

***CUYAHOGA COMMUNITY COLLEGE
FOUNDATION***

*Financial Statements
Years Ended June 30, 2004, 2003 and 2002
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 Hausser + Taylor, LLC, for the audit period July 1, 2003 through 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 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

January 10, 2005

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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 statement of financial position of Cuyahoga Community College Foundation (the "Foundation") as of June 30, 2004, and the related statements of activities and changes in net assets and of 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. The financial statements of Cuyahoga Community College Foundation as of June 30, 2003 and 2002 and for the years then ended were audited by other auditors whose report dated September 19, 2003 expressed an unqualified opinion on these statements.

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 Foundation as of June 30, 2004, 2003 and 2002 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 November 23, 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 the results of our audit.

Hausser + Taylor LLC

Cleveland, Ohio
November 23, 2004

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2004, 2003 AND 2002

ASSETS	2004	2003	2002
Cash and cash equivalents	\$ 2,750,918	\$ 2,475,370	\$ 1,780,235
Investments	9,680,161	7,729,598	6,451,464
Receivables:			
Pledges—net	1,680,582	2,972,822	3,603,347
Other Receivables	233,079		
Contributions due from related party	<u>49,056</u>	<u>54,562</u>	<u>73,978</u>
TOTAL	<u>\$ 14,393,796</u>	<u>\$ 13,232,352</u>	<u>\$ 11,909,024</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Grants due to related party	\$ 968,990	\$ 468,315	
Other Liabilities	<u>258,210</u>		
Total Liabilities	<u>1,227,200</u>	<u>468,315</u>	
 NET ASSETS:			
Unrestricted	92,631	106,932	134,759
Temporarily restricted	11,392,107	11,201,978	10,454,680
Permanently restricted	<u>1,681,858</u>	<u>1,455,127</u>	<u>1,319,585</u>
Total net assets	<u>13,166,596</u>	<u>12,764,037</u>	<u>11,909,024</u>
TOTAL	<u>\$ 14,393,796</u>	<u>\$ 13,232,352</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, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME (LOSS) AND OTHER SUPPORT:				
Contributions and grants	\$ 273,432	\$ 2,316,600	\$ 64,540	\$ 2,654,572
Special events revenue		1,129,081		1,129,081
Interest and dividend income	23,779	225,605		249,384
Net appreciation (depreciation) in fair value of investments	(1,982)	862,941	162,191	1,023,150
Net assets released from restriction	<u>4,344,098</u>	<u>(4,344,098)</u>		
Total revenues, investment income (loss) and other support	<u>4,639,327</u>	<u>190,129</u>	<u>226,731</u>	<u>5,056,187</u>
EXPENSES:				
Program services:				
Scholarships	296,821			296,821
Educational development	<u>3,900,531</u>			<u>3,900,531</u>
Total program services	4,197,352			4,197,352
Special events	79,454			79,454
Administration and general	286,987			286,987
Fundraising	<u>89,835</u>			<u>89,835</u>
Total expenses	<u>4,653,628</u>			<u>4,653,628</u>
CHANGE IN NET ASSETS	(14,301)	190,129	226,731	402,559
NET ASSETS—Beginning of year	<u>106,932</u>	<u>11,201,978</u>	<u>1,455,127</u>	<u>12,764,037</u>
NET ASSETS—End of year	<u>\$ 92,631</u>	<u>\$ 11,392,107</u>	<u>\$ 1,681,858</u>	<u>\$ 13,166,596</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>		
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>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>56,146</u>
Total expenses	<u>4,132,470</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

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2004, 2003 AND 2002

	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 402,559	\$ 855,013	\$ (1,998,530)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Appreciation (depreciation) in fair value of investments	(1,023,150)	46,346	524,094
Permanently restricted contributions	(64,540)	(2,238)	(11,835)
Increase in other receivable	(233,079)		
Decrease in pledges receivable	1,292,240	630,525	2,252,276
Increase in other liabilities	258,210		
Increase (decrease) in amount due from related party—net	<u>506,181</u>	<u>487,731</u>	<u>(43,628)</u>
Cash provided by operating activities	<u>1,138,421</u>	<u>2,017,377</u>	<u>722,377</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(3,870,845)	(5,300,190)	(3,646,499)
Proceeds from sale of investments	<u>2,943,432</u>	<u>3,975,710</u>	<u>3,468,293</u>
Cash used in investing activities	<u>(927,413)</u>	<u>(1,324,480)</u>	<u>(178,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES—			
Permanently restricted contributions	<u>64,540</u>	<u>2,238</u>	<u>11,835</u>
INCREASE IN CASH AND CASH EQUIVALENTS	275,548	695,135	556,006
CASH AND CASH EQUIVALENTS—Beginning of year	<u>2,475,370</u>	<u>1,780,235</u>	<u>1,224,229</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 2,750,918</u>	<u>\$ 2,475,370</u>	<u>\$ 1,780,235</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004, 2003 AND 2002

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, 2004, 2003 and 2002 consist of the following:

Description	2004	2003	2002
Common Stock	\$ 3,114,333	\$ 2,620,160	\$ 2,620,515
U.S. Government Bonds	1,814,176	1,396,837	1,167,405
Foreign Bonds	51,409		
Corporate Bonds	872,205	839,944	909,859
Mutual Funds	3,828,038	2,872,657	1,753,685
Totals	<u>\$ 9,680,161</u>	<u>\$ 7,729,598</u>	<u>\$ 6,451,464</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, 2004			
	Unrestricted	Temporarily Restricted	Total
Less than one year		\$1,229,277	\$1,229,277
One year or more		541,996	541,996
Totals		1,771,273	1,771,273
Unamortized discount		(90,691)	(90,691)
Total		\$1,680,582	\$1,680,582

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

June 30, 2002			
	Unrestricted	Temporarily Restricted	Total
Less than one year	\$ 87,008	\$ 1,966,044	\$ 2,053,052
One year or more	56,000	2,159,500	2,215,500

Total	143,008	4,125,544	4,268,552
Unamortized discount	<u>(8,249)</u>	<u>(529,730)</u>	<u>(665,205)</u>
Total	<u>\$ 134,759</u>	<u>\$ 3,595,814</u>	<u>\$ 3,603,347</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 \$ \$3,172,758, \$3,234,746 and \$3,418,284 in 2004, 2003 and 2002, 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 \$273,087, \$251,305 and \$225,743 of contributed services in 2004, 2003 and 2002, 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:

	2004		2003		2002	
	Temporarily	Permanently	Temporarily	Permanently	Temporarily	Permanently
Scholarships and educational development	<u>\$ 11,392,107</u>	<u>\$ 1,681,858</u>	<u>\$ 11,201,978</u>	<u>\$ 1,455,127</u>	<u>\$ 10,454,680</u>	<u>\$ 1,319,585</u>

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

	2004	2003	2002
Scholarships	\$ 296,821	\$ 202,067	\$ 174,551
Educational development	3,900,531	3,112,306	3,556,448
Special events	79,454	53,471	77,435
Other	<u>67,292</u>	<u>71,050</u>	<u>47,615</u>
Total	<u>\$4,344,098</u>	<u>\$3,438,894</u>	<u>\$3,856,049</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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Board of Directors
Cuyahoga Community College Foundation

Report 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

We have audited the financial statements of Cuyahoga Community College Foundation (the "Foundation") as of and for the year ended June 30, 2004 and have issued our report thereon dated November 23, 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 to be 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 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.

Hausser + Taylor LLC

Cleveland, Ohio
November 23, 2004

CUYAHOGA COMMUNITY COLLEGE FOUNDATION
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL
AND LEGAL COMPLIANCE

Year Ended June 30, 2004

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
FEBRUARY 10, 2005**