,774	\$ 20,950,394	\$ 10,604,542	\$ 3,175,291	\$ 2,947,123	\$ 16,726,956

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, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,223,438	\$(2,071,056)
Adjustments to reconcile to net cash used in operating activities:		
(Increase) decrease in pledges receivable	(1,588,574)	424,644
Increase (decrease) in payable to Sinclair Community College	163,686	(19,965)
Contributions and investment income restricted for long-term investment	(838,651)	(83,408)
Net realized/unrealized (gains) losses on investments	<u>(2,981,319)</u>	<u>1,519,921</u>
Net cash used in operating activities	<u>(1,021,420)</u>	<u>(229,864)</u>
Cash flows related to investing activities:		
Proceeds from sale of investments	843,719	2,411,462
Purchase of investments	<u>(701,710)</u>	<u>(2,626,649)</u>
Net cash provided by (used in) investing activities	<u>142,009</u>	<u>(215,187)</u>
Cash flows related to financing activities:		
Investment income restricted for endowments	164,679	-
Contributions restricted for endowments	<u>673,972</u>	<u>83,408</u>
Net cash provided by financing activities	<u>838,651</u>	<u>83,408</u>
Net decrease in cash	(40,760)	(361,643)
Cash, beginning of year	<u>464,632</u>	<u>826,275</u>
Cash, end of year	<u>\$ 423,872</u>	<u>\$ 464,632</u>

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

Sinclair Community College Foundation

Notes to Financial Statements

December 31, 2003 and 2002

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. Revenue sources for the Foundation are private gifts from individuals, businesses and other foundations and investment income. 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 follows the accounting procedures as set forth in the AICPA Audit and Accounting Guide for Not-for-Profit Organizations.

Investments

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.

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.

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.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Sinclair Community College Foundation
Notes to Financial Statements
December 31, 2003 and 2002

3. Investments

Cost values of investments at December 31, 2003 and 2002 are summarized as follows:

	2003	2002
Fixed income securities	\$ 4,043,000	\$ 4,042,883
Equities	11,115,039	11,176,393
Miami Valley Venture Funds	<u>112,044</u>	<u>123,296</u>
Total investments	<u>\$ 15,270,083</u>	<u>\$ 15,342,572</u>

The limited partner investments in the Miami Valley Venture Funds I and II, which are carried at cost, had market values of \$60,131 and \$64,921, respectively, at December 31, 2003.

Investments are managed by Barclays Global Investors and American Funds. The Foundation has also made limited partner commitments of \$250,000 each to the Miami Valley Venture Funds I and II ("Fund I" and "Fund II", respectively). Since inception in 1996 of Fund I, capital calls have totaled \$250,000 through December 31, 2003. Return of capital distributions totaling \$115,553 have been made by Fund I through December 31, 2003. The investment value of Fund I carried in these financial statements, net of interest income and management fees, was \$47,123 and \$69,355 at December 31, 2003 and 2002, respectively. Since inception in 2001 of Fund II, capital calls have totaled \$87,500 through December 31, 2003. The remaining portion of the commitment is callable when Fund II has reached its minimum funding requirement. The investment value of Fund II carried in these financial statements, net of interest income and management fees, was \$64,921 and \$53,941 at December 31, 2003 and 2002, respectively.

4. Pledges Receivable

As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$3,851,235, representing the present value of those pledges receivable at December 31, 2003. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using a discount rate of 5%.

Pledges receivable at December 31, 2003 are summarized as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>	<u>Total</u>
Pledges receivable	\$ 1,393,690	\$ 2,672,227	\$ -	\$4,065,917
Unamortized discount	-	(214,682)	-	(214,682)
Present value of pledges receivable	<u>1,393,690</u>	<u>2,457,545</u>	-	<u>3,851,235</u>
Allowance for doubtful accounts	-	-	-	-
Pledges receivable, net	<u>\$ 1,393,690</u>	<u>\$ 2,457,545</u>	<u>\$ -</u>	<u>\$3,851,235</u>

Sinclair Community College Foundation
Notes to Financial Statements
December 31, 2003 and 2002

5. 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 Trustees.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor. 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:

	2003	2002
Scholarships	\$ 137,926	\$ 162,568
Project support	951,475	571,373
Operating fee	<u>33,350</u>	<u>4,338</u>
	<u>\$1,122,751</u>	<u>\$ 738,279</u>

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.

6. Transactions with Sinclair Community College

The Foundation processes payments through and maintains accounting and donor records on the computer systems of the College. The College allocates the cost of accounting, donor database management and computer system support to the Foundation. The College also allocates some donor development staff costs to the Foundation. Such allocations amounted to \$97,416 and \$83,092 for the years ended December 31, 2003 and 2002, respectively.

7. 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.

Sinclair Community College Foundation
Notes to Financial Statements
December 31, 2003 and 2002

8. Fund-raising Costs

Operating expenses include fund-raising costs of \$53,893 and \$44,225 for the years ended December 31, 2003 and 2002, 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***

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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, 2003, and have issued our report thereon dated May 14, 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 of America.

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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course



Board of Trustees
Sinclair Community College Foundation

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 those specified parties.

Price Waterhouse Coopers LLP

May 14, 2004



**Auditor of State
Betty Montgomery**

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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
AUGUST 24, 2004**