

# **CLARK STATE COMMUNITY COLLEGE FOUNDATION**

Financial Statements

June 30, 2016 and 2015

with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Directors  
Clark State Community College Foundation  
570 East Leffel Lane  
Springfield, OH 45505

We have reviewed the *Independent Auditors' Report* of the Clark State Community College Foundation, Clark County, prepared by Clark, Schaefer, Hackett & Co., 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 Clark 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

November 3, 2016

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Clark State Community College Foundation  
Springfield, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Clark State Community College Foundation ("Foundation"), a component unit of Clark State Community College, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and 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.

### Auditors' 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 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 auditors' 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 Clark State Community College 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.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, on our consideration of Clark State Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Clark State Community College Foundation's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 7, 2016

Clark State Community College Foundation  
 Statements of Financial Position  
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 177,565	23,905
Investments	16,423,782	16,603,447
Accounts receivable, Clark State Community College	42,886	64,593
Pledges receivable	1,383,583	1,583,873
Student loans receivable, net of allowance for doubtful loans of \$59,913 in 2016 and \$53,381 in 2015	95,868	83,693
Prepaid expenses	<u>534</u>	<u>-</u>
	<u>\$ 18,124,218</u>	<u>18,359,511</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Wages payable	<u>9,102</u>	<u>1,403</u>
	<u>9,102</u>	<u>1,403</u>
 <b>Net assets</b>		
Unrestricted	491,353	386,729
Temporarily restricted	8,554,010	8,854,397
Permanently restricted	<u>9,069,753</u>	<u>9,116,982</u>
	<u>18,115,116</u>	<u>18,358,108</u>
	<u>\$ 18,124,218</u>	<u>18,359,511</u>

See accompanying notes to financial statements.



Clark State Community College Foundation  
 Statements of Activities and Changes in Net Assets  
 Year Ended June 30, 2016 with Comparative 2015 Totals

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenues and other support					
Campaign contributions	\$ 27,786	136,402	3,425	167,613	243,192
Foundation contributions	125	161,768	149,200	311,093	369,710
Interest	1,417	380,137	-	381,554	378,422
Net realized and unrealized (losses) gains on investments	(14,406)	(228,004)	(795)	(243,205)	180,185
Miscellaneous	7,318	36,413	-	43,731	29,207
Net assets released from restrictions	<u>986,162</u>	<u>(787,103)</u>	<u>(199,059)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	1,008,402	(300,387)	(47,229)	660,786	1,200,716
Expenses					
Programs	682,835	-	-	682,835	935,836
Management and general	72,192	-	-	72,192	91,859
Fundraising	<u>148,751</u>	<u>-</u>	<u>-</u>	<u>148,751</u>	<u>-</u>
Total expenses	<u>903,778</u>	<u>-</u>	<u>-</u>	<u>903,778</u>	<u>1,027,695</u>
Change in net assets	104,624	(300,387)	(47,229)	(242,992)	173,021
Net assets at beginning of year	<u>386,729</u>	<u>8,854,397</u>	<u>9,116,982</u>	<u>18,358,108</u>	<u>18,185,087</u>
Net assets at end of year	\$ <u>491,353</u>	<u>8,554,010</u>	<u>9,069,753</u>	<u>18,115,116</u>	<u>18,358,108</u>

See accompanying notes to financial statements.

Clark State Community College Foundation  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
Revenues and other support				
Campaign contributions	\$ 11,638	224,116	7,438	243,192
Foundation contributions	25	282,988	86,697	369,710
Interest	1,553	376,869	-	378,422
Net realized and unrealized gains on investments	13,329	166,856	-	180,185
Miscellaneous	5,028	24,179	-	29,207
Net assets released from restrictions	<u>1,001,700</u>	<u>(819,423)</u>	<u>(182,277)</u>	<u>-</u>
Total revenues and other support	1,033,273	255,585	(88,142)	1,200,716
Expenses				
Programs	935,836	-	-	935,836
Management and general	<u>91,859</u>	<u>-</u>	<u>-</u>	<u>91,859</u>
Total expenses	<u>1,027,695</u>	<u>-</u>	<u>-</u>	<u>1,027,695</u>
Change in net assets	5,578	255,585	(88,142)	173,021
Net assets at beginning of year	<u>381,151</u>	<u>8,598,812</u>	<u>9,205,124</u>	<u>18,185,087</u>
Net assets at end of year	<u>\$ 386,729</u>	<u>8,854,397</u>	<u>9,116,982</u>	<u>18,358,108</u>

Clark State Community College Foundation  
 Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (242,992)	173,021
Adjustments to reconcile change in net assets to net cash from operating activities :		
Net realized and unrealized gains on investments	243,205	(180,185)
Contributions restricted for long-term purposes	(152,625)	(94,135)
Effects of changes in operating assets and liabilities		
Receivables	209,822	118,293
Prepaid expenses	(534)	-
Accounts payable	-	(4,508)
Wages payable	<u>7,699</u>	<u>534</u>
Net cash from operating activities	<u>64,575</u>	<u>13,020</u>
Cash flows from investing activities:		
Sales of investments	745,130	245,300
Purchases of investments	<u>(808,670)</u>	<u>(611,724)</u>
Net cash from investing activities	<u>(63,540)</u>	<u>(366,424)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<u>152,625</u>	<u>94,135</u>
Change in cash and cash equivalents	153,660	(259,269)
Cash and cash equivalents at beginning of year	<u>23,905</u>	<u>283,174</u>
Cash and cash equivalents at end of year	\$ <u>177,565</u>	<u>23,905</u>

See accompanying notes to financial statements.

## **1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Clark State Community College Foundation have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

### **Organization**

The Clark State Community College Foundation ("Foundation") is a not-for-profit Ohio corporation and is considered to be a component unit of Clark State Community College. The Foundation's purpose is to assist students attending Clark State Community College. Administrative services are provided by Clark State Community College.

### **Method of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets. Net assets are reported as follows:

Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Board of Directors.

Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor. A donor-imposed restriction permits the Foundation to expend the donated assets as specified and is satisfied either by the passage of time or by actions of the Foundation. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund are expended as the donor has specified.

### **Cash and cash equivalents**

For purposes of the statement of cash flows, the Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. This includes amounts on deposit with STAR Ohio which were \$175,193 and \$20,005 at June 30, 2016 and 2015, respectively. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

### **Investments**

Investments are carried at fair value in accordance with FASB guidance. Investments include shares with The Common Fund, a not-for-profit organization, and Federated Government Obligation, Tax Managed Select Treasuries (Fund #637). Realized and unrealized gains and losses are reported in the statement of activities. Fair value is determined by market quotations. Donated investments are recorded at the fair market value at the time received.

**Pledges, accounts and loans receivable and revenues**

Revenues are reported as an increase in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Contributions are recognized as revenue in the period the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Certain funding from non-government agencies is accounted for as temporarily restricted until either the required use, passage of time or receipt of funds occurs. Accordingly, such contributions are then released from restriction and recorded as unrestricted. Contributions that were received as temporarily restricted in a certain fiscal year whose restriction is fulfilled in the same fiscal year are directly reported as unrestricted revenue.

Potentially uncollectible loans and pledges receivable are provided for on the allowance method based on management's evaluation of outstanding loans receivable at year end. This estimation takes into consideration historical trends, past history with specific consumers as well as current economic conditions. After establishing the allowance, accounts and loans receivable are typically written off when reasonable and cost effective collection efforts are exhausted. Actual results could vary from the estimate.

**In-kind income**

The facilities occupied by the Foundation are provided by Clark State Community College. In addition, the College assists the Foundation in fund raising, gift processing and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation that is immaterial to the financial statements and is not recorded.

**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 at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income taxes and uncertainty in tax position**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. Therefore, the Foundation adopted the provisions of *Accounting for Uncertainty in Income Taxes* which clarify the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's annual reporting returns. The Foundation's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the Foundation has determined it does not have unrelated business income subject to taxation.

**Expense allocation**

For purposes of reporting expenses, identifiable expenses are directly recorded to program and management and general. Expenses related to more than one function are allocated to these categories based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific program service but provide for the overall support and direction of the Foundation.

**Concentration of credit risk**

Investments consist primarily of financial instruments including cash equivalents, equity and fixed income securities and money market funds. These financial instruments may subject the Foundation to concentrations of credit risk, as, from time to time, balance may exceed amounts insured by the Federal Deposit Insurance Corporation, the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. Certain receivables also subject the Foundation to concentrations of credit risk.

The majority of the Foundation’s contributions are received from donors located in the greater Springfield, Ohio area. As such, the Foundation’s ability to generate resources via contributions is dependent on the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in the need among the individuals the Foundation supports.

**Subsequent events**

The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 7, 2016, the date which the financial statements were available to be issued.

**2. CASH:**

A summary of cash follows:

	\$	2,372	\$	3,900
Imprest cash fund				
STAR Ohio		175,193		20,005
		\$ 177,565		\$ 23,905

**3. INVESTMENTS:**

The following summarizes investment values at June 30:

	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Cost Basis</u>
Bond fund	\$ 4,251,289	\$ 3,851,457	\$ 4,366,470	\$ 4,025,925
Equity fund	7,805,279	3,108,020	8,009,215	3,011,796
High quality bond fund	1,864,906	1,633,836	1,779,400	1,596,943
Money market accounts	138,146	138,146	134,275	134,275
Mutual fund - fixed	674,722	677,143	716,960	721,658
Common stock	419,467	298,196	385,233	305,664
Real Estate Investment Trust	15,961	10,372	13,444	10,372
ADR / foreign - equities	10,150	12,581	4,276	5,170
Mutual fund - equity	1,243,862	1,007,874	1,194,174	864,086
 Total	 \$ 16,423,782	 \$ 10,737,625	 \$ 16,603,447	 \$ 10,675,889

Investment fees are netted against interest income in the Statement of Activities. Total fees for 2016 and 2015 were \$51,962 and \$54,625, respectively.

### **Assets and Liabilities Measured on a Recurring Basis**

FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

The fair values of equity and fixed income mutual funds, and preferred stock that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Funds of funds investments have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted information developed by management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios (Level 2 inputs). The Foundation owns three funds that are pooled funds that fall in this category. The funds invest in equity and fixed income securities whose investment objectives are to:

- 1) Invest in a group of diversified equity funds to outperform the S&P 500 index over a full market cycle;
- 2) Offer a program devoted to investing in high-quality, investment-grade fixed income securities to outperform the Barclays Aggregated Bond Index over a full market cycle, and;
- 3) Offer an actively managed, multi-manger investment program that will provide, in a single fund, broad exposure to global debt markets to add value above the return of the U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index, and to reduce volatility as compared to investing in the indices.

The fair values of investments in these categories have been estimated using the net asset value per share of the investments. Redemption policies of these funds range from weekly to monthly and there were no unfunded commitments at June 30, 2016.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

**Fair Value Measurements at June 30, 2016**

	Balance as of June 30, 2016	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	\$ 1,864,906	\$ -	\$ 1,864,906	\$ -
Large cap	6,076,510	-	6,076,510	-
All cap	-	-	-	-
International equity	458,150	-	458,150	-
Emerging markets	229,075	-	229,075	-
MSEF cash equalization	-	-	-	-
Directional strategies	1,036,865	-	1,036,865	-
Core bonds	2,953,859	-	2,953,859	-
Global bonds	482,263	-	482,263	-
Credit	-	-	-	-
Opportunistic	638,998	-	638,998	-
Distressed debt	180,848	-	180,848	-
	<u>\$ 13,921,474</u>	<u>\$ -</u>	<u>\$ 13,921,474</u>	<u>\$ -</u>
Total privately held funds	<u>\$ 13,921,474</u>	<u>\$ -</u>	<u>\$ 13,921,474</u>	<u>\$ -</u>
Common stock	<u>\$ 419,467</u>	<u>\$ 419,467</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds:				
Large cap	\$ 894,987	\$ 894,987	\$ -	\$ -
Mid cap	294,870	294,870	-	-
Short-term bonds	559,840	559,840	-	-
Intermediate-term bonds	114,882	114,882	-	-
Foreign large cap	54,005	54,005	-	-
REIT	26,111	26,111	-	-
	<u>\$ 1,944,695</u>	<u>\$ 1,944,695</u>	<u>\$ -</u>	<u>\$ -</u>
Total Mutual Funds	<u>\$ 1,944,695</u>	<u>\$ 1,944,695</u>	<u>\$ -</u>	<u>\$ -</u>



**Fair Value Measurements at June 30, 2015**

	Balance as of June 30, 2015	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	\$ 1,779,400	\$ -	\$ 1,779,400	\$ -
Large cap	3,947,844	-	3,947,844	-
All cap	2,685,524	-	2,685,524	-
International equity	99,005	-	99,005	-
Emerging markets	198,011	-	198,011	-
MSEF cash equalization	24,751	-	24,751	-
Directional strategies	1,051,933	-	1,051,933	-
Core bonds	2,949,126	-	2,949,126	-
Global bonds	438,100	-	438,100	-
Credit	91,580	-	91,580	-
Opportunistic	638,585	-	638,585	-
Distressed debt	251,226	-	251,226	-
<b>Total privately held funds</b>	<b>\$ 14,155,085</b>	<b>\$ -</b>	<b>\$ 14,155,085</b>	<b>\$ -</b>
<b>Common stock</b>	<b>\$ 385,233</b>	<b>\$ 385,233</b>	<b>\$ -</b>	<b>\$ -</b>
Mutual funds:				
Large cap	\$ 828,202	\$ 828,202	\$ -	\$ -
Mid cap	219,811	219,811	-	-
Short-term bonds	598,020	598,020	-	-
Intermediate-term bonds	118,941	118,941	-	-
Foreign large cap	146,160	146,160	-	-
REIT	17,720	17,720	-	-
<b>Total Mutual Funds</b>	<b>\$ 1,928,854</b>	<b>\$ 1,928,854</b>	<b>\$ -</b>	<b>\$ -</b>

**4. PLEDGES RECEIVABLE:**

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 2.30% and 3.11% to the present value of future cash flows, for the years ended June 30, 2016 and 2015, respectively.

Unconditional promises are expected to be realized in the following periods:

	<u>2016</u>	<u>2015</u>
One year or less	\$ 289,249	\$ 295,239
Between one and five years	1,014,334	1,000,000
Longer than five years	<u>125,000</u>	<u>375,000</u>
	1,428,583	1,670,239
Discounts and allowances	<u>(45,000)</u>	<u>(86,366)</u>
Net pledges	<u>\$ 1,383,583</u>	<u>\$ 1,583,873</u>

**5. NET ASSETS:**

Net assets at June 30 consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted		
Major gifts	\$ 93,161	\$ -
Board designated for scholarships and special projects	77,704	81,503
Board designated for endowment	241,643	240,878
Unrestricted	<u>78,845</u>	<u>64,348</u>
Total	<u>\$ 491,353</u>	<u>\$ 386,729</u>
	<u>2016</u>	<u>2015</u>
Temporarily restricted		
Major gifts	\$ 1,501,462	\$ 1,694,761
Scholarships and other	473,413	517,288
Endowment	6,377,087	6,455,772
Mumma loan fund	<u>202,048</u>	<u>186,576</u>
Total	<u>\$ 8,554,010</u>	<u>\$ 8,854,397</u>
	<u>2016</u>	<u>2015</u>
Permanently restricted		
Scholarships	\$ 2,920,073	\$ 2,972,908
Performing Arts Center	3,623,488	3,597,466
Technology	-	20,416
Champion City scholarships	<u>2,526,192</u>	<u>2,526,192</u>
Total	<u>\$ 9,069,753</u>	<u>\$ 9,116,982</u>

**6. DISTRIBUTIONS TO CLARK STATE COMMUNITY COLLEGE:**

During the years ended June 30, 2016 and 2015, the Foundation distributed \$234,665 and \$476,408, respectively, to the College for both restricted and unrestricted purposes.

**7. ENDOWMENT COMPOSITION:**

The Foundation's endowment primarily consists of funds held at Commonfund. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by applicable standards, 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.

Endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 6,377,087	\$ 9,069,753	\$ 15,446,840
Board-designated funds	<u>241,643</u>	<u>-</u>	<u>-</u>	<u>241,643</u>
Total funds	<u>\$ 241,643</u>	<u>\$ 6,377,087</u>	<u>\$ 9,069,753</u>	<u>\$ 15,688,483</u>

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 6,455,772	\$ 9,116,982	\$ 15,572,754
Board-designated funds	<u>240,878</u>	<u>-</u>	<u>-</u>	<u>240,878</u>
Total funds	<u>\$ 240,878</u>	<u>\$ 6,455,772</u>	<u>\$ 9,116,982</u>	<u>\$ 15,813,632</u>

Changes in endowment net assets for year ended June 30, 2016.

Net assets, beginning of year	\$ 240,878	\$ 6,455,772	\$ 9,116,982	\$ 15,813,632
Investment return				
Investment income, net	517	365,322	-	365,839
Net appreciation (depreciation)	<u>(6,920)</u>	<u>(228,004)</u>	<u>-</u>	<u>(234,924)</u>
Total investment return	(6,403)	137,318	-	130,915
Contributions	-	11,405	80,874	92,279
Appropriation of endowment assets for expenditure	<u>7,168</u>	<u>(227,408)</u>	<u>(128,103)</u>	<u>(348,343)</u>
Net assets, end of year	<u>\$ 241,643</u>	<u>\$ 6,377,087</u>	<u>\$ 9,069,753</u>	<u>\$ 15,688,483</u>

Changes in endowment net assets for year ended June 30, 2015.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 236,774	\$ 6,040,328	\$ 9,205,124	\$ 15,482,226
Investment return				
Investment income, net	549	360,836	-	361,385
Net appreciation	4,235	166,856	-	171,091
Total investment return	4,784	527,692	-	532,476
Contributions	-	9,190	94,135	103,325
Appropriation of endowment assets for expenditure	(680)	(121,438)	(182,277)	(304,395)
Net assets, end of year	<u>\$ 240,878</u>	<u>\$ 6,455,772</u>	<u>\$ 9,116,982</u>	<u>\$ 15,813,632</u>

### Interpretation of UPMIFA

The Board of Directors of the Foundation has interpreted 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 organization 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 organization
- (7) The investment policies of the organization

### 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 and the Barclays Index while assuming a moderate level of investment risk.

**Strategies employed for achieving objectives**

The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to: (i) stabilize scholarship funding during periods of below normal annual campaigns; (ii) fund special initiatives; (iii) ensure long-term growth; (iv) enhance our ability to meet changing Foundation needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

**Spending policy and how the investment objectives relate to spending policy**

The Finance/Investment Committee of the Board of Directors reviews the income distribution and spending policy annually and makes recommendations to the Board of Directors. Currently, the practice is to spend interest earned on endowment funds and retain any market gains in the endowment fund. Any other related proceeds are reinvested in the endowment fund. Within these parameters, the amount of the disbursement shall be determined annually by the Foundation Board of Directors, who may also elect to take no distribution in any given year.

**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. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any such deficiencies for fiscal year 2016 or 2015.

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the Foundation Board of Directors will be required.

**INDEPENDENT AUDITORS' 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**

Board of Directors  
Clark State Community College Foundation  
Springfield, Ohio

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 Clark State Community College Foundation, which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Clark State 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clark State Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Clark State Community College Foundation's internal control.

*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. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clark State 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 audits, 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*.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 7, 2016



**At Clark Schaefer Hackett,** we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

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# Dave Yost • Auditor of State

**CLARK STATE COMMUNITY COLLEGE FOUNDATION**

**CLARK 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 15, 2016**