

STARK STATE COLLEGE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Stark State College Foundation
Canton, Ohio

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, 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 Stark State College Foundation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 3, 2005

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**STARK STATE COLLEGE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13

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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, 2004, 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, 2004 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 22, 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 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 22, 2004

Stark State College Foundation
Statement of Financial Position
June 30, 2004

ASSETS

Cash and cash equivalents	\$129,096
Short-term investments	30,759
Long-term investments	1,435,090
Conditional promises to give	
Restricted to W.R. Timken Center for Information Technology	39,360
Unconditional promises to give	
Unrestricted	27,734
Restricted to aesthetics	826
Restricted to equipment	21,202
Restricted to scholarships	1,055
Restricted to endowments	37,240
Prepaid expenses	<u>2,060</u>
Total Assets	<u><u>\$1,724,422</u></u>

LIABILITIES

Accounts Payable	\$1,245
Total Liabilities	<u><u>\$1,245</u></u>

NET ASSETS

Unrestricted	88,760
Temporarily restricted	127,194
Permanently restricted	<u>1,507,223</u>
Total Net Assets	<u><u>\$1,723,177</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, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Individuals	\$23,604	\$0	\$0	\$23,604
Corporations and foundations	4,567	0	0	4,567
Income for managing assets	1,235	0	0	1,235
Investment income	53	26,662	515	27,230
Support for aesthetics	0	875	0	875
Support for instructional departments	0	13,956	0	13,956
Support for W.R. Timken Center for Information Technology	0	80,632	0	80,632
Support for Scholarships	0	4,499	0	4,499
Support for Student Services	0	1,177	0	1,177
Investment gains on investments, net	25,628	64,871	1,773	92,272
Endowment fund support	0	0	140,913	140,913
Net assets released from restrictions (Note 5)				
Restrictions satisfied by payments	925,094	(925,094)	0	0
Transfer for managing assets	8,977	(8,977)	0	0
Total Support and Revenues	989,158	(741,399)	143,201	390,960
EXPENSES				
Supporting college activities				
W.R. Timken Center for Information Information Technology	826,164	0	0	826,164
Scholarships for students	57,833	0	0	57,833
Faculty and staff professional development	6,609	0	0	6,609
Student Services	87	0	0	87
Aesthetics	81	0	0	81
Instructional equipment and supplies	36,320	0	0	36,320
Operations				
Management and general	18,128	0	0	18,128
Total Expenses	945,222	0	0	945,222
Change in Net Assets	43,936	(741,399)	143,201	(554,262)
Net Assets, Beginning of Fiscal Year	44,825	868,592	1,364,022	2,277,439
Net Assets, End of Fiscal Year	<u>\$88,761</u>	<u>\$127,193</u>	<u>\$1,507,223</u>	<u>\$1,723,177</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, 2004

Cash flows from operating activities:

Decrease in net assets (554,262)

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

Net gain on investments (94,215)
Decrease in restricted conditional promises to give 757,560
Decrease in restricted unconditional promises to give 11,271
Increase in unrestricted unconditional promises to give (5,267)
Increase in accounts payable 1,245
Increase in prepaid expenses (273)
Investment income from long-term investments (27,177)
Investment income from short-term investments (53)
Restricted cash contributions for long-term investment (137,970)

Total adjustments 505,121

Net cash provided by operating activities (49,141)

Cash flows from investing activities:

Sales of long-term investments 24,047
Purchase of long-term investments (130,305)

Net cash provided by investing activities (106,258)

Cash flows from financing activities:

Collection of endowment fund support 137,970

Net cash provided by financing activities 137,970

Net decrease in cash and cash equivalents (17,429)

Cash and cash equivalents, beginning of fiscal year 146,525

Cash and cash equivalents, end of fiscal year \$129,096

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, 2004

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, 2004

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, 2004

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. **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, 2004, investments consisted of the following:

	Fair Value
Mutual Funds	\$1,435,090
Money Market Accounts	30,759
Total	<u>\$1,465,849</u>

4. **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.

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

4. **PROMISES TO GIVE** (continued)

Unconditional promises to give:

Unrestricted	
Amounts Due:	
Less than one year	\$11,164
One to five years	16,570
Restricted	
Amounts Due:	
Less than one year	34,608
One to five years	25,715

Conditional promises to give:

Restricted	
Amounts Due:	
Less than one year	\$39,360
Total	\$127,417

5. **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	\$217
Colaner Scholarship	345
Diversity Scholarship	5,614
Fred F. Silk Scholarship	26,076
Student Scholarship	15,115
Wilkof Scholarship	158
Mel Kallis Scholarship	11
Kids College Scholarship	1,055
Krugliak Scholarship	82
Presidential Scholarship	530
Total Scholarships for Students	49,203

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Faculty and Staff Professional Development:	
Faculty and Staff Professional Development	11,149
Total Faculty and Staff Professional Development	11,149
Pathway to the Future:	
Pathway to the Future	5,320
Total Pathway to the Future	5,320
Aesthetics Project:	
Aesthetics	826
Total Aesthetics Project	826
Instructional Equipment and Supplies:	
Accounting Lab	4,160
Adaptive Equipment	1,090
Business Division Equipment	6,191
Computer Network Lab	1,920
Engineering Division Equipment	381
General Studies Division Equipment	350
Health Division Equipment	8,720
Instructional Equipment	310
Instructional Resources	134
Total Instructional Equipment and Supplies	23,256
Instructional Facilities and Improvements:	
Timken Center for Information Technology	37,440
Total Instructional Facilities and Improvements	37,440
Total Temporarily Restricted Net Assets	\$127,194

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	\$3,645
Diversity Scholarship	2,560
Fred F. Silk Scholarship	11,889
Student Scholarship	5,434
Albert's Scholarship	150
Bridgestone/Firestone Automotive Scholarship	199
Cain Automotive Scholarship	11,526

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Canton Veteran Car Club Scholarship	189
Colaner Scholarship	212
Deuble Foundation Scholarship	2,727
East Ohio Gas Company Scholarship	460
Engineering Memorial Scholarship	654
Janet C. Fisher Scholarship	1,490
Flowers Scholarship	329
Gar Scholarship	2,240
Hallier Scholarship	203
Haverlock Scholarship	30
Hoover Foundation Scholarship	3,703
Herbert Hoover Scholarship	1,359
Kids College Scholarship	80
Luntz's Scholarship	155
Betty Morford Scholarship	385
Ranks Scholarship	167
Ned Saums Scholarship	449
SCADA Automotive Scholarship	2,339
Stark Community Foundation Scholarship	1,125
E & R Wilkof Scholarship	354
Wilkof (Ervin/Marie) Scholarship	370
Youngs Scholarship	1,410
Total Scholarships for Students	55,833
Professional Development:	
Powers Professional Development	235
Faculty and Staff Professional Development	6,374
Total Professional Development	6,609
Aesthetics:	
Aesthetics	81
Total Aesthetics	81
Instructional Equipment and Supplies:	
Accounting Lab	4,833
Adaptive Equipment	87
Business Division Equipment	3,677
Electrical Circuits Lab	5,000
Engineering Division Equipment	872
General Studies Division Equipment	161
Health Division Equipment	6,118
Health Grant	10,000

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Instructional Equipment	46
Instructional Resources	446
Physical Therapy Clinic Equipment	10,000
Total Instructional Equipment and Supplies	41,240
W. R. Timken Center for Information Technology:	
Captioning Lab	10,000
Computer Network Lab	9,667
Computer Science Lab	14,000
Integrated Center (CAL)	10,000
IT Systems Lab	25,000
Timken Center	748,059
Total W. R. Timken Center for Information Technology	816,726
Pathway to the Future:	
Pathway to the Future	4,605
Total Pathway to the Future	4,605
Total Net Assets Released from Donor Restrictions	\$925,094

6. **PERMANENTLY RESTRICTED NET ASSETS**

Scholarships for Students:	
Alberts Scholarship	\$6,881
Alumni Class Scholarships	72,806
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	100,000
Diversity Scholarship	57,836
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	17,908
Janet C. Fisher Scholarship	34,865
Flowers Scholarship	10,000
Hallier Scholarship	4,929
Haverlock Scholarship	9,690
Herbert Hoover Scholarship	100,000
Hoover Foundation Scholarship	100,000
Mel Kallis Scholarship	12,417
Krugliak Scholarship	10,000
Luntz's Scholarship	5,456

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Betty Morford Scholarship	9,799
Presidential Scholarship	74,557
Ranks Scholarship	5,000
Ned Saums Scholarship	11,546
Scada Automotive Scholarship	50,000
Fred F. Silk Scholarship	230,000
Student Scholarship	95,628
E&R Wilkof Scholarship	15,000
Wilkof Scholarship	15,000
Youngs Scholarship	<u>61,164</u>
Total Scholarships for Students	<u>1,377,982</u>
Professional Development:	
Faculty and Staff Professional Development	112,650
Powers Professional Development	<u>6,506</u>
Total Professional Development	<u>119,156</u>
Instructional Equipment and Supplies:	
Instructional Resources	<u>10,085</u>
Total Instructional Equipment and Supplies	<u>10,085</u>
Total Permanently Restricted Net Assets	<u><u>\$1,507,223</u></u>

7. **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.

**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, 2004, and have issued our report thereon dated December 22, 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.

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', written in a cursive style.

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

December 22, 2004



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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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
FEBRUARY 15, 2005**