



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Northwest State Community College Foundation
Regular Audit
July 1, 2011 through June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwest State Community College Foundation, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. 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

December 10, 2012

This page intentionally left blank.

Northwest State Community College Foundation
Table of Contents
For the Fiscal Year Ended June 30, 2012

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's 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
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Governmental Auditing Standards	10

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Northwest State Community College Foundation (the Organization), a component unit of Northwest State Community College, as of June 30, 2012, 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 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 Organization as of June 30, 2012, and the changes in financial position and cash flows, thereof 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 15, 2012 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 on internal control over financial reporting and compliance and 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
October 15, 2012

Northwest State Community College Foundation
Statement of Financial Position
June 30, 2012

ASSETS

Cash and cash equivalents (Note 2)	\$ 99,397
Marketable securities (Note 3)	4,558,273
Pledges receivable (Note 4)	<u>76,470</u>
 Total assets	 <u><u>\$ 4,734,140</u></u>

LIABILITIES & NET ASSETS

LIABILITIES:

Accounts payable	\$ 800
Total liabilities	<u>800</u>

NET ASSETS:

Unrestricted	32,018
Temporarily restricted (Note 5)	3,768,534
Permanently restricted (Note 5)	<u>932,788</u>
Total net assets	<u><u>4,733,340</u></u>
 Total liabilities and net assets	 <u><u>\$ 4,734,140</u></u>

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

Northwest State Community College Foundation
Statement of Activities
June 30, 2012

REVENUES, GAINS AND OTHER SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 1,330	\$ 68,821	\$ 13,579	\$ 83,729
Business organizations	-	109,388	-	109,388
Foundations	1,500	800	-	2,300
Contributed services (Note 1)	92,024	-	-	92,024
Equity Reallocation	-	(102,741)	102,741	-
Investment return	(156)	(24,022)	-	(24,178)
Net assets released from restrictions				
Restrictions satisfied by payments	203,187	(203,187)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	297,885	(150,941)	116,320	263,264
 EXPENSES				
Program services				
Scholarships	78,187	-	-	78,187
Donations	125,000	-	-	125,000
Supporting services				
Management and general	44,410	37,143	-	81,553
Fund-raising	51,700	9,671	-	61,371
TOTAL EXPENSES	299,297	46,814	-	346,112
 CHANGE IN NET ASSETS	(1,412)	(197,755)	116,320	(82,848)
 NET ASSETS AT BEGINNING OF YEAR	33,431	3,966,289	816,468	4,816,188
 NET ASSETS AT END OF YEAR	<u>\$ 32,019</u>	<u>\$ 3,768,534</u>	<u>\$ 932,788</u>	<u>\$ 4,733,340</u>

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

Northwest State Community College Foundation
Statement of Functional Expenses
June 30, 2012

Expenses	Program Services	Support Services		Total
		Management and General	Fundraising	
Scholarships and loan expenditures to Northwest State Community College	\$ 78,187	\$ -	\$ -	\$ 78,187
Donations to Northwest State Community College	125,000	-	-	125,000
Professional service	-	3,637	-	3,637
Services provided by Northwest State Community College	-	40,324	51,700	92,024
Other	-	37,592	9,671	47,264
TOTAL EXPENSES	\$ 203,187	\$ 81,553	\$ 61,371	\$ 346,112

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

Northwest State Community College Foundation
Statement of Cash Flows
June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Unrestricted contributions	\$ 94,854
Restricted contributions	178,920
Investment return	(24,178)
Payments for management services & fundraising	(142,125)
Payments for scholarships and donations	(203,187)
Net cash used for operating activities	<u>(95,716)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in marketable securities	<u>(94,794)</u>
Net cash used for investing activities	<u>(94,794)</u>
 Net decrease in cash and cash equivalents	 (190,510)
 Cash - beginning of year	 <u>289,907</u>
Cash - end of year	<u>\$ 99,397</u>
 Reconciliation of net operating revenue (expenses) to net cash used by operating activities:	
Net income	\$ (82,848)
Change in assets and liabilities:	
Receivables, net	(13,668)
Accounts payable	800
Net cash used for operating activities	<u>\$ (95,716)</u>

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

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 SERVICE 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 \$92,024 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 charges 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 Year Ended June 30, 2012

NOTE 2 – CASH AND MONEY MARKET FUNDS

Balances as of June 30, 2012 are summarized as follows:

Savings accounts and certificates	
Cash and cash equivalents	\$ 32,019
Donor restricted cash and cash equivalents	<u>\$ 67,378</u>
Total of all cash accounts	<u>\$ 99,397</u>

NOTE 3 – MARKETABLE SECURITIES

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within the hierarchy that may be used to measure fair value:

Level 1 Inputs: 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 Inputs: Significant other observable inputs other than Level 1 quoted 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 Inputs: 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.

The fair value of investments held by the Foundation as June 30, 2012 is summarized as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$1,209,818	\$-0-	\$-0-
Mutual Funds:			
DFA Emerging Markets (DFCEX)	122,666	-0-	-0-
DFA One Year Fixed (DFIHX)	475,300	-0-	-0-
DFA International Core (DFIEX)	315,582	-0-	-0-
DFA International Real Estate (DFITX)	74,691	-0-	-0-
DFA Large Cap International Portfolio (DFALX)	70,163	-0-	-0-
DFA Real Estate (DFREX)	97,950	-0-	-0-
DFA Selectively Hedged (DFSHX)	254,130	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	1,215,549	-0-	-0-
DFA Two Year Global (DFGFX)	207,419	-0-	-0-
Vanguard Inflation (VIPSX)	-0-	-0-	-0-
Vanguard S/T Investment (VFSTX)	262,568	-0-	-0-
Vanguard Short Term BD (VBSSX)	<u>252,437</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$4,558,273</u>	<u>\$-0-</u>	<u>\$-0-</u>

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – MARKETABLE SECURITIES (CONTINUED)

INVESTMENT RETURN

Cash and Cash Equivalents and Marketable Securities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ (156)	\$(2,605)	\$(2,761)
Amortization – bond premium		(180)	(180)
Dividend Income	-	80,223	80,223
Net unrealized gain on bonds	-	(971)	(971)
Net unrealized gain on stocks	-	<u>(100,489)</u>	<u>(100,489)</u>
Total investment return	<u>\$ (156)</u>	<u>\$ (24,022)</u>	<u>\$(24,178)</u>

NOTE 4 – PLEDGE RECEIVABLE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 494	\$ 37,121	\$ 591	\$ 38,206
One to five years	\$ 0	37,465	0	37,465
Five to ten years	<u>0</u>	<u>799</u>	<u>0</u>	<u>799</u>
	<u>\$ 494</u>	<u>\$ 75,385</u>	<u>\$ 591</u>	<u>\$ 76,470</u>

Unconditional promises to give that are receivable in more than one year are discounted at 3.16% 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, 2012:

Loan funds	\$ 128,947
Student scholarships	3,525,210
Technology programs	18,323
Capital Projects	95,445
Operating expenses	<u>609</u>
	<u>\$ 3,768,534</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, 2012 endowments totaled \$932,788.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 6 – SUPPORT OF NORTHWEST STATE COMMUNITY COLLEGE

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 scholarships which were then reimbursed.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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

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

We have audited the financial statements of Northwest State Community College Foundation (the Organization), a component unit of Northwest State Community College, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. 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 that we must report under *Government Auditing Standards*.

Northwest State Community College Foundation
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 Board of Trustees, others within the foundation, and the Foundation's management. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 15, 2012

This page intentionally left blank.



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
DECEMBER 20, 2012**