

# *Sinclair Community College Foundation*

*Financial Statements for the Years Ended  
December 31, 2006 and 2005,  
Supplemental Schedule for the Year Ended  
December 31, 2006, and  
Independent Auditors' Report*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Sinclair Community College Foundation, Montgomery County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sinclair Community College Foundation is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 25, 2007

**This Page is Intentionally Left Blank.**

# SINCLAIR COMMUNITY COLLEGE FOUNDATION

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position as of December 31, 2006 and 2005	2
Statements of Activities and Changes in Net Assets for the Years Ended December 31, 2006 and 2005	3
Statements of Cash Flows for the Years Ended December 31, 2006 and 2005	4
Notes to Financial Statements for the Years Ended December 31, 2006 and 2005	5-8
SUPPLEMENTAL SCHEDULE —	9
Schedule of Functional Expenses for the Year Ended December 31, 2006	10
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	11-12

**This Page is Intentionally Left Blank.**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Sinclair Community College Foundation and  
Mary Taylor, Auditor of the State of Ohio:

We have audited the accompanying statements of financial position of Sinclair Community College Foundation (the "Foundation") as of December 31, 2006 and 2005, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. 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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation, as of December 31, 2006 and 2005, and the changes in its net assets and 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 June 22, 2007, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation, taken as a whole. The accompanying schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Foundation. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



June 22, 2007

# SINCLAIR COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2006 AND 2005

---

<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
CASH	\$ 837,522	\$ 988,036
INVESTMENTS:		
Fixed income securities	8,361,165	7,677,928
Equities	17,150,346	15,155,848
Miami Valley Venture Funds	<u>176,710</u>	<u>180,989</u>
Total investments	25,688,221	23,014,765
ACCOUNTS RECEIVABLE		20,475
PLEDGES RECEIVABLE, Net of allowances of \$37,360 and \$63,379 at December 31, 2006 and 2005, respectively	<u>2,041,438</u>	<u>3,313,332</u>
TOTAL	<u>\$28,567,181</u>	<u>\$27,336,608</u>
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Payable to Sinclair Community College	\$ 69,084	\$ 564,120
Other payables	<u>278,220</u>	<u>206,953</u>
Total liabilities	<u>347,304</u>	<u>771,073</u>
NET ASSETS:		
Unrestricted	17,590,905	16,198,972
Temporarily restricted	6,077,773	6,291,027
Permanently restricted	<u>4,551,199</u>	<u>4,075,536</u>
Total net assets	<u>28,219,877</u>	<u>26,565,535</u>
TOTAL	<u>\$28,567,181</u>	<u>\$27,336,608</u>

See notes to financial statements.



# SINCLAIR COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Contributions	\$ 378,041	\$ 512,024	\$ 423,970	\$ 1,314,035	\$ 497,263	\$ 635,314	\$ 167,135	\$ 1,299,712
Interest/dividends, net of fund expenses of \$43,319 in 2006 and \$41,783 in 2005	12,637	2,532	320	15,489	6,261	16,620		22,881
Net assets released from restrictions	1,234,116	(1,234,116)			1,616,036	(1,616,036)		
Net realized/unrealized gains on investments	<u>1,963,423</u>	<u>506,306</u>	<u>51,373</u>	<u>2,521,102</u>	<u>1,006,806</u>	<u>241,103</u>	<u>1,603</u>	<u>1,249,512</u>
Total revenue and support	<u>3,588,217</u>	<u>(213,254)</u>	<u>475,663</u>	<u>3,850,626</u>	<u>3,126,366</u>	<u>(722,999)</u>	<u>168,738</u>	<u>2,572,105</u>
EXPENSES:								
Scholarships	607,406			607,406	666,613			666,613
Project support	1,428,541			1,428,541	1,441,120			1,441,120
Operating expenses	<u>160,337</u>			<u>160,337</u>	<u>304,202</u>			<u>304,202</u>
Total expenses	<u>2,196,284</u>			<u>2,196,284</u>	<u>2,411,935</u>			<u>2,411,935</u>
CHANGE IN NET ASSETS	1,391,933	(213,254)	475,663	1,654,342	714,431	(722,999)	168,738	160,170
NET ASSETS — Beginning of year	<u>16,198,972</u>	<u>6,291,027</u>	<u>4,075,536</u>	<u>26,565,535</u>	<u>15,484,541</u>	<u>7,014,026</u>	<u>3,906,798</u>	<u>26,405,365</u>
NET ASSETS — End of year	<u>\$17,590,905</u>	<u>\$6,077,773</u>	<u>\$4,551,199</u>	<u>\$28,219,877</u>	<u>\$16,198,972</u>	<u>\$6,291,027</u>	<u>\$4,075,536</u>	<u>\$26,565,535</u>

See notes to financial statements.

# SINCLAIR COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005

---

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,654,342	\$ 160,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in accounts receivable	20,475	43,841
Decrease in pledges receivable	1,271,894	2,541,355
(Decrease) increase in payable to Sinclair Community College	(495,036)	232,598
Increase in other payables	71,267	78,377
Contributions and investment income restricted for long-term investment	(475,663)	(168,738)
Net realized/unrealized gains on investments	<u>(2,521,102)</u>	<u>(1,249,512)</u>
Net cash (used in) provided by operating activities	<u>(473,823)</u>	<u>1,638,091</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,613,631	657,493
Purchase of investments	<u>(1,765,985)</u>	<u>(2,164,063)</u>
Net cash used in investing activities	<u>(152,354)</u>	<u>(1,506,570)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment income restricted for endowments	51,693	1,603
Contributions restricted for endowments	<u>423,970</u>	<u>167,135</u>
Net cash provided by financing activities	<u>475,663</u>	<u>168,738</u>
NET (DECREASE) INCREASE IN CASH	(150,514)	300,259
CASH — Beginning of year	<u>988,036</u>	<u>687,777</u>
CASH — End of year	<u>\$ 837,522</u>	<u>\$ 988,036</u>

See notes to financial statements.

# SINCLAIR COMMUNITY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2006 AND 2005

---

### 1. ORGANIZATION

The Sinclair Community College Foundation (the "Foundation") was established in 1969 for the sole purpose of providing scholarships and other financial assistance to Sinclair Community College (the "College") and its students. Revenue sources for the Foundation are private gifts from individuals, businesses and other foundations and investment income. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation* — The Foundation classifies net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. These classifications are permanently restricted, temporarily restricted, and unrestricted net assets.

*Method of Accounting* — The Foundation follows the accounting procedures as set forth in the AICPA Audit and Accounting Guide for *Not-for-Profit Organizations*.

*Investments* — Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Other investments are recorded at cost or, if acquired by gift, at fair value at the date of the gift.

Realized and unrealized gains and losses on all investments are recorded in the period earned. Such amounts are recorded as changes in unrestricted net assets to the extent there are no donor-imposed restrictions limiting the use of these gains and losses. If donor-imposed restrictions exist, such amounts are reported as changes to temporarily restricted or permanently restricted net assets, depending upon the nature of the restriction.

*Contributions* — Contributions are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

*Use of Estimates* — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### 3. INVESTMENTS

Cost values of investments at December 31, 2006 and 2005, are summarized as follows:

	2006	2005
Fixed income securities	\$ 6,646,750	\$ 6,258,767
Equities	12,227,187	12,064,933
Miami Valley Venture Funds	<u>176,710</u>	<u>180,989</u>
Total investments	<u>\$ 19,050,647</u>	<u>\$ 18,504,689</u>

The limited partner investments in the Miami Valley Venture Funds I and II, which are carried at cost, had market values of \$169,958 and \$161,576, at December 31, 2006 and 2005, respectively.

Investments are managed by Barclays Global Investors and American Funds. The Foundation has also made limited partner commitments of \$250,000 each to the Miami Valley Venture Funds I and II ("Fund I" and "Fund II," respectively). Fund I had its inception in 1996 and completed calling the committed capital of \$250,000 in 2002. Return of capital distributions totaling \$132,459 have been made by Fund I through December 31, 2006. The investment value of Fund I carried in these financial statements, net of interest income and management fees, was \$19,385 and \$38,431 at December 31, 2006 and 2005, respectively. Fund II had its inception in 2001, and capital calls have totaled \$217,500 through December 31, 2006. The remaining portion of the commitment is callable when Fund II has reached its minimum funding requirement. Return of capital distributions totaling \$18,840 have been made by Fund II through December 31, 2006. The investment value of Fund II carried in these financial statements, net of interest income and management fees, was \$157,326 and \$142,558 at December 31, 2006 and 2005, respectively.

### 4. PLEDGES RECEIVABLE

As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$2,041,438, representing the present value of those pledges receivable at December 31, 2006. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using a discount rate of 5%.

Pledges receivable at December 31, 2006 and 2005, respectively, are summarized as follows:

2006	Less than 1 Year	1-5 Years	More than 5 Years	Total
Pledges receivable	\$ 1,065,952	\$ 1,067,463	\$ -	\$ 2,133,415
Unamortized discount	<u>(21,319)</u>	<u>(54,617)</u>	<u>(618)</u>	<u>(54,617)</u>
Present value of pledges receivable	1,065,952	1,012,846	2,237	2,078,798
Allowance for doubtful accounts	<u>(21,319)</u>	<u>(16,041)</u>	<u>(45)</u>	<u>(37,360)</u>
Pledges receivable — net	<u>\$ 1,044,633</u>	<u>\$ 996,805</u>	<u>\$ -</u>	<u>\$ 2,041,438</u>
<b>2005</b>				
Pledges receivable	\$ 1,414,041	\$ 2,113,468	\$ 2,855	\$ 3,530,364
Unamortized discount	<u>(28,281)</u>	<u>(153,035)</u>	<u>(618)</u>	<u>(153,653)</u>
Present value of pledges receivable	1,414,041	1,960,433	2,237	3,376,711
Allowance for doubtful accounts	<u>(28,281)</u>	<u>(35,053)</u>	<u>(45)</u>	<u>(63,379)</u>
Pledges receivable — net	<u>\$ 1,385,760</u>	<u>\$ 1,925,380</u>	<u>\$ 2,192</u>	<u>\$ 3,313,332</u>

## 5. NET ASSETS

**Unrestricted Net Assets** — Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Board of Trustees.

**Temporarily Restricted Net Assets** — Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes. Net assets released from donor restrictions as of December 31, 2006 and 2005, were as follows:

	2006	2005
Scholarships	\$ 221,750	\$ 346,205
Project support	958,392	1,224,367
Operating fee	<u>53,974</u>	<u>45,464</u>
	<u>\$ 1,234,116</u>	<u>\$ 1,616,036</u>

**Permanently Restricted Net Assets** — Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds be expended as the donor has specified, principally for scholarships and student financial aid. Such investment income is recognized as income in temporarily restricted net assets or unrestricted net assets in accordance with donor stipulations when it is earned.

At December 31, 2006 and 2005, respectively, the following summarizes the programs supported by net assets of the Foundation:

2006	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ -	\$2,304,814	\$2,824,226	\$ 5,129,040
Academic support		1,999,648	523,831	2,523,479
Undesignated and other	<u>17,590,905</u>	<u>1,773,311</u>	<u>1,203,142</u>	<u>20,567,358</u>
	<u>\$17,590,905</u>	<u>\$6,077,773</u>	<u>\$4,551,199</u>	<u>\$28,219,877</u>
 <b>2005</b>  				
Scholarships	\$ -	\$2,302,073	\$2,661,508	\$ 4,963,581
Academic support		2,388,096	495,796	2,883,892
Undesignated and other	<u>16,198,972</u>	<u>1,600,858</u>	<u>918,232</u>	<u>18,718,062</u>
	<u>\$16,198,972</u>	<u>\$6,291,027</u>	<u>\$4,075,536</u>	<u>\$26,565,535</u>

#### 6. TRANSACTIONS WITH SINCLAIR COMMUNITY COLLEGE

The Foundation processes payments through and maintains accounting and donor records on the computer systems of the College. The College allocates the cost of accounting, donor database management, and computer system support to the Foundation. The College also allocates certain donor development staff costs to the Foundation. Such allocations amounted to \$61,400 and \$94,700 for the years ended December 31, 2006 and 2005, respectively.

#### 7. DONATED EQUIPMENT AND MATERIALS

The Foundation receives donations of equipment and materials which are passed on to the College for various educational uses. For the years ended December 31, 2006 and 2005, these donations were valued at \$294,000 and \$39,000, respectively, and were reported as unrestricted contribution revenue and project support expense.

#### 8. FUND-RAISING COSTS

Operating expenses include fund-raising costs of \$28,600 and \$99,900 for the years ended December 31, 2006 and 2005, respectively.

\* \* \* \* \*

**SUPPLEMENTAL SCHEDULE**

# SINCLAIR COMMUNITY COLLEGE FOUNDATION

## SCHEDULE OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2006

	Program Services	Management and General	Fundraising	Total
SCHOLARSHIPS AND PROJECT SUPPORT	\$2,035,947	\$ -	\$ -	\$2,035,947
SALARIES AND RELATED EXPENSES:				
Salaries and wages		44,995		44,995
Pension plan contributions		5,978		5,978
Other employment benefits		5,504		5,504
Payroll taxes		647		647
PRINTING AND PUBLICATIONS			21,827	21,827
ANNUAL AUDIT		17,726		17,726
POSTAGE AND SHIPPING		11	2,380	2,391
SUPPLIES			2,901	2,901
ACCOUNTING FEES		4,300		4,300
RECEPTIONS			1,118	1,118
STATE REGISTRATION FEES		225		225
DONOR RECOGNITION PROJECT: EXTERIOR CONSTRUCTION		42,900		42,900
SOFTWARE MAINTENANCE		7,587		7,587
LEGAL FEES		2,621		2,621
PROFESSIONAL FUND-RAISING FEES		330		330
CHECKING ACCOUNT INTEREST AND FEES — Net		(713)		(713)
TOTAL FUNCTIONAL EXPENSES	<u>\$2,035,947</u>	<u>\$ 132,111</u>	<u>\$ 28,226</u>	<u>\$ 2,196,284</u>



## **INDEPENDENT AUDITORS' 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**

Board of Trustees  
Sinclair Community College Foundation and  
Mary Taylor, Auditor of the State of Ohio:

We have audited the financial statements of Sinclair Community College Foundation (the "Foundation"), as of and for the year ended December 31, 2006, and have issued our report thereon dated June 22, 2007. 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 *Governmental 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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 Trustees, management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 22, 2007



**Mary Taylor, CPA**  
Auditor of State

**SINCLAIR COMMUNITY COLLEGE FOUNDATION**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2007**