

Northwest State Community College Foundation

Henry County, Ohio

Regular Audit

July 1, 2009 through June 30, 2010



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
9076 Ohio River Road, Wheelersburg, Ohio 45694 Phone: 740.876.9121 Fax: 800.210.2573



Dave Yost • Auditor of State

Board of Trustees
Northwest State Community College Foundation
22600 SR 34
Archbold, Ohio 43502

We have reviewed the *Independent Accountants' Report* of the Northwest State Community College Foundation, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Northwest State Community College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 3, 2011

This Page is Intentionally Left Blank.

Northwest State Community College Foundation
Table of Contents
For the Fiscal Year Ended June 30, 2010

<u>Title</u>	<u>Page</u>
Independent Accountants' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements.....	6 – 8
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9 – 10



Independent Accountants' Report

Northwest State Community College Foundation
Board of Trustees
22600 State Route 34
Archbold, Ohio 43502

We have audited the accompanying financial statements of the Northwest State Community College Foundation, Henry County, Ohio (the Organization), a component unit of the Northwest State Community College, as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Organization as of June 30, 2010, and the changes in financial position and cash flows thereof 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 October 8, 2010, on our consideration of the Organization'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
October 8, 2010

Northwest State Community College Foundation
Statement of Financial Position
June 30, 2010

ASSETS

Cash and cash equivalents (Note 2)	\$ 114,843
Marketable securities (Note 3)	3,959,675
Pledges receivable (Note 4)	<u>55,308</u>
Total assets	<u><u>\$ 4,129,826</u></u>

LIABILITIES & NET ASSETS

LIABILITIES

Accounts payable	<u>\$ 3,000</u>
Total liabilities	<u>3,000</u>

NET ASSETS

Unrestricted	27,407
Temporarily restricted (Note 5)	3,322,367
Permanently restricted (Note 5)	<u>777,052</u>
Total net assets	<u>4,126,826</u>
Total liabilities & net assets	<u><u>\$ 4,129,826</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest State Community College Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions				
Individuals	\$ 4,674	\$ 3,037,579	\$ 23,058	\$ 3,065,311
Business organizations	-	40,250	10,020	50,270
Foundations	3,000	-	1,000	4,000
Contributed services (Note 1)	78,723	-	-	78,723
Equity Reallocation	-	(66,378)	66,378	-
Investment return	548	8,032	-	8,580
Net assets released from restrictions				
Restrictions satisfied by payments	55,785	(55,785)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	142,730	2,963,698	100,456	3,206,884
EXPENSES				
Program services				
Scholarships	55,785	-	-	55,785
Supporting services				
Management and general	24,744	15,433	-	40,177
Fundraising	58,389	8,136	-	66,525
TOTAL EXPENSES	138,918	23,569	-	162,487
CHANGE IN NET ASSETS	3,812	2,940,129	100,456	3,044,397
NET ASSETS AT BEGINNING OF YEAR	23,595	382,238	676,596	1,082,429
NET ASSETS AT END OF YEAR	\$ 27,407	\$ 3,322,367	\$ 777,052	\$ 4,126,826

The accompanying notes are an integral part of these financial statements.

Northwest State Community College Foundation
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2010

		Support Services			
	Program Services	Management and General	Fundraising	Total	
EXPENSES					
Scholarships and loan expenditures to Northwest State Community College	\$ 55,785	\$ -	\$ -	\$	55,785
Professional service	-	3,594	-		3,594
Services provided by Northwest State Community College	-	20,335	58,388		78,723
Other	-	16,248	8,137		24,385
TOTAL EXPENSES	\$ 55,785	\$ 40,177	\$ 66,525	\$	162,487

The accompanying notes are an integral part of these financial statements.

Northwest State Community College Foundation

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Unrestricted contributions	\$ 86,397
Restricted contributions	3,143,120
Investment return	8,580
Payments for management services and fundraising	(160,792)
Payments for scholarships and donations	(55,785)
Net cash provided by operating activities	<u>3,021,520</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in marketable securities	<u>(3,407,203)</u>
Net cash used by investing activities	<u>(3,407,203)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (385,683)

CASH - BEGINNING OF YEAR 500,526

CASH - END OF YEAR \$ 114,843

**RECONCILIATION OF NET OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Net income	\$ 3,044,397
Change in assets and liabilities	
Receivables, net	31,213
Accounts payable	(54,090)
Net cash provided by operating activities	<u><u>\$ 3,021,520</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest State Community College Foundation

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES – Northwest State Community College Foundation (the Organization) exists to provide financial assistance to the educational programs, services and facilities of Northwest State Community College. To that end, the Organization solicits inter vivos and testamentary gifts.

BASIS OF ACCOUNTING – The financial statements of Northwest State Community College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Organization considers all unrestricted, temporarily and permanently restricted highly liquid investments with an initial maturity of 3 months or less as cash and cash equivalents.

DONATED SERVICES AND FACILITIES – The Organization has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of Northwest State Community College, utilizing equipment and facilities of Northwest State Community College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the College personnel in the amount of \$78,723 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by SFAS 116.

MANAGEMENT ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED AND UNRESTRICTED REVENUE – Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

INCOME TAX STATUS – The Organization is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

INVESTMENTS – Investments are comprised of bonds, stocks and mutual funds and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

EXPENSE ALLOCATION – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Northwest State Community College Foundation

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 – CASH AND MONEY MARKET FUNDS

Balances as of June 30, 2010 are summarized as follows:

Savings accounts and certificates	
Cash and cash equivalents	\$25,314
Donor restricted cash and cash equivalents	<u>89,529</u>
Total of all cash accounts	<u><u>\$114,843</u></u>

NOTE 3 – MARKETABLE SECURITIES

The various investments in bonds, stocks and mutual funds are exposed to various risks, such as interest rate risk, 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, although, in the opinion of management, those changes would not materially effect the amounts reported in the financial statements.

Investments as of June 30, 2010 are summarized as follows:

	Cost	Market Value
Bonds	\$1,204,202	\$1,217,406
Stocks	14,625	198
Mutual Funds		
DFA Emerging Markets (DFCEX)	87,500	100,116
DFA Five Year Global (DFGBX)	127,500	130,733
DFA One Year Fixed (DFIHX)	475,000	475,760
DFA International Core (DFIEX)	256,500	245,917
DFA International Real Estate (DFITX)	71,500	64,871
DFA Large Cap International Portfolio (DFALX)	76,000	66,017
DFA Real Estate (DFREX)	62,500	67,060
DFA Selectively Hedged (DFSHX)	247,500	247,659
DFA U.S. Core Equity 2 (DFQTX)	777,500	775,796
Vanguard Inflation (VIPSX)	247,500	255,427
Vanguard S/T Investment (VFSTX)	55,000	60,990
Vanguard Short Term BD (VBSSX)	247,500	251,725
Total Mutual Funds	<u>2,731,500</u>	<u>2,742,071</u>
Total	<u><u>\$3,950,327</u></u>	<u><u>\$3,959,675</u></u>

INVESTMENT RETURN

Cash and Cash Equivalents and Marketable Securities:

	Unrestricted	Temporarily Restricted	Total
Interest income	\$548	\$3,954	\$4,502
Amortization – Bond Discount	0	3	3
Amortization – Bond Premium	0	(12)	(12)
Dividend Income	0	29,201	29,201
Net unrealized gain on bonds	0	57	57
Net unrealized gain on stocks	0	(25,171)	(25,171)
Total investment return	<u>\$548</u>	<u>\$8,032</u>	<u>\$8,580</u>

Northwest State Community College Foundation

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 4 – PLEDGES RECEIVABLE

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	\$1,506	\$36,592	\$1,843	\$39,941
One to five years	587	11,873	0	12,460
Five to ten years	0	2,907	0	2,907
Total	<u>\$2,093</u>	<u>\$51,372</u>	<u>\$1,843</u>	<u>\$55,308</u>

Unconditional promises to give that are receivable in more than one year are discounted at 3.98% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2010:

Loan funds	\$116,654
Student scholarships	3,166,402
Technology programs	16,610
Capital Projects	22,150
Operating expenses	551
Total	<u>\$3,322,367</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2010 endowments totaled \$ 777,052.

NOTE 6 – RESTRICTIONS ON NET ASSETS

Not included in these financial statements is the Northwest State Community College, a component unit of the State of Ohio. The College is organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two years duration, and leading to the award of an associate degree.

The Foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's capital campaign, loan fund and scholarships which will be reimbursed. At June 30, 2010, \$3,000 is due to the College for the fundraising banquet costs and is included in accounts payable.



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Northwest State Community College Foundation
Board of Trustees
22600 State Route 34
Archbold, Ohio 43502

We have audited the financial statements of the Northwest State Community College Foundation, Henry County, Ohio (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 8, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

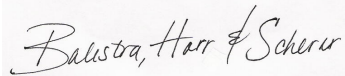
As part of reasonably assuring whether the Organization's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Northwest State Community College Foundation
Board of Trustees

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*

Page 2

We intend this report solely for the information and use of the audit committee, management, others within the organization, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
October 8, 2010



Dave Yost • Auditor of State

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

HENRY 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 17, 2011**