

Cuyahoga Community College Foundation

*Financial Statements
Years Ended June 30, 2003, 2002 and 2001
and Independent Auditors' Report*



**Auditor of State
Betty Montgomery**

Board of Directors
Cuyahoga Community College Foundation
700 Carnegie Avenue
Cleveland, Ohio 44107-2878

We have reviewed the Independent Auditor's Report of the Cuyahoga Community College Foundation, Cuyahoga County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2002 through June 30, 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 Cuyahoga 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

December 30, 2003

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CUYAHOGA COMMUNITY COLLEGE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cuyahoga Community College Foundation:

We have audited the accompanying statements of financial position of Cuyahoga Community College Foundation (the "Foundation") as of June 30, 2003, 2002 and 2001, and the related statements of activities and changes in net assets and of cash flows for the years then ended. 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 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 audits provide 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 the Foundation as of June 30, 2003, 2002 and 2001, and the changes in its net assets and its cash flows for the years 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 September 19, 2003, 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 for the year ended June 30, 2003. 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.

Deloitte & Touche LLP

September 19, 2003

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2003, 2002 AND 2001

ASSETS	2003	2002	2001
Cash and cash equivalents	\$ 2,475,370	\$ 1,780,235	\$ 1,224,229
Investments	7,729,598	6,451,464	6,797,352
Receivables:			
Pledges—net	2,972,822	3,603,347	5,855,623
Contributions due from related party	<u>54,562</u>	<u>73,978</u>	<u>42,641</u>
TOTAL	<u>\$ 13,232,352</u>	<u>\$ 11,909,024</u>	<u>\$ 13,919,845</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Grants due to related party	<u>\$ 468,315</u>	<u>\$ -</u>	<u>\$ 12,291</u>
 NET ASSETS:			
Unrestricted	106,932	134,759	145,968
Temporarily restricted	11,201,978	10,454,680	12,353,638
Permanently restricted	<u>1,455,127</u>	<u>1,319,585</u>	<u>1,407,948</u>
Total net assets	<u>12,764,037</u>	<u>11,909,024</u>	<u>13,907,554</u>
TOTAL	<u>\$ 13,232,352</u>	<u>\$ 11,909,024</u>	<u>\$ 13,919,845</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME (LOSS) AND OTHER SUPPORT:				
Contributions and grants	\$ 397,362	\$ 3,232,292	\$ 2,238	\$ 3,631,892
Special events revenue		744,439		744,439
Interest and dividend income		231,365		231,365
Net depreciation in fair value of investments	(24,442)	(21,904)		(46,346)
Net assets released from restriction	<u>3,438,894</u>	<u>(3,438,894)</u>		
 Total revenues, investment income (loss) and other support	<u>3,811,814</u>	<u>747,298</u>	<u>2,238</u>	<u>4,561,350</u>
EXPENSES:				
Program services:				
Scholarships	202,067			202,067
Educational development	<u>3,112,306</u>			<u>3,112,306</u>
Total program services	3,314,373			3,314,373
Special events	53,471			53,471
Administration and general	279,376			279,376
Fundraising	<u>59,117</u>			<u>59,117</u>
 Total expenses	<u>3,706,337</u>			<u>3,706,337</u>
CHANGE IN NET ASSETS	105,477	747,298	2,238	855,013
NET ASSETS—Beginning of year	134,759	10,454,680	1,319,585	11,909,024
CHANGE IN REPORTING LOSS ON PERMANENTLY RESTRICTED NET ASSETS	<u>(133,304)</u>		<u>133,304</u>	
NET ASSETS—End of year	<u>\$ 106,932</u>	<u>\$11,201,978</u>	<u>\$ 1,455,127</u>	<u>\$ 12,764,037</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME (LOSS) AND OTHER SUPPORT:				
Contributions and grants	\$ 265,842	\$ 1,821,904	\$ 11,835	\$ 2,099,581
Special events revenue		321,776		321,776
Interest and dividend income	228	236,449		236,677
Net depreciation in fair value of investments	(858)	(423,038)	(100,198)	(524,094)
Net assets released from restriction	<u>3,856,049</u>	<u>(3,856,049)</u>	<u> </u>	<u> </u>
 Total revenues, investment income (loss) and other support	 <u>4,121,261</u>	 <u>(1,898,958)</u>	 <u>(88,363)</u>	 <u>2,133,940</u>
EXPENSES:				
Program services:				
Scholarships	174,551			174,551
Educational development	<u>3,556,448</u>	<u> </u>	<u> </u>	<u>3,556,448</u>
Total program services	3,730,999			3,730,999
Special events	77,435			77,435
Administration and general	267,890			267,890
Fundraising	<u>56,146</u>	<u> </u>	<u> </u>	<u>56,146</u>
 Total expenses	 <u>4,132,470</u>	 <u> </u>	 <u> </u>	 <u>4,132,470</u>
CHANGE IN NET ASSETS	(11,209)	(1,898,958)	(88,363)	(1,998,530)
NET ASSETS—Beginning of year	<u>145,968</u>	<u>12,353,638</u>	<u>1,407,948</u>	<u>13,907,554</u>
NET ASSETS—End of year	<u>\$ 134,759</u>	<u>\$ 10,454,680</u>	<u>\$ 1,319,585</u>	<u>\$ 11,909,024</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME (LOSS) AND OTHER SUPPORT:				
Contributions and grants	\$ 187,487	\$ 6,748,705	\$ 8,394	\$ 6,944,586
Special events revenue		220,043		220,043
Interest and dividend income	21,681	212,647		234,328
Net depreciation in fair value of investments	(1,746)	(141,775)	(33,106)	(176,627)
Net assets released from restriction	<u>1,776,779</u>	<u>(1,776,779)</u>		
 Total revenues, investment income (loss) and other support	<u>1,984,201</u>	<u>5,262,841</u>	<u>(24,712)</u>	<u>7,222,330</u>
EXPENSES:				
Program services:				
Scholarships	175,572			175,572
Educational development	<u>1,475,780</u>			<u>1,475,780</u>
Total program services	1,651,352			1,651,352
Special events	85,639			85,639
Administration and general	184,610			184,610
Fundraising	<u>45,000</u>			<u>45,000</u>
 Total expenses	<u>1,966,601</u>			<u>1,966,601</u>
CHANGE IN NET ASSETS	17,600	5,262,841	(24,712)	5,255,729
NET ASSETS—Beginning of year	<u>128,368</u>	<u>7,090,797</u>	<u>1,432,660</u>	<u>8,651,825</u>
NET ASSETS—End of year	<u>\$ 145,968</u>	<u>\$ 12,353,638</u>	<u>\$ 1,407,948</u>	<u>\$ 13,907,554</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2003, 2002 AND 2001

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 855,013	\$ (1,998,530)	\$ 5,255,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation in fair value of investments	46,346	524,094	176,627
Permanently restricted contributions	(2,238)	(11,835)	(8,394)
Decrease (increase) in pledges receivable	630,525	2,252,276	(3,573,516)
Increase (decrease) in amount due from related party—net	<u>487,731</u>	<u>(43,628)</u>	<u>(283,321)</u>
Cash provided by operating activities	<u>2,017,377</u>	<u>722,377</u>	<u>1,567,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(5,300,190)	(3,646,499)	(3,247,849)
Proceeds from sale of investments	<u>3,975,710</u>	<u>3,468,293</u>	<u>2,682,220</u>
Cash used in investing activities	<u>(1,324,480)</u>	<u>(178,206)</u>	<u>(565,629)</u>
CASH FLOWS FROM FINANCING ACTIVITIES—			
Permanently restricted contributions	<u>2,238</u>	<u>11,835</u>	<u>8,394</u>
INCREASE IN CASH AND CASH EQUIVALENTS	695,135	556,006	1,009,890
CASH AND CASH EQUIVALENTS—Beginning of year	<u>1,780,235</u>	<u>1,224,229</u>	<u>214,339</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 2,475,370</u>	<u>\$ 1,780,235</u>	<u>\$ 1,224,229</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2003, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Cuyahoga Community College Foundation (the “Foundation”) was incorporated in August 1973 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations and foundations to be distributed as scholarships to persons attending Cuyahoga Community College (the “College”), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes.

Basis of Accounting and Financial Statement Presentation—The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with the provisions of the American Institute of Certified Public Accountants’ *Audit Guide for Not-for-Profit Organizations*. The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted—Net assets are under the discretionary control of the Board of Directors (the “Board”) and include amounts designated by the Board for specified purposes.

Temporarily Restricted—Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted—Net assets are subject to the donor’s restriction that the principal remain invested in perpetuity. The income on these net assets generally is used for scholarships or educational development programs.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less. Substantially all of the Foundation’s cash and cash equivalents are composed of investments in a single money market fund.

Investments—Investments are reported at fair value.

Pledges Receivable—The Foundation records pledges and unconditional promises to give as a receivable and revenue in the year that they are made by the donor. Conditional promises to give are not recorded until the conditions are substantially met.

Contributions—Contributions and grants, including bequests, special gifts and other donations, are recorded as revenue when received or, if by pledge, when an unconditional pledge is made. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair market value of the asset at the date of donation.

Program Services Expenses—All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statements of activities and changes in net assets when the specified conditions are satisfied.

2. INVESTMENTS

Investments at June 30, 2003, 2002 and 2001 consist of the following:

Description	2003	2002	2001
Common Stock	\$2,620,160	\$2,620,515	\$2,993,752
U.S. Government Bonds	1,396,837	1,167,405	1,247,756
Corporate Bonds	839,944	909,859	891,111
Mutual Funds	<u>2,872,657</u>	<u>1,753,685</u>	<u>1,664,733</u>
Total	<u>\$7,729,598</u>	<u>\$6,451,464</u>	<u>\$6,797,352</u>

3. PLEDGES RECEIVABLE

Pledges are discounted to their present value based on their respective terms and discount rates ranging from 4.75% to 5.75%. The discounted pledges are scheduled to be collected as follows:

	June 30, 2003		
	Unrestricted	Temporarily Restricted	Total
Less than one year	\$ 41,069	\$1,744,927	\$1,785,996
One year or more	<u>25,000</u>	<u>1,382,067</u>	<u>1,407,067</u>
Total	66,069	3,126,994	3,193,063
Unamortized discount	<u>(3,350)</u>	<u>(216,891)</u>	<u>(220,241)</u>
Total	<u>\$ 62,719</u>	<u>\$2,910,103</u>	<u>\$2,972,822</u>

	June 30, 2002		
	Unrestricted	Temporarily Restricted	Total
Less than one year	\$ 87,008	\$ 1,966,044	\$ 2,053,052
One year or more	<u>56,000</u>	<u>2,159,500</u>	<u>2,215,500</u>
Total	143,008	4,125,544	4,268,552
Unamortized discount	<u>(8,249)</u>	<u>(656,956)</u>	<u>(665,205)</u>
Total	<u>\$ 134,759</u>	<u>\$ 3,468,588</u>	<u>\$ 3,603,347</u>

	June 30, 2001		
	Unrestricted	Temporarily Restricted	Total
Less than one year	\$ 54,513	\$ 3,590,465	\$ 3,644,978
One year or more	<u>60,263</u>	<u>2,688,825</u>	<u>2,749,088</u>
Total	114,776	6,279,290	6,394,066
Unamortized discount	<u>(8,713)</u>	<u>(529,730)</u>	<u>(538,443)</u>
Total	<u>\$ 106,063</u>	<u>\$ 5,749,560</u>	<u>\$ 5,855,623</u>

4. RELATED PARTY TRANSACTIONS

The College makes contributions to the Foundation during the year, and any amounts due to the Foundation as of June 30 are reported as due from related party on the statements of financial position.

The Foundation scholarships are awarded by the College. The Foundation received, on behalf of the College, cash payments on grants from private foundations of \$3,234,746, \$3,418,284 and \$1,555,601 in 2003, 2002 and 2001, respectively, and made promises to give these monies to the College for educational development programs. Outstanding promises to give grant monies to the College are reported as due to related party on the statements of financial position.

The Foundation recognizes contributed services received from the College when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by College employees possessing those skills, and would typically need to be purchased if not provided by the donation. The Foundation recognized \$251,305, \$225,743 and \$153,280 of contributed services in 2003, 2002 and 2001, respectively, relating to College employees providing specialized skills that would have been purchased if not donated by the College.

5. NET ASSETS

Restricted net assets are as follows at June 30:

	2003		2002		2001	
	Temporarily	Permanently	Temporarily	Permanently	Temporarily	Permanently
Scholarships and educational development	<u>\$ 11,201,978</u>	<u>\$ 1,455,127</u>	<u>\$ 10,454,680</u>	<u>\$ 1,452,889</u>	<u>\$ 12,353,638</u>	<u>\$ 1,441,054</u>

Net assets were released from restriction for the following purposes during the years ended June 30:

	2003	2002	2001
Scholarships	\$ 202,067	\$ 174,551	\$ 175,572
Educational development	3,112,306	3,556,448	1,475,780
Special events	53,471	77,435	85,639
Other	<u>71,050</u>	<u>47,615</u>	<u>39,788</u>
Total	<u>\$3,438,894</u>	<u>\$3,856,049</u>	<u>\$1,776,779</u>

During 2003, management of the Foundation reviewed donor documents and determined that losses on investments should not be charged to permanently restricted net assets. Accordingly, \$133,304 was reclassified from unrestricted net assets to permanently restricted net assets.

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**REPORT 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 Directors
Cuyahoga Community College Foundation:

We have audited the financial statements of Cuyahoga Community College Foundation (the "Foundation") as of and for the year ended June 30, 2003, and have issued our report thereon dated September 19, 2003. 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.

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 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 solely for the information and use of the Board of Directors, Foundation 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.

Deloitte & Touche LLP

September 19, 2003

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE YEAR ENDED JUNE 30, 2003

There were no comments on internal control and legal compliance included in the prior year reports.



**Auditor of State
Betty Montgomery**

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CUYAHOGA COMMUNITY COLLEGE FOUNDATION

CUYAHOGA 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
JANUARY 20, 2004**