

***CUYAHOGA COMMUNITY
COLLEGE FOUNDATION***

*Financial Statements
for the Years Ended
June 30, 2000 and 1999
and Independent Auditors' Report*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Cuyahoga Community College Foundation

We have reviewed the Independent Auditor's Report of the Cuyahoga Community College Foundation, Cuyahoga County, prepared by Deloitte & Touche LLP, for the audit period July 1, 1999 to June 30, 2000. 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 Cuyahoga Community College Foundation is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 28, 2000

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cuyahoga Community College Foundation:

We have audited the accompanying statement of financial position of Cuyahoga Community College Foundation (the "Foundation") as of June 30, 2000, and the related statements of activities and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of and for the year ended June 30, 1999 were audited by other auditors whose report, dated December 3, 1999, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the June 30, 2000 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2000, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 30, 2000

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2000 AND 1999

ASSETS	2000	1999
Cash and cash equivalents	\$ 214,339	\$ 1,118,741
Investments (Note 3)	6,408,350	4,680,316
Receivables:		
Pledges (Note 2)	2,282,107	63,623
Due from related party (Note 4)	<u>44,550</u>	<u>60,842</u>
TOTAL	<u>\$8,949,346</u>	<u>\$5,923,522</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES - Due to related party (Note 4)	<u>\$ 297,521</u>	<u>\$ 44,037</u>
NET ASSETS (Note 5):		
Unrestricted	128,368	21,577
Temporarily restricted	7,090,797	4,412,865
Permanently restricted	<u>1,432,660</u>	<u>1,445,043</u>
Total net assets	<u>8,651,825</u>	<u>5,879,485</u>
TOTAL	<u>\$8,949,346</u>	<u>\$5,923,522</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME AND OTHER SUPPORT:				
Contributions	\$ 135,734	\$ 2,851,846	\$ 2,672	\$2,990,252
Grants (Note 4)		591,850		591,850
Special events revenue		216,679		216,679
Interest and dividend income	13,572	183,630		197,202
Realized gains on investments	27,824	497,103	162,072	686,999
Unrealized losses on investments	(29,159)	(553,959)	(177,127)	(760,245)
Net assets released from restriction	<u>1,109,217</u>	<u>(1,109,217)</u>		
Total revenues, gains and other support	<u>1,257,188</u>	<u>2,677,932</u>	<u>(12,383)</u>	<u>3,922,737</u>
EXPENSES:				
Program services:				
Scholarships	361,049			361,049
Educational development	<u>621,850</u>			<u>621,850</u>
Total program services	982,899			982,899
Special events	32,089			32,089
Administration and general	121,409			121,409
Fundraising	<u>14,000</u>			<u>14,000</u>
Total expenses	<u>1,150,397</u>			<u>1,150,397</u>
CHANGE IN NET ASSETS	106,791	2,677,932	(12,383)	2,772,340
NET ASSETS, BEGINNING OF YEAR	<u>21,577</u>	<u>4,412,865</u>	<u>1,445,043</u>	<u>5,879,485</u>
NET ASSETS, END OF YEAR	<u>\$ 128,368</u>	<u>\$ 7,090,797</u>	<u>\$ 1,432,660</u>	<u>\$ 8,651,825</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME AND OTHER SUPPORT:				
Contributions	\$ 38,911	\$ 278,977	\$ 52,028	\$ 369,916
Grants (Note 4)		720,763		720,763
Special events revenue		228,174		228,174
Interest and dividend income	501	146,527		147,028
Realized gains on investments		137,293	46,313	183,606
Unrealized gains on investments		158,262	49,112	207,374
Net assets released from restriction	<u>1,029,129</u>	<u>(1,029,129)</u>		
Total revenues, gains and other support	<u>1,068,541</u>	<u>640,867</u>	<u>147,453</u>	<u>1,856,861</u>
EXPENSES:				
Program services:				
Scholarships	212,197			212,197
Educational development	<u>720,754</u>			<u>720,754</u>
Total program services	932,951			932,951
Special events	62,185			62,185
Administration and general	<u>67,409</u>			<u>67,409</u>
Total expenses	<u>1,062,545</u>			<u>1,062,545</u>
CHANGE IN NET ASSETS	5,996	640,867	147,453	794,316
NET ASSETS, BEGINNING OF YEAR	<u>15,581</u>	<u>3,771,998</u>	<u>1,297,590</u>	<u>5,085,169</u>
NET ASSETS, END OF YEAR	<u>\$ 21,577</u>	<u>\$ 4,412,865</u>	<u>\$ 1,445,043</u>	<u>\$ 5,879,485</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,772,340	\$ 794,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized gain on sale of investments	(686,999)	(183,606)
Net unrealized (loss) gain on investments	760,245	(207,374)
Increase (decrease) in pledges receivable	(2,218,484)	23,410
Increase (decrease) in due to related party - net	<u>269,776</u>	<u>(25,809)</u>
Cash provided by operating activities	<u>896,878</u>	<u>400,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,624,147)	(960,612)
Proceeds from sale of investments	<u>822,867</u>	<u>878,856</u>
Cash used in investing activities	<u>(1,801,280)</u>	<u>(81,756)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(904,402)	319,181
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,118,741</u>	<u>799,560</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 214,339</u>	<u>\$ 1,118,741</u>

See the accompanying notes to financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Financial Statement Presentation - The Cuyahoga Community College Foundation (the "Foundation") was incorporated in August 1973 as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations and foundations to be distributed as scholarships to persons attending Cuyahoga Community College (the "College"), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes.

Basiss of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with the guidelines of the American Institute of Certified Public Accountants *Audit Guide for Not-for Profit Organizations*. The Foundation presents information regarding its net assets and activities in the following three categories:

Unrestricted - Net assets are under the discretionary control of the Board of Trustees (the "Board") and include amounts designated by the Board for specified purposes.

Temporarily Restricted - Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. As restrictions are met or expire, the net assets are released from restrictions and transferred to unrestricted.

Permanently Restricted - Net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income on these net assets is generally used for scholarships or educational development programs.

Net investment income on permanently restricted net assets is classified as either permanently restricted, temporarily restricted or unrestricted, depending on the gift agreement.

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 as net assets released from restrictions.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include amounts held for disbursements and amounts received from contributions which are held pending investment. Cash and cash equivalents includes cash on hand, cash in checking accounts and short-term investments with an original maturity of three months or less.

Investment - Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities and changes of net assets.

Pledges Receivable - The Foundation records pledges and unconditional promises to give as a receivable and revenue in the year the pledge is made. Conditional promises to give are not recorded until the conditions are substantially met.

Contributions - Contributions, bequests, special gifts and other donations are recorded as revenue when received or, if by pledge, when the unconditional pledge is made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash bequests, gifts, and donations are recorded at fair market value of the asset at the date of donation.

Program Services Expenses - All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statements of activities when the specified conditions are satisfied.

Contributed Services - The Foundation recognizes contributed services received from the College when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. The Foundation recognized \$50,000 and \$32,550 worth of contributed services for the years ended June 30, 2000 and 1999, respectively, relating to individuals providing specialized skills that would have been purchased if not donated by the College.

New Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and for Hedging Activities*. This statement establishes accounting and reporting standards requiring that derivative instruments be recorded on the balance sheet as either an asset or a liability measured at fair value. SFAS No. 133 requires that changes in the fair value of derivatives be recognized currently in earnings unless specified hedge accounting criteria are met. SFAS No. 133 is expected to become effective for the Foundation's fiscal year ending June 30, 2001. The Foundation has not completed its analysis of SFAS No. 133 and accordingly, has not yet determined whether SFAS No. 133 will have any impact on its financial statements.

In June 1999, the FASB issued SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement establishes accounting and reporting standards for transactions in which a donor transfers assets to a not-for-profit organization that accepts the assets from the donor and agrees to transfer those assets, the return on investment, or both, to the donor or another entity specified by the donor. Pursuant to SFAS No. 136, certain transfers of assets are considered liabilities, rather than contribution revenue, by the receiving not-for-profit organization. SFAS No. 136 is effective for the Foundation's year ending June 30, 2001. The Foundation has not completed its analysis of SFAS No. 136 and, accordingly, has not yet determined the impact of SFAS No. 136 on the Foundation's financial statements.

Reclassifications - Certain reclassifications were made to the 1999 financial statements to conform to the classifications used in 2000.

2. PLEDGES RECEIVABLE

Donors to the Foundation have made promises to give totaling \$2,282,107 and \$63,623 as of June 30, 2000 and 1999, respectively. Pledges are discounted to their present value based on their respective terms and a discount rate of 5.75%, compounded annually. The discounted pledges are scheduled to be collected as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	\$ 51,529	\$ 551,602	\$ -	\$ 603,131
One year or more	<u> </u>	<u>1,678,976</u>	<u> </u>	<u>1,678,976</u>
Total	<u>\$ 51,529</u>	<u>\$2,230,578</u>	<u>\$ -</u>	<u>\$2,282,107</u>

3. INVESTMENTS

In accordance with professional standards, the Foundation reports its investments at their fair values (based on quoted market prices) in the statement of financial position. Unrealized gains and losses are included in the change in net assets shown in the statement of activities.

Investments are stated at fair value at June 30, 2000 and 1999, and consist of common stock, government and corporate bonds and mutual funds as follows:

	<u>2000</u>	
	Cost	Fair Value
Common Stock	\$2,247,097	\$2,671,901
U.S. Government Bonds	1,161,222	1,184,400
Corporate Bonds	894,920	865,300
Mutual Funds	<u>1,589,346</u>	<u>1,686,749</u>
	<u>\$5,892,585</u>	<u>\$6,408,350</u>
	<u>1999</u>	
	Cost	Fair Value
Common Stock	\$1,762,531	\$3,011,727
U.S. Government Bonds	821,846	833,642
Corporate Bonds	850,178	823,123
Mutual Funds	<u>11,937</u>	<u>11,824</u>
	<u>\$3,446,492</u>	<u>\$4,680,316</u>

4. RELATED PARTY TRANSACTIONS

The Foundation scholarships are awarded by the College. The Foundation received on behalf of the College grants from private foundations totaling \$591,850 and \$720,763 in fiscal years 2000 and 1999, respectively, and made promises to give these monies to the College for educational development programs. Outstanding promises to give grant monies to the College were \$297,521 and \$44,037 at June 30, 2000 and 1999, respectively.

The College, on behalf of the Foundation, collects special events parking revenue and other special events revenue during the year, of which \$44,550 and \$60,842 is due the Foundation as of June 30, 2000 and 1999, respectively.

5. NET ASSETS

Temporarily restricted and permanently restricted net assets are:

	June 30, 2000				
	Restricted		Held in		
	Permanently	Temporarily	Cash and Cash Equivalents	Investments	Receivables
Scholarships	\$ 1,432,660	\$ 6,269,942	\$ 191,344	\$ 5,280,680	\$ 2,230,578
Educational support	<u> </u>	<u>820,855</u>	<u>20,391</u>	<u>755,914</u>	<u>44,550</u>
	1,432,660	7,090,797	211,735	6,036,594	2,275,128
Unrestricted	<u> </u>	<u> </u>	<u>2,604</u>	<u>371,756</u>	<u>51,529</u>
Total	<u>\$ 1,432,660</u>	<u>\$ 7,090,797</u>	<u>\$ 214,339</u>	<u>\$ 6,408,350</u>	<u>\$ 2,326,657</u>

	June 30, 1999				
	Restricted		Held in		
	Permanently	Temporarily	Cash and Cash Equivalents	Investments	Receivables
Scholarships	\$ 1,445,043	\$ 3,662,724	\$ 857,514	\$ 4,186,630	\$ 63,623
Educational support	<u> </u>	<u>750,141</u>	<u>257,121</u>	<u>432,178</u>	<u>60,842</u>
	1,445,043	4,412,865	1,114,635	4,618,808	124,465
Unrestricted	<u> </u>	<u> </u>	<u>4,106</u>	<u>61,508</u>	<u> </u>
Total	<u>\$ 1,445,043</u>	<u>\$ 4,412,865</u>	<u>\$ 1,118,741</u>	<u>\$ 4,680,316</u>	<u>\$ 124,465</u>

Net assets were released from restriction for the following purposes:

	2000	1999
Scholarships	\$ 361,049	\$ 212,197
Educational and development	591,850	720,754
Educational support	124,259	33,993
Special events	<u>32,089</u>	<u>62,185</u>
Total	<u>\$ 1,109,247</u>	<u>\$ 1,029,129</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Cuyahoga Community College Foundation:

We have audited the financial statements of Cuyahoga Community College Foundation (the "Foundation") as of and for the year ended June 30, 2000, and have issued our report thereon dated October 30, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Foundation in a separate letter dated October 30, 2000.

This report is intended for the information of the Board of Trustees, Foundation management, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CUYAHOGA COMMUNITY COLLEGE FOUNDATION

CUYAHOGA 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
DECEMBER 7, 2000**