

# **Cincinnati State Technical and Community College Foundation**

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**Financial Report  
June 30, 2016**





# Dave Yost • Auditor of State

Board of Directors  
Cincinnati State Technical and Community College Foundation  
3520 Central Parkway  
Cincinnati, Ohio 45223

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, 2015 through June 30, 2016. 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.

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

Dave Yost  
Auditor of State

October 28, 2016

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# **Cincinnati State Technical and Community College Foundation**

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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, 2016 and 2015 and the related statements of activities, changes in net assets, and cash flows for the years 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 audits. We conducted our audits 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 audits 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.

#### ***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, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 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 10, 2016

# Cincinnati State Technical and Community College Foundation

## Statement of Financial Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,178,071	\$ 1,449,430
Investments	7,061,245	4,750,184
Pledges receivable	424,977	183,327
	<u>                    </u>	<u>                    </u>
Total assets	<b><u>\$ 8,664,293</u></b>	<b><u>\$ 6,382,941</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b> - Payables due to College	\$ 145,734	\$ 227,812
<b>Net Assets</b>		
Unrestricted	799,323	621,283
Temporarily restricted	2,470,828	2,741,461
Permanently restricted	5,248,408	2,792,385
	<u>                    </u>	<u>                    </u>
Total net assets	<u>8,518,559</u>	<u>6,155,129</u>
Total liabilities and net assets	<b><u>\$ 8,664,293</u></b>	<b><u>\$ 6,382,941</u></b>



# Cincinnati State Technical and Community College Foundation

## Statement of Activities and Changes in Net Position

	Year Ended							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains, and Other Support</b>								
Contributions	\$ 635,403	\$ 1,258,342	\$ 2,456,023	\$ 4,349,768	\$ 179,756	\$ 1,743,172	\$ 50,633	\$ 1,973,561
In-kind donations	253,331	-	-	253,331	247,331	-	-	247,331
Net realized and unrealized losses	(13,839)	(59,328)	-	(73,167)	(36,841)	(22,146)	-	(58,987)
Investment income	42,760	151,152	-	193,912	43,040	92,803	-	135,843
Total revenue, gains, and other support	917,655	1,350,166	2,456,023	4,723,844	433,286	1,813,829	50,633	2,297,748
<b>Net Assets Released from Restrictions</b>								
Total revenue, gains, and other support and net assets released from restrictions	1,620,799	(1,620,799)	-	-	1,302,560	(1,302,560)	-	-
<b>Expenses</b>								
Instruction	1,810,498	-	-	1,810,498	1,710,462	-	-	1,710,462
Management and general	549,916	-	-	549,916	337,904	-	-	337,904
Total expenses	2,360,414	-	-	2,360,414	2,048,366	-	-	2,048,366
<b>Increase (Decrease) in Net Assets</b>	178,040	(270,633)	2,456,023	2,363,430	(312,520)	511,269	50,633	249,382
<b>Net Assets - Beginning of year</b>	621,283	2,741,461	2,792,385	6,155,129	933,803	2,230,192	2,741,752	5,905,747
<b>Net Assets - End of year</b>	<u>\$ 799,323</u>	<u>\$ 2,470,828</u>	<u>\$ 5,248,408</u>	<u>\$ 8,518,559</u>	<u>\$ 621,283</u>	<u>\$ 2,741,461</u>	<u>\$ 2,792,385</u>	<u>\$ 6,155,129</u>

# Cincinnati State Technical and Community College Foundation

## Statement of Cash Flows

	Year Ended	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 2,363,430	\$ 249,382
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Contributions permanently restricted for endowment	(2,456,023)	(50,633)
Net realized and unrealized losses on investments	73,167	58,987
Changes in operating assets and liabilities which (used) provided cash:		
Pledges receivable	(241,650)	(55,148)
Receivable due from College	-	75,550
Payable due to College	<u>(82,078)</u>	<u>(101,543)</u>
Net cash (used in) provided by operating activities	(343,154)	176,595
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	748,297	306,091
Purchase of investments	<u>(3,132,525)</u>	<u>(44,341)</u>
Net cash (used in) provided by investing activities	(2,384,228)	261,750
<b>Cash Flows from Financing Activities - Contributions permanently restricted for endowment</b>	<u>2,456,023</u>	<u>50,633</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(271,359)	488,978
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>1,449,430</u>	<u>960,452</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 1,178,071</b></u>	<u><b>\$ 1,449,430</b></u>

# Cincinnati State Technical and Community College Foundation

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## Notes to Financial Statements June 30, 2016 and 2015

### 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. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to \$250,000 deposited at an FDIC insured bank. At various times throughout the fiscal year, the Foundation had cash in excess of \$250,000 on deposit. The excess is not insured by the FDIC.

**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, as well as cash that is part of the overall investment pool.

**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.

# Cincinnati State Technical and Community College Foundation

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## Notes to Financial Statements June 30, 2016 and 2015

### 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, 2016 and 2015.

**Classification of Net Assets** - Net assets of the Foundation 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, 2016 and 2015.

#### *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.

# Cincinnati State Technical and Community College Foundation

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## Notes to Financial Statements June 30, 2016 and 2015

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

Revenue is reported as an increase 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 donations. See Note 7 for further information.

**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.

**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.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 10, 2016, which is the date the financial statements were available to be issued.

# Cincinnati State Technical and Community College Foundation

## Notes to Financial Statements June 30, 2016 and 2015

### Note 2 - Investments

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Money market accounts	\$ 87,837	\$ 76,246
Equity mutual funds	5,055,444	3,558,548
Fixed-income mutual funds	1,826,919	1,001,888
Real estate investments	42,125	37,505
Alternative strategies	48,920	75,997
Total investments	<u>\$ 7,061,245</u>	<u>\$ 4,750,184</u>

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

	<u>2016</u>	<u>2015</u>
Net realized and unrealized losses	\$ (73,167)	\$ (58,987)
Interest and dividends (less fees)	193,912	135,843
Total investment income	<u>\$ 120,745</u>	<u>\$ 76,856</u>

### 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:

	<u>2016</u>	<u>2015</u>
One year or less	\$ 300,027	\$ 140,425
Between one and five years	144,106	23,200
Longer than five years	350	32,950
Total pledges	444,483	196,575
Less discounts and allowance for doubtful pledges	<u>(19,506)</u>	<u>(13,248)</u>
Net pledges	<u>\$ 424,977</u>	<u>\$ 183,327</u>

# Cincinnati State Technical and Community College Foundation

## Notes to Financial Statements June 30, 2016 and 2015

### Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides 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, 2016 and 2015 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 or liabilities 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.

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, 2016

	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, 2016
Investments:				
Money market mutual fund	\$ 53,929	\$ -	\$ -	\$ 53,929
Mutual funds - Equity	5,055,444	-	-	5,055,444
Mutual funds - Fixed income	1,826,919	-	-	1,826,919
Real estate investments	42,125	-	-	42,125
Alternative strategies	48,920	-	-	48,920
Total assets	<u>\$ 7,027,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,027,337</u>

# Cincinnati State Technical and Community College Foundation

## Notes to Financial Statements June 30, 2016 and 2015

### Note 4 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	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, 2015
Investments:				
Money market mutual fund	\$ 24,663	\$ -	\$ -	\$ 24,663
Mutual fund - Equities	3,558,548	-	-	3,558,548
Mutual fund - Fixed income	1,001,888	-	-	1,001,888
Real estate investments	37,505	-	-	37,505
Alternative strategies	75,997	-	-	75,997
Total assets	<u>\$ 4,698,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,698,601</u>

As of June 30, 2016 and 2015, there are investments totaling \$33,908 and \$51,583, respectively, that are not considered to be measured at fair value and are excluded from the table.

### 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, 2016 and 2015 are as follows:

	2016	2015
Temporarily restricted:		
Pledges receivable	\$ 424,977	\$ 183,327
Special purpose funds	1,954,027	2,487,477
Income on endowments	91,824	70,657
Total	<u>\$ 2,470,828</u>	<u>\$ 2,741,461</u>
Permanently restricted - Endowment funds	<u>\$ 5,248,408</u>	<u>\$ 2,792,385</u>



# **Cincinnati State Technical and Community College Foundation**

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## **Notes to Financial Statements June 30, 2016 and 2015**

### **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. Temporarily restricted assets that the Foundation's board has designated to be spent over time as an endowment while meeting the donor's original intent are classified as quasi-endowments.

#### **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

# Cincinnati State Technical and Community College Foundation

## Notes to Financial Statements June 30, 2016 and 2015

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

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 683,855	\$ 5,248,408	\$ 5,932,263
Donor-restricted quasi-endowment funds	-	266,452	-	266,452
Total funds	<u>\$ -</u>	<u>\$ 950,307</u>	<u>\$ 5,248,408</u>	<u>\$ 6,198,715</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ 910,116	\$ 2,792,385	\$ 3,702,501
Investment return:				
Investment income	-	151,152	-	151,152
Net depreciation (realized and unrealized)	-	(59,328)	-	(59,328)
Total investment return	-	91,824	-	91,824
Contributions	-	-	2,456,023	2,456,023
Other changes - Appropriation of endowment assets for expenditure	-	(51,633)	-	(51,633)
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ 950,307</u>	<u>\$ 5,248,408</u>	<u>\$ 6,198,715</u>

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 558,684	\$ 2,792,385	\$ 3,351,069
Donor-restricted quasi-endowment funds	-	351,432	-	351,432
Total funds	<u>\$ -</u>	<u>\$ 910,116</u>	<u>\$ 2,792,385</u>	<u>\$ 3,702,501</u>

# Cincinnati State Technical and Community College Foundation

## Notes to Financial Statements June 30, 2016 and 2015

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

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ (152,445)	\$ 1,199,550	\$ 2,741,752	\$ 3,788,857
Investment return:				
Investment income	-	92,803	-	92,803
Net depreciation (realized and unrealized)	-	(22,146)	-	(22,146)
Total investment return	-	70,657	-	70,657
Contributions	-	-	50,633	50,633
Change in underwater endowments	152,445	(152,445)	-	-
Other changes - Appropriation of endowment assets for expenditure	-	(207,646)	-	(207,646)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 910,116</u>	<u>\$ 2,792,385</u>	<u>\$ 3,702,501</u>

#### 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. There were no such deficiencies as of June 30, 2016 and 2015.

#### 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, 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.

# Cincinnati State Technical and Community College Foundation

## Notes to Financial Statements June 30, 2016 and 2015

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

#### 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 years ended June 30, 2016 and 2015, these amounts totaled \$253,331 and \$247,331, respectively. These amounts are recorded as "in-kind donations" in the statement of activities and changes in net position.

### Note 8 - Functional Allocation of Expenses

Total expenses consisted of expenses relating to program services, support services, and fundraising in the following manner for the years ended June 30:

	2016	2015
Program services	\$ 2,052,987	\$ 1,867,389
Support services	94,751	57,312
Fundraising	212,676	123,665
Total	<u>\$ 2,360,414</u>	<u>\$ 2,048,366</u>

# **Cincinnati State Technical and Community College Foundation**

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## **Notes to Financial Statements June 30, 2016 and 2015**

### **Note 8 - Functional Allocation of Expenses (Continued)**

The costs of providing the program and support services are reported on a functional basis. 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.

### **Note 9 - Upcoming Accounting Pronouncement - NFP Financial Reporting Model**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Foundation is currently evaluating the impact this standard will have on the financial statements.

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, 2016 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 10, 2016.

**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 certain deficiencies in internal control that we consider to be material weaknesses.

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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

### **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 Response to Findings**

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

### **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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Morse, PLLC*

October 10, 2016

# Cincinnati State Technical and Community College Foundation

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

### Section II - Financial Statement Audit Findings

Reference

Number

Finding

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2016-001 **Finding Type** - Material weakness

**Criteria** - Wire transfers should be initiated and approved by two different individuals or should require two signatures for approval.

**Condition** - The Chief of Development is able to initiate and approve a wire transfer without a second signature at certain custodians of the Foundation.

**Context** - We noted through the review of internal controls that the Chief of Development is able to initiate and approve wire transfers without second approval at certain custodians of the Foundation. The Foundation has detective controls in place, including bank reconciliations completed by a separate party; however, there are no preventative controls in place.

**Cause** - Processes are not properly in place to require dual signature or approval on wire transfers.

**Effect** - The lack of policies and procedures surrounding approval on wire transfers could lead to misappropriation of assets and misstatement on the financial statements.

**Recommendation** - We recommend that the Foundation implement processes that require a separate individual to initiate and approve wire transfers.

**Views of Responsible Officials and Planned Corrective Actions** - The Foundation, in conjunction with all relevant financial institutions, will continue to improve documentation of processes requiring a separate individual to initiate and approve wire transfers. Any cases identified that do not require two people to move money outside of Foundation ownership will be changed so that two people will be required.



# Cincinnati State Technical and Community College Foundation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

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2016-002 **Finding Type** - Material weakness

**Criteria** - Account balances should be reconciled to supporting schedules and account statements and the reconciliations should be reviewed.

**Condition** - The Foundation incorrectly recorded a transfer between cash and investments in fiscal year 2016 that actually occurred in fiscal year 2017 in the amount of approximately \$150,000

**Context** - Cash and investment balances were overstated and understated, respectively, by approximately \$150,000 at June 30, 2016.

**Cause** - There is a lack of account reconciliation review procedures to ensure activity is included in proper period.

**Effect** - The reconciliation and entries were not reviewed to ensure that activity was recorded in the proper period, which could result in a misstatement to the financial statements.

**Recommendation** - We recommend the Foundation implement processes to review activity and reconciliation's to ensure proper accounting for transactions.

**Views of Responsible Officials and Planned Corrective Actions** - The Foundation will review the timing of activity to ensure proper inclusion/exclusion in proper periods. Accounting and finance roles and responsibilities are being evaluated to improve this review of financial records.

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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 10, 2016**