

STARK STATE COLLEGE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Stark State College Foundation
6200 Frank Avenue, NW
Canton, OH 44720-7299

We have reviewed the Independent Auditor's Report of the Stark State College Foundation, Stark County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2002 to 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 Stark State College Foundation is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

January 13, 2004

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**STARK STATE COLLEGE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stark State College Foundation
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the accompanying statement of financial position of the Stark State College Foundation (the Foundation) as of June 30, 2003, and related statements of activities and cash flows for the year 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 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 the Stark State College Foundation as of June 30, 2003 and the changes in net assets and its 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 December 26, 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. 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.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 26, 2003

Stark State College Foundation
Statement of Financial Position
June 30, 2003

ASSETS

Cash and cash equivalents	\$146,525
Short-term investments	30,705
Long-term investments	1,207,441
Conditional promises to give	
Restricted to W.R. Timken Center for Information Technology	787,320
Restricted to physical therapy clinic	9,600
Unconditional promises to give	
Unrestricted	22,467
Restricted to aesthetics	32
Restricted to equipment	37,264
Restricted to endowments	34,298
Prepaid expenses	<u>1,787</u>
 Total Assets	 <u><u>\$2,277,439</u></u>

NET ASSETS

Unrestricted	44,825
Temporarily restricted	868,592
Permanently restricted	<u>1,364,022</u>
 Total Net Assets	 <u><u>\$2,277,439</u></u>

The notes to the financial statements are an integral part of this statement.

Stark State College Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Individuals	\$4,209	\$0	\$0	\$4,209
Corporations and foundations	3,994	0	0	3,994
Income for managing assets	1,472	0	0	1,472
Investment income	142	28,271	544	28,957
Support for aesthetics	0	2	0	2
Support for instructional departments	0	39,947	0	39,947
Support for W.R. Timken Center for Information Technology	0	27,967	0	27,967
Investment gains on investments, net	0	23,373	29	23,402
Endowment fund support	0	0	55,975	55,975
Net assets released from restrictions (Note 6)				
Restrictions satisfied by payments	988,924	(988,924)	0	0
Transfer for managing assets	9,206	(9,206)	0	0
 Total Support and Revenues	 <u>1,007,947</u>	 <u>(878,570)</u>	 <u>56,548</u>	 <u>185,925</u>
EXPENSES				
Supporting college activities				
W.R. Timken Center for Information Information Technology	850,668	0	0	850,668
Scholarships for students	55,649	0	0	55,649
Faculty and staff professional development	7,422	0	0	7,422
Therapy/Wellness Clinic operating expenses	27,400	0	0	27,400
Aesthetics	40	0	0	40
Instructional equipment and supplies	47,745	0	0	47,745
Operations				
Management and general	8,171	0	0	8,171
Investment losses	15,774	0	0	15,774
 Total Expenses	 <u>1,012,869</u>	 <u>0</u>	 <u>0</u>	 <u>1,012,869</u>
 Change in Net Assets	 (4,922)	 (878,570)	 56,548	 (826,944)
 Net Assets, Beginning of Fiscal Year (Restated, See Note 3)	 <u>49,747</u>	 <u>1,747,162</u>	 <u>1,307,474</u>	 <u>3,104,383</u>
 Net Assets, End of Fiscal Year	 <u><u>\$44,825</u></u>	 <u><u>\$868,592</u></u>	 <u><u>\$1,364,022</u></u>	 <u><u>\$2,277,439</u></u>

The notes to the financial statements are an integral part of this statement.

Stark State College Foundation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2003

Cash flows from operating activities:

Decrease in net assets (\$826,944)

Adjustments to reconcile decrease in net assets to
net cash provided by operating activities:

Net gain on investments	(7,628)
Decrease in restricted conditional promises to give	402,400
Decrease in restricted unconditional promises to give	19,519
Decrease in unrestricted unconditional promises to give	34,736
Decrease in accounts payable	(283)
Increase in prepaid expenses	(1,787)
Investment income from long-term investments	(27,208)
Investment income from short-term investments	(1,749)
Restricted cash contributions for long-term investment	<u>(72,795)</u>

Total adjustments 345,205

Net cash provided by operating activities (481,739)

Cash flows from investing activities:

Sales of long-term investments	19,204
Sales of short-term investments	<u>439,502</u>

Net cash provided by investing activities 458,706

Cash flows from financing activities:

Collection of endowment fund support	<u>72,795</u>
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Net cash provided by financing activities 72,795

Net increase in cash and cash equivalents 49,762

Cash and cash equivalents, beginning of fiscal year 96,763

Cash and cash equivalents, end of fiscal year \$146,525

The notes to the financial statements are an integral part of this statement.

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

1. **DESCRIPTION OF THE REPORTING ENTITY**

The Stark State College Foundation (the Foundation) is organized and operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College of Technology (herein, “the College”). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributions

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Contributions Made”. SFAS No. 116 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

Financial Statement Presentation

SFAS No. 117, “Financial Statements of Not-For-Profit Organizations”, requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of the categories is as follows:

Unrestricted Net Assets

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Temporarily Restricted Net Assets

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

Permanently Restricted Assets

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Activities.

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

Cash and Cash Equivalents

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

Investments

The Foundation reports investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Promises to Give

Contributions received, including unconditional promises to give are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met.

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Foundation requires an initial minimum balance of \$5,000 to establish an endowed scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

3. **RESTATEMENT OF PRIOR YEAR NET ASSETS**

Beginning Net Assets has been restated to reflect the correction of errors in the prior year. Unrestricted and Restricted to Equipment in Unconditional Promises to Give have been restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net Assets as Stated at June 30, 2002	\$62,547	\$1,734,362
Restatements to:		
Unconditional Promises to Give		
Unrestricted	(12,800)	0
Restricted to Equipment	<u>0</u>	<u>12,800</u>
Net Assets as Restated at July 1, 2002	<u><u>\$49,747</u></u>	<u><u>\$1,747,162</u></u>

4. **INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

At June 30, 2003, investments consisted of the following:

	<u>Fair Value</u>
Mutual Funds	\$1,207,441
Money Market Accounts	<u>30,705</u>
Total	<u><u>\$1,238,146</u></u>

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

5. **PROMISES TO GIVE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:

Unrestricted

Amounts Due:

Less than one year \$21,507

One to five years 960

Restricted

Amounts Due:

Less than one year 67,434

One to five years 4,160

Conditional promises to give:

Restricted

Amounts Due:

Less than one year \$436,920

One to five years 360,000

Total \$890,981

6. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily and permanently restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, providing professional development funds to the College staff and purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

The different types of temporarily restricted net assets are classified as follows:

Scholarships for Students:

Alumni Class Scholarships \$109

Colaner Scholarship 305

Diversity Scholarship 3,547

Fred F. Silk Scholarship 12,593

Student Scholarship 11,342

Total Scholarships for Students 27,896

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

6. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Faculty and Staff Professional Development:	
Faculty and Staff Professional Development	6,480
Total Faculty and Staff Professional Development	6,480
Physical Therapy Clinic:	
Physical Therapy Equipment	9,600
Total Physical Therapy Clinic	9,600
Aesthetics Project:	
Aesthetics	32
Total Aesthetics Project	32
Instructional Equipment and Supplies:	
Accounting Lab	6,399
Business Division Equipment	3,087
Computer Network Lab	11,253
Computer Science Equipment	13,440
Electrical Circuits Lab	4,800
Engineering Division Equipment	877
General Studies Division Equipment	241
Health Division Equipment	11,980
Health Grant	9,600
Instructional Equipment	280
Total Instructional Equipment and Supplies	61,957
Instructional Facilities and Improvements:	
Timken Center for Information Technology	762,627
Total Instructional Facilities and Improvements	762,627
Total Temporarily Restricted Net Assets	\$868,592

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

Purpose Restriction Accomplished:

Scholarships for Students:	
Alumni Class Scholarships	\$4,359
Diversity Scholarship	2,870
Fred F. Silk Scholarship	14,213
Student Scholarship	6,033
Albert's Scholarship	123
Bridgestone/Firestone Automotive Scholarship	153
Cain Automotive Scholarship	11,707

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

6. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Canton Veteran Car Club Scholarship	226
Deuble Foundation Scholarship	2,815
East Ohio Gas Company Scholarship	555
Engineering Memorial Scholarship	777
Janet C. Fisher Scholarship	1,739
Flowers Scholarship	336
Hallier Scholarship	233
Hoover Foundation Scholarship	3,782
Herbert Hoover Scholarship	1,380
Luntz's Scholarship	159
Betty Morford Scholarship	461
Ranks Scholarship	84
Ned Saums Scholarship	534
SCADA Automotive Scholarship	2,358
E & R Wilkof Scholarship	367
Wilkof (Ervin/Marie) Scholarship	385
Total Scholarships for Students	55,649
Professional Development:	
Powers Professional Development	257
Faculty and Staff Professional Development	7,165
Total Professional Development	7,422
Aesthetics:	
Aesthetics	40
Total Aesthetics	40
Instructional Equipment and Supplies:	
Accounting Lab	3,334
Business Division Equipment	3,599
Constructional Materials Lab	1,000
Electrical Circuits Lab	5,000
Engineering Division Equipment	1,045
General Studies Division Equipment	270
Health Division Equipment	12,600
Health Grant	10,000
Instructional Equipment	359
Instructional Resources	538
Physical Therapy Clinic Equipment	10,000
Total Instructional Equipment and Supplies	47,745

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

6. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

W. R. Timken Center for Information Technology:	
Computer Network Lab	14,167
Computer Science Equipment	14,000
Telecommunications Lab	8,000
Timken Center	814,501
Total W. R. Timken Center for Information Technology	<u>850,668</u>
Therapy/Wellness Clinic Operating Expenses:	
Therapy/Wellness Center	27,400
Total Therapy/Wellness Clinic Operating Expenses	<u>27,400</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$988,924</u></u>

7. **PERMANENTLY RESTRICTED NET ASSETS**

Scholarships for Students:	
Alberts Scholarship	\$5,695
Alumni Class Scholarships	71,596
Bridgestone/Firestone Automotive Scholarship	7,500
Cain Automotive Scholarship	240,000
Canton Veteran Car Club Scholarship	5,000
Colaner Scholarship	5,000
Deuble Foundation Scholarship	98,667
Diversity Scholarship	49,495
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	16,253
Janet C. Fisher Scholarship	34,589
Flowers Scholarship	10,000
Hallier Scholarship	3,809
Haverlock Scholarship	9,551
Herbert Hoover Scholarship	66,000
Hoover Foundation Scholarship	100,000
Mel Kallis Scholarship	1,430
Luntz's Scholarship	5,456
Betty Morford Scholarship	9,314
Presidential Scholarship	11,455
Ranks Scholarship	5,000
Ned Saums Scholarship	11,102
Scada Automotive Scholarship	50,000
Fred F. Silk Scholarship	230,000
Student Scholarship	90,216

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

7. **PERMANENTLY RESTRICTED NET ASSETS** (continued)

E&R Wilkof Scholarship	15,000
Wilkof Scholarship	15,000
Youngs Scholarship	60,703
Total Scholarships for Students	1,237,831
Professional Development:	
Faculty and Staff Professional Development	110,383
Powers Professional Development	5,961
Total Professional Development	116,344
Instructional Equipment and Supplies:	
Instructional Resources	9,847
Total Instructional Equipment and Supplies	9,847
Total Permanently Restricted Net Assets	\$1,364,022

8. **INCOME TAXES**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. It is however, required to file annually, IRS Form 990, which reports the activity of the Foundation during the fiscal year.

9. **NEW ACCOUNTING STANDARD**

The Governmental Accounting Standards Board issued Statement No. 39, "Determining Whether Certain Organizations are Component Units", to determine whether certain organizations for which the primary government is not financially accountable should be reported as a component unit of the primary government on the nature and significance of the relationship between the College and the Foundation. Statement No. 35 requires reporting, as discreetly presented component units, organizations that raise and hold economic resources for the benefit of the College.

For the year ended June 30, 2004, the Foundation's financial information may need to be included in Stark State College of Technology's financial statements as a component unit.

**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 Trustees
Stark State College Foundation
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the financial statements of the Stark State College Foundation (the Foundation), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 26, 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 operations that we consider to be material weaknesses.

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

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

A handwritten signature in black ink, appearing to read 'G B Fink', with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 26, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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STARK STATE COLLEGE FOUNDATION

STARK 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 27, 2004**