

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

Financial Statements

June 30, 2019 and 2018

with Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
CPAS & ADVISORS





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Board of Directors  
Cincinnati State Technical and Community College Foundation  
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We have reviewed the *Independent Auditors' Report* of the Cincinnati State Technical and Community College Foundation, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2018 through June 30, 2019. 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.

Keith Faber  
Auditor of State  
Columbus, Ohio

November 13, 2019

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of  
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 (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Cincinnati State Technical and Community College Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of Cincinnati State Technical and Community College Foundation as of June 30, 2018, were audited by other auditors whose report dated October 12, 2018 expressed an unmodified opinion on those statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, on our consideration of Cincinnati State Technical and 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 solely 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 effectiveness of Cincinnati State Technical and Community College Foundation's 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 Cincinnati State Technical and Community College Foundation's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 14, 2019



Cincinnati State Technical and Community College Foundation  
 Statements of Financial Position  
 June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 908,631	1,581,658
Investments	10,433,115	9,248,284
Pledges receivable - net	301,420	667,536
Assets held in remainder unitrust	273,650	-
Prepaid expenses and other assets	11,412	20,855
	\$ 11,928,228	11,518,333
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - related party	\$ 125,773	229,683
Charitable remainder unitrust obligation	102,446	-
	228,219	229,683
<b>Net assets</b>		
Without donor restrictions	341,689	625,271
With donor restrictions	11,358,320	10,663,379
	11,700,009	11,288,650
	\$ 11,928,228	11,518,333

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 166,592	1,295,922	1,462,514
In-kind support from College	198,101	-	198,101
Investment return, net	73,705	572,458	646,163
Net assets released from restrictions	<u>1,173,439</u>	<u>(1,173,439)</u>	<u>-</u>
Total revenues and other support	<u>1,611,837</u>	<u>694,941</u>	<u>2,306,778</u>
Expenses			
Program	1,130,722	-	1,130,722
Management and general	481,616	-	481,616
Fundraising	<u>283,081</u>	<u>-</u>	<u>283,081</u>
Total expenses	<u>1,895,419</u>	<u>-</u>	<u>1,895,419</u>
Change in net assets	(283,582)	694,941	411,359
Net assets at beginning of year	<u>625,271</u>	<u>10,663,379</u>	<u>11,288,650</u>
Net assets at end of year	\$ <u><u>341,689</u></u>	<u><u>11,358,320</u></u>	<u><u>11,700,009</u></u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 261,280	2,278,890	2,540,170
In-kind donations	266,424	-	266,424
Investment return, net	81,071	451,376	532,447
Net assets released from restrictions	<u>1,083,341</u>	<u>(1,083,341)</u>	<u>-</u>
Total revenues and other support	<u>1,692,116</u>	<u>1,646,925</u>	<u>3,339,041</u>
Expenses			
Program	1,135,649	-	1,135,649
Management and general	433,496	-	433,496
Fundraising	<u>287,296</u>	<u>-</u>	<u>287,296</u>
Total expenses	<u>1,856,441</u>	<u>-</u>	<u>1,856,441</u>
Change in net assets	(164,325)	1,646,925	1,482,600
Net assets at beginning of year	<u>789,596</u>	<u>9,016,454</u>	<u>9,806,050</u>
Net assets at end of year	\$ <u><u>625,271</u></u>	<u><u>10,663,379</u></u>	<u><u>11,288,650</u></u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Accounting fees	\$ -	23,540	-	23,540
Campaign expense	-	218,500	64,500	283,000
Bank and other fees	-	6,337	-	6,337
Instruction	870,395	-	-	870,395
In-kind support	218,581	18,215	218,581	455,377
Retention initiative	4,173	-	-	4,173
Schell loan initiative	12,512	-	-	12,512
Uncollectible pledges	-	21,008	-	21,008
Subcontracted services	-	124,847	-	124,847
Software and training expense	-	57,883	-	57,883
Meetings	13,396	-	-	13,396
Legal fees	-	10,313	-	10,313
Sundry	11,665	973	-	12,638
	<u>11,665</u>	<u>973</u>	<u>-</u>	<u>12,638</u>
Total expenses	\$ <u>1,130,722</u>	<u>481,616</u>	<u>283,081</u>	<u>1,895,419</u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Accounting fees	\$ -	39,160	-	39,160
Campaign expense	-	164,500	54,833	219,333
Bank and other fees	-	5,477	-	5,477
Instruction	865,449	-	-	865,449
In-kind support	232,463	19,372	232,463	484,298
Schell loan initiative	8,614	-	-	8,614
Uncollectible pledges	-	60,269	-	60,269
Gift administration fee	-	2,515	-	2,515
Subcontracted services	-	104,552	-	104,552
Software and training expense	-	20,603	-	20,603
Meetings	17,867	-	-	17,867
Legal fees	-	16,678	-	16,678
Sundry	11,256	370	-	11,626
	<u>11,256</u>	<u>370</u>	<u>-</u>	<u>11,626</u>
Total expenses	\$ <u>1,135,649</u>	<u>433,496</u>	<u>287,296</u>	<u>1,856,441</u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation  
 Statements of Cash Flows  
 Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 411,359	1,482,600
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Contributions restricted for endowment	(50,835)	(952,582)
Net realized and unrealized gains on investments	(420,017)	(343,861)
Net change in value of remainder trust	(32,713)	-
Bad debt expense	21,008	60,269
Changes in operating assets and liabilities:		
Pledges receivable	345,108	(499,600)
Prepaid expenses and other assets	9,443	(20,855)
Payable due to College	(103,910)	93,350
Charitable remainder unitrust obligation	102,446	-
Net cash provided by (used in) operating activities	281,889	(180,679)
Cash flows from investing activities:		
Purchase of investments, net of sales and maturities	(764,814)	(457,686)
Purchase of assets in remainder trust	(240,937)	-
Net cash used in investing activities	(1,005,751)	(457,686)
Cash flows from financing activities:		
Contributions permanently restricted for endowment	50,835	952,582
Change in cash and cash equivalents	(673,027)	314,217
Cash and cash equivalents at beginning of year	1,581,658	1,267,441
Cash and cash equivalents at end of year	\$ 908,631	1,581,658

See accompanying notes to the financial statements.

## **1. Nature of Organization and Significant Accounting Policies**

### **Organization**

Cincinnati State Technical and Community College Foundation (the "Foundation") was organized to promote and support the programs, services, and capital improvement projects of the Cincinnati State Technical and Community College (the "College") and to solicit, receive, hold, and administer gifts 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.

### **Adoption of new accounting standard**

During 2019, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies and presentation of a statement of functional expenses as part of the basic financial statements. The Foundation has implemented this guidance and applied retrospectively to all periods presented, except for the liquidity disclosure in Note 9, which is disclosed for one year, as permitted. There was no impact to total net asset balances.

### **Basis of presentation**

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP), which requires the Foundation to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Foundation or by the passage of time. Some donor restrictions are perpetual in nature whereby the principal is to be maintained intact in perpetuity and that only the income from investment thereof be expended either for the general purpose of the Foundation, or purposes specified by the donor.

### **Cash equivalents**

The Foundation considers all investments with an original maturity of three months or less when purchased 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 includes 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 stated at fair value. The fair value of investments is estimated based on quoted market prices for those similar investments. Realized and unrealized gains or losses are determined by the difference between carrying value and fair value. Gains and losses and investment income derived from investments are accounted for as income with donor restrictions or income without donor restrictions based on any restrictions imposed by donors. Interest and dividends are reported net of related investment fees.

### **Assets held in remainder unitrust**

Assets held in remainder unitrust are resources held and administered by an outside trustee for the benefit of the Foundation. This account is reported at estimated fair value of the Foundation's interest of assets within the trust with changes in value included in the statements of activities and changes in net assets. Under the terms of the trust, the Foundation has the irrevocable right to receive the trust assets when the trust terminates in accordance with the trust agreement. During the term of the trust, income distributions are made to a third-party beneficiary in accordance with the terms of the trust. This beneficiary's right to receive these distributions is recognized as a charitable remainder unitrust obligation on the statements of financial position.

### **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 amounts reported in the financial statements.

### **Contributions**

Contributions, including unconditional promises to give in the future, are measured at fair value and reported as revenue when received or receivable. Donor unconditional 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 support with donor restrictions. All other contributions are reported as support without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets 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.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. Based upon management's judgment, considering such factors as prior collection history, type of contribution, and nature of fundraising activity, the Foundation recorded an allowance of \$61,000 and \$52,000 for uncollectible pledges receivable as of June 30, 2019 and 2018, respectively.

### **Income taxes**

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

### **Functional allocation of expenses**

Total expenses consist of expenses relating to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Personnel and related benefit costs that are included in campaign and in-kind support, are allocated based upon management's estimates of time expended by function. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.



**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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. Such reclassifications had no effect on change in net assets as previously reported.

**Subsequent events**

The financial statements and related disclosures include evaluation of events up through and including October 14, 2019, which is the date the financial statements were available to be issued.

**2. Pledges Receivable**

As of June 30, 2019 and 2018, net pledges receivable are classified as net assets with donor restrictions since they will either expire or be fulfilled within a specified period of time. Net pledges receivable consist of the following as of June 30, 2019 and 2018:

	2019	2018
Pledges due in one year or less	\$ 210,534	\$ 610,553
Pledges due from one to five years	124,821	77,407
Pledges due after five years	42,001	45,000
Gross pledges receivable	377,356	732,960
Less allowance for uncollectible pledges	61,000	52,000
Less discount for long-term pledges	14,936	13,424
Net pledges receivable	\$ 301,420	\$ 667,536

**3. Investments**

Investments consisted of the following at June 30:

	2019	2018
Cash equivalents	\$ 305,261	\$ 365,711
Equity securities	7,071,842	6,247,928
Debt securities	2,637,327	2,583,643
Real estate investments	26,564	51,002
Alternative investments	392,121	-
Total investments	\$ 10,433,115	\$ 9,248,284

Investment income during the years ended June 30, 2019 and 2018 are net of investment fees of \$55,758 and \$48,164, respectively.

#### 4. Fair Value Measurements

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

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 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.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

##### Assets Measured at Fair Value on a Recurring Basis at June 30, 2019

	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, 2019
Equities - common stocks	\$ 4,050,916	\$ -	\$ -	\$ 4,050,916
Equities - mutual funds	3,005,813	-	-	3,005,813
Fixed income - preferred stock	15,114	-	-	15,114
Fixed income - mutual funds	2,455,021	-	-	2,455,021
Fixed income - corporate bonds	172,594	-	-	172,594
Fixed income - U.S. Government	9,711	-	-	9,711
Real estate mutual funds	26,564	-	-	26,564
Alternative mutual funds	392,121	-	-	392,121
	<u>\$ 10,127,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,127,854</u>

**Assets Measured at Fair Value on a Recurring Basis at June 30, 2018**

	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, 2018
Equities - common stocks	\$ 3,781,180	\$ -	\$ -	\$ 3,781,180
Equities - mutual funds	2,466,745	-	-	2,466,745
Fixed income - preferred stock	15,024	-	-	15,024
Fixed income - mutual funds	2,480,192	-	-	2,480,192
Fixed income - corporate bonds	88,427	-	-	88,427
Real estate mutual funds	51,002	-	-	51,002
	<u>\$ 8,882,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,882,570</u>

Investments on the statement of financial position at June 30, 2019 and 2018 include cash equivalents of \$305,261 and \$365,714, respectively. The Foundation's investments in cash equivalents are measured at amortized cost; therefore, they are not included in the table above.

**5. Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted for the following purposes or periods at June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 301,420	\$ 667,536
Special purpose funds	3,588,531	2,660,791
Income on endowments	572,458	489,976
Endowment funds - perpetual portion	<u>6,895,911</u>	<u>6,845,076</u>
Total	<u>\$ 11,358,320</u>	<u>\$ 10,663,379</u>

**6. Endowment**

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of UPMIFA:

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 net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions 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

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. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Foundation's Board of Directors.

Funds with deficiencies are as follows as of June 30:

	2019	2018
Fair value of underwater endowment assets	\$ 330,214	828,038
Original endowment gift amounts	332,727	831,385
Endowment gifts in excess of endowment assets	\$ (2,513)	(3,347)

Investment return objectives:

The Foundation has adopted the investment and spending policies for endowment assets. The investment strategy of the Endowment is to emphasize total return with reasonable withdrawal requirements being met from interest, dividends and capital appreciation. The endowment will strive for a proper balance between preservation of capital and enhancement of purchasing power. The commitment to total return is based on the premise that over longer periods of time, common stocks should outperform fixed income instruments and the Endowment will be better served by taking a long-term perspective and weighting asset allocations towards capital appreciation. It is recognized that over shorter time frames this approach carries with it the risks of volatility, the threat of investment losses, and the possibility of using principal when total return is less than the needs of the Endowment. The Foundation's overall goal is to provide additional real growth through new endowment gifts and investment returns.

Specific investment goals:

The investment time horizon for the Endowment is aimed to last in perpetuity. The Finance Committee requires that all the Endowment assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment, with minimal impact on market price. It is the goal of the aggregate Endowment assets to meet or exceed the absolute rate of return of a benchmark policy index based upon the strategic asset allocation of the fund to various broad asset classes. The Endowment will be managed with a long-term risk tolerance of moderate/aggressive, reflecting a benchmark of 65% S&P 500 and 35% Bloomberg Barclays US Aggregate Bond Index.

Annual spending policy:

The Foundation has a policy of appropriating for distribution each year 5% of the 3-year rolling balance average of its endowment funds, or an amount equal to the previous year's distribution, whichever is higher. The calculation is based on the calendar year end preceding the fiscal year in which the distribution is planned.

The endowment fund activity for the years ended June 30, 2019 and 2018 was as follows:

Endowment Net Assets			
<u>Composition by Type of Fund as of June 30, 2019</u>			
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Donor-restricted endowment funds	\$ -	8,609,149	8,609,149
Term endowment funds	-	215,687	215,687
Total	\$ -	8,824,836	8,824,836

Changes in Endowment			
<u>Net Assets for the Fiscal Year Ended June 30, 2019</u>			
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Endowment net assets, July 1, 2018	\$ -	8,511,810	8,511,810
Investment income:			
Investment income, net of fees	-	189,035	189,035
Net appreciation, realized and unrealized	-	383,423	383,423
Contributions	-	50,835	50,835
Appropriations of assets for expenditure	-	(310,267)	(310,267)
Endowment net assets, June 30, 2019	\$ -	8,824,836	8,824,836

Endowment Net Assets			
<u>Composition by Type of Fund as of June 30, 2018</u>			
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Donor-restricted endowment funds	\$ -	8,253,180	8,253,180
Term endowment funds	-	258,630	258,630
Total	\$ -	8,511,810	8,511,810

	Changes in Endowment		
	<u>Net Assets for the Fiscal Year Ended June 30, 2018</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Endowment net assets, July 1, 2017	\$ -	7,336,597	7,336,597
Investment income:			
Investment income, net of fees	-	156,327	156,327
Net appreciation, realized and unrealized	-	295,049	295,049
Contributions	-	952,582	952,582
Appropriations of assets for expenditure	<u>-</u>	<u>(228,745)</u>	<u>(228,745)</u>
Endowment net assets, June 30, 2018	\$ <u>-</u>	<u>8,511,810</u>	<u>8,511,810</u>

## 7. Related Party Transactions

The 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, 2019 and 2018, these amounts totaled \$198,101 and \$266,424, respectively. These amounts are classified as in-kind donations in the statements of activities and changes in net assets.

## 8. Intention to Give

In January 2017, the Foundation was notified that it was a beneficiary of a revocable trust in which it has a 1/6th interest in its assets. The trust has subsequently been included in a lawsuit to determine which assets should be included in the trust for distribution to beneficiaries. As of June 30, 2019 and 2018, the Foundation was unable to estimate the value of the remaining trust assets that will be distributed due to the ongoing litigation. Due to this, the Foundation did not record a bequest receivable on the statements of financial position at June 30, 2019 and 2018.

**9. Availability of Financial Assets**

The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 908,631
Investments	10,433,115
Pledges receivable	<u>301,420</u>
Financial assets available at year-end	11,643,166
Less those unavailable for general expenditures within one year due to:	
Net assets with donor restrictions	<u>11,358,320</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 284,846</u>

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is invested in short-term, highly liquid investments during the year. If additional financial assets are needed based on unexpected needs, certain amounts from the endowment fund could be made available as necessary by adjusting the endowment spending policy distributions.

**10. Recent Accounting Pronouncement**

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal) transaction or as an exchange (reciprocal) transaction. The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Foundation’s financial statements for the year ending December 31, 2019.

Management is currently evaluating the methods of adoption allowed by the new standard and the effect the standard is expected to have on the financial statements and related disclosures.

**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 of  
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, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2019.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati State Technical and Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Cincinnati State Technical and 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.



**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*.

**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 Cincinnati State Technical and 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 Cincinnati State Technical and 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 14, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**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 26, 2019**