



# Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhscpas.com](http://www.bhscpas.com)

Northwest State Community College Foundation  
Regular Audit  
July 1, 2012 through June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# Dave Yost • Auditor of State

Board of Trustees  
Northwest State Community College  
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, 2012 through June 30, 2013. 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

January 8, 2014

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**Northwest State Community College Foundation**  
Table of Contents  
For the Fiscal Year Ended June 30, 2013

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report:.....	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements .....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	11

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### Report on the Financial Statements

We have audited the accompanying statements of financial position of Northwest State Community College Foundation, Henry County, Ohio (the Organization), a component unit of Northwest State Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Organization's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest State Community College Foundation, Henry County, Ohio, as of June 30, 2013, and the respective changes in net assets and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and results of that testing, and does not opine on 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 Organization's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 6, 2013



**Northwest State Community College Foundation**  
**Statement of Financial Position**  
**June 30, 2013**

**ASSETS**

Cash and cash equivalents (Note 2)	\$ 45,087
Marketable securities (Note 3)	5,022,691
Pledges receivable (Note 4)	<u>67,529</u>
 Total assets	 <u><u>\$ 5,135,307</u></u>

**NET ASSETS:**

Unrestricted	\$ 32,123
Temporarily restricted (Note 5)	4,049,665
Permanently restricted (Note 5)	<u>1,053,519</u>
 Total net assets	 <u><u>\$ 5,135,307</u></u>

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

**Northwest State Community College Foundation**  
**Statement of Activities**  
**June 30, 2013**

<b>REVENUES, GAINS AND OTHER SUPPORT</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 1,035	\$ 69,628	\$ 4,252	\$ 74,915
Business organizations	-	119,008	-	119,008
Foundations	-	4,500	50,000	54,500
Contributed services (Note 1)	92,024	-	-	92,024
Equity Reallocation	-	(66,479)	66,479	-
Investment return	3,208	427,398	-	430,606
Net assets released from restrictions				
Restrictions satisfied by payments	235,251	(235,251)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>331,518</b>	<b>318,804</b>	<b>120,731</b>	<b>771,053</b>
 <b>EXPENSES</b>				
Program services				
Scholarships	154,751	-	-	154,751
Donations	80,500	-	-	80,500
Supporting services				
Management and general	44,462	29,444	-	73,906
Fund-raising	51,700	8,229	-	59,929
<b>TOTAL EXPENSES</b>	<b>331,413</b>	<b>37,673</b>	<b>-</b>	<b>369,086</b>
 <b>CHANGE IN NET ASSETS</b>	<b>105</b>	<b>281,131</b>	<b>120,731</b>	<b>401,967</b>
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>32,018</b>	<b>3,768,534</b>	<b>932,788</b>	<b>4,733,340</b>
 <b>NET ASSETS AT END OF YEAR</b>	<b>\$ 32,123</b>	<b>\$ 4,049,665</b>	<b>\$ 1,053,519</b>	<b>\$ 5,135,307</b>

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

**Northwest State Community College Foundation**  
**Statement of Functional Expenses**  
**June 30, 2013**

<b>Expenses</b>	<b>Program Services</b>	<b>Support Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Scholarships and loan expenditures to Northwest State Community College	\$ 154,751	\$ -	\$ -	\$ 154,751
Donations to Northwest State Community College	80,500	-	-	80,500
Professional service	-	3,637	-	3,637
Services provided by Northwest State Community College	-	40,324	51,700	92,024
Other	-	29,945	8,229	38,174
<b>TOTAL EXPENSES</b>	<b>\$ 235,251</b>	<b>\$ 73,906</b>	<b>\$ 59,929</b>	<b>\$ 369,086</b>

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

**Northwest State Community College Foundation**  
**Statement of Cash Flows**  
**June 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Unrestricted contributions	\$ 93,059
Restricted contributions	256,329
Investment return	430,606
Payments for management services & fundraising	(134,635)
Payments for scholarships and donations	<u>(235,251)</u>
Net cash provided by operating activities	<u><u>410,108</u></u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase in marketable securities	<u>(464,418)</u>
Net cash used for investing activities	<u><u>(464,418)</u></u>

Net decrease in cash and cash equivalents (54,310)

Cash - beginning of year	<u>99,397</u>
Cash - end of year	<u><u>\$ 45,087</u></u>

Reconciliation of net operating revenue (expenses) to net cash provided by operating activities:

Net income	\$ 401,967
Change in assets and liabilities	
Receivables, net	8,941
Accounts payable	<u>(800)</u>
Net cash provided by operating activities	<u><u>\$ 410,108</u></u>

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

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2013

**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, 2013

**NOTE 2 – CASH AND MONEY MARKET FUNDS**

Balances as of June 30, 2013 are summarized as follows:

Savings accounts and certificates	
Cash and cash equivalents	\$ 32,124
Donor restricted cash and cash equivalents	<u>12,963</u>
Total of all cash accounts	<u>\$ 45,087</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, 2013 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	\$1,206,467	\$-0-	\$-0-
Mutual Funds:			
DFA Emerging Markets (DFCEX)	174,000	-0-	-0-
DFA International Core (DFIEX)	451,934	-0-	-0-
DFA International Real Estate (DFITX)	119,360	-0-	-0-
DFA Large Cap International Portfolio (DFALX)	79,647	-0-	-0-
DFA Real Estate (DFREX)	108,924	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	1,519,893	-0-	-0-
DFA Five Year Global Fixed (DFGBX)	344,934	-0-	-0-
DFA Short Term Extended (DFEQX)	261,646	-0-	-0-
DFA Selectively Hedged (DFSHX)	246,166	-0-	-0-
Vanguard Short Term Investment (VFSTX)	260,370	-0-	-0-
Vanguard Short Term BD (VBSSX)	<u>249,350</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$5,022,691</u>	<u>\$-0-</u>	<u>\$-0-</u>

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2013

**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	\$ 3,208	\$( 12,964)	\$( 9,756)
Dividend Income	-	100,247	100,247
Net unrealized gain on stocks	-	340,115	340,115
Total investment return	<u>\$ 3,208</u>	<u>\$ 427,398</u>	<u>\$ 430,606</u>

**NOTE 4 – PLEDGE RECEIVABLE**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 388	\$ 38,231	\$ 73	\$ 38,692
One to five years	0	28,837	0	28,837
	<u>\$ 388</u>	<u>\$ 67,068</u>	<u>\$ 73</u>	<u>\$ 67,529</u>

Unconditional promises to give that are receivable in more than one year are discounted at 8.62% 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, 2013:

Loan funds	\$ 139,955
Student scholarships	3,818,388
Technology programs	92
Capital Projects	90,569
Operating expenses	661
	<u>\$ 4,049,665</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, 2013 endowments totaled \$1,053,519.

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2013

**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.

**NOTE 7 – SUBSEQUENT EVENTS**

The Foundation evaluated its June 30, 2013 financial statements for subsequent events through December 6, 2013, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.





# Balestra, Harr & Scherer, CPAs, Inc.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Northwest State Community College Foundation, Henry County, (the Organization), a component unit of Northwest State Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2013.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Organization's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Organization's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### 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, opining 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*.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 6, 2013



# 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  
JANUARY 21, 2014**