Cincinnati State Technical and Community College Foundation

Financial Report

June 30, 2014

Dave Yost • Auditor of State

Board of Directors
Cincinnati State Technical and Community College Foundation
3520 Central Parkway, Room 157
Cincinnati, OH 45223-2690

We have reviewed the *Independent Auditor's Report* of the Cincinnati State Technical and Community College Foundation, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2013 through June 30, 2014. 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 Cincinnati State Technical and Community College Foundation is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 7, 2014

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Independent Auditor's Report

To the Board of Directors
Cincinnati State Technical and Community
College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Cincinnati State Technical and Community College Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Cincinnati State Technical and Community
College Foundation

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, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements

The financial statements of the Foundation as of June 30, 2013 were audited by other auditors, whose report dated October 14, 2013 expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 13, 2014

Cincinnati State Technical and Community College Foundation

Statement of Financial Position

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents	$ 960,452	$ 542,692
Investments	5,070,921	4,144,041
Receivable due from College	75,550	-
Pledges receivable	128,179	201,037
Total assets	**$ 6,235,102**	**$ 4,887,770**
Liabilities and Net Assets		
Liabilities - Payables due to College	$ 329,355	$ 110,004
Net Assets		
Unrestricted	933,803	986,737
Temporarily resticted	2,230,192	1,459,187
Permanently resticted	2,741,752	2,331,842
Total net assets	5,905,747	4,777,766
Total liabilities and net assets	**$ 6,235,102**	**$ 4,887,770**

Cincinnati State Technical and Community College Foundation

Statement of Activities and Changes in Net Position

	Year Ended June 30							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Contributions	$ 100,944	$ 1,905,546	$ 409,910	$ 2,416,400	$ 65,852	$ 713,560	$ 216,869	$ 996,281
In-kind support from College	226,193	-	-	226,193	-	-	-	-
Net realized and unrealized gains and losses on investments	103,379	403,048	-	506,427	22,411	260,877	-	283,288
Investment income	54,656	103,544	-	158,200	28,655	60,974	-	89,629
Total revenue, gains, and other support	485,172	2,412,138	409,910	3,307,220	116,918	1,035,411	216,869	1,369,198
Net Assets Released From Restrictions	1,641,133	(1,641,133)	-	-	646,602	(646,602)	-	-
Total revenue, gains, other support, and net assets released from restrictions	2,126,305	771,005	409,910	3,307,220	763,520	388,809	216,869	1,369,198
Expenses								
Instruction	1,841,546	-	-	1,841,546	649,588	-	-	649,588
Management and general	337,693	-	-	337,693	69,100	-	-	69,100
Total expenses	2,179,239	-	-	2,179,239	718,688	-	-	718,688
Increase in Net Assets	(52,934)	771,005	409,910	1,127,981	44,832	388,809	216,869	650,510
Net Assets - Beginning of year	986,737	1,459,187	2,331,842	4,777,766	941,905	1,070,378	2,114,973	4,127,256
Net Assets - End of year	**$ 933,803**	**$ 2,230,192**	**$ 2,741,752**	**$ 5,905,747**	**$ 986,737**	**$ 1,459,187**	**$ 2,331,842**	**$ 4,777,766**

Cincinnati State Technical and Community College Foundation

Statement of Cash Flows

	Year Ended June 30, 2014	Year Ended June 30, 2013
Cash Flows from Operating Activities		
Increase in net assets	$ 1,127,981	$ 650,510
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Contributions permanently restricted for endowment	(409,910)	(216,869)
Net realized and unrealized gains on investments	(506,427)	(283,288)
Changes in operating assets and liabilities which provided (used) cash:		
Pledges receivable	72,858	(18,812)
Interest income receivable	-	38
Receivable due from College	(75,550)	-
Accounts payable	219,351	(60,036)
Net cash provided by operating activities	428,303	71,543
Cash Flows from Investing Activities		
Proceeds from sale of investments	112,758	828,094
Purchase of investments	(533,211)	(1,849,530)
Net cash used in investing activities	(420,453)	(1,021,436)
Cash Flows from Financing Activities - Contributions permanently restricted for endowment	409,910	216,869
Net Increase (Decrease) in Cash and Cash Equivalents	417,760	(733,024)
Cash and Cash Equivalents - Beginning of year	542,692	1,275,716
Cash and Cash Equivalents - End of year	**$ 960,452**	**$ 542,692**

Note 1 - Nature of Business and Significant Accounting Policies

The Cincinnati State Technical and Community College Foundation (the "Foundation") was organized to promote and support the programs, services, and capital improvement projects of Cincinnati State Technical and Community College (the "College") and to solicit, receive, hold, administer, and apply funds or other property, raised through gifts, devises, bequests, endowments, and grants for the benefit of the College. The Foundation is a component unit of the College.

The Foundation is governed by a self-perpetuating board of directors whose membership consists of certain ex-officio and other members from the College's board and management and members (a majority) who are not from the College's board or employed by the College.

Financial Statement Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under these principles, the Foundation is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash Equivalents - The Foundation considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. The Foundation has cash equivalents included in its investment portfolio that are combined with total investments.

The carrying amount of cash and cash equivalents shown in the accompanying financial statements include checking and overnight investment accounts with one local financial institution. At various times throughout the fiscal year, the Foundation had cash in excess of $250,000 on deposit.

Investments - Investments are recorded at fair value. The fair value of investments is estimated based on quoted market prices for those or similar investments. The pool primarily invests in large capitalized equities and intermediate duration bonds.

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 statement of financial position.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Pledge Receivables - Pledge receivables that are expected to be collected within one year are recorded at their net realizable value. Pledge receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in pledge revenue. Pledge receivables are reviewed annually to determine if an allowance for uncollectible contributions receivable is needed. Based upon management's judgment, considering such factors as prior collection history, type of contribution, and nature of fundraising activity, no allowance for uncollectible pledge receivables has been recorded as of June 30, 2014 and 2013.

Classification of Net Assets - Net assets of the Founadtion are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Unrestricted Net Assets:

General - General unrestricted net assets have no external restrictions as to use or purpose.

Quasi-endowment - Quasi-endowment net assets are designated by the board of directors to be invested as a preservation of gift income and used at a later date when additional needs may arise. There were no quasi-endowments as of June 30, 2014.

Temporarily Restricted Net Assets:

Temporarily restricted net assets represent net assets received that are restricted as to use as specified by donors or restricted by time. The primary purpose of temporarily restricted net assets is to support the College for scholarships and student financial aid.

Permanently Restricted Endowment Net Assets:

Endowment net assets are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized in support of scholarships and student financial aid.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions - Contributions, including unconditional promises to give in the future, are measured at fair value and reported as revenue when received. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. 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 statement of activities and changes in net position as net assets released from restrictions. Amounts for services provided by the College are valued and reported as in-kind contributions.

Tax Status - The Foundation is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the U.S. Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation 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, 2014 and 2013, 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, 2011.

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

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements - In April 2013, the FASB issued Accounting Standards Update 2013-06, *Not-for Profit Entities: Services Received from Personnel of an Affiliate*. The standard provides guidance on how to account for contributed personnel services from an affiliate. The standard clarifies that all contributed services received from an affiliate that directly benefit the recipient not-for-profit should be recognized. The standard will be effective for annual periods beginning after June 15, 2014. The Foundation is currently evaluating the impact this standard will have on the financial statements when adopted during the June 30, 2015 fiscal year.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 13, 2014, which is the date the financial statements were available to be issued.

Note 2 - Investments

Investments consist of the following:

	2014	2013
Money market accounts	$ 365,250	$ 247,679
Equity mutual funds	3,537,457	2,875,029
Fixed-income mutual funds	989,478	1,021,333
Real estate investments	31,283	-
Alternative strategies investments	147,453	-
Total investments	$ 5,070,921	$ 4,144,041

Investment income during the year consisted of unrealized and realized gains and losses and interest and dividends as follows:

	2014	2013
Net realized and unrealized gains	$ 506,427	$ 283,288
Interest and dividends (less fees)	158,200	89,629
Total investment income	$ 664,627	$ 372,917

Note 3 - Pledge Receivables

Pledge receivables have been classified as temporarily restricted net assets, as they have restrictions as to use. No allowance for uncollectible pledges is considered necessary. Pledge receivables due at June 30 are as follows:

	2014	2013
One year or less	$ 80,480	$ 99,153
Between one and five years	17,000	68,835
Longer than five years	41,600	43,950
Total pledges	139,080	211,938
Less discounts and allowance for doubtful pledges	(10,901)	(10,901)
Net pledges	$ 128,179	$ 201,037

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2014 and 2013 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Note 4 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Investments:				
Money market	$ 365,250	$ -	$ -	$ 365,250
Mutual funds - Equity	3,537,457	-	-	3,537,457
Mutual funds - Fixed income	989,478	-	-	989,478
Real estate investments	31,283	-	-	31,283
Alternative strategies	147,453	-	-	147,453
Total assets	$ 5,070,921	$ -	$ -	$ 5,070,921

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Investments:				
Money market	$ 143,083	$ 104,596	$ -	$ 247,679
Mutual fund - Equities	2,875,029	-	-	2,875,029
Mutual fund - Fixed income	1,021,333	-	-	1,021,333
Total assets	$ 4,039,445	$ 104,596	$ -	$ 4,144,041

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, 2014 and 2013, there were no transfers between levels of the fair value hierarchy.

Note 5 - Restricted Net Assets

Temporarily restricted net assets are principally related to scholarships, specific colleges and departments within the College, department chairs, and various other purposes related to support the College.

Permanently restricted net assets are principally related to scholarships, department chairs, and various other purposes related to support of the College.

Restricted net assets as of June 30, 2014 and 2013 are as follows:

	2014	2013
Temporarily restricted:		
Pledges receivable	$ 128,179	$ 201,037
Special purpose funds	1,595,421	936,299
Income on endowments	506,592	321,851
Total	2,230,192	1,459,187
Permanently restricted - Endowment funds	2,741,752	2,331,842
Total	$ 2,741,752	$ 2,331,842

Note 6 - Donor-restricted and Board-designated Endowments

Cincinnati State Technical and Community College Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The board of directors of 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

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (152,445)	$ 1,199,550	$ 2,741,752	$ 3,788,857

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ (172,617)	$ 850,264	$ 2,331,842	$ 3,009,489
Investment return:				
Investment income	-	103,544	-	103,544
Net appreciation (realized and unrealized)	-	403,048	-	403,048
Total investment return	-	506,592	-	506,592
Contributions	-	-	409,910	409,910
Change in underwater endowments	20,172	(20,172)	-	-
Other changes - Appropriation of endowment assets for expenditure	-	(137,134)	-	(137,134)
Endowment net assets - End of year	$ (152,445)	$ 1,199,550	$ 2,741,752	$ 3,788,857

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (172,617)	$ 850,264	$ 2,331,842	$ 3,009,489

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ (197,514)	$ 680,204	$ 2,114,973	$ 2,597,663
Investment return:				
Investment income	-	60,974	-	60,974
Net appreciation (realized and unrealized)	-	260,877	-	260,877
Total investment return	-	321,851	-	321,851
Contributions	-	-	216,869	216,869
Change in underwater endowments	24,897	(24,897)	-	-
Other changes - Appropriation of endowment assets for expenditure	-	(126,894)	-	(126,894)
Endowment net assets - End of year	$ (172,617)	$ 850,264	$ 2,331,842	$ 3,009,489

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, deficiencies of this nature that are reported in unrestricted net assets were $152,445 and $172,617 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

Note 6 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

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 board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return based on the average return of various market indexes, specifically the performance of the S&P 500 index. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 7 - Related Party Transactions with Cincinnati State Technical and Community College

Cincinnati State Technical and Community College provides office space, personnel, computer and other administrative services to the Foundation. All compensation and benefits for the personnel are paid by the College. For the year ended June 30, 2014, these amounts totaled $226,193. These amounts are recorded as "college support" in the consolidated statement of activities and changes in net position.

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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*

Independent Auditor's Report

To Management and the Board of Directors
Cincinnati State Technical and
Community College Foundation

We have audited, 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, the financial statements of Cincinnati State Technical and Community College Foundation (the "Foundation") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cincinnati State Technical and Community College Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 responses as Finding 2014-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cincinnati State Technical and Community College Foundation's financial statements are free from 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.*

Cincinnati State Technical and Community College Foundation's Responses to Findings

Cincinnati State Technical and Community College Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Cincinnati State Technical and Community College Foundation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 13, 2014

Reference Number	Finding
2014-001	**Finding Type** - Material Weakness

Criteria - Generally accepted accounting principles (GAAP) require revenue for events to be recorded when earned, regardless of when the cash is received.

GAAP also requires contributions received by an organization, including in-kind contributions, to be measured at fair value and reported as revenue when received.

Condition - The Foundation did not record a receivable due from Cincinnati State Technical Community College or the related revenue for an event that took place in May 2014 for which proceeds were collected on behalf of the Foundation by the College.

The Foundation recorded revenue for an in-kind software gift received during 2014 at an incorrect amount as there was an error in the calculation for the software valuation.

Context - An adjustment was recorded to increase the receivable due from the College and related revenue for approximately $76,000 to recognize the revenue for the event.

The Foundation received a gift of software from a donor to be used by the College in the classroom. The College and the Foundation worked together to determine the value of the gift based on the gift's intended use and the calculation of the value was provided by the College. There was an error in the calculation and an adjustment was recorded to reduce both contribution revenue and expense by approximately $179,000 for the software valuation. The finding is a result of an error in the calculation that was not identified; however, the value of the gift was determined using a reasonable method.

Cause - The Foundation typically does not recognize receivables and the related revenue from the College, therefore the adjustment for the event was not identified as part of the normal reconciliation process.

The Foundation relied upon the College to provide the calculation for the software valuation as the College had the expertise to determine the fair market value. However, the Foundation did not adequately review the calculation and did not identify the adjustment prior to recording the revenue.

Reference Number	Finding
2014-001 (Cont'd)	**Effect** - Communication of events which have a financial impact need to be communicated to the accountant in a timely manner to ensure revenue recognition is in accordance with GAAP. Improper revenue recognition and lack of timely review could result in a misstatement to the financial statements not being detected or prevented.
	Recommendation - The adjustments identified above both relate to unique situations that do not occur frequently. The Foundation should consider performing revenue reconciliations for these types of transactions throughout the year in order to ensure amounts are being captured and recognized in the appropriate period. In-kind contributions need to be reviewed to ensure the valuation is appropriate and the underlying calculations are accurate. Though the Foundation worked diligently to make sure a valuation method for the software gift was in place, a thorough review of the underlying calculation will help prevent mathmatical errors in the calculation which affect the value recorded.

Reference Number	Finding
2014-001 (Cont'd)	**Views of Responsible Officials and Planned Corrective Actions** - The Foundation missed recognizing one event's revenue as a receivable in the donor software. This revenue was collected in partnership with the College and received by the Foundation, but took a couple months for the College to issue the check. Moving forward, the Foundation will recognize all known receivables/pledges in donor software in a timely fashion through enhanced efforts in quarterly/year-to-date reconciliations in the cut-off procedures. Upon receiving a unique software donation, the Foundation received in writing from the donor that the market value of the software is $66.8M. The Foundation, in conjunction with the College, understood from their shared auditor, as well as the donor which makes multiple grants of this software to educational institutions, that there is a range of values that institutions have booked for such software that includes from full market to no value with a footnote. Working with the College and the shared auditor, a formula to determine the value was established around anticipated revenues through tuition, lab fees, and tuition subsidy over a multi-year projection. The Foundation relied upon the College's expertise in determining the particulars like tuition subsidy, anticipated students, and lab fees in conjunction with the auditor. The Foundation reviewed the formula and its variables with the College, particularly the considerations for a changing state subsidy model. The Foundation understood a certain range of legitimate ways to book the software grant. As the Foundation (and the College) were given a new joint auditor through the State-driven process, the Foundation presented the unique software gift as a revenue source and the valuation formula to the new auditor for further review. The Foundation missed a typo in one aspect of the calculation provided by the College. Moving forward, the Foundation will review every aspect of any formula to determine value of unique gifts, making sure the underlying assumptions agree with the mathematical calculations.

Reference Number	Finding
2014-002	**Finding Type** - Significant Deficiency

Criteria - Internal controls over financial reporting include policies and procedures which provide reasonable assurance that transactions are recorded and balances are reconciled in order to permit preparation of financial statements in accordance with GAAP.

Condition - We noted the Foundation's contribution revenue and net asset balance in the general ledger did not reconcile to underlying supporting documentation (detailed contribution revenue listings) at year end. The absence of timely financial analysis and review could result in the failure to detect or prevent misstatements of accounting information.

Context - An unreconciled difference of approximately $14,000 was identified between the general ledger and the supporting detail.

Cause - The Foundation utilizes a third-party accountant to complete year-end reconciliations of the general ledger balances. The accountant prepares the reconciliations using information obtained from the Foundation bank statements versus detailed listings of total contributions that have been recorded in the general ledger. This results in certain general ledger adjustments not being captured in the quarterly reconciliation process.

Effect - The reconciliation process for net assets and contribution revenue is not being performed timely throughout the year, which could result in a misstatement to the financial statements going undetected.

Recommendation - The Foundation should consider performing the reconciliations internally and providing the supporting documentation to the third-party accountant for review. This will ensure all contribution types have been captured and accounted for appropriately. We also recommend the reconciliations be performed more frequently throughout the year.

Reference Number	Finding
2014-002 (Cont'd)	**Views of Responsible Officials and Planned Corrective Actions** - We recognize the $14,000 difference between the financials and gift software. The discrepancy amounts to less than 1 percent of total revenues received during the period. It has been determined that while quarterly reconciliations have been made using information from Foundation bank statements and donor software listings of in-kind, stock, and pledge contributions, the second and third quarter reconciliations did not include year-to-date reconciliations. This process provides reason to miss periodic adjustments resulting in the less than 1 percent discrepancy. Moving forward, the Foundation will perform year-to-date reconciliations with each quarterly report.

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Dave Yost • Auditor of State

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE FOUNDATION

HAMILTON 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
NOVEMBER 20, 2014