

Stark State College Foundation

Regular Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Stark State College Foundation, Stark County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2008

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Stark State College Foundation
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For the Fiscal Year Ended June 30, 2007

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

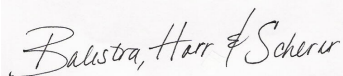
Board of Trustees
Stark State College Foundation
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

We have audited the accompanying statement of financial position of Stark State College Foundation (the Foundation), a component unit of Stark State College of Technology, as of June 30, 2007, and the 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 the 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 Foundation as of June 30, 2007, 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 dated December 14, 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 report 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.



Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2007

Stark State College Foundation
Statement of Financial Position
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 113,752
Conditional promises to give	
Restricted to health science building	427,500
Unconditional promises to give	
Unrestricted	37,949
Restricted to aesthetics	123
Restricted to instructional departments	10,475
Restricted to scholarships	3,409
Restricted to endowments	42,919
Restricted to student services	542
Interest receivable	223
Long-term investments	<u>1,659,120</u>
Total Assets	<u><u>2,296,012</u></u>

LIABILITIES

Accounts payable	<u>1,865</u>
Total Liabilities	<u>1,865</u>

NET ASSETS

Unrestricted	130,135
Temporarily restricted	565,498
Permanently restricted	<u>1,598,514</u>
Total Net Assets	<u><u>\$ 2,294,147</u></u>

See the accompanying notes to the financial statements.

Stark State College Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Individuals, corporations & foundations	\$41,053	\$0	\$0	\$41,053
Investment income	4,033	32,937	631	37,601
Support for instructional departments	0	51,324	0	51,324
Support for capital projects	0	527,500	0	527,500
Support for scholarships	0	52,719	0	52,719
Support for aesthetics	0	143	0	143
Support for student services	0	719	0	719
Support for public service	0	13,825	0	13,825
Investment gains	39,760	105,487	2,612	147,859
Endowment fund support	0	0	64,746	64,746
Net assets released from restriction (Note 5):				
Restrictions satisfied by payments	277,273	(277,273)	0	0
Total Support and Revenues	362,119	507,381	67,989	937,489
Expenses				
Supporting college activities				
Health science building	100,000	0	0	100,000
Scholarships for students	112,689	0	0	112,689
Instructional equipment and supplies	43,726	0	0	43,726
Faculty & staff professional development	6,267	0	0	6,267
Aesthetics	265	0	0	265
Student services	501	0	0	501
Public service	13,825	0	0	13,825
Operations				
Management and general	18,785	0	0	18,785
Total Expenses	296,058	0	0	296,058
Change in Net Assets	66,061	507,381	67,989	641,431
Net Assets, Beginning of Fiscal Year	64,074	58,117	1,530,525	1,652,716
Net Assets, End of Fiscal Year	\$130,135	\$565,498	\$1,598,514	\$2,294,147

See the accompanying notes to the financial statements.

Stark State College Foundation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 641,431
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net gain on long-term investments	(147,859)
Increase in restricted conditional promises to give	(427,500)
Increase in restricted unconditional promises to give	(43,823)
Increase in unrestricted unconditional promises to give	(30,109)
Increase in accounts payable	1,812
Decrease in prepaid expenses	2,206
Increase in interest receivable	(223)
Investment income from long-term investments	(34,292)
Investment income from short-term investments	(43)
Restricted cash contributions for long-term investment	<u>(31,900)</u>
Net Cash Provided by Operating Activities	(70,300)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of long-term investments	37,660
Sales of short-term investments	<u>58,523</u>
Net Cash Provided by Investing Activities	96,183
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection of endowment fund support	<u>31,900</u>
Net Cash Provided by Financing Activities	<u>31,900</u>
Net Increase (Decrease) in Cash and Cash Equivalents	57,783
Beginning Cash and Cash Equivalents	<u>55,969</u>
Ending Cash and Cash Equivalents	<u><u>\$ 113,752</u></u>

See the accompanying notes to the financial statements.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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.

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, 2007, investments consisted of the following:

	Fair Value
Mutual Funds	<hr/> \$1,659,120

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

Unconditional promises to give:

Unrestricted	
Amounts Due:	
Less than one year	\$13,503
One to five years	24,446
Restricted	
Amounts Due:	
Less than one year	21,923
One to five years	35,545

Conditional promises to give:

Restricted	
Amounts Due:	
Less than one year	114,000
One to five years	313,500
Total	<u><u>\$522,917</u></u>

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.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Scholarships for Students:	
Alumni Class Scholarship	\$481
Edward & Henry Cain Automotive Scholarship	10,025
Donald & Pauline Colaner Scholarship	523
Deuble Foundation Scholarship	3,904
Diversity Scholarship	7,874
Engineering Memorial Scholarship	648
Herbert Hoover Scholarship	7,354
Mel Kallis Scholarship	1,024
Kids College Scholarship	3,409
Samuel Krugliak Scholarship	1,101
John McGrath Presidential Scholarship	8,666
Fred F. Silk Scholarship	37,589
Student Scholarship	18,194
Edward & Ruth Wilkof Scholarship	345
Ervin & Marie Wilkof Scholarship	1,323
Total Scholarships for Students	102,460
Faculty and Staff Professional Development:	
Faculty and Staff Professional Development	14,341
Total Faculty and Staff Professional Development	14,341
Aesthetics Project:	
Aesthetics	123
Total Aesthetics Project	123
Departmental Equipment and Supplies:	
Adaptive Equipment	541
Business Division Equipment	10,475
Instructional Equipment	10,058
Total Departmental Equipment and Supplies	21,074
Capital Projects:	
Health Science Building	427,500
Total Capital Projects	427,500
Total Temporarily Restricted Net Assets	\$ 565,498

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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:

Leon & Helene Albert Scholarship	\$265
Alumni Class Scholarships	3,232
Bridgestone/Firestone Automotive Scholarship	283
Edward & Henry Cain Automotive Scholarship	11,657
Canton Veteran Car Club Scholarship	172
Cleveland Auto Dealers Scholarship	15,000
Donald & Pauline Colaner Scholarship	209
Stacie Cross Paramedic Scholarship	500
Diversity Scholarship	2,518
Deuble Foundation Scholarship	4,387
East Ohio Gas Company Scholarship	404
Engineering Memorial Scholarship	643
Janet C. Fisher Scholarship	1,414
Albert & Edith Flowers Scholarship	324
GAR Scholarship	5,662
Graco Engineering Scholarship	20,000
Robert & Celine Hallier Scholarship	234
William & Martha Haverlock Scholarship	344
Herbert Hoover Scholarship	4,334
Hoover Foundation Scholarship	3,648
Mel Kallis Scholarship	251
Kids College Scholarship	529
Samuel Krugliak Scholarship	511
Lockheed Martin Fuel Cell Tuition Award	5,000
William & Sharon Luntz Scholarship	153
John McGrath Presidential Scholarship	2,994
Betty Morford Scholarship	348
Ada & Helen Rank Scholarship	167
Ned Saums Scholarship	415
SCADA Automotive Scholarship	2,365
Daniel Schonhoft Scholarship	250
Fred F. Silk Scholarship	12,755
Stark Community Foundation Scholarship	2,682
Student Scholarship	5,212
Edward & Ruth Wilkof Scholarship	567
Ervin & Marie Wilkof Scholarship	603
Dale Young Scholarship	2,657
Total Scholarships for Students	\$112,689

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Faculty and Staff Professional Development	\$5,967
Mary Powers Professional Development	300
Total Professional Development	6,267
Aesthetics:	
Aesthetics	265
Total Aesthetics	265
Departmental Equipment and Supplies:	
Adaptive Equipment	501
Business Division Equipment	2,430
Cell Culture Lab	40,000
Engineering Division Equipment	44
General Studies Division Equipment	66
Health Division Equipment	725
Instructional Equipment	67
Instructional Resources	394
Total Departmental Equipment and Supplies	44,227
Capital Projects:	
Health Science Building	100,000
Total Capital Projects	100,000
Tech Prep:	
Martha Holden Jennings Foundation Grant	13,825
Total Tech Prep	13,825
Total Net Assets Released from Donor Restrictions	\$277,273

6. **PERMANENTLY RESTRICTED NET ASSETS**

Scholarships for Students:	
Leon & Helene Albert Scholarship	\$9,881
Alumni Class Scholarships	76,114
Bridgestone/Firestone Automotive Scholarship	11,550
Edward & Henry Cain Automotive Scholarship	240,000
Canton Veteran Car Club Scholarship	5,000
David & Pauline Colaner Scholarship	5,000
Deuble Foundation Scholarship	100,000
Diversity Scholarship	61,768
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	18,882
Faculty Association Scholarship	12,575
Janet C. Fisher Scholarship	36,601
Albert & Edith Flowers Scholarship	13,500
Robert & Celine Hallier Scholarship	5,468
William & Martha Haverlock Scholarship	10,019

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Herbert Hoover Scholarship	100,000
Hoover Foundation Scholarship	100,000
Para Jones Scholarship	3,715
Sarah Kaaikaula Scholarship	2,205
Mel Kallis Scholarship	21,954
Samuel Krugliak Scholarship	10,000
William & Sharon Luntz Scholarship	5,456
John McGrath Presidential Scholarship	79,957
Betty Morford Scholarship	10,385
Ada & Helen Rank Scholarship	10,000
Ned Saums Scholarship	13,059
Scada Automotive Scholarship	50,000
Fred F. Silk Scholarship	230,000
Eddie & Madeline Stevens Scholarship	3,715
Student Scholarship	102,014
Edward & Ruth Wilkof Scholarship	15,000
Ervin & Marie Wilkof Scholarship	29,500
Dale Young Scholarship	62,355
Total Scholarships for Students	1,465,673
Professional Development:	
Faculty and Staff Professional Development	114,565
Mary Powers Professional Development	7,684
Total Professional Development	122,249
Departmental Equipment and Supplies:	
Instructional Resources	10,592
Total Departmental Equipment and Supplies	10,592
Total Permanently Restricted Net Assets	\$1,598,514

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. The Foundation is required annually to file IRS Form 990 which reports the activity of the Foundation during the fiscal year.

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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
Stark State College Foundation
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

We have audited the accompanying financial statements of Stark State College Foundation (the Foundation), a component unit of Stark State College of Technology, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 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 *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 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 management and members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2007



Mary Taylor, CPA
Auditor of State

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 29, 2008**