

THE EDISON FOUNDATION, INC.

FINANCIAL STATEMENTS

June 30, 2011 and 2010



Dave Yost • Auditor of State

Board of Trustees
The Edison Foundation, Inc.
1973 Edison Drive
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of The Edison Foundation, Inc., Miami County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. 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 Edison Foundation, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 6, 2012

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THE EDISON FOUNDATION, INC.

Piqua, Ohio

FINANCIAL STATEMENTS

June 30, 2011 and 2010

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Independent Auditor's Report

To the Board of Directors
The Edison Foundation, Inc.

We have audited the accompanying statement of financial position of The Edison Foundation, Inc. (the "Foundation") as of June 30, 2011 and the related statements of activities and changes in net assets 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. The financial statements of The Edison Foundation, Inc. as of June 30, 2010 were audited by other auditors, whose report dated October 15, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation at June 30, 2011 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 October 14, 2011 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions 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.

Plante & Moran, PLLC

Toledo, Ohio
October 14, 2011

THE EDISON FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

| | June 30 | |
|---|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 503,801 | \$ 2,119,644 |
| Receivables | | |
| Pledges - Net (Note 3) | 452,980 | 828,499 |
| Interest and dividends | 3,950 | 6,382 |
| Investments (Note 4) | <u>1,474,496</u> | <u>1,323,107</u> |
| Total assets | <u>\$ 2,435,227</u> | <u>\$ 4,277,632</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities - Payable to Edison State Community College (Note 9) | \$ 431 | \$ - |
| Net Assets (Note 6) | | |
| Unrestricted | 982,420 | 886,697 |
| Temporarily restricted | 1,358,494 | 3,297,053 |
| Permanently restricted | <u>93,882</u> | <u>93,882</u> |
| Total net assets | <u>2,434,796</u> | <u>4,277,632</u> |
| Total liabilities and net assets | <u>\$ 2,435,227</u> | <u>\$ 4,277,632</u> |

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2011 |
|--|-------------------|---------------------------|---------------------------|---------------------|
| Revenues and other support | | | | |
| Gifts and grants | \$ 396 | \$ 374,664 | \$ - | \$ 375,060 |
| Investment earnings | | | | |
| Interest and dividends | 36,606 | 11,066 | - | 47,672 |
| Net realized and unrealized gains | 127,963 | - | - | 127,963 |
| Net assets released from restrictions | 2,324,289 | (2,324,289) | | - |
| Total revenues and other support | 2,489,254 | (1,938,559) | - | 550,695 |
| Expenses | | | | |
| College scholarships awarded | 77,218 | - | - | 77,218 |
| Holiday evening event | 95,487 | - | - | 95,487 |
| Debt service for College | 2,125,000 | - | - | 2,125,000 |
| Graduate academy | 8,388 | - | - | 8,388 |
| Investment advisory fee | 14,437 | - | - | 14,437 |
| Athletic department | 4,733 | - | - | 4,733 |
| Miscellaneous | 68,268 | - | - | 68,268 |
| Total expenses | 2,393,531 | - | - | 2,393,531 |
| Increase (decrease) in net assets | 95,723 | (1,938,559) | - | (1,842,836) |
| Net assets at beginning of year | 886,697 | 3,297,053 | 93,882 | 4,277,632 |
| Net assets at end of year | <u>\$ 982,420</u> | <u>\$ 1,358,494</u> | <u>\$ 93,882</u> | <u>\$ 2,434,796</u> |

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2010 |
|---------------------------------------|-------------------|---------------------------|---------------------------|---------------------|
| Revenues and other support | | | | |
| Gifts and grants | \$ 7,956 | \$ 461,417 | \$ - | \$ 469,373 |
| Capital campaign | - | - | - | - |
| Investment earnings | | | | |
| Interest and dividends | 38,075 | 10,937 | - | 49,012 |
| Net realized and unrealized gains | 50,698 | - | - | 50,698 |
| Net assets released from restrictions | 388,746 | (388,746) | - | - |
| Total revenues and other support | 485,475 | 83,608 | - | 569,083 |
| Expenses | | | | |
| College scholarships awarded | 36,698 | - | - | 36,698 |
| Holiday evening event | 85,788 | - | - | 85,788 |
| Debt service for College | 208,908 | - | - | 208,908 |
| Graduate academy | 13,332 | - | - | 13,332 |
| Investment advisory fee | 18,322 | - | - | 18,322 |
| Athletic department | 22,175 | - | - | 22,175 |
| Miscellaneous | 25,719 | - | - | 25,719 |
| Total expenses | 410,942 | - | - | 410,942 |
| Increase in net assets | 74,533 | 83,608 | - | 158,141 |
| Net assets at beginning of year | 812,164 | 3,213,445 | 93,882 | 4,119,491 |
| Net assets at end of year | <u>\$ 886,697</u> | <u>\$ 3,297,053</u> | <u>\$ 93,882</u> | <u>\$ 4,277,632</u> |

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|--|----------------|--------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (1,842,836) | \$ 158,141 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Net realized and unrealized gains | (127,963) | (50,698) |
| Change in other assets and liabilities | | |
| Pledges receivable | 375,519 | 435,792 |
| Interest and dividends receivable | 2,432 | 250 |
| Grants and other payables | 431 | (121,016) |
| Net cash (used in) provided by operating activities | (1,592,417) | 422,469 |
| Cash flows from investing activities | | |
| Cash paid for investments | (515,287) | (656,507) |
| Cash received from sale of investments | 491,861 | 254,989 |
| Net cash used in investing activities | (23,426) | (401,518) |
| (Decrease) increase in cash and cash equivalents | (1,615,843) | 20,951 |
| Cash and cash equivalents, beginning of year | 2,119,644 | 2,098,693 |
| Cash and cash equivalents, end of year | \$ 503,801 | \$ 2,119,644 |

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Edison Foundation, Inc. (the "Foundation") was established in 1993 as a charitable foundation under Section 501(c)(3) of the Internal Revenue Code whereby it is exempt from federal income tax. Its purpose is to solicit, receive and administer assets exclusively for charitable purposes which would most effectively assist and benefit Edison State Community College (the "College"), its students, and its faculty.

The Foundation's financial information is included in the College's financial statements as a component unit.

Basis of Presentation: In accordance with generally accepted accounting principles as applied to not-for-profit organizations, the financial statements of the Foundation have been prepared on the accrual basis of accounting. Consequently, revenues and related assets are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Net Assets: Net assets are classified into three categories:

Unrestricted net assets. Unrestricted net assets have no donor-imposed restrictions.

Temporarily restricted net assets. Temporarily restricted net assets have donor-imposed restrictions that will expire or be satisfied in the future. Generally, these donor restrictions limit the use of these net assets to scholarships and other College programs.

Permanently restricted net assets. Permanently restricted net assets have donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Foundation.

Contributions: Contributions are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections. The allowances are based upon prior experience, management's judgment, and other related factors.

Investments: Investments are stated at fair value and realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Fair value is determined by market quotations. Donated investments are recorded at fair value at the time received.

Investment Earnings: Interest and dividends from endowment investments are credited to temporarily restricted funds and spent in compliance with donor stipulations and the Foundation's spending policy. Interest and dividends from non-endowment investments are credited to the unrestricted fund for expenditure at the discretion of the Foundation's board of trustees. Realized gains or losses are determined based on the average cost method.

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: Total expenses consisted of expenses relating to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Expenses by functional classification for the years ended June 30 are summarized as follows:

| | <u>Year Ended June 30</u> | |
|--------------------------|---------------------------|-------------------|
| | <u>2011</u> | <u>2010</u> |
| Program services | \$ 2,258,560 | \$ 274,811 |
| Management and general | 70,311 | 93,038 |
| Fundraising | 64,660 | 43,093 |
| Total operating expenses | <u>\$ 2,393,531</u> | <u>\$ 410,942</u> |

Net Assets Released from Restrictions: When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Income Taxes: Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2008.

Related Parties: The Foundation has maintained capital campaign and other contributions for the purpose of assisting the College with making principal and interest payments on the College's long-term debt. On October 1, 2010, the Foundation transferred these balances, in the amount of \$2,125,000, to the College based on the Board of Directors' determination that the College is better suited to manage risks and administer the funds supporting the College's payments on long-term debt. See Note 9.

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 affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including October 14, 2011, which is the date the financial statements were available to be issued.

(Continued)

THE EDISON FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE 2 - BUSINESS AND CONCENTRATIONS OF CREDIT RISK

Five donors accounted for a total of 49% of gifts and grants for the year ended June 30, 2011, while five donors accounted for 82% of gifts and grants for the year ended June 30, 2010.

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit.

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds.

NOTE 3 - PLEDGES RECEIVABLE

As of June 30, 2011 and 2010, contributors to the Foundation have outstanding unconditional pledges totaling \$506,650 and \$1,045,155, respectively. Gross pledges receivable have been discounted to a net present value of \$466,990 and \$890,859 as of June 30, 2011 and 2010, respectively, which represents fair value. The discount rate was 5% for 2011 and 2010 approximately based on the College's debt borrowing rate. An allowance for doubtful pledges of \$14,010 and \$62,360 has been applied to the gross receivable balance as of June 30, 2011 and 2010, respectively. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Net pledges are due as follows:

| | 2011 | 2010 |
|--------------------|------------|------------|
| Less than one year | \$ 245,900 | \$ 418,756 |
| One to five years | 207,080 | 409,743 |
| Total | \$ 452,980 | \$ 828,499 |

NOTE 4 - INVESTMENTS

Investments at June 30, 2011 and 2010, by major security type, were as follows:

| | 2011 | 2010 |
|-----------------------------|--------------|--------------|
| Corporate bonds | \$ 465,261 | \$ 499,481 |
| Equities | 348,399 | 304,900 |
| Mutual funds - Fixed income | 471,646 | 374,133 |
| Mutual funds - Equities | 189,190 | 144,593 |
| Total | \$ 1,474,496 | \$ 1,323,107 |

Risks and Uncertainties: The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(Continued)

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 - INVESTMENTS (Continued)

There were no capital gains distributions in either year.

The investment policy is determined based on the goals, objectives, and risk tolerance of the Foundation. As new information regarding the economic environment becomes available, the investment policy may need to be revised. Asset allocations fluctuate due to market performance, however, the target asset allocation is as follows:

| | |
|---------------------------|-----|
| Equity securities | 25% |
| Fixed income | 50% |
| Cash and cash equivalents | 25% |

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2011 and 2010, there were no transfers between levels of the fair value hierarchy.

(Continued)

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Recurring Basis:

Assets measured at fair value on a recurring basis are summarized below (in thousands):

| | Fair Value Measurements at June 30, 2011 Using | | |
|------------------------------|---|--|--|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | |
| Fixed income - Domestic | \$ 677,974 | \$ - | \$ - |
| Fixed income - International | 52,177 | - | - |
| Fixed income - U.S. agencies | 206,756 | - | - |
| Equities - Domestic | 468,675 | - | - |
| Equities - International | 68,914 | - | - |
| Total | \$ 1,474,496 | \$ - | \$ - |

| | Fair Value Measurements at June 30, 2010 Using | | |
|------------------------------|---|--|--|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | |
| Fixed income - Domestic | \$ 565,207 | \$ - | \$ - |
| Fixed Income - International | 51,360 | - | - |
| Fixed income - U.S. agencies | 257,048 | - | - |
| Equities - Domestic | 411,520 | - | - |
| Equities - International | 37,972 | - | - |
| Total | \$ 1,323,107 | \$ - | \$ - |

No assets are carried at fair value measured on a nonrecurring basis.

(Continued)

THE EDISON FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE 6 - NET ASSETS

Net assets at June 30 consist of the following:

| | June 30, 2011 | | June 30, 2010 | |
|-------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Temporarily Restricted | Permanently Restricted | Temporarily Restricted | Permanently Restricted |
| Savings | \$ 944 | \$ - | \$ 944 | \$ - |
| Capital | 557,561 | - | 2,476,078 | - |
| Scholarship | 799,989 | 93,882 | 820,031 | 93,882 |
| Total | <u>\$ 1,358,494</u> | <u>\$ 93,882</u> | <u>\$ 3,297,053</u> | <u>\$ 93,882</u> |

NOTE 7 - ENDOWMENT COMPOSITION

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund as of June 30, 2011 and 2010 was \$93,882 of permanently restricted net assets. There were no unspent accumulations of earnings. The Foundation spends the earnings each year.

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

(Continued)

NOTE 7 - ENDOWMENT COMPOSITION (Continued)

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Foundation's board of directors.

Return Objectives, Risk Parameters, and Strategies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as funds functioning as endowment. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve an after cost total real rate of return, including investment income as well as a capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of only spending the earnings, including appreciation, of the endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE 8 - SCHELL GRANT

In 2002, the Fifth Third Charitable Screening Committee (the "Committee") approved a grant totaling \$100,000 from the Charles E. Schell Foundation, Fifth Third Bank, Trustee, to administer interest-free student loans through the College subject to certain conditions and approved annual renewal by the Committee. In 2010, the Foundation determined that the College was better suited to administer this program and transferred the grant to the College.

NOTE 9 - RELATED PARTY

Most of the Foundation's expenses are processed by the College. The Foundation reimburses the College monthly for those checks written on its behalf. For the years ended June 30, 2011 and 2010, the College agreed to waive the Foundation's reimbursement of salaries expenses paid by the College on the Foundation's behalf. At June 30, 2011, the balance owed to the College was \$431. There was no balance outstanding at June 30, 2010. As noted in Note 1, the Foundation also transferred \$2,125,000 to the College on October 1, 2010 to support the College's payments on long-term debt.

(Continued)

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*

To the Board of Trustees
The Edison Foundation, Inc.

We have audited the financial statements of The Edison Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011. 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 entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (finding 2011-1).

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*.

We also noted certain matters that we have reported to management of the Foundation in a separate letter dated October 14, 2011.

To the Board of Trustees
The Edison Foundation, Inc.

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, 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.

Alante & Morex, PLLC

October 14, 2011

Schedule of Findings and Responses

Reference Number

Findings

2011-1

Finding Type - Material weakness

Criteria - With respect to net asset classifications, management is responsible for determining the classification for net assets and determining the disclosures that are to be included in the financial statements. As part of fulfilling its responsibility, management is required to establish an accounting and financial reporting process for determining the net asset allocation for activity during the year.

Condition - The Foundation does not have a reliable tracking system of the restrictions on net assets and the related accumulation of earnings and relied upon the predecessor auditors for the June 30, 2010 balances.

Context - The Foundation's spreadsheet for net assets is not producing reliable information of the net assets between the temporarily restricted and unrestricted net asset classifications. The Foundation was unable to correct the issue before the report date of the audit.

Cause and Effect/Potential Effect - Due to a lack of controls and procedures over net asset tracking, the Foundation could be reporting materially incorrect classifications of net assets on the statements of financial position.

Recommendation - We recommend the Foundation develop controls and procedures to enable the Foundation to effectively track net asset activity based on donor restrictions.

Management's Response and Corrective Action - The Edison Foundation staff has indicated their intent to work with the College's controller and CPA, Debbie Hirtzinger, to review each fund in the net assets to assure proper classification based on donor restrictions.

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Dave Yost • Auditor of State

THE EDISON FOUNDATION, INC.

MIAMI 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 19, 2012